Lietuvos Respublikos
FINANSŲ MINISTERIJA

2024 Lithuanian Draft Budgetary Plan

13 October 2023

CONTENT

TABLES

ABBREVATIONS

AW	Average wage
2022-year budget	Financial indicators of the State budget and municipal budgets for 2022 approved by the Republic of Lithuania Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2022[1]
2023-year budget	Financial indicators of the State budget and municipal budgets for 2023 approved by the Republic of Lithuania Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2023[2]
Budget framework reform	Reform of budgeting and strategic planning framework implemented in Lithuania
CHIF	Compulsory Health Insurance Fund
Constitutional Law	Republic of Lithuania Constitutional Law on the Implementation of the Fiscal Treaty[3]
Council Recommendation for Lithuania	Council Recommendation on the 2023 National Reform Agenda of Lithuania and delivering a Council opinion on the 2023 Stability Programme of Lithuania[4]
COVID-19	COVID-19 disease (Coronavirus infection)
Draft budget for 2024	Draft Law of the Republic of Lithuania on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2024[5]
DBP	Lithuanian draft budgetary plan for 2024
Economic development scenario (EDS)	Economic development scenario[6] prepared by the Ministry of Finance, published on 11 September 2023 and approved by the fiscal institution[7]

[1] **Republic of Lithuania Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2022**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/dec7de105f2211ecb2fe9975f8a9e52e/asr?positionInSearchResults=0&searchModelUUID=30674c64-f510-408c-83ab-68d2940d66b3.

[2] **Republic of Lithuania Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2023**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/40977c216c2611ed8a47de53ff967b64?positionInSearchResults=0&searchModelUUID=30674c64-f510-408c-83ab-68d2940d66b3.

[3] **Republic of Lithuania Constitutional Law on the Implementation of the Fiscal Treaty**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/6be2c020699a11e48710f0162bf7b9c5/asr?positionInSearchResults=0&searchModelUUID=30674c64-f510-408c-83ab-68d2940d66b3.

[4] **Council Recommendation for Lithuania**, https://commission.europa.eu/system/files/2023-05/COM_2023_615_1_EN.pdf.

[5] **Republic of Lithuania Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2024,** https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/277ee100638911eea182def3ac5c11d6?positionInSearchResults=0&searchModelUUID=40e901f9-af9a-4953-b5b7-b97496383cae

[6] **Economic development scenario**, https://finmin.lrv.lt/lt/aktualus-valstybes-finansu-duomenys/ekonomines-raidos-scenarijus.

[7] **Conclusion of the fiscal institution concerning the approval of the Economic development scenario**, https://www.valstybeskontrole.lt/LT/Product/24181/isvada-del-ekonomines-raidos-scenarijaus-tvirtinimo.

ESA	European System of Accounts
EU	European Union
Fiscal institution	Independent fiscal institution in Lithuania the functions of which are performed by the Budget Policy Monitoring Department of the National Audit Office of the Republic of Lithuania[8]
GDP	Gross domestic product. GDP at current prices in 2023 in the amount of EUR 72, 542.5 million indicated in the DBP
Government	Government of the Republic of Lithuania
HICP	Average annual inflation measured by the methodologically harmonised index of consumer prices across the EU Member States
IMF	International Monetary Fund
Ministry of Finance	Ministry of Finance of the Republic of Lithuania
MMW	Minimum monthly wage
MoND	Ministry of National Defence of the Republic of Lithuania
NPI	Non-profit institution
NPP	2021–2030 National Progress Plan[9]
NTA	Non-taxable amount
PIT	Personal income tax
RRF	Recovery and Resilience Facility – a new EU instrument of grants and loans to the EU Member States designated for structural reforms and related investment as well as for implementation of green and digital transformation established by Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility
RRP	A plan for structural reforms and related investment as well as for implementation of green and digital transformation facilities in Lithuania[10], which is foreseen to be implemented with the funds of the instrument Next Generation EU in 2021–2026 and which has been approved by the EU Council on 26 July 2021
Seimas	Seimas of the Republic of Lithuania
SGP	EU Stability and Growth Pact[11]
SGP general escape clause	General escape clause of the EU Stability and Growth Pact[12]

[8] Fiscal institution: https://www.valstybeskontrole.lt/LT/BiudzetoStebesena.
[9] **Government of the Republic of Lithuania Resolution No 998 of 9 September 2020 on the Approval of the National Progress Plan for 2021-2030**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/c1259440f7dd11eab72ddb4a109da1b5?jfwid=32wf90sn.
[10] **Recovery and Resilience plan of Lithuania**, https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/country-pages/lithuanias-recovery-and-resilience-plan_en#documents.
[11] **SGP** – Council Regulation (EC) No 1055/2005 of 27 June 2005 amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/legal-basis-stability-and-growth-pact_en.
[12] **EU Fiscal Policy Guidance for 2024**,

Stability Programme (SP)	2023 Stability Programme of Lithuania approved by Government of the Republic of Lithuania Resolution No 295 of 26 April 2023 on the 2023 Stability Programme of Lithuania [13]
STI	State Tax Inspectorate
Structural balance	General government structural balance indicator
VAT	Value added tax

https://economy-finance.ec.europa.eu/system/files/2023-03/COM_2023_141_1_EN_ACT_part1_v4.pdf.

[13] **2023 Stability Programme of Lithuania**, https://finmin.lrv.lt/uploads/finmin/documents/files/LT_SP2023_20230428.pdf.

INTRODUCTION

Having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area and to the Specifications on the implementation of the Two Pack, Lithuania hereby provides the European Commission and the Eurogroup with the DBP.

In 2023 Exceptional circumstances are prevailing in the Republic of Lithuania, associated with geopolitical situation and its adverse impact on general government finance. Exceptional circumstances are identified and lifted in accordance with Article 7 of the Constitutional Law. According to the Constitutional Law and the SGP, exceptional circumstances shall mean an unusual event which is beyond the control of public authorities of the state, and which has a significant impact on the financial position of general government, or severe economic downturn. On 20 September 2022, the fiscal institution published its conclusion that the unusual situation in the country was in consistency with the concept of exceptional circumstances[14] (for more information on exceptional circumstances in Lithuania see Part VI of the DBP).

The DBP has been prepared on the basis of the draft budget for 2024[15], draft laws on the approval of indicators of the 2024 budgets of State Social Insurance Funds [16], Compulsory Health Insurance Fund [17], as well as taking into account the Economic development scenario, updated revenue and expenditure projections of other budgets classified under general government. It also takes into account the Council Recommendation for Lithuania, EU Fiscal Policy Guidance for 2024[18], estimated expenditure and revenue related to the implementation of the RRP measures, the DBP is aligned with the set of measures for 2023-2024 to implement the Council Recommendation for Lithuania [19].

Lithuania's medium-term objective for 2023 - 2025 is a structural general government deficit not exceeding 1 % of GDP at current prices set by Seimas Resolution No XIV-945 of 17 March 2022 on setting the medium-term objective for 2023 - 2025.

The DBP presents Lithuania's general government debt projections for 2023 and 2024 and general government finance projections under policy and no-policy change scenarios. The DBP reviews the macroeconomic situation in Lithuania and its perspectives.

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[14] **Conclusion No. BPE-8 of the fiscal institution**, https://www.valstybeskontrole.lt/LT/Product/24111/isvada-del-susidariusios-padeties-atitikties-isskirtiniu-aplinkybiu-savokai.

[15]**Draft budget for 2024**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/faf3a6b0636611eea182def3ac5c11d6?positionInSearchResults=0&searchModelUUID=ff847da9-79b7-44c3-b8b9-6614be94ed0a.

[16] **Draft Law on the Approval of the 2024 Budget Indicators of the State Social Insurance Funds**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/05c47aa05eb811ee8e3cc6ee348ebf6d.

[17] **Draft Law on the Approval of the 2024 Budget Indicators of the Compulsory Health Insurance Fund**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/a491dd40638f11eea182def3ac5c11d6.

[18] **EU Fiscal Policy Guidance for 2024 of 8 March 2023**, https://economy-finance.ec.europa.eu/system/files/2023-03/COM_2023_141_1_EN_ACT_part1_v4.pdf.

[19] **Measures to implement the Council Recommendation for Lithuania**, https://eimin.lrv.lt/lt/veiklos-sritys/europos-semestras.

PART I
MACROECONOMIC SITUATION AND PROSPECTS

The DBP presents the Economic development scenario of Lithuania prepared by the Ministry of Finance, which was published on 11 September 2023. The EDS is based on statistics published by 31 August 2023, and it does not reflect the DBP fiscal policy measures to be applied from 2024.

Lithuania's GDP is projected to shrink by 0.4 % in 2023, and with strengthened household purchasing power in domestic and foreign markets, increased foreign demand, the economic recovery can be expected next year – in 2024 GDP could grow 1.7 %.

Taking into consideration the prevailing economic uncertainty, the scenario projects the unemployment rate, calculated in accordance with the Labour Force Survey methodology, to be 6.9 % in 2023. In later medium-term years, with recovering economic activity, the unemployment rate will start decreasing and in 2024 will make up 6.6 %, in 2025 – 6.4 %, while in 2026 it will be close to natural unemployment rate and will represent 6.3 %. The Economic development scenario is based on Eurostat demographic projections published in June 2023. The projections predict that from 2025 the number of working-age population will start diminishing in Lithuania mainly due to negative natural population change. Decreasing labour demand will not leave many possibilities for the number of employed population to increase. The change in the number of employed persons is predicted to stand at 0 % in 2023, and with recovering economic activity from 2024, the growth of the number of employed persons will represent 0.3 %, while no growth is expected in 2025–2026 (a 0.1 and 0.2 % decrease is predicted, accordingly).

This year, the wage growth is stimulated by a higher MMW (in 2023 it grew 15.1 % and amounts to EUR 840), wage growth for public sector workers due to the measures foreseen in the Republic of Lithuania Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2023, persistent shortage of suitably qualified workers, while in the second half of the year it will be influenced also by a number of amendments to the civil service reform effective as of 1 July. Nevertheless, with businesses facing challenges, i.e. a weak demand, increased costs and more difficult financing options, the wage growth in the current year should further moderate and over the entire year of 2023 could grow 12.1 %. Under economic uncertainty caused by Russia's war of aggression against Ukraine and still tightened monetary policy, it is increasingly difficult for businesses to raise wages significantly, therefore a more moderate wage growth rate of 6.5 % is predicted also in 2024. In later medium-term years, the average monthly gross wages in the country could grow 5 % each year (in 2025–2026).

Fig. 1. The unemployment rate and the rate of change in the number of employed persons, %

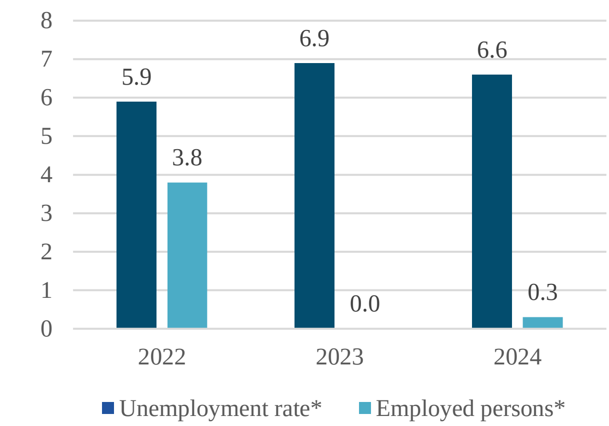
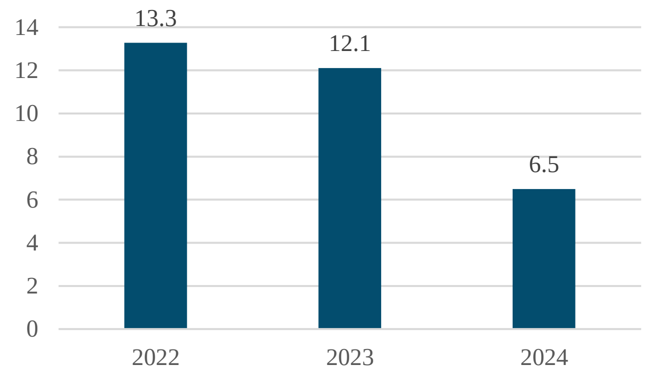


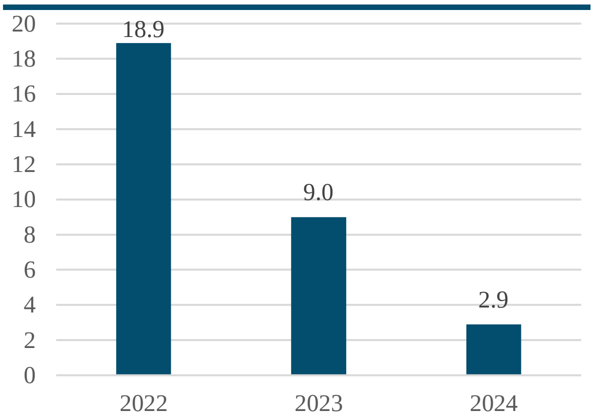
Fig. 2. The rate of change in the average monthly gross wage, %



Sources: Ministry of Finance, State Data Agency.
* Based on the Labour Force Survey methodology.

Over the first 7 months of 2023, HICP kept rapidly decreasing. In July, it fell to 7.2 % (data released later shows that in August annual inflation kept decreasing to 6.4 %, and in September – to 4.1 %). Disinflation[20], which has been going on for 11 months, is mainly driven by sharply decreased prices of various types of energy raw materials (oil, natural gas, biofuels) in international markets which led to the decrease in prices of vehicle fuels, heat energy, electricity both for households and businesses. Annual core inflation[21] is also diminishing since the beginning of 2023, which reflects fading inflationary pressures in the country. Due to decreased prices of raw materials in international and domestic market as well as decreased purchasing power of households, food price inflation over the last 8 months also was steadily decreasing. Service inflation is still supported by a two-digit wage growth indicator in the country and a strong demand for services. The average annual inflation is predicted to be 9 % in 2023, and more favourable than last-year price development will be supported not only by decreased energy prices, but also by normalisation of global supply chains and tightening of the euro zone monetary policy pursued by the European Central Bank. With further decreasing inflationary pressures in 2024, the average annual inflation will fell down to 2.9 %. EU gas storage facilities filled in early this year (90 %) provide more energy stability, therefore the risk of gas shortage and surge in energy prices in the coming winter has been decreased, and a rapid increase of renewable energy production in Lithuania and EU will decrease the risks of pressures of other types of energy on prices. The inflation rate since 2025 should be closer to the 2 % inflation target in the euro zone set by the European Central Bank, however this and next year, higher excise rates on energy goods will have the enhancing effect on inflation in the country, therefore the projected inflation will make up 2.3–2.4 %.

