

# Republic of Lithuania

## Rating report

### Rating rationale

**Sound institutions:** Lithuania’s effective policymaking is anchored by its euro area membership, which ensures a robust framework for fiscal and economic policy. Its EU and NATO memberships provide robust mitigants to external security risks in the present context of heightened geopolitical tensions.

**Solid growth prospects:** the country’s solid economic growth and improved macroeconomic resilience has supported a rapid convergence towards euro area income levels over the past years. After experiencing broad stagnation in 2023 (0.3% output growth), the Lithuanian economy expanded by 2.7% in 2024, significantly outpacing peers despite regional headwinds. Growth is forecast to remain strong this year and the next (at 3.0% and 2.9%, respectively), underpinned by robust household demand and accelerating investment. Growth should subsequently converge towards an estimated potential of 2.5% annually.

**Moderate public debt:** Lithuania’s record of prudent fiscal policies has resulted in the country having one of the lowest debt-to-GDP ratios in the euro area, at an estimated 38.4% by end-2024. Ambitious military spending commitments should slow the consolidation process and maintain the debt-to-GDP ratio on a gradually increasing trajectory over the medium-run, absent additional revenue-side measures. Public debt is forecast to increase to around 42% of GDP by 2029, thus remaining among the lowest in the euro area.

**Rating challenges:** i) moderate income levels, though gradual convergence towards euro-area averages over the past decades, and exposure to external shocks given the Lithuanian economy’s relatively small-size and openness; and ii) adverse demographic trends that increase labour shortages and fiscal pressures.

Figure 1: Lithuania’s sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating	
	Weight	Indicative rating	Notches	Notches	Notches		
Domestic economic risk	35%	a-	EUR	Lithuania	-1/3	A	
Public finance risk	20%	aaa			-1/3		
External economic risk	10%	bbb			-1/3		
Financial stability risk	10%	aaa			0		
ESG risk	Environmental factors	5%	[+1]	[-0]	0		
	Social factors	7.5%			-1/3		
	Governance factors	12.5%			-1/3		
<b>Sovereign Quantitative Model****</b>		<b>aa-</b>			<b>-2</b>		
<b>Additional considerations</b>					<b>0</b>		

\*The reserve-currency quantitative adjustment applies to currencies in the IMF’s Special Drawing Rights (SDR) basket.  
 \*\*The political-risk quantitative adjustment is based on the World Bank’s Political Stability & Absence of Violence/Terrorism index.  
 \*\*\*The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope’s [Sovereign Rating Methodology](#). \*\*\*\*The Rating Committee approved an indicative SQM rating of ‘aa-’. Source: Scope Ratings.

### Foreign currency

Long-term issuer rating/Outlook

A/Positive

Senior unsecured debt

A/Positive

Short-term issuer rating/Outlook

S-1/Positive

### Local currency

Long-term issuer rating/Outlook

A/Positive

Senior unsecured debt

A/Positive

Short-term issuer rating/Outlook

S-1/Positive

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### Credit strengths and challenges

