

Economic scenario 2023 March



Lietuvos Respublikos
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Economy shows resilience

GDP growth in constant prices, %

6,0

1,9

0,5

3,0

2021

2022

2023

2024

Essential messages



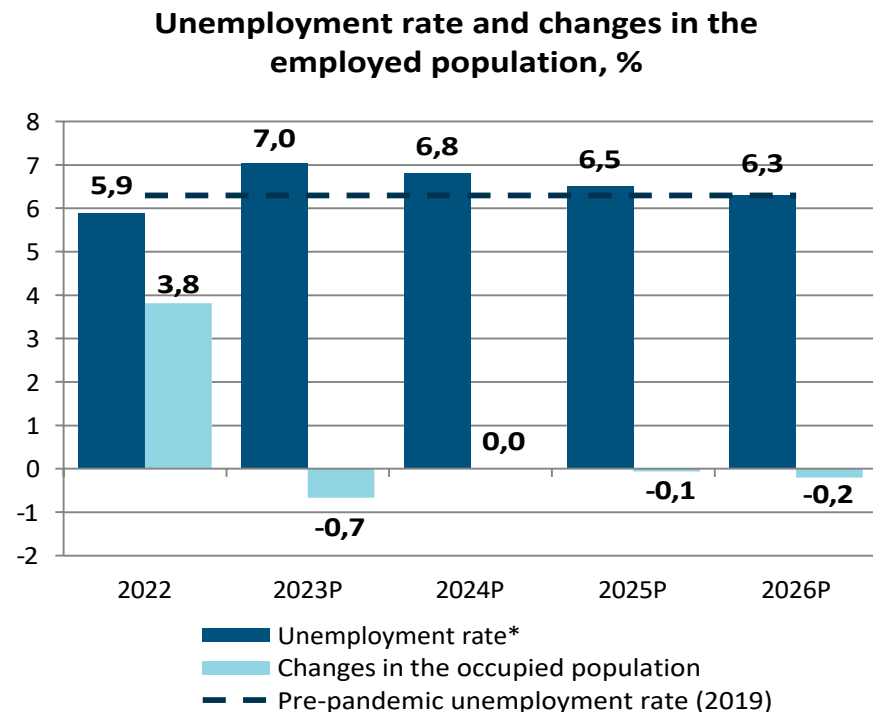
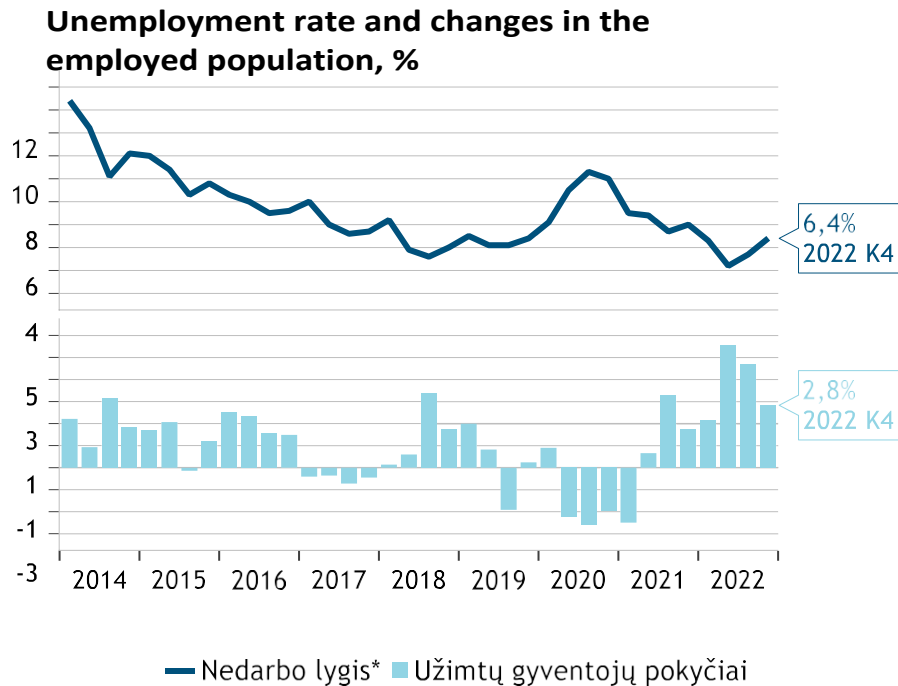
- This year, **economic activity will be dampened by** persistent geopolitical tensions due to Russia's war against Ukraine, an unstable external environment, and the growing impact of tightening monetary policy on domestic and external demand.
- **In 2023, the economy will remain on a growth path**, with real GDP changing by **0.5%**, Nominal GDP will grow at a similar pace to last year - 10.3%.
- As energy prices stabilise on international markets, average annual **inflation will slow more rapidly this year** than previously projected to **8.5%**.
- **Wage growth** will remain strong in 2023 (9.1%), **outpacing price growth**.
- **The labour market remains relatively strong**, with no significant increase in unemployment expected this year.
- The deteriorating external environment is adversely affecting the **dynamics of** Lithuanian exports.