Fig. 3. Average annual inflation, %



Sources: Ministry of Finance, State Data Agency

[20] Reduction in the rate of inflation.
[21] Inflation, excluding energy and unprocessed food.

Persistent increase in interest on loans affects population's behaviour and poses uncertainty for the future, but considering that with further curbing price increases and growing income in the current year, the population's purchasing power will continue to increase, and the financial reserve accumulated by the population during the COVID-19 pandemic remains high (based on deposits statistics, household deposits still highly exceed the pre-pandemic level and make up EUR 21.5 billion), household consumption expenditure on goods and services is projected to increase in the second half of 2023 (in the first half it fell down by 1.7 %), and the rate of change in a span of the year could reach 0.3 %. With not so strong effect of prices on the population's purchasing power in the medium term, and with further growth of income, household consumption expenditure could grow faster – in 2024–2026 on average by 3.3 % each year.

Recently business expectations for the future have been getting worse, and industry – one of the most investing economic activities in Lithuania – faces difficulties (already 8 consecutive months industrial production (refined oil products excluded) kept decreasing). With rising interest rates, the burden of financial liabilities on businesses and households is increasing and thus reduces investment capabilities. Therefore, the investment growth in the second half of 2023 should be moderate – in the first half of the year gross fixed capital formation expenditure grew 10.4 % – and over the entire year of 2023 this expenditure could be higher by 7.5 % as compared to 2022. The influence of tightening monetary policy will slow down the business investment process and a 3.5 % growth of the gross fixed capital formation expenditure is projected in the upcoming year – 2024. In later medium-term years (in 2025–2026) after a successful adaptation to changed financing conditions, under more stable external environment and currently retained increased need to increase operational efficiency, gross fixed capital formation expenditure could grow 5.4 % each year.

The scenario was drafted in times of still exceptionally high instability of external environment and economic uncertainty, under persisting tightening of global monetary policy and still ongoing active military actions in Ukraine. Due to Russia's war of aggression against Ukraine, uncertainty over the development of prices of energy raw materials remains still very high. One of the risks for the development of the projected domestic demand arises due to the changes in borrowing costs and financing conditions. New decisions on MMW and wages of public sector workers would affect the average monthly gross wage estimates specified in this scenario. If the private sector faces difficulties, the rate of change in wages could be lower. The estimates predicted in the Economic development scenario could change due to the decisions made by policy makers after the preparation of this scenario as well as changes in statistical data.

Table 1. Macroeconomic indicators

	ESA code	2022 MEUR	2022	2023	2024
			Change, %		
1. GDP, chain-linked volume	B1*g	46 898*	1.9*	–0.4	1.7
2. Potential GDP		46 499	3.1	2.5	2.0
o/w:					
- labor			1.2	0.7	0.2
- capital			1.7	1.8	1.7
- total factor productivity			0.2	–0.1	0.2
3. GDP, at current prices	B1*g	66 791*	18.9*	8.6	4.7
GDP components (at constant prices)					
4. Household consumption expenditure + consumption expenditure of NPIs serving households (NPIs)	P.3	28 372*	0.5*	0.3	3.1
5. General government consumption expenditure	P.3	6 404*	0.5*	0.5	0.0
6. Gross fixed capital formation	P.51	10 681*	2.6*	7.5	3.5

	ESA code	2022	2022	2023	2024
		MEUR	Change, %		
7. Changes in stocks and acquisitions of valuables less disposals, % of GDP	P.52 + P.53	N.A.	N.A.	N.A.	N.A.
8. Export of goods and services	P.6	47 281*	11.9*	–4.5	4.5
9. Import of goods and services	P.7	43 568*	12.3*	–6.6	6.0
Contributions to change in GDP, percentage points (excl. level in MEUR in 2022)					
10. Final domestic demand		45 335*	0.9*	2.0	2.6
11. Changes in inventories and acquisitions of valuables less disposals	P.52 + P.53	N.A.	N.A.	N.A.	N.A.
12. Balance of goods and services	B.11	3 713*	0.2*	2.0	–0.9

* Economic development scenario has been drawn up based on statistical data published by 31 August 2023.

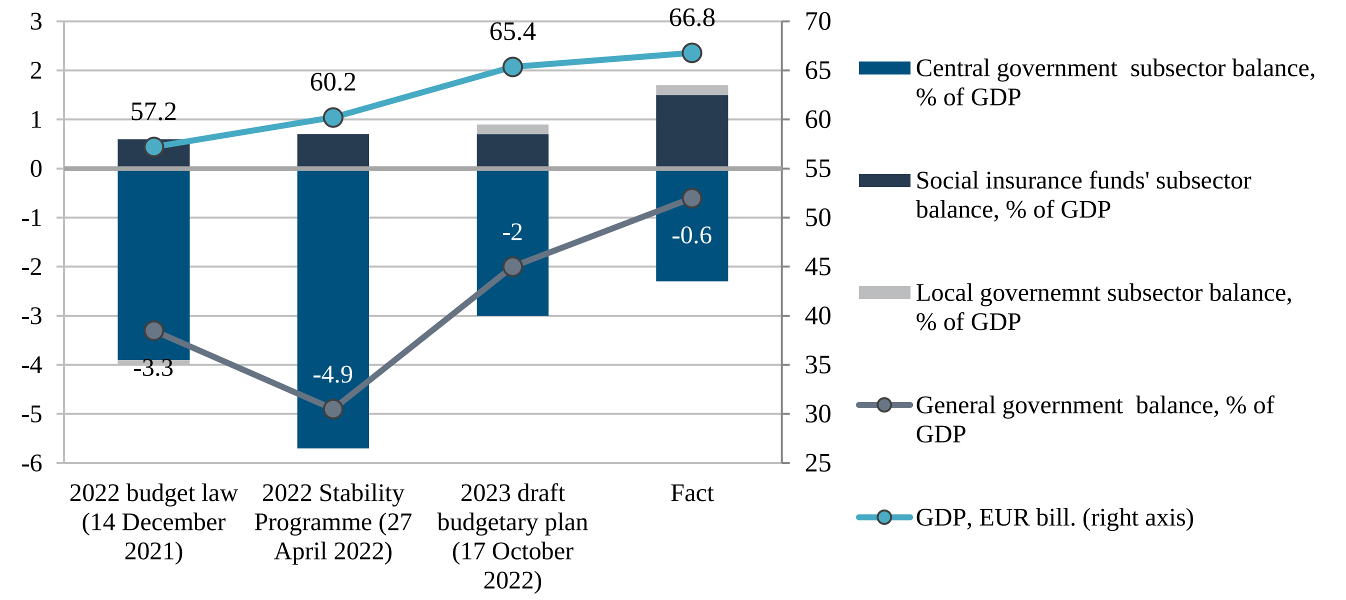
PART II
GENERAL GOVERNEMNT FINANCE

SECTION 1
BALANCES AND FISCAL POLICY ASSESSMENT

Years 2022 and 2023

The general government deficit planned in the **2022-year budget** was 3.3 % of GDP. The value of the general government balance varied over the year 2022 from – 3.3 % of GDP value set in the 2022-year budget, to actual value of – 0.6 % of GDP (Fig. 4).

Fig. 4. General government sector and subsectors balances for 2022 and GDP at current prices



Sources: State Data Agency, Ministry of Finance.

The main reasons that led to the reduction of the general government deficit: higher than planned State budget revenue caused by a more rapid, than projected when drafting the revised 2022-year budget, growth of tax bases (for more details about causes that led to the collection of the State budget revenue see the 2022 Budget Revenue Report [22]), lower than planned State budget expenditure on measures related to the support for the Ukrainian people fleeing to Lithuania due to Russia's war of aggression against Ukraine;

[22] **2022 Budget Revenue Report**, https://finmin.lrv.lt/en/actual-financial-data/data-on-the-execution-of-the-state-budget-and-municipal-budgets/budget-revenue-reports

measures related to COVID-19; savings of other planned State budget appropriations, also better balances of subsectors classified under general government. The detailed information on 2022 general government indicators is presented in the Stability Programme.

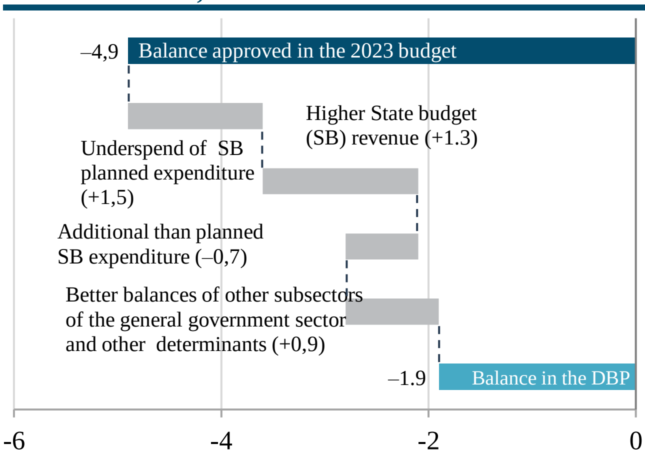
The general government deficit planned in the **2023-year budget** was 4.9 % of GDP. When preparing and approving the 2023 budget, the need to allocate funds for temporary expenditure measures related to the support for the Ukrainian people fleeing to Lithuania due to Russia's war of aggression against Ukraine, support to people in a subsidy for increasing heating, hot water, electricity prices, a subsidy to businesses for increased electricity prices and a subsidy to the strategic SC Lithuanian Railways incurring losses caused by EU sanctions against Russia and Belarus was taken into consideration.

Taking into account the latest data on the implementation of those measures available during the preparation of the DBP, considering the Economic development scenario and updated general government revenues on its basis, the general government deficit in 2023 is projected to reach **1.9 % of GDP**.

The deficit, lower than that set in the 2023-year budget, is due to several reasons (Fig. 5):

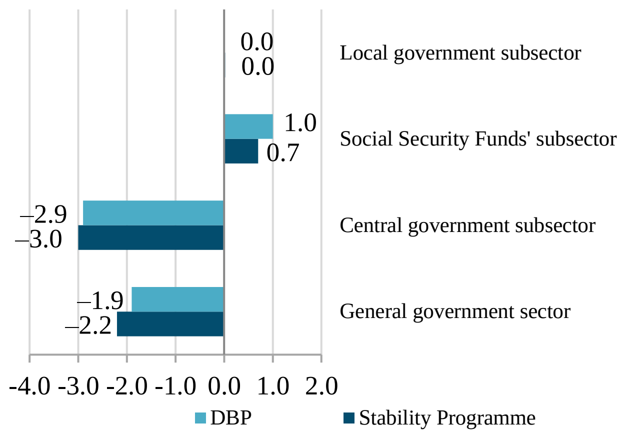
- better than planned central government balance due to expected 1.5 % of GDP, or EUR 1, 062.8 million lower than planned State budget expenditure, estimated on accrual basis (o/w: EUR 692.8 million subsidies to people and businesses related to high energy prices). However, 0.7% of GDP or EUR 476.7 million in addition to the 2023-year budget has been allocated. EUR 199.2 million from additionally allocated amount are funds for military mobility projects (in total, EUR 279.7 million is foreseen for this purpose in 2023) and EUR 97.5 million to maintain a 2.52 % of GDP financing for defence. Also, a better balance is foreseen due to 1.3 % of GDP, or EUR 950.5 million, higher than planned State budget revenue, estimated on accrual basis, (o/w: EUR 195.2 million due to the fact that businesses did not use the tax deferral measures, and EUR 150 million of revenue from the temporary solidarity contribution);
- better balance of Social Security Funds' subsector, which was positively influenced by a 0.6 % GDP higher surplus of the State Social Insurance Fund's budget, and negatively influenced by a – 0.1 % GDP deficit of the CHIF budget;
- 0.2 % of GDP better balance of local government subsector, which despite the slower rate of PIT overperformance, remains influenced by higher than planned collected amount of revenue from PIT.

Fig. 5. Comparison of the general government balance estimates in 2023, % of GDP



Source – Ministry of Finance.

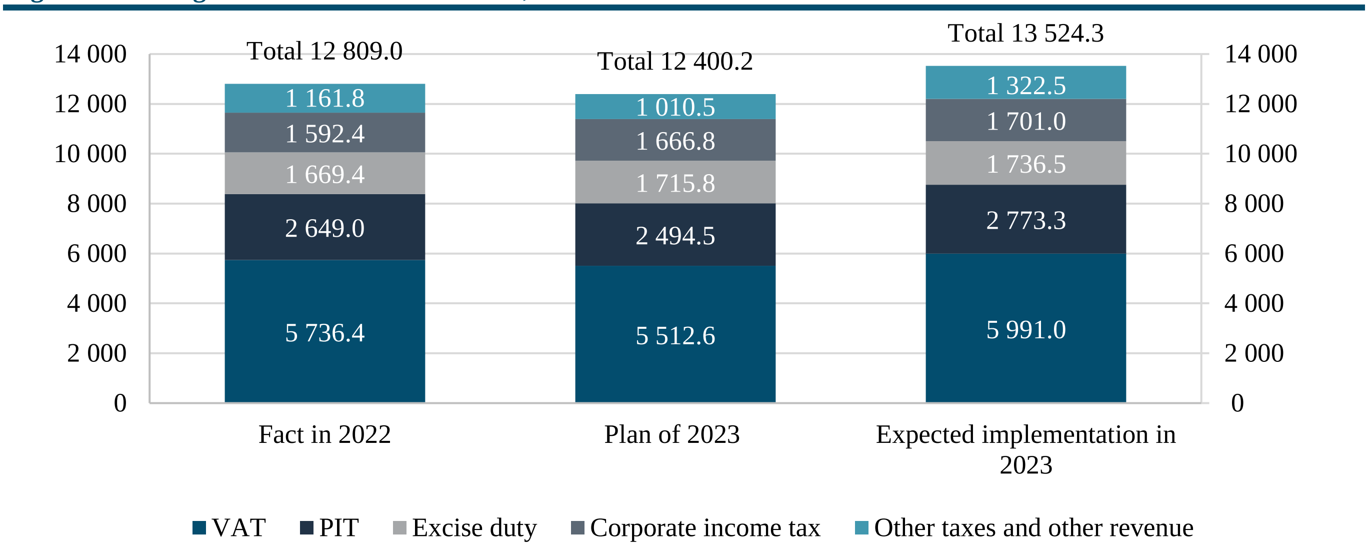
Fig. 6. General government and subsectors balances in 2023, % of GDP



Source – Ministry of Finance.