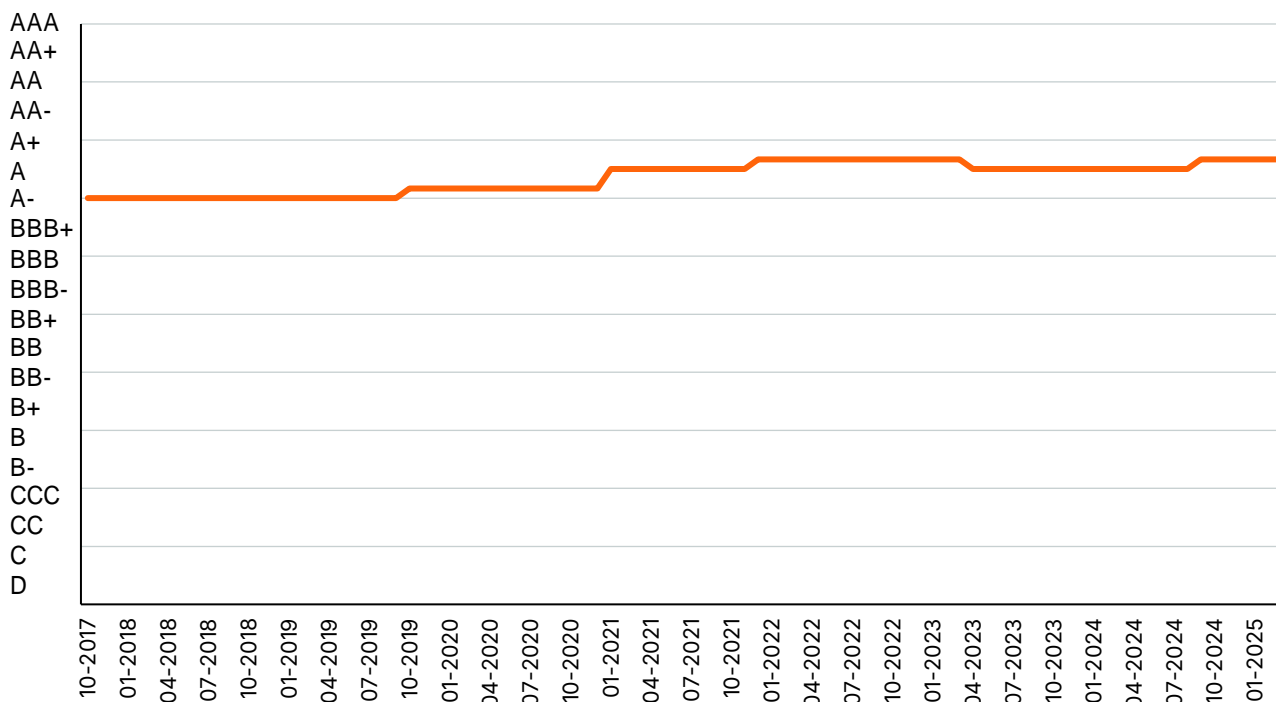
Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>• Sound institutional set-up underpinned by euro area and NATO memberships</li> <li>• Improved economic resilience; solid medium-run growth prospects</li> <li>• Moderate public debt</li> </ul>	<ul style="list-style-type: none"> <li>• Exposure to external economic and financial shocks in a context of heightened trade and geopolitical uncertainty</li> <li>• Adverse demographic trends</li> </ul>

### Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> <li>• Solid economic growth and income convergence continued through structural reform and investment</li> <li>• Debt-to-GDP remained anchored at low levels, supported by declining government deficits over the medium run</li> <li>• Resilience to external shocks strengthened, including to geopolitical risks</li> </ul>	<ul style="list-style-type: none"> <li>• Heightened geopolitical risk undermining macroeconomic stability</li> <li>• Fiscal fundamentals weakened, leading to a significant increase in debt-to-GDP</li> <li>• Macroeconomic imbalances increased, weakening growth prospects</li> <li>• External and financial sector vulnerabilities increased substantially</li> </ul>

Figure 2: Rating history



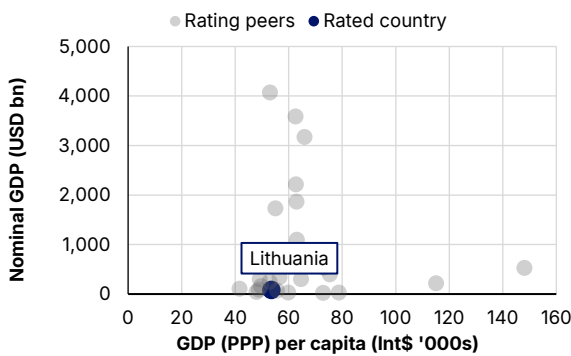
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

### Domestic economic risk

#### Overview of Scope's assessments of Lithuania's Domestic Economic Risk