Key indicators



NAME OF INDICATOR	2022	2023P	2024P	2025P	2026P
GDP (in current prices), EUR million	66918	73830	77780	81744	85884
Change in GDP (in constant prices), %	1,9	0,5 (0,7)	3,0 (3,0)	3,0 (3,0)	3,0
Harmonised index of consumer prices (annual average)	18,9	8,5 (9,4)	2,3 (2,3)	2,0 (2,0)	2,0
% change in investment (in constant prices)	2,6	2,7 (3,0)	5,4 (5,4)	5,4 (5,4)	5,4
Change in exports (in constant prices), %	11,3	0,0 (0,7)	4,9 (3,7)	4,9 (3,7)	4,9
Change in imports (in constant prices), %	11,1	0,3 (0,8)	5,2 (4,1)	5,2 (4,1)	5,2
Unemployment rate (according to the Employment Survey definition), per cent	5,9	7,0 (7,0)	6,8 (6,8)	6,5 (6,5)	6,3
Change in the number of people in employment, %	3,8	-0,7 (-0,7)	0,0 (0,0)	-0,1 (-0,1)	-0,2
Change in gross average monthly earnings, %	13,0	9,1 (9,1)	5,0 (5,0)	5,0 (5,0)	5,0
Change in the wage bill, %	16,2	8,4 (8,4)	5,0 (5,0)	4,9 (4,9)	4,8