An important determinant for decreasing deficit of central government subsector in 2023 is the expected collection of higher than planned revenue. The 2023 budget law planned (on cash basis) to collect EUR 12, 400.2 million of the State budget revenue, excluding the EU and other international financial assistance. Taking into consideration the revenue collection data available during the preparation of the DBP, the revised State budgetary plan overperformance is projected to be approximately EUR 1, 124.2 million, mainly, due to a better than planned collection of revenue from VAT, corporate income tax, PIT and excise duty. One of the key reasons for exceeding the plan is non-materialization of the assumption on the use of the tax aid measure launched by the Government in the last quarter of 2022 for payers affected by high energy prices. When planning the 2023 budget revenue, the assumption was made that this measure will result in EUR 467 million less tax revenue over 2023. Due to changed energy prices, tax aid measures had no impact on the collection of the 2023 budget revenue. Also, the adoption of the Republic of Lithuania Law on Temporary Solidarity Contribution adopted in May 2023 will result in revenue windfalls of approximately EUR 150 million.

Fig. 7. State budget revenue in 2022 and 2023, EUR million



Source – Ministry of Finance.

The structural general government deficit is projected to be 1 % of GDP in 2023. The primary structural balance of –0.6 % of GDP shows the countercyclical fiscal stance stimulating the economy. The primary structural deficit will decrease by 0.2 percentage point of GDP, as compared to the primary structural deficit in 2022, and this decrease will result from nominal balance developments and economic cycle assessment. According to the EDS, the output gap is positive in 2022, accounting for 0.9 % of GDP, and in 2023 it becomes negative, accounting for – 1.9 % of GDP.

Table 2. Medium-term general government balances, % of GDP

Title of indicator	2022	2023	2024	2025	2026
General government balance (nominal)	–0.6	–1.9	–2.9	–2.5	–2.1
Structural balance	–1.1	–1.0	–2.0	–1.9	–2.0
Primary structural balance	–0.8	–0.6	–1.3	–1.0	–1.0

Source – Ministry of Finance.

Year 2024

Due to identified exceptional circumstances, national expenditure growth limitation and structural balance rules will not be applied to the general government in 2024. Assuming that in 2024 the SGP general escape clause is not further applied, the aggregate deficit of planned budgets classified under general government does not exceed 3 % of GDP.

Taking into consideration the projected revenue and forecasted expenditure of subsectors classified under general government, the general government deficit is projected to be 2.9 % of GDP in 2024.

Table 3. General government expenditure and revenue indicators under fiscal policy scenario

General government (S13)	ESA code	2023		2024	
		MEUR	% of GDP	MEUR	% of GDP
1. Collective revenue	TR	26, 810.4	37.0	28, 871.8	38.0
1.1. Taxes on production and imports	D.2	8, 096,8	11.2	8, 878.6	11.7
1.2. Current taxes on income, wealth, etc.	D.5	7, 586.1	10.5	8, 039.9	10.6
1.3. Capital taxes	D.91	14.0	0.02	14.0	0.02
1.4. Social contributions	D.61	7, 583.9	10.5	8, 145.2	10.7
1.5. Property income	D.4	329.7	0.5	241.6	0.3
1.6. Other		3, 199.9	4.4	3, 552.5	4.7
Tax burden (D.2 + D.5 + D.61 + D.91 – D.995)		23, 269.7	32.1	25, 067.7	33.0
2. Collective expenditure	TE	28, 224.3	38.9	31, 036.6	40.9
2.1. Compensation of employees	D.1	7, 638.2	10.5	8, 283.2	10.9
2.2. Intermediate consumption	P.2	3, 663.2	5.0	4, 102.5	5.4
2.3. Social contributions	D6M	10, 884.9	15.0	12, 029.7	15.8
o/w: unemployment benefits		390.0	0.5	404.1	0.5
2.4. Interest	D.41	333.0	0.5	493.1	0.6
2.5. Subsidies	D.3	567.0	0.8	234.2	0.3
2.6. Gross fixed capital formation	P.51	2, 962.7	4.1	3, 185.9	4.2
2.7. Capital transfers	D.9	654.7	0.9	773.1	1.0
2.8. Other		1, 520.5	2.1	1, 934.9	2.5

Source – Ministry of Finance.
Note. Due to rounding, row sums may not match the detailed data.

In the face of geopolitical tensions, **temporary expenditure measures** related to the support to the Ukrainian people fleeing to Lithuania due to Russia's war of aggression against Ukraine, the financial collateral to the IMF for fulfilment of Ukraine's obligations to the IMF, as well as to the supply of support to Ukraine, as referred to in the G7 Joint Declaration of Support for Ukraine of 12 July 2023 joined also by the Republic of Lithuania[23], are planned to be applied in 2024. General government balance, excluding temporary expenditure measures amounting to0.4 % of GDP, makes up 2.5 % of GDP in 2024.

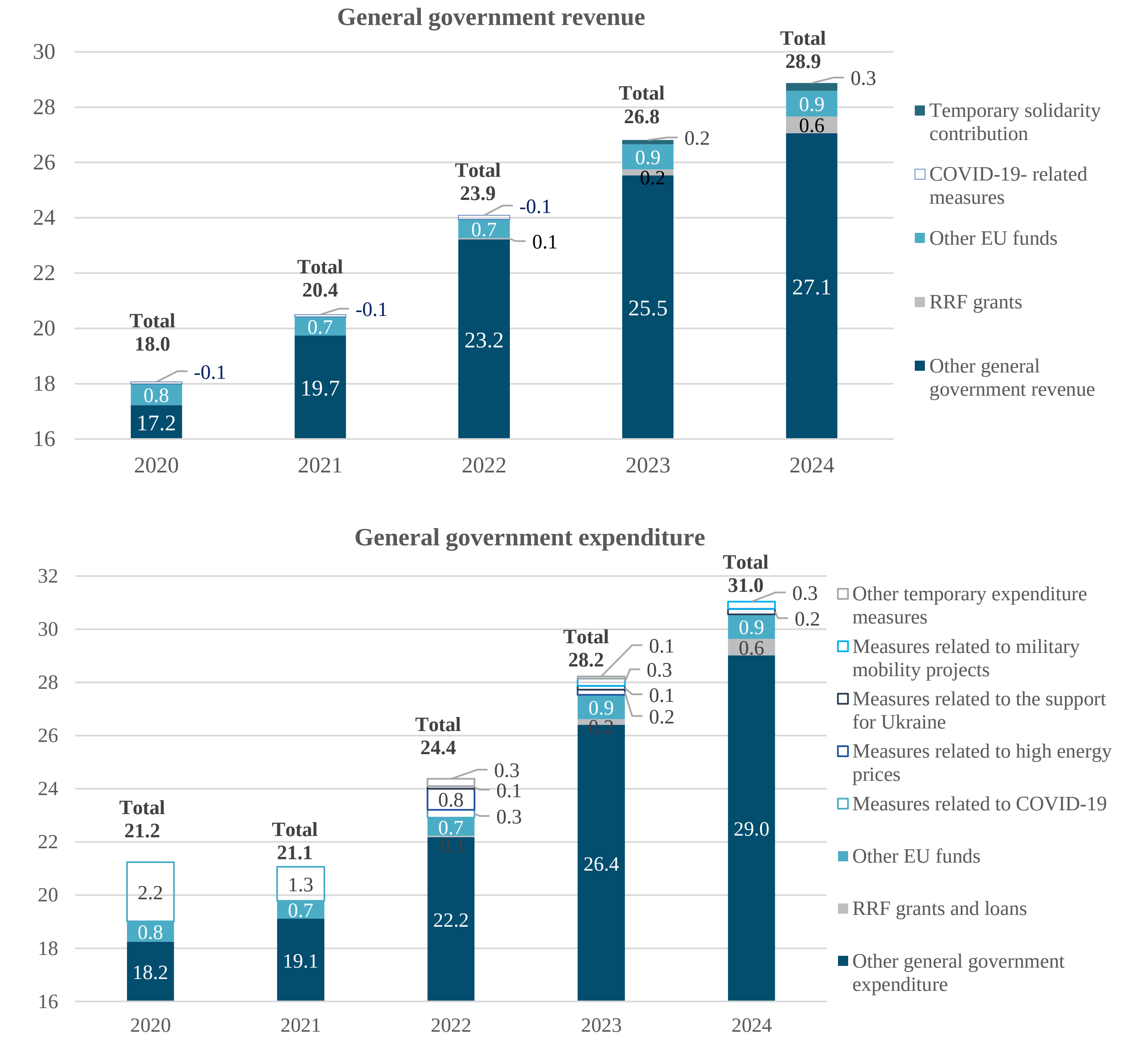
In 2024, general government expenditure (estimated on accrual basis, excluding EU and other international financial assistance) will increase by EUR 2,401.8 million, or 8.9 %, as compared to forecasted expenditure in 2023. General government revenue (estimated on accrual basis, excluding EU and other international financial support), as compared to forecasted revenue in 2023, will increase by EUR 1, 50.9 million, or 6.4 %.

General government revenue and expenditure projections for 2022-2024 also include the amounts of RRF grants and loans that are expected to be used for the implementation of the measures foreseen in the RRP. EUR 8.6 million from the funds of the RRF loan tranche expected to be spent is considered as affecting the general government balance in 2024. Maintaining the neutrality of the use of the RRF grants

[23] Joint statement by Estonia, Latvia, and Lithuania on support for Ukraine, https://lrv.lt/uploads/main/documents/files/joint%20statement_17_08.pdf.

to the general government balance, revenue from the RRF grant is considered equivalent to all expenditure from the funds of the RRF grant.

Fig. 8. General government revenue and expenditure amounts in 2020–2024, EUR billion



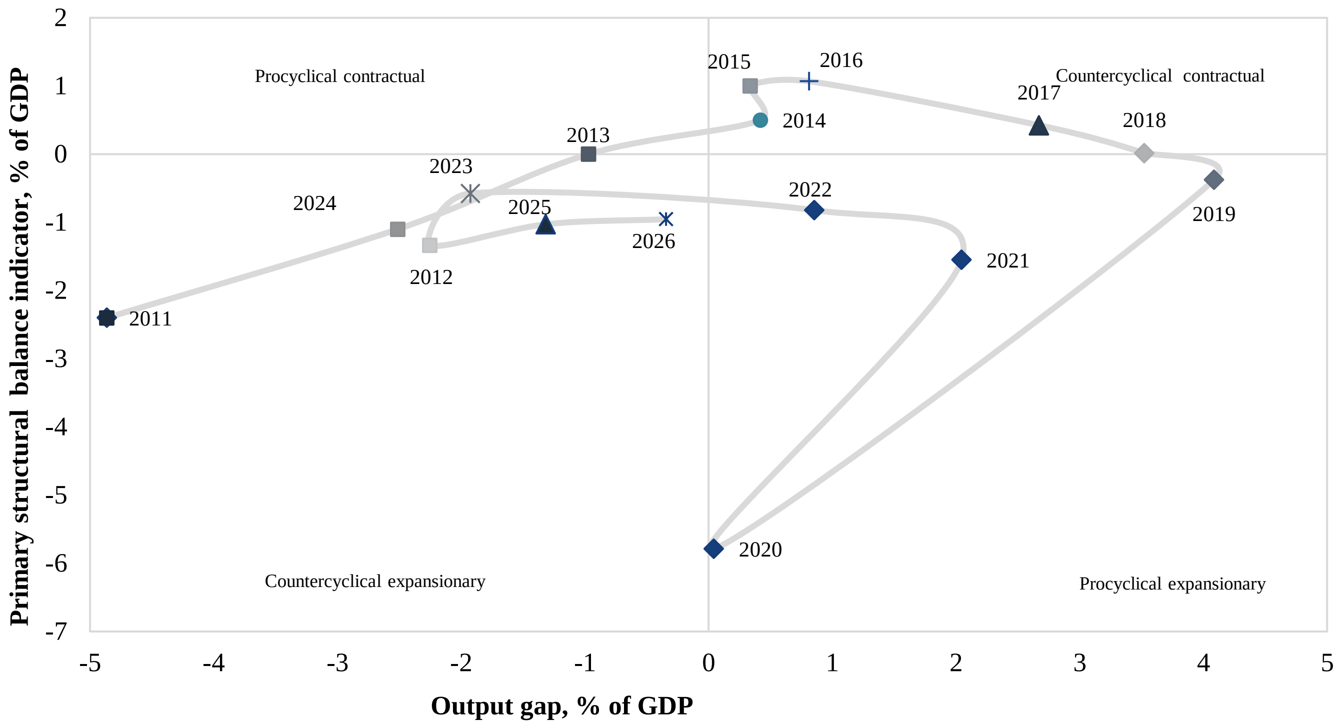
Source – Ministry of Finance.