The labour market remains relatively resilient

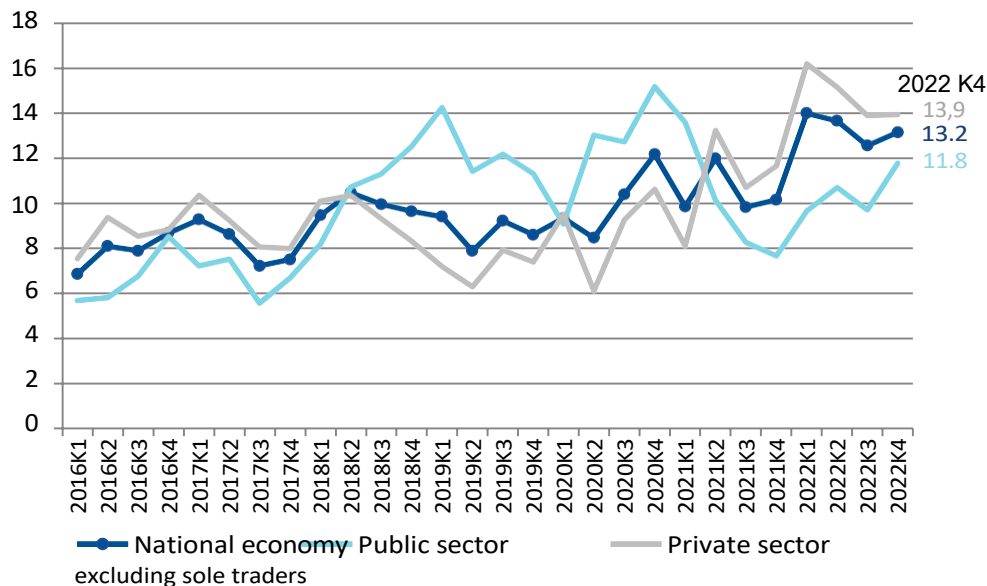


* According to the methodology of the Population Employment Survey

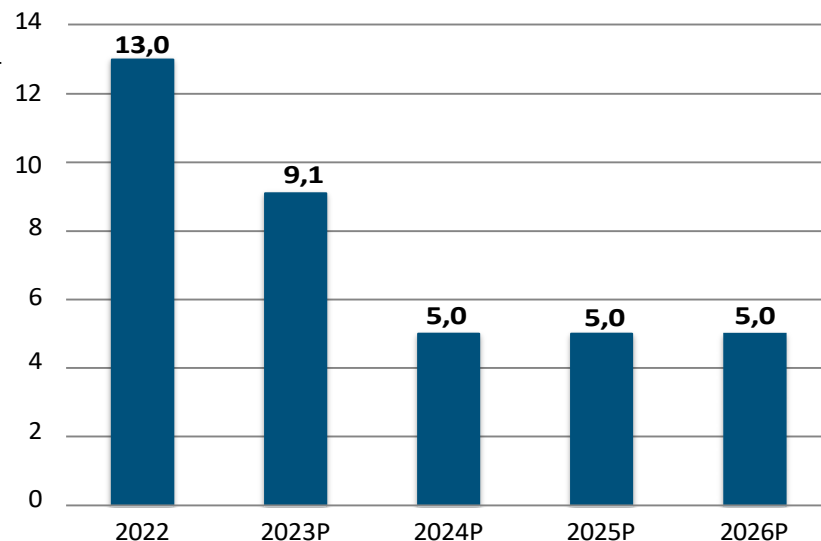
Rapid growth in GVA to continue in 2023



Annual change in wages*, % of GDP



Change in wages*, per cent

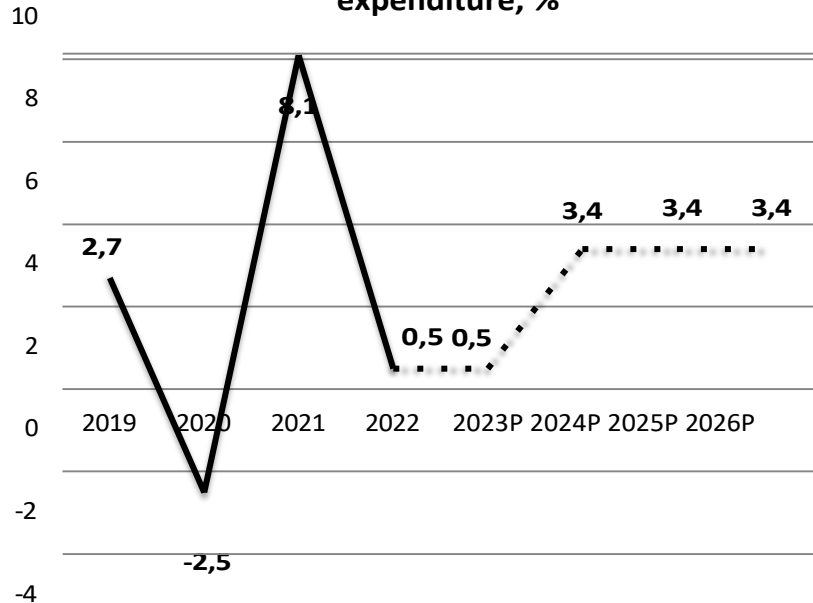


* Average gross monthly salary

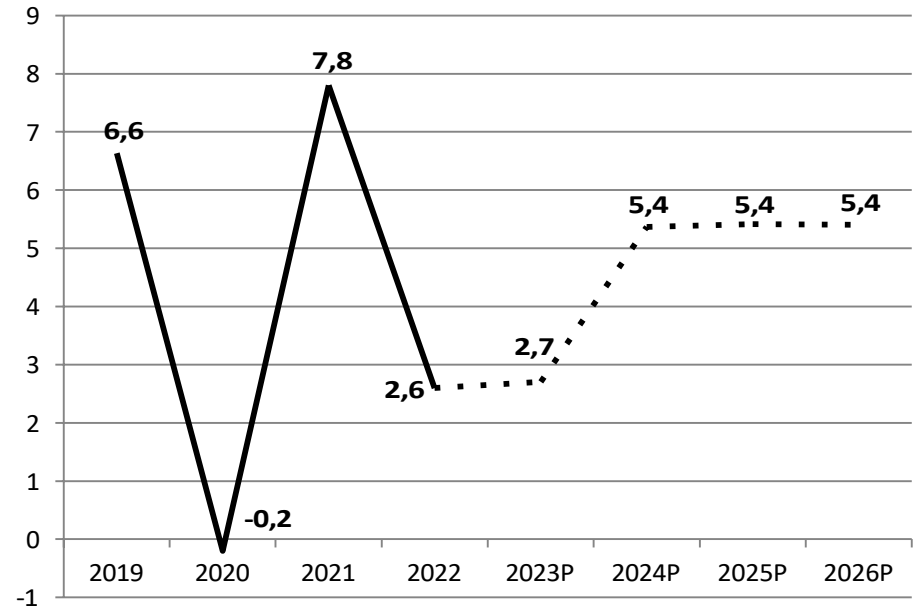
Consumption and investment will remain at similar levels to 2022.