When forecasting the State budget revenue for 2024, the projected revenue collection in 2023 is taken into consideration, as well as the development of the EDS and tax bases, also loss of revenue due to existing tax incentives. The State budget revenue, estimated on accrual basis, excluding EU and other international financial assistance, is projected to increase by EUR 998.5 million in 2024, as compared to projected revenue in 2023.

Due to the maximum increase of applicable NTA, in 2024 revenue from PIT is projected to be lower by approximately EUR 241.2 million, or 0.32 % of GDP. The temporary solidarity contribution received in 2024 will be EUR 130 million (0.17 % of GDP) higher than expected in 2023. Due to the decisions to increase excise rates on polluting products, revenue from excise duties will be EUR 62.9 million (0.08 % of GDP) higher in 2024, and further increase of excise rate on alcohol and smoking products will increase this revenue by EUR 42.8 million (0.06 % of GDP). Moreover, due to termination of a reduced 9 % VAT relief for catering services supplied by catering companies from 1 January 2024, in 2024 revenue from VAT will be approximately EUR 140.6 million (0.19 % of GDP) higher than in 2023. Detailed quantitative information on discretionary revenue and expenditure measures is presented in tables 16 and 17, and the description of the measures – in Section "Revenue and Expenditure Policy" of the DBP.

The general government structural deficit is projected to be 2 % of GDP in 2024 (Table 2). The output gap will remain negative in 2023–2026, while in 2024 its estimate –2.3 % of potential GDP shows bad times for the economy[24]. The value of 1.3 percentage point of GDP of the primary structural deficit points to the intended countercyclical significantly expansionary fiscal policy.

Fig. 9. Fiscal policy stance

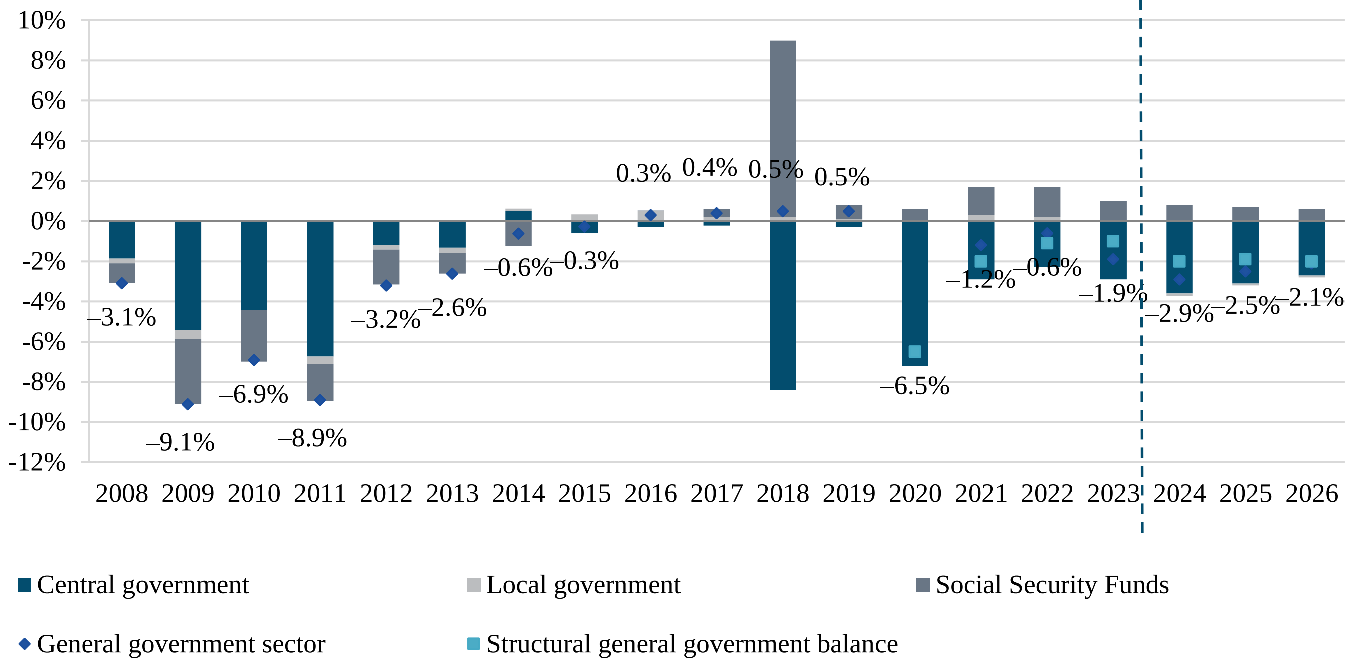


Sources: State Data Agency and Ministry of Finance.

The indicators for 2024 presented in the DBP may change if positive and/or negative risks, fiscal risks, or other risks described in the Economic development scenario, materialise in 2024. A list of risks is presented in Table 19.

[24] If the value of the output gap in a given year falls to [-3; − 1.5 %) interval of potential GDP, the economy is considered to be going through bad times.

Fig. 10. General government sector and subsectors balances in 2008–2026, % of GDP



Sources: Eurostat, Ministry of Finance.

In September 2023, the Ministry of Finance published the General Government Debt and Fiscal Sustainability Report, which reviews a wider range of fiscal policy alternatives and illustrates the impact of possible policy directions on long-term fiscal sustainability in Lithuania.[25] Among the scenarios modelled in the report, the least sustainable are those scenarios, under which increasing general government expenditure is not covered by sustainable revenue sources. According to fiscal discipline compliance scenario or other scenarios, where a higher level of provided public goods and services is combined with a higher general government revenue-to-GDP ratio, long-term fiscal sustainability risk is evaluated as low. However, without additional revenue measures, aiming for the primary expenditure -to- GDP ratio to converge to the EU average or including additional aging costs, would lead to fiscal sustainability risk being medium or high. Based on these conclusions, it should be noted that increasing long-term commitments in the 2024 budget, as well as future budgets, without accordingly increasing the GDP share reallocated through the budget, may lead to the deterioration of the general government fiscal sustainability indicators.

Without foreseen revenue and expenditure policy measures improving the structural balance (in case of no-policy change scenario), the structural general government deficit at the end of the medium-term will be close to –2.0 % of GDP, while the general government debt-to-GDP ratio will grow to 44.5 % of GDP.

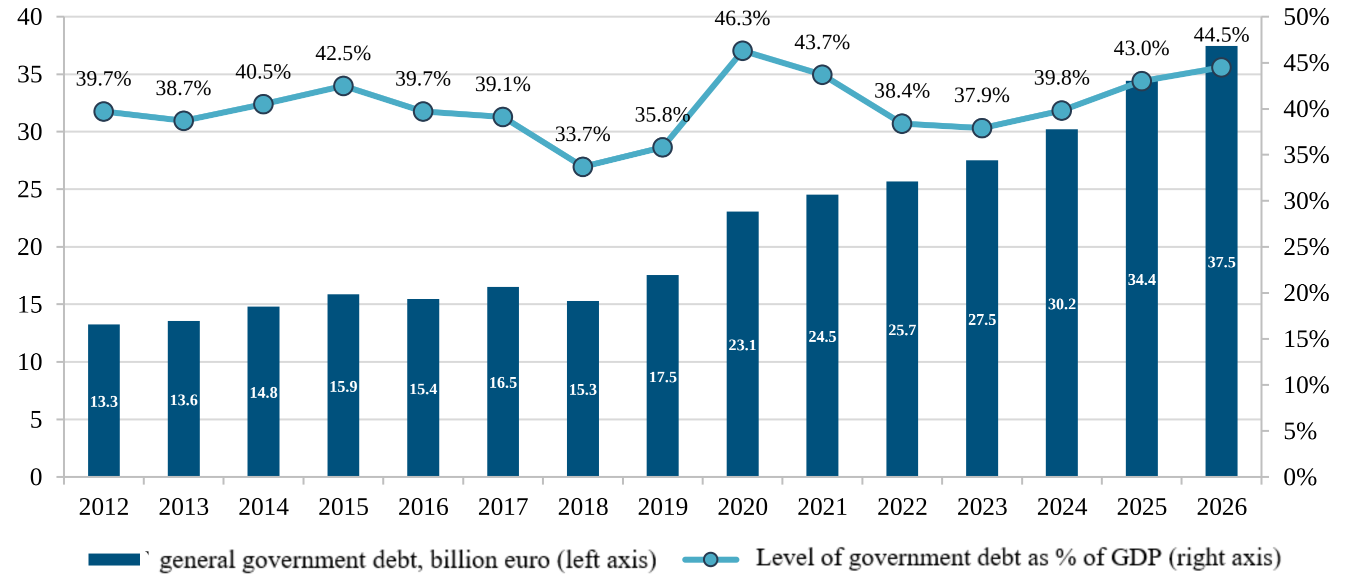
General government debt

General government debt is projected to be 39.8 % of GDP at the end of 2024 and will be 1.9 percentage point higher than at the end of 2023 when it is foreseen to reach 37.9 % of GDP. The projected general government deficit of 2.9 % of GDP is the main driver of debt growth (Fig. 11). The general

[25] Ministry of Finance of the Republic of Lithuania, September 2023, General Government Debt and Fiscal Sustainability Report,
https://finmin.lrv.lt/uploads/finmin/documents/files/Vald%C5%BEios%20sektroiaus%20skolos%20ir%20finanas%C5%B3%20tvarumo%20vertinimo%20atskaita(1).pdf.

government deficit lower than projected in the DBP would positively affect the medium-term debt projection in 2024.

Fig. 11. General government debt



Source – Ministry of Finance.

The general government debt level is projected to increase in the medium-term and to reach approximately 44.5 % of GDP at the end of 2026. The general government debt projections are presented in Table 14 of Part V of the DBP.

SECTION 2
FISCAL POLICY

Tax (revenue) policy

A fairer and growth-friendly tax system, reduction of poverty and inequality remain the Government's policy priorities. The draft budget for 2024 is presented along with the draft Law Amending the Republic of Lithuania Law on Personal Income Tax and draft Law Amending the Republic of Lithuania Law on Corporate Income Tax, which:

- focusing on the tax system oriented towards reduction of poverty and inequality and aiming to contribute to preservation of the real income level of vulnerable groups of persons, foresee the increase in the maximum applicable NTA– reduction of labour taxation for low- and medium-income earners from 2024. After adoption of the amendment to the Law on Personal Income Tax by the Seimas, the NTA applicable to persons earning MMW would increase by 20 % – from EUR 625 to EUR 747. Following the implementation of this proposal, income after taxes would increase for persons earning up to one AW, and would not change for higher income earners. The NTA for persons with a major disability or reduced working capacity, i.e. for those with 0-25 % of working capacity or with the level of severe disability) would be increased from EUR 1, 005 to EUR 1, 127, and the NTA for persons with a lower disability or higher capacity for work (i.e. for those with 30-55 % of working capacity or medium or mild degree of disability) would be increased from EUR 935 to EUR 1, 057.

- aiming at growth-friendly tax system, further promotion of targeted and productive investments in Lithuania and growth in the services sector related to film production, timed corporate income tax incentives set in the Law on Corporate Income Tax currently applicable for investment projects and film production (effective till 31 December 2023) are planned to be extended for more 5 years starting from 2024.

Further implementation of the plan for increasing excise rates on ethyl alcohol and alcoholic beverages, tobacco products and their alternative products approved for 2022–2024 will be pursued in 2024.

In pursuit of national and international energy and climate change management policy objectives, the amendments to the Republic of Lithuania Law on Excise Duty [26] were adopted on 9 May 2023, which:

- waive excise exemptions for energy products (or limit their scope) and progressively increase excise rates on gas oils, coal, coke and lignite in 2024–2026;

- impose excise duties on heating peat starting from 2024, progressively increasing them;

- include a CO2 component, which is proportional to the CO2 emissions of the fuel type, depending on the calorific value into excise rates on energy products (excluding natural gas, electricity, gas oils used in agriculture (including aquaculture or commercial inland fishing activities), petroleum gas and gaseous hydrocarbons for domestic use) starting from 2025 (when a part of excise exemptions on fossil fuels will be withdrawn or restricted).

It is noteworthy that from the beginning of 2024 the temporary VAT exemption for catering services (valid from July 2021 to December 2023) will not be further extended.

The full list of revenue discretionary measures and quantification of the impact of these measures on general government revenue is presented in Table 16.

The aforementioned proposed, and already adopted, tax measures are also in line with the obligations specified in reform 6.5 “A fairer and growth-friendly tax system” in the RRP (component 6) “Efficient public sector and preconditions for post-pandemic recovery”.

Reduction of the shadow economy and VAT gap is one of the Government’s operational priorities.

In the field of improving tax administration, the efforts will be made to create conditions for more efficient detection and prevention of deliberately chosen shadow activities, tax evasion, to reduce the value added tax gap, to digitise activities of tax administrators, to raise the level of voluntary tax payment, to reduce the tolerance of residents to tax non-payment. In the field of tax administration, global practice and recommendations of international organisations will be taken into consideration, as well as EU and global good practice standards will be implemented in the area of international tax cooperation.

In order to contribute to the progressive reduction of the shadow economy and VAT gap, in the field of tax administration, a two-pronged approach will be followed – to promote voluntary tax payment and to prevent tax fraud.

In 2023, the STI implemented a subsystem of smart electronic cash registers (i.EKA), to which taxpayers, in stages starting from 2023 to 2025, will start to supply the data recorded by cash registers. i.EKA will create conditions for development of STI e-services to taxpayers and prevention of tax fraud, i.e. for digital transfer of data recorded by cash registers to the STI, abandonment of filling in daily paper registers of cash transactions, submission of preliminary PIT returns and VAT declarations to taxpayers.

[26] **Law Amending Articles 1, 2, 3, 27, 35, 36, 37, 38, 39, 41, 43, 53, 58-1, 59 , Chapter II of Section Five of Republic of Lithuania Law No IX-569 on Excise Duty, Supplementing the Law with New Annex 3 and Repealing Article 40,** https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/81998ea9efef11edb649a2a873fdbdfd?jfwid=-9gcifapqr.

i.EKA will ensure the irreversibility of data recorded by cash registers, enhance efficiency of STI activities, improve tax administration.

As of 2024, the STI will start receiving data on international payment transactions. The data received will enable combating VAT fraud in the field of e-commerce at EU level.

The efforts will be made to simplify tax compliance of the population engaged in self-employment. Moreover, the possibilities of transferring data of the special individual activity account opened by micro-entrepreneurs as of 2024 to the STI, which would automatically form a PIT return for entrepreneurs and calculate taxes payable, are being analysed.

Data acquisition, analysis and decision-making processes carried out in the STI and Customs of Lithuania will be further modernised using advanced analytical methods and technologies based on application of artificial intelligence methods, the competences of the employees of tax administrators are improved ensuring the performance of daily functions employing advanced methods, conditions are created for the development of the use of electronic documents in business.

By raising consistently public awareness, it is planned to purposefully develop the knowledge of the tax system among children and young people, simultaneously allowing them to learn how to pay in non-cash in practice, to monitor costs and to pay taxes.

Expenditure policy

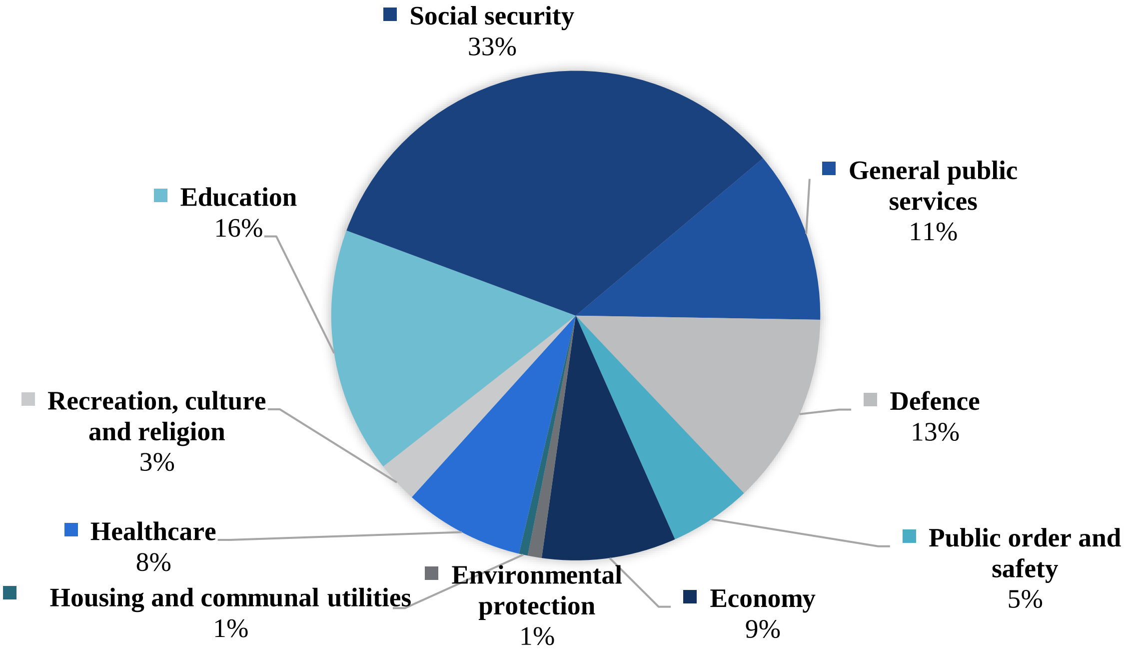
2024 budget priority areas:

- growth of personal income – it is foreseen to increase personal income of the employed persons (statutory officials, prosecutors, employees of cultural institutions and the arts, employees of social institutions and etc.), also to increase social assistance and pension amounts as well as MMW;
- security of the country and society – it is foreseen to maintain at least 2.52 % of GDP for defence financing, to allocate funds for the implementation of military mobility projects, strengthening preparedness for feasible accident in the nuclear plant in Astravets, implementation of cybersecurity development programme and other security-related needs;
- investment in sustainable and advanced future of Lithuania – it is foreseen to allocate funds for investment in green transition, improvement of railway and road transport, promoting the use of alternative fuels in the transport sector, investment in public administration, science, business and innovation, social security, education, public security and defence, digital transformation and culture;
- implementation of the national agreement on education – it is foreseen to increase wages for teachers, heads of education institutions, lecturers, scientists and other pedagogical and non-academic employees, to allocate funds for R&D, educational support and for other needs;

As compared to the 2023 budget, the 2024 budget does not contain the support measures for people and businesses in relation to mitigation of the effects of rising global electricity and gas prices.

The State budget expenditure in 2024, as compared to the planned 2023 budget expenditure, grows by EUR 1, 608.9 million, excluding EU and other international assistance funds, but including the funds allocated by the Government resolutions in 2023 for the Ministry of National Defence and the Ministry of Communication to implement the military mobility projects, as well as the funds for the Ministry of National Defence to ensure the 2.52 % GDP appropriations for national defence. Excluding the funds allocated for these purposes in 2023, the planned 2024 State budget expenditure grows by EUR 1, 983.1 million.

Fig. 12. Breakdown of the 2024 State budget expenditure by function of government



Source – Ministry of Finance.

For investment in Lithuania's future, the draft budget for 2024 foresees EUR 3, 187 million, of which EUR 2, 271 million are RRF funds, other EU funds from Investment Programme [27] and other EU programmes, EUR 233 million are national co-financing of the EU funds and allocated funds to pay ineligible VAT, EUR 237 million – State budget funds for measures aiming for progress, EUR 445 million –other continued investment from EU and other financial mechanisms funds (Fig. 13).

The draft 2024 budget foresees the major share of investment, i.e. EUR 1, 090 million, to allocate to green transition: for renewable energy communities, installation of renewable energy plants, decommissioning of nuclear power objects, renovation of multi-apartment buildings.

EUR 538 million is foreseen for transport – adaptation of Trans-European Transport Network to cross-border military mobility, improvement of communication by railway and road transport, promotion of the use of alternative fuels in the transport sector.

Investments in the field of science, business and innovation (EUR 467 million) are foreseen for green industrial technologies and high value added industrial development, strengthening the innovation ecosystems in science centres, investment in centres of excellence (the establishment of the Centre of Excellence), promoting start-ups development, acceleration and development, improving competitive environment for attracting investments – development of current free trade zones, industrial parks and industrial areas, attracting foreign and local investors with big job creation potential, improving operating conditions and ecosystem for foreign and local investors.

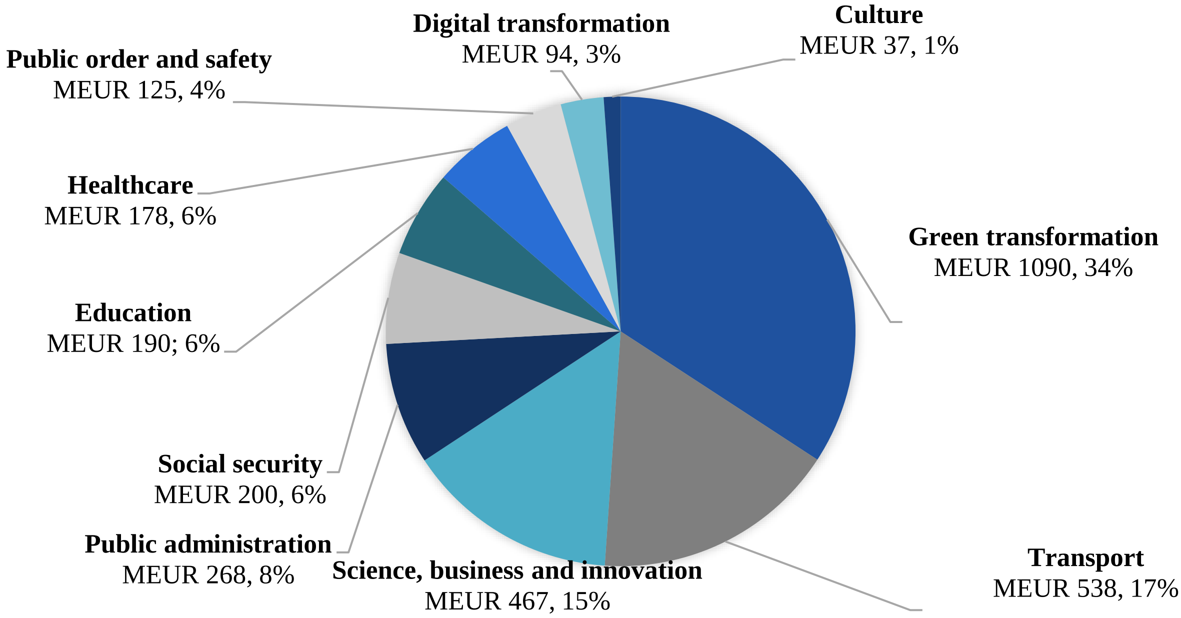
Investments in public administration (EUR 268 million) are foreseen for improving tax compliance, improvement of the medium-term budget framework, improving operational efficiency of the public sector, strengthening the public and private sector partnership and promoting the attraction of private investments.

Investments in the field of social security (EUR 200 million) are foreseen for increasing the employment of vulnerable groups of persons, reducing the material deprivation of the poorest, development

[27] Programme for the European Union Funds' Investments 2021-2027, https://2021.esinvesticijos.lt/2021-2027-m-es-fondu-investiciju-programa/apie-2021-2027-m-es-fondu-investiciju-programa.

of a complex system of social integration of the disabled, improving the quality of social services and their accessibility, improving effectiveness of social assistance in critical cases in families.

Fig. 13. Investment in Lithuania's future by investment field



Source – Ministry of Finance.

Investments in the field of education (EUR 190 million) cover the implementation of the programme of Millennium schools, digital educational transformation "EdTech" ensuring access to modern education for everyone, introduction of planning a one-stop-shop career and development of skills.

In the field of healthcare (EUR 178 million) the investments are made in improving the quality and access of healthcare services.

In the field of public safety and defence (EUR 120 million) the investments are foreseen for strengthening the EU external border and illegal migration control capacities and capabilities, improving preparation for management of crises and emergency situations and eliminate their consequences, effective crime prevention and control and for mitigation of threats of terrorism.

The draft 2024 budgetary plan foresees to allocate the investments for digital transition (EUR 94 million) to the development of the Application Programming Interface module, transformation of state information technology management, development of digital competences in the fields of high-performance computing, artificial intelligence and cyber security applications.

SECTION 3
COMPARISON OF INDICATORS IN THE DBP AND STABILITY PROGRAMME

Table 4. Comparison of indicators in the DBP and previous Economic development scenarios

	2022	2023	2024
Real GDP change, %:			
Stability Programme	1.9	0.5	3.0
DBP	1.9	–0.4	1.7
Difference	0.0	–0.9	–1.3
Scenario of 30 June 2023	1.9	–1.0	2.5
DBP	1.9	–0.4	1.7
Difference	0.0	0.6	–0.8

Source – Ministry of Finance.

The projections of the general government balance indicator for 2023 provided in the DBP and Stability Programme differ due to the updated assumption related to savings of expenditure earmarked for financing the support-related measures for the Ukrainian people in Lithuania, other expenditure and foreseen higher amounts of general government revenue.

Table 5. Comparison of general government balance projections in the DBP and Stability Programme

	ESA code	2022	2023	2024
		% of GDP		
Stability Programme	B.9	–0.6	–2.2	–1.7
DBP		–0.6	–1.9	–2.9
worse balance (–) / better balance (+)		0.0	0.3	–1.2

Source – Ministry of Finance.

General government debt projections presented in the DBP and Stability Programme differ due to updated GDP, general government (including the EU and other international financial assistance) balance projections.

Table 6. Comparison of general government debt projections in the DBP and Stability Programme

	2022	2023	2024
	% of GDP		
Stability Programme	38.4	37.8	37.7
DBP	38.4	37.9	39.8
decrease (–) / increase (+)	0.0	0.1	2.1

Source – Ministry of Finance.

PART III
BUDGET FRAMEWORK REFORM

The budget framework reform implemented in Lithuania aims at establishing a medium-term budget framework functioning in a transparent and effective manner which is closely linked to the State strategic management system. The Government Programme Implementation Plan identifies the strategic task of the Government "General government finance planning oriented to strategic objectives", with the implementation of which it is planned by II Q of 2024 to prepare and introduce the medium-term budgetary rules, methodological guidelines for the calculation of funds for continuing activities and to carry out the State budget expenditure reviews. These tasks are also foreseen in the RRP. After the implementation of the aforementioned tasks, it is planned to submit the objective and reasoned first draft medium-term State budgetary plan for 2025-2027 to the Seimas for its approval.

The draft Republic of Lithuania Law on the Budget Structure and related draft amending laws are currently submitted to the Seimas for consideration, on the basis of which the first draft medium-term consolidated budgetary plan for 2025-2027 would be prepared. The indicators of consolidated budgets (State, municipal, State Social Funds and CHIF) are foreseen to be approved for 3 budgetary years, also the Law will establish clear rules for revision and amendment of approved indicators and provide for a possibility for the State budget appropriation managers to transfer a part of unused appropriations to the next budgetary year. The aforementioned amendments aim to form more sustainable national fiscal policy, to manage the impact of the decisions and commitments made on the budgets of subsequent years, to provide greater certainty of financing for appropriation managers and to reduce the spending problem at the end of the year.

A systematic public expenditure review carried out in 2023–2024 is oriented towards the review of the processes for planning funds for continuing activities and efficiency assessment of the use of these funds. In 2024, it is planned to develop methodological guidelines for calculating the need for funds for continuing activities for appropriation managers, which will enable effective planning on the basis of uniform principles and justification of the need for the State budget funds for the medium-term period. The recommendations and suggestions formed to appropriation managers during the systematic public expenditure review, as well as drafted and effective guidelines for calculating the need for funds for continuing activities will help to ensure that the first draft medium-term State budgetary plan for 2025-2027 is prepared in a reasonable and objective manner.