Changes in household consumption expenditure, %

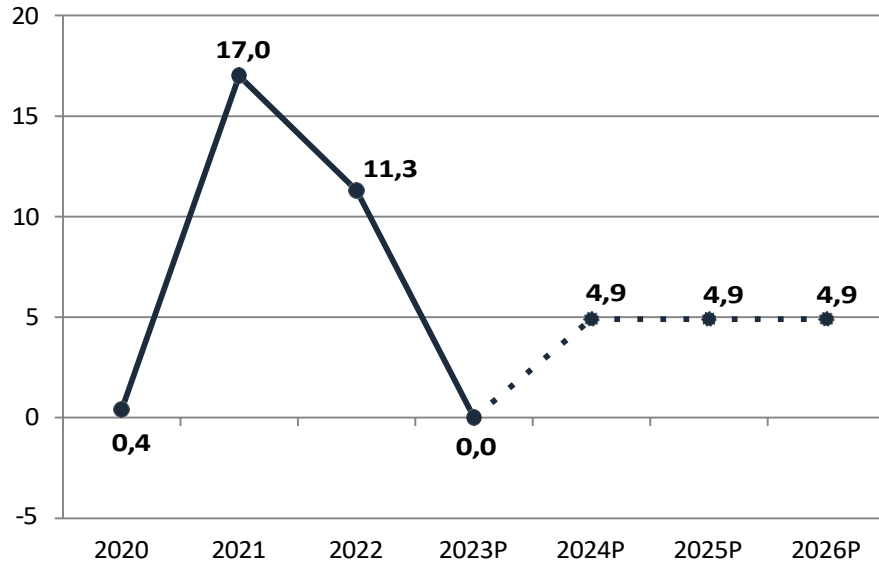


Changes in gross fixed capital formation, %

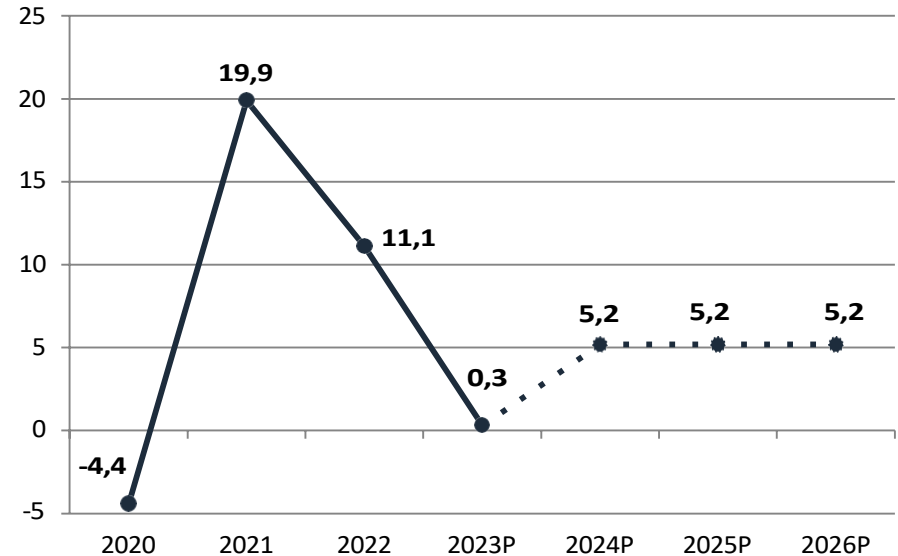


Deteriorating external environment affects exports

Annual changes in exports of goods and services (in constant prices), % of GDP



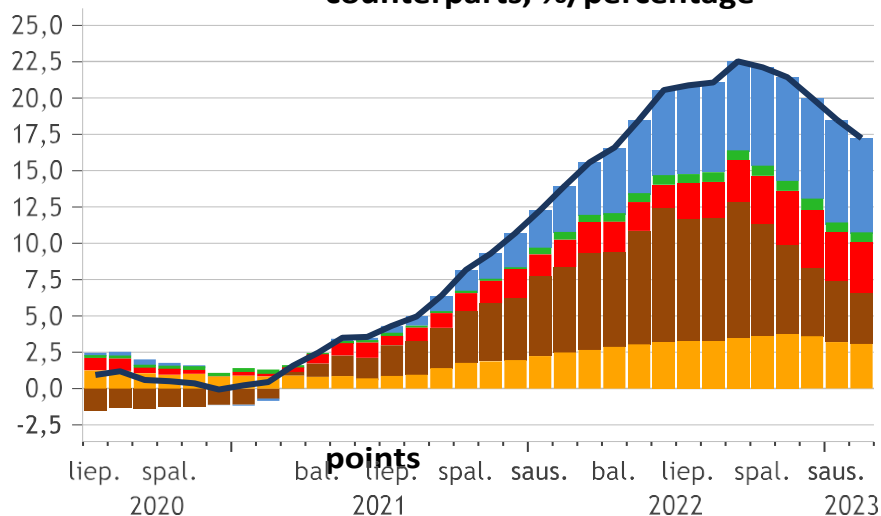
Annual changes in imports of goods and services (in constant prices), % of GDP



Inflation: a return to single-digit territory this year

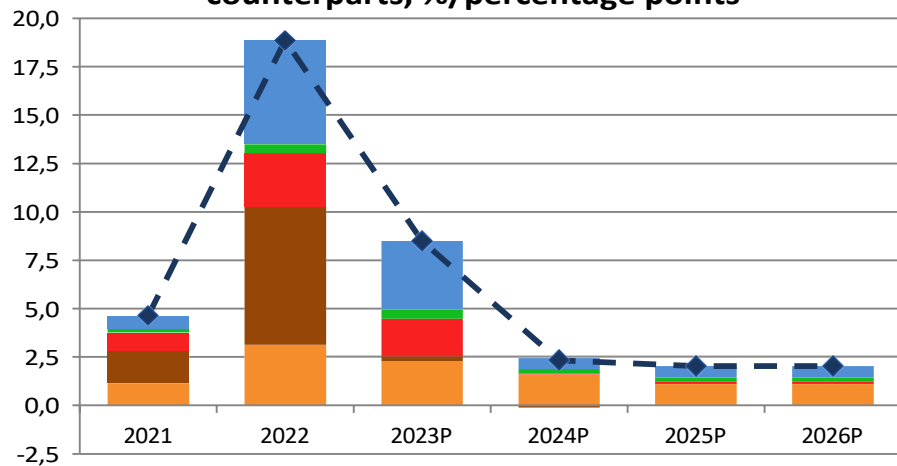


Annual inflation and its component counterparts, %/percentage



saus.