PART IV
METHODOLOGICAL ASPECTS

Table 7. Preparation of the Economic development scenario

Estimation technique	Budgetary process stage of the technique applied	Relevant features of the models (techniques) used	Assumptions
Principles of national accounting, econometric and expert evaluation	Economic development scenario	Macroeconomic forecasts are prepared for the medium term by using the macroeconomic model developed according to national accounts. In analysis of individual or more than one potentially interrelated macroeconomic indicators, econometric equations are made, also expert evaluation is carried out. Estimates of potential GDP are based on methodology approved by the Economic and Financial Affairs Council (ECOFIN) in 2002	Technical assumptions (oil price, currency exchange rate and interest rates)

Revenue forecasting

Tax revenue forecast is made on the basis of macroeconomic projections, statistical data, revenue dynamics and the information provided by public authorities. The forecast of revenue from individual taxes may be expertly adjusted, i.e. considering other circumstances than those provided for in draft amending laws that may affect revenue collection.

Depending on the tax, one or several forecasting methods are applied:

- detailed modelling method. Data is collected on the number of taxpayers in each category and the total amount and structure of revenue of that category. A simulation model is created from two blocs: typical taxpayer and aggregating bloc. This model is applied to estimate how much on average an individual taxpayer representing a certain group, the entire group and, ultimately, all taxpayers of the country will pay in taxes.

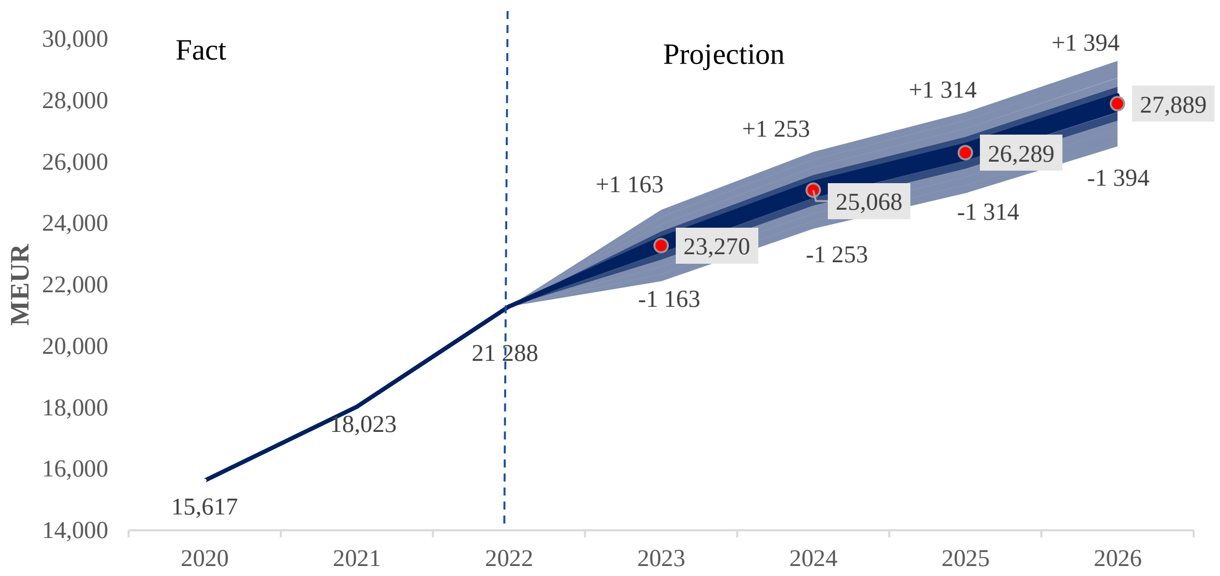
- effective average rate method. The tax rate established by law is adjusted considering the applied reliefs, tax base exemptions and etc. The effective average rate thus assessed is multiplied by the scope of the tax base to obtain a forecast of revenue from appropriate taxes.

- elasticity method. A dependency between revenue from a tax increase (decrease) and dynamics of an appropriate base is established. The forecast of revenue from the tax is made considering the elasticity coefficient specific to a particular tax and the forecasted tax base changes.

Revenue sensitivity analysis

Based on the relationship between the general government tax revenue and nominal GDP, a static sensitivity analysis showed that a change in nominal GDP by 1 % could change the revenue projection presented in the DBP from EUR 251 million in 2024 to EUR 279 million in 2026 (Fig. 14).

Fig. 14. Sensitivity analysis of the general government tax revenue (D.2 + D.5 + D.61 + D.91 – D.995)



Source – Ministry of Finance.

Note. The sensitivity analysis of projected tax revenue is carried out on the assumption that nominal GDP increases or decreases by 1 % (dark blue stretch), 2 % (blue stretch) and 5 % (light blue stretch) relative to the indicator projected in the Economic development scenario. The central axis of the graph (a blue line for fact, red dots for projection) represents total general government revenue.

PART V
ECONOMIC DEVELOPMENT SCENARIO AND PUBLIC FINANCE DATA

Table 8. Key assumptions

	2022	2023	2024
Short-term interest rates (average annual)	1.4	3.3	2.7
Long-term interest rates (average annual)	2.5	4.0	4.0
USD/EUR exchange rate (average annual)	1.05	1.08	1.09
Nominal effective exchange rate	–4.53	5.77	0.75
Global (excl. EU) GDP growth, %	3.2	3.1	3.3
EU GDP growth, %	3.4	1.0	1.7
Growth of main export markets, %	3.3	1.9	2.4
Global (excl. EU) import growth, %	4.8	1.4	3.0
Oil prices (Brent, USD per barrel)	100.7	82.1	82.0

Sources: European Central Bank, European Commission (May 2023), Ministry of Finance.

Table 9. Price indicators

	2022	2022	2023	2024
	Index (in 2015 = 100)	Change, %		
1. GDP deflator	142.4*	16.7	9.0	2.9
2. Private consumption deflator	137.8*	18.9	9.0	2.9
3. HICP	137.6	18.9	9.0	2.9
4. General government consumption expenditure deflator	174.2*	12.7	16.7	5.6
5. Gross fixed capital formation deflator	131.1*	13.6	4.8	2.4
6. Export (goods and services) price deflator	123.7*	15.6	–1.2	0.3
7. Import (goods and services) price deflator	137.3*	24.8	–6.1	–1.4

Sources: State Data Agency, Ministry of Finance, Eurostat.

* Economic development scenario has been drawn up based on statistical data published by 31 August 2023.

Table 10. Labour market indicators

	ESA code	2022	2022	2023	2024
		Indicator value	Change, %		
1. Employment, persons, thou.		1, 420.8	3.8	0.0	0.3
2. Employment, hours worked, thou.		2, 672, 873	5.4	–	–
3. Unemployment rate, %		5.9	–	6.9	6.6
4. Labour productivity (gross value added per person employed), EUR thou.		33	–1.9	–0.4	1.4
5. Labour productivity, hours worked		–	–	–	–
6. Compensation of employees, EUR million	D.1	31, 162.4*	15.5	14.2	7.1
7. Compensation per employee, EUR		24, 360.9*	10.6	14.2	6.8

Sources: State Data Agency, Ministry of Finance.

* Economic development scenario has been drawn up based on statistical data published by 31 August 2023.

Table 11. Sectoral balances

	ESA code	2022	2023	2024
		% of GDP		
1. Net borrowing	B.9	–3.7	2.3	2.6
o/w:				
- balance of goods and services *		–2.0	3.8	4.1
- balance of primary incomes and transfers		–3.2	–3.0	–3.3
- capital account		1.5	1.5	1.8
2. Net lending/net borrowing of the private sector (borrowing)	B.9	–3.1	4.2	5.5
3. General government net lending (borrowing)	B.9	–0.6	–1.9	–2.9
4. Statistical discrepancy		0.0	0.0	0.0

Sources: Bank of Lithuania, Ministry of Finance.

* Economic development scenario has been drawn up based on statistical data published by 31 August 2023.

Table 12. General government indicators under policy scenario

	ESA code	2023	2024
		% of GDP	
Net lending (+) / net borrowing (–) (B.9) by subsector			
1. General government	S.13	–1.9	–2.9
2. Central government	S.1311	–2.9	–3.6
3. State government	S.1312	N.A.	N.A.
4. Local government	S.1313	0.0	–0.1
5. Social security funds	S.1314	1.0	0.8
6. Interest payment	D.41	0.5	0.6
7. Primary balance		–1.5	–2.2
8. One-off and other temporary measures		–0.1	0.0
9. Real GDP growth (%)		–0.4	1.7
10. Potential GDP growth (%)		2.5	2.0
O/w:			
- labour		0.7	0.2
- capital		1.8	1.7
- total factor productivity		–0.1	0.2
11. Output gap (% of potential GDP)		–1.9	–2.3
12. Cyclical component of the budget (% of potential GDP)		–0.8	–0.9
13. Cyclically adjusted balance (1 – 12) (% of potential GDP)		–1.2	–1.9
14. Cyclically adjusted primary balance (13 + 6) (% of potential GDP)		–0.7	–1.3
15. Structural balance (13 – 8) (% of potential GDP)		–1.0	–2.0

Source – Ministry of Finance.
Note. Due to rounding, row sums may not match the detailed data.

Table 13. General government revenue and expenditure indicators under no-policy change scenario

General government (S13)	ESA code	2023		2024	
		MEUR	% of GDP	MEUR	% of GDP
1. Gross revenues under no-policy change scenario	TR	27, 007.5	37.2	28, 729.6	37.8
1.1. Taxes on production and imports	D.2	8, 241.5	11.4	8, 805.2	11.6
1.2. Current taxes on income, wealth and other taxes	D.5	7, 638.5	10.5	8, 001.1	10.5
1.3. Capital taxes	D.91	14.0	0.0	14.0	0.0
1.4. Social contributions	D.61	7, 583.9	10.5	8, 145.2	10.7
1.5. Property income	D.4	329.7	0.5	241.6	0.3
1.6. Other		3, 199.9	4.4	3, 522.5	4.6
Tax burden (D.2 + D.5 + D.61 + D.91 – D.995)		23, 466.8	32.3	2 4,955.5	32.9
2. Gross expenditure under no-policy change scenario	TE	26, 581.5	36.6	29, 590.7	39.0
2.1. Compensation of employees	D.1	7 ,190.1	9.9	7, 741.3	10.2
2.2. Intermediate consumption	P.2	3, 567.8	4.9	4, 081.0	5.4
2.3. Social benefits	D.6M	10, 356.3	14.3	11, 502.8	15.1
o/w: unemployment benefits		390.0	0.5	404.1	0.5
2.4. Interest expenditure	D.41	333.0	0.5	493.1	0.6
2.5. Subsidies	D.3	287.1	0.4	228.7	0.3
2.6. Fixed capital formation	P.51	2, 683.0	3.7	2, 905.9	3.8
2.7. Capital transfers	D.9	643.7	0.9	703.1	0.9
2.8. Other		1, 520.5	2.1	1, 934.9	2.5

Source – Ministry of Finance.
Note. Due to rounding, row sums may not match the detailed data.

Table 14. General government debt projections

	2023	2024
	% of GDP	
General government debt at the end of the year	37.9	39.8
Change in general government debt	–0.5	1.8
General government debt determinants:		
Primary balance	–1.5	–2.2
Interest	0.5	0.6
Stock-flow adjustment	0.6	0.7
Implicit interest rate on debt	1.3	1.8

Source – Ministry of Finance.

Table 15. State guaranteed debt

	2023	2024
	% of GDP	
State guarantees	1.2	1.9
o/w: related to financial sector	0.0	0.0

Source – Ministry of Finance.

Table 16. Impact of discretionary revenue measures taken by general government on the budget

No.	Description of the measure	ESA code	2023		2024	
			MEUR	% of GDP	MEUR	% of GDP
1.*	A permanent 9% VAT relief to artistic and cultural services applied as of 1 January 2023	D.2	–3.9	–0.01		
2.*	A permanent 9% VAT relief to electronic books and non-periodical electronic publications applied as of 1 January 2023	D.2	–1	– 0.001		
3.*	Abolition of VAT deduction restrictions for M1 electric vehicles if the value of the M1 electric vehicle does not exceed EUR 50,000 (including VAT)	D.2	–16.6	–0.02		
4.*	0 % VAT rate applicable from 1 January 2021 to 31 December 2022 for COVID-19 vaccines and COVID-19 *in vitro* diagnostic medical devices	D.2	8.5	0.01		
5.*	Application of temporary 9 % VAT relief to catering services, other than those relating to alcoholic beverages, and for artistic and cultural services and for attending relevant events from 1 July 2021 to 31 December 2022	D.2	148.1	0.20		
6.*	Application of temporary 9 % VAT relief to catering services, other than those relating to alcoholic beverages, and for artistic and cultural services and to visits to relevant events from 1 January 2023 to 31 December 2023	D.2	–140.6	–0.19	140.6	0.19
7.*	Green transition in excise duties	D.2			62.9	0.08
8.*	Increase of excise duty rates on tobacco products and liquid of electronic cigarettes	D.2	27.1	0.04	34.6	0.05
9.*	Compensation from the State budget of the 9% VAT rate applied on heat as well as hot water (the difference from 9 to 0 per cent) for goods supplied to residents in January – April 2022, October 2022 – April 2023 and October 2023 – April 2024	D.2	–22	–0.03	12.1	0.02
10.*	Increase of excise duty rates on ethyl alcohol and alcoholic beverages	D.2	8.5	0.01	8.2	0.01
11.*	Application of temporary 9 % VAT relief to sporting services and to visits to relevant events as well as to services of performing artists from 1 January 2023 to 30 January 2023	D.2	–5.8	–0.01	5.8	0.01
12.**	The amendments to the pollution tax which entered into force on 1 January 2021	D.2	29	0.04	5	0.01
13.**	The amendments to the pollution tax which entered into force on 1 January 2023	D.2		0.00	8	0.01
14.*	The amendments to the tax on lotteries and gambling	D.2	20.2	0.03	4.2	0.01
15.**	The amendments to the tax for state natural resources which entered into force on 1 July 2023	D.2	–6	–0.01	–6	–0.01
16.**	Increase of NTA up to EUR 540 to persons earning up to 1 AW; increase of NTA for the disabled from EUR 690 to EUR 810 and from EUR 740 to EUR 870, accordingly. Effective as of 1 June 2022 applying it for income earned from 1 January 2022	D.5	–38.1	–0.05		
17.**	Increase of NTA from EUR 540 to EUR 625 to persons earning up to 1 AW; increase of NTA for the disabled from EUR 810 to EUR 935 and from EUR 870 to EUR 1,005, accordingly. Effective as of 1 January 2023	D.5	–164.3	–0.23		
18.**	Increase of NTA from EUR 625 to EUR 747 to persons earning up to 1 AW; increase of NTA for the disabled from EUR 935 to EUR 1,057 and from EUR 1,005 to EUR 1,127, accordingly. Effective as of 1 January 2024	D.5			–241.2	–0.32
19.*	Temporary solidarity contribution	D.5	150	0.21	130	0.17
20.*	The amendments to the road user charges coming into force on 1 July 2024	P.131			30	0.04

Source – Ministry of Finance.
* Discretionary revenue measures of central government subsector (S.1311).
** Discretionary revenue measures of central government and local government subsectors (S.1311 ir S.1313).
Notes:
1. Adoption stage of all the measures specified in the table is "approved" or "submitted by the Government to the Seimas", and accounting basis – accrual.
2. The column of the table, indicating 2023, presents the impact of the measures launched in 2023 on general government revenue.
3. The column of the table, indicating 2024, presents the impact of the measures to be launched in 2024 on general government revenue and/or the amounts neutralising the impact of the measures taken in 2023, but no longer applied in 2024, on revenue.