Average annual inflation and its component counterparts, %/percentage points



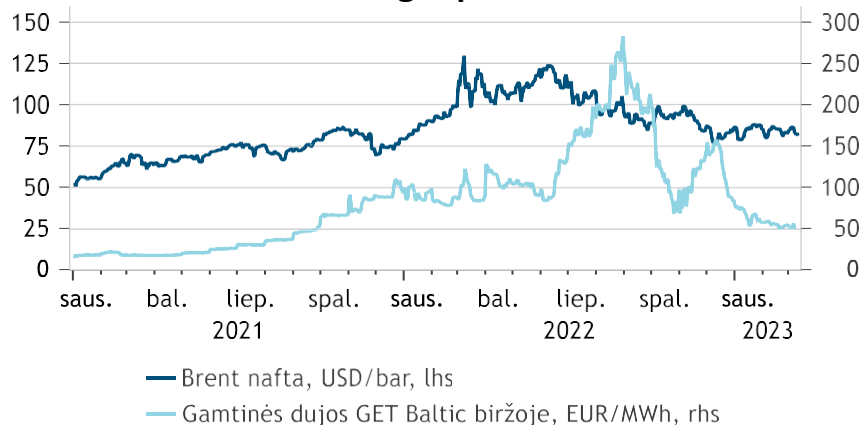
- Services
- Industrial non-energy goods
- Energy
- Alk. Beverages and tobacco Food
- Total inflation

- Infliacija iš viso
- Alk. gėrimai ir tabakas
- Energija
- Maistas
- Pramoninės ne energijos prekės
- Paslaugos

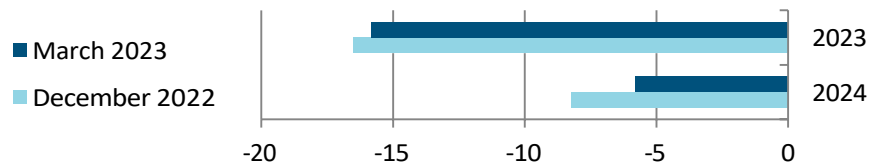
Energy and food price developments



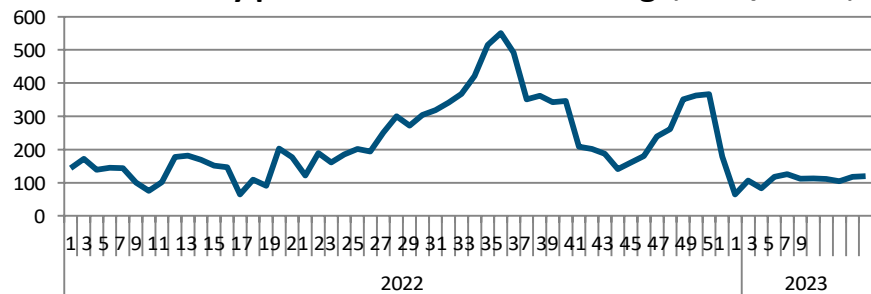
Oil and gas prices



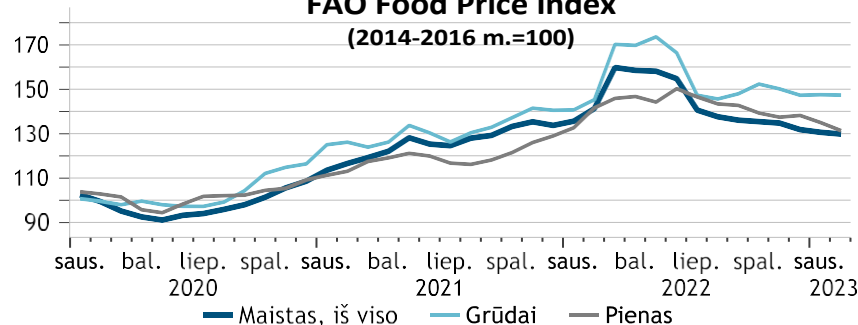
Assumptions for oil price changes (USD/bar), per cent



Electricity price on Nord Pool exchange, EUR/MWh, Jan.



FAO Food Price Index (2014-2016 m.=100)



Risk factors

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- Stronger domestic and foreign Demand
 - Fiscal policy to support growth
 - Efficient "Next Generation Lithuania" plan and other EU implementation of projects financed by the funds
 - Improved demographic trends and immigration of skilled workers
 - Accelerating the transition to green energy

- Escalation of the war in Ukraine
 - Excessive tightening of monetary policy
 - Faster energy and other increase in raw material prices
 - Less favourable developments in the euro area and global economy
 - Fluctuations in global financial markets
 - Ageing population and shortage of workers
 - New virus outbreaks
- 



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