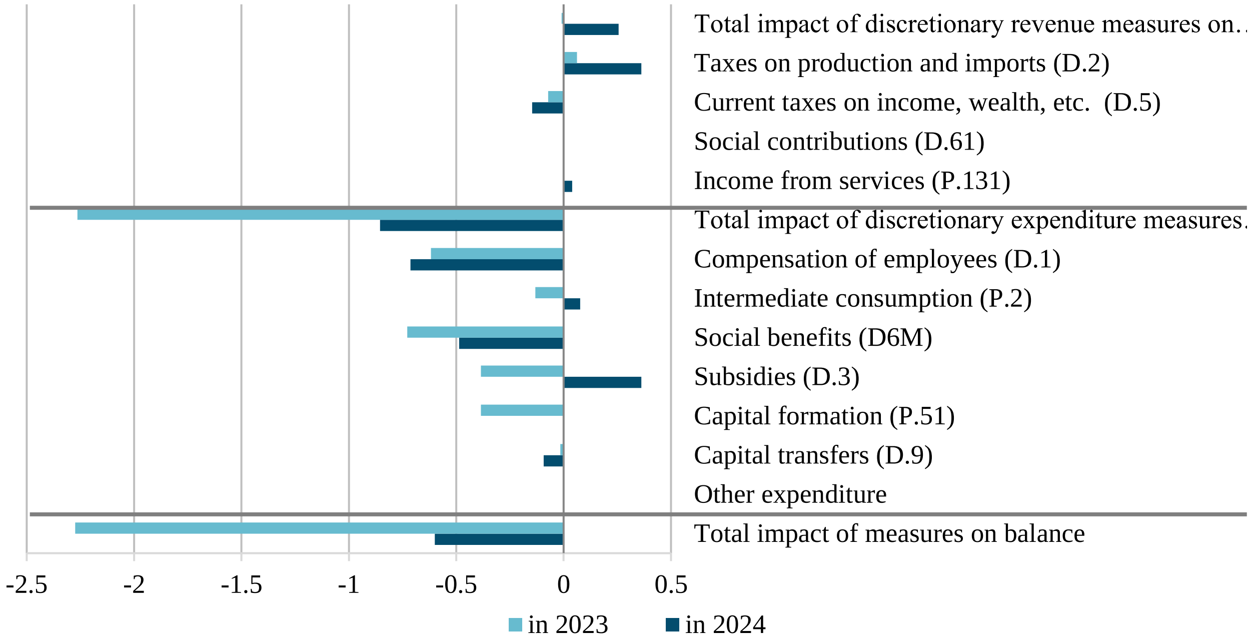
Table 17. Impact of discretionary expenditure measures taken by general government on the budget

No.	Description of the measure	ESA code	2023		2024	
			MEUR	% of GDP	MEUR	% of GDP
1.*	Increase of a basic salary rate for calculation of wages for persons employed in budgetary institutions (in 2022 – EUR 181, in 2023 – EUR 186)	D.1	–89.1	–0.1		
2.*	Increase of wages for persons employed in the education sector	D.1	–145.5	–0.2	–219.2	–0.3
3.*	Increase of wages for lecturers, research staff and researchers	D.1	–33.4	0.0	–84.4	–0.1
4.*	Preparation for the NATO Summit 2023	P.2	–36.7	–0.1	36.7	0.0
5.*	R&D financing	P.2	–43.0	–0.1	–21.5	0.0
6.*	Increase of basic amounts: basic social benefit (BSB) from 46 to 49; state supported income (SSI) from 147 to 157; social assistance pension base (SAPB) from 173 to 185; target compensation base (TCB) from 138 to 147.	D.6M	–65.5	–0.1		
7.*	Increase of social assistance benefits and other basic amounts: SSI from 157 to 176; BSB from 49 to 55; SAPB from 184 to 197; TCB from 147 to 165; state pension basic amount (SPBA) from 68.29 to 71.98	D.6M			–133.8	–0.2
8.*	Contributions for persons insured from public funds	D.6M	–10.9	0.0	–115.0	–0.2
9.	Additional indexation of part of the individual pension (from 1 June 2022) (Social Security Funds)	D.6M	–37.0	–0.1		
10.	Additional indexation of part of the individual pension (from 1 January 2023) (Social Security Funds)	D.6M	–120.0	–0.2		
11.	Additional indexation of part of the individual pension (from 1 January 2024) (Social Security Funds)	D.6M			–46.9	–0.1
12.	Introduction of an old-age pension multiplier, with 70 % and more incapacity for work (Social Security Funds)	D.6M			–58.0	–0.1
13.*	Increase of pensions, welfare benefits, benefits linked to the basic amount of social benefit, state-supported income	D.6M	–106.5	–0.1		
14.*	Assistance in 2023 to the Ukrainian people fleeing from Russia's war of aggression against Ukraine (food packages and cards, education for Ukrainian children, cash benefits and reimbursements, health services, etc.)	D.6M	–141.3	–0.2	141.3	0.2
15.*	Assistance in 2024 to the Ukrainian people fleeing from Russia's war of aggression against Ukraine (food packages and cards, education for Ukrainian children, cash benefits and reimbursements, health services, etc.)	D.6M			–127.2	–0.2
16.*	**Mitigating the effects of strong energy price increases** (partial subsidisation of the electricity and gas price to households and support to businesses in the environment of high energy prices)	D.3	–195.7	–0.3	195.7	0.3
17.*	Ensuring the financing of investments for infrastructure activities to the public railway infrastructure manager	D.3	–79.2	–0.1	79.2	0.1
18.*	Expenditure on infrastructure for military mobility in 2023	P.51	–279.7	–0.4	279.7	0.4
19.*	Expenditure on military mobility projects in 2024-2025	P.51			–280.0	–0.4
20.*	Expenditure on contributions to the EU Funds for Ukraine (EU Multiannual Financial Framework (MFF))	D.9			–70.0	–0.1
21.	Other discretionary expenditure measures	Other	–259.3	–0.4	–268.7	–0.4

Source – Ministry of Finance,
***** Discretionary expenditure measures of central government subsector (S.1311).
Notes:
1. Adoption stage of all the measures specified in the table is "approved".
2. The column of the table, indicating 2023, presents the impact of the measures launched in 2023 on general government expenditure.

3. The column of the table, indicating 2024, presents the impact of the measures to be launched in 2024 on general government expenditure and/or the amounts neutralising the impact of the measures taken in 2023, but no longer applied in 2024, on expenditure.

Fig. 15. Impact of discretionary measures on general government revenue and expenditure, % of GDP



Source – Ministry of Finance.

Table 18. Amounts excluded from the expenditure benchmark

	ESA code	2022		2023	2024
		MEUR	% of GDP	% of GDP	
1. Expenditure on the EU programmes fully matched by the EU Funds' revenue		726.8	1.1	1.6	2.0
1a. Gross fixed capital formation expenditure financed from the EU assistance	P.51	381.2	0.6	0.7	1.0
2. Cyclical unemployment benefit expenditure		–6.5	–0.01	0.04	0.02
3. Discretionary revenue measures		132.5	0.2	–0.01	0.3
4. Revenue increase mandated by law		0.0	0.0	0.0	0.0

Source – Ministry of Finance.

Table 19. A list of medium-term fiscal risks

Risk	Risk source	Degree of a risk	Probability of risk occurrence
Changes in the geopolitical situation	As geopolitical tensions persist or intensify, security (including cyber) and defence-enhancing needs may increase, leading to higher general government expenditure	high	high
Statistical corrections of data on national defence expenditure	Significant differences between forecast of acquisition costs of military equipment, weapons and supplies and actual data estimated in general government financial accounting on accrual basis (acc. to ESA) may increase or decrease general government expenditure	high	high
Political cycle	Pressure on long-term liabilities may increase the general government deficit if new sustainable sources of revenue are not envisaged to meet these long-term liabilities	high	high
Implementation of the RRP	If during the implementation of the RRP part of indicators presented in the plan are not achieved and part of the RRF grant is not received, the general government balance may deteriorate, as compared to the planned one	high	high
Support for Ukraine	Lithuania may incur additional financial obligations undefined at the time of budgeting, when participating in the EU and international support for Ukraine initiatives, contributing to the financial collateral to the IMF for fulfilment of Ukraine's obligations to the IMF and providing assistance to Ukraine, as specified in the G7 Joint	medium	high

Risk	Risk source	Degree of a risk	Probability of risk occurrence
	Declaration of Support for Ukraine of 12 July 2023, to which the Republic of Lithuania is a party.		
Activities of the State-owned enterprises	Improving or deteriorating performance may increase or decrease the amounts of dividends paid to the State budget	medium	medium
Global financial market conditions	Changes in global financial markets may increase the Government's borrowing costs	medium	medium
Natural disasters	The use of measures to mitigate the effects of rainfall, fires, droughts, epidemics on the public and/or private sector may lead to an increase in general government expenditure and/or a decrease in revenue	medium	medium
Demographic changes	Changing age structure of the society, better or worse than expected migration balance may affect the general government balance either positively or negatively	medium	medium
Deposit and investment insurance	In the event of bankruptcy of credit institutions, central government expenditure would increase due to fulfilment of obligations to depositors	medium	medium
COVID-19 pandemic development	In the event of a recurrent outbreak of COVID-19, additional funds to finance the COVID-19-related measures may be needed. This would lead to an increase in the general government expenditure	low	low

Source – Ministry of Finance.

Table 20. Impact of RRF grants on general government finance projections

Title of the indicator	% of GDP							
	ESA code	2020	2021	2022	2023	2024	2025	2026
RRF grants (revenue)								
RRF grants included in the revenue projection		–	**0.0**	**0.1**	**0.3**	**0.8**	**1.0**	**0.4**
Revenue of RRF grants (cash flow basis) *		–	**0.5**	**0.0**	**0.8**	**0.8**	**0.5**	**0.5**
Expenditure for implementation of the RRP measures								
Compensation of employees	D.1	–	0.0	0.0	0.0	0.0	0.0	0.0
Intermediate consumption	P.2	–	0.0	0.02	0.1	0.2	0.2	0.1
Social benefits	D.62+ D.632	–	0.0	0.0	0.0	0.0	0.0	0.0
Interest payment	D.41	–	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	D.3	–	0.0	0.0	0.0	0.0	0.0	0.0
Current transfers	D.7	–	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT EXPENDITURE, TOTAL		–	**0.0**	**0.02**	**0.1**	**0.2**	**0.2**	**0.1**
Gross fixed capital formation	P.51g	–	0.0	0.1	0.2	0.6	0.8	0.4
Capital transfers	D.9	–	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURE, TOTAL		–	**0.0**	**0.1**	**0.2**	**0.6**	**0.8**	**0.4**
Other costs financed by RRF grants								
Diminution in tax revenue		–	–	–	–	–	–	–
Other costs affecting revenue		–	–	–	–	–	–	–
Financial transfers		–	–	–	–	–	–	–

Source – Ministry of Finance.

Notes:

1. According to the data available at the time of the preparation of the DBP, the share of the RRF grant to Lithuania totals EUR 2,099.1 million. The amount of funds allocated to Lithuania under the RRF facility was recalculated in June 2023 and decreased by EUR 125 million. This decrease is expected to be covered by additional resources from the RepowerEU initiative.
2. RRF advance was received in 2021. The payment received in 2023 on the first payment request. A share of the suspended funds of the first payment request are expected to be received still in 2023. The RRF flow of funds projected for 2024-2026 in accordance with the currently modified indicative schedule of financial contributions set out in the Annex to the Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Lithuania.
3. RRP is currently modified, therefore the amounts indicated may be corrected.
4. Due to rounding, row sums may not match the detailed data.

Table 21. The use of the RRF loan

Title of the indicator	% of GDP							
	ESA code	2020	2021	2022	2023	2024	2025	2026
RRF loan (cash flow)								
Amounts of RRF loan received from the EU		–	–	–	0.2	0.6	0.6	0.6
Repayments of RRF loan to the EU		–	–	–	0.0	0.0	0.0	0.0
Expenditure for implementation of the RRP measures								
Compensation of employees	D.1	–	–	–	0.0	0.0	0.0	0.0
Intermediate consumption	P.2	–	–	–	0.0	0.6	0.7	0.6
Social benefits	D.62+ D.632	–	–	–	0.0	0.0	0.0	0.0
Interest payment	D.41	–	–	–	0.0	0.0	0.0	0.0
Subsidies	D.3	–	–	–	0.0	0.0	0.0	0.0
Current transfers	D.7	–	–	–	0.0	0.0	0.0	0.0
CURRENT EXPENDITURE, TOTAL		–	–	–	**0.0**	**0.6****	**0.7****	**0.6****
Gross fixed capital formation	P.51g	–	–	–	0.0	0.0	0.0	0.0
Capital transfers	D.9	–	–	–	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURE, TOTAL		–	–	–	**0.0**	**0.0**	**0.0**	**0.0**
Other costs financed by RRF grants								
Diminution in tax revenue		–	–	–	–	–	–	–
Other costs affecting revenue		–	–	–	–	–	–	–
Financial transfers		–	–	–	–	–	–	–

Source – Ministry of Finance.

Notes:

1. As the adjustment to the RRP by supplementing it with the RRF loan has not been approved yet, the payment schedule is based on presumptions and will be known more accurately only after the approval of the supplement of the RR with new measures
2. The amounts to be used are likely to be reallocated by transferring some of them to capital expenditure. The funds of the RRF loan planned for 2024-2026, only 0.01 % of GDP, 0.01 %of GDP and 0.02 % of GDP respectively, are considered as affecting the general government balance. The rest of the above amounts is expected to be used through on-lending, and therefore will not affect the general government balance.

Table 22. State guarantees

Guarantee measure	Date of application of guarantees	Maximum possible amount of guarantees in 2024 (MEUR / % of GDP)		Guarantees provided, acc. to the data of 31 August 2023 (MEUR / % of GDP)	
State guarantee measures related to the COVID-19 measures					
Portfolio and individual guarantees administered by INVEGA	June 2020	21.2	0.03	29.1	0.04
State guarantees on loans and non-equity securities used to meet the objectives of stimulating economy affected by emergencies and to increase the financial liquidity of business	March 2020	100.0	0.13	100.0	0.14
State guarantees on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak	September 2020	84.0	0.11	84.0	0.12
State guarantees for the European Investment Bank, established Pan-European Guarantee Fund in response to COVID-19 pandemic	July 2020	44.0	0.06	44.0	0.06
Total State guarantees related to COVID-19 measures		**249.2**	**0.3**	**257.1**	**0.4**
State guarantee measures not related to COVID-19 measures					
State guarantees on INVEGA commitments under guarantees	–	466.3	0.61	338.0	0.47
State guarantees on loans to finance investment projects and/or to ensure national security of the Republic of Lithuania, to replenish the working capital of important enterprises specified in the Law on the Protection of Objects of Importance to Ensuring National Security	–	532.6	0.70	154.0	0.21
State guarantees on State-subsidized loans specified in the Republic of Lithuania Law on Science and Studies	–	139.0	0.18	94.4	0.13

Guarantee measure	Date of application of guarantees	Maximum possible amount of guarantees in 2024 (MEUR / % of GDP)		Guarantees provided, acc. to the data of 31 August 2023 (MEUR / % of GDP)	
State guarantees on loans granted by the European Investment Bank		2.3	0.00	2.3	0.00
State guarantees for a loan from the International Bank for Reconstruction and Development from own resources under the Loan Agreement for Emergency Assistance to ensure the continuity public services in Ukraine	–	10.0	0.01	10.0	0.01
State guarantee to the European Commission for exceptional macro-financial assistance to Ukraine under Decision (EU) 2022/1628	–	13.0	0.02	0.0	0.0
Total State guarantees not related to COVID-19 measures		**1, 163.2**	**1.5**	**598.6**	**0.8**
Total State guarantees		**1, 412.3**	**1.9**	**855.7**	**1.2**

Source – Ministry of Finance.

Notes:

1. INVEGA – JSC Investment and Business Guarantees.
2. In the absence of information on the amount of loans granted by the European Investment Bank, established Pan- European Guarantee Fund in response to the COVID-19 pandemic, which are covered by the State guarantee of the Republic of Lithuania, the full amount under the signed guarantee agreement with the European Investment Bank is shown in the right column of the table.

Table 23. Expenditure related to high energy prices and revenue measures

Sr. No.	Measure	Start date of application of the measure	End date of application of the measure	Impact of the measure on general government finance				Beneficiaries	Purpose/ assumptions of the measure
				2022	2023		2024		
				Fact, MEUR	*Foreseen in the 2023 budget, MEUR*	*Projection, MEUR*	*Projection, MEUR*		
1	2	3	4	*5*	*6*	*7*	*8*	9	10
Expenditure measures									
1.	Partial subsidisation of the electricity price to households	1 July 2022	30 June 2023	***395.1****	*889*	*Fact: **46.4** (applied only in the first half of 2023). May only slightly change (decrease) due to small suppliers' refunds*	*0*	All households	In the first half of 2023, the State granted a subsidy to cover the final part of the electricity price above 28 cents per kWh, and the maximum subsidy amount may not exceed 28.5 cents per kWh (in the second half of 2022, the part of the price above 24 cents per kWh was covered and the maximum subsidy amount could not exceed 9 cents per kWh). The planned amount (column 6) is based on the assumption that the market price of electricity will reach EUR 391 per MWh. A new projection of the subsidy amount (column 7) was made in view of the fact that the price of electricity will fall significantly (will reach EUR 100 - EUR 160 per MWh) and the number of suppliers or consumers purchasing electricity at a high price requiring compensation will decrease.

Sr. No.	Measure	Start date of application of the measure	End date of application of the measure	Impact of the measure on general government finance				Beneficiaries	Purpose/ assumptions of the measure
				2022	2023		2024		
				Fact, MEUR	*Foreseen in the 2023 budget, MEUR*	*Projection, MEUR*	*Projection, MEUR*		
1	2	3	4	*5*	*6*	*7*	*8*	9	10
2.	Partial subsidisation of the gas price to households	1 July 2022	31 December 2023	***293.8****		*Primary plan: 116 (only in the first half of 2023, all suppliers) Fact: **90.2** (in the first half of 2023, all suppliers) Further projection: **54** (in the second half of 2023,*	*0*	All households	In the first half of 2023, the State granted a subsidy of 99 cents per m^3 to reduce the price of natural gas for consumers who use gas for house heating or food production. Accordingly, this compensation is 63 cents per m^3 in the second half of 2023.

Sr. No.	Measure	Start date of application of the measure	End date of application of the measure	Impact of the measure on general government finance				Beneficiaries	Purpose/ assumptions of the measure
				2022	2023		2024		
				Fact, MEUR	*Foreseen in the 2023 budget, MEUR*	*Projection, MEUR*	*Projection, MEUR*		
1	2	3	4	*5*	*6*	*7*	*8*	9	10
						only SC Ignitis)			The planned amount (column 6) is based on the assumption that the price of natural gas will be EUR 136 per MWh. The new compensation amount (column 7) is projected taking into account that the average price of natural gas will be EUR 106.5 per MWh (including actual prices for January-March 2023 and forecasted prices for April-June). When calculating the price of natural gas in the second half of 2023, the average price of natural gas was forecasted to be EUR 101.9 per MWh. In order not to increase the price for any group of natural gas consumers from 1 July 2023, using the funds of the partial electricity price subsidy saved in the first half of 2023, the aforementioned compensation of 63 cents per m^3 for household gas consumers was applied in the second half of 2023. In 2024, the average price of natural gas is forecasted to be about EUR 50 per MWh. This would allow to maintain existing or to set lower prices for household consumers without allocation and use of any gas price subsidies.
3.	Partial subsidisation of electricity price for business entities	1 October 2022	31 March 2023	***107***		*Fact:* ***5.1 (will remain unchanged)***	*0*	All business entities	In I Q of 2023, the State granted a subsidy to cover half of the electricity price (excluding the price of infrastructure services and VAT) exceeding 28 cents per kWh (in IV Q of 2022, the electricity price, above which the relevant subsidy is applied, was 24 cents per kWh). The budgeted subsidy amount (column 6) was established on the basis of the projected electricity price of EUR 400 per MWh, while the new calculated amount (column 7) was established on the basis of the actual payments for January-February 2023 and the payment projection for March 2023.

Sr. No.	Measure	Start date of application of the measure	End date of application of the measure	Impact of the measure on general government finance				Beneficiaries	Purpose/ assumptions of the measure
				2022	2023		2024		
				Fact, MEUR	*Foreseen in the 2023 budget, MEUR*	*Projection, MEUR*	*Projection, MEUR*		
1	2	3	4	*5*	*6*	*7*	*8*	9	10
Revenue measures									
4.	Support to houssehlods: NTA increase*	1 January 2023	Non-statutory	0	–164.3	–164.3	–164.3	Targeted measure focused on socially vulnerable groups of population contributing to personal income increase	Aimed at reducing labour taxation for low and middle-income earners, contributing to maintaining the level of real income level of vulnerable groups.
5.	Support to households: Compensation of VAT calculated on heat energy and hot water	1 April 2022	30 April 2024 (temporary will cease functioning on 1 May 2023 till 30 September 2023)	–33.6	–55.6	–55.6	–43.5	Household consumers receiving heat energy from heat suppliers for residential space heating and hot water	Designed to partially reduce the financial burden on residents due to future heating and hot water bills during the 2022-2023 and 2023-2024 heating seasons.
6.	Suport to business entities: tax deferral	7 October 2022	30 April 2023	0	–281.6	0	0	Firms in financial difficulty, if their energy costs in 2021 accounted for 10 % or more of their total operating costs	Designed to preserve the viability of taxpayers affected by the energy crisis.

Sr. No.	Measure	Start date of application of the measure	End date of application of the measure	Impact of the measure on general government finance				Beneficiaries	Purpose/ assumptions of the measure
				2022	2023		2024		
				Fact, MEUR	*Foreseen in the 2023 budget, MEUR*	*Projection, MEUR*	*Projection, MEUR*		
1	2	3	4	*5*	*6*	*7*	*8*	9	10
7.	Support to business entities: application of a preferential VAT rate of 9 % to **catering services**	1 January 2023	31 December 2023	0	–132.6	–140.6	0	Catering companies	Intended to contribute to the stabilisation of activities of business, slower recovering in the aftermath of the COVID-19 pandemic and affected by energy price increases, and to the preservation of its viability.
8.	Support to business entities: application of a preferential VAT rate of 9 % to **sports and performance services**	1 January 2023	1 July 2023	0	–5.8	–5.8	0	Companies organising sports events and providing services of sports clubs, performers providing performance services	Intended to contribute to the stabilisation of activities of business, slower recovering in the aftermath of the COVID-19 pandemic and affected by energy price increases, and to the preservation of its viability.

Sources: Ministry of Finance, AB Ignitis.

Notes:

1. The amounts of subsidies for electricity and gas energy prices set out in rows 1 and 2 of column 10 are established in Government of the Republic of Lithuania Resolution No 553 of 30 May 2022 on the application of partial compensation of the price of electricity and/or natural gas intended to reduce the costs of electricity and/or natural gas consumed by household consumers of electricity and/or natural gas.

2.The amounts of subsidies for electricity prices set out in row 3 of column 10 are established in the Government of the Republic of Lithuania Resolution No 1062 of 26 October 2022 on the procedure for granting and administering support to reduce the costs of electricity consumed by non-household consumers of electricity.

3. The amount of EUR 888.5 million covering rows 1-3 of column 6 has been foreseen in the 2023 budget, without segregating this amount by individual measures set out in rows 1-3.

4. The measure in row 4 is considered to be permanent, as subsequent NTA increases are based on the new amount.

PART VI
EXCEPTIONAL CIRCUMSTANCES IN LITHUANIA

The increase in geopolitical tensions caused by the Russia's war of aggression against Ukraine since February 2022 has had a significant impact on the security, social and economic situation, including a rapid growth of energy prices, in Lithuania and the EU as a whole. In a context of uncertainty about the geopolitical situation, there is still a need for measures for the Ukrainian people who have fled the country due to Russia's war of aggression against Ukraine and have found refuge in Lithuania. The Republic of Lithuania may also be subject to additional financial obligations not defined at the time of budgeting when participating in the EU and international assistance initiatives to Ukraine, contributing to the collateral to the IMF for Ukraine's obligations to the IMF and support for Ukraine, as specified in the G7 Joint Declaration of Support for Ukraine of 12 July 2023, to which the Republic of Lithuania is a party.

The Government, in light of the fading out of the need for COVID-19-related measures, as compared to 2020-2021, and the need to strengthen the national defence in the face of geopolitical tensions, to help people with rising prices, authorised the Ministry of Finance to initiate the lifting of exceptional circumstances identified due to COVID-19 and the new imposition of exceptional circumstances due to the geopolitical situation and its potential negative impact on general government finance[28]. The fiscal institution in its conclusion of 20 September 2022 approved the lifting of the exceptional circumstances due to COVID-19 and the consistency of the geopolitical situation in 2022 and its potential negative impact on general government finance with the concept of exceptional circumstances[29].

Once exceptional circumstances have been identified, in accordance with Article 7(3) of the Constitutional Law, the Ministry of Finance updates the Economic development scenario once a quarter, publishes it, and the fiscal institution provides a conclusion to the Seimas on the approval of this scenario.

Under exceptional circumstances and taking into account the fact that the output gap calculated on the basis of the EDS will be negative in 2023-2026, the fiscal discipline rules laid down in the Constitutional Law do not apply to the general government in 2023. The draft budget for 2024 has been prepared in the light of imposed exceptional circumstances.

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[28] **The authority of the Government to the Ministry of Finance**, https://finmin.lrv.lt/uploads/finmin/documents/files/Nutarimas%20d%C4%97l%20%C4%AFgaliojim%C5%B3%20suteikimo1.pdf.

[29] **Conclusion of the fiscal institution**, https://www.valstybeskontrole.lt/LT/Product/24111/isvada-del-susidariusios-padeties-atitikties-isskirtiniu-aplinkybiu-savokai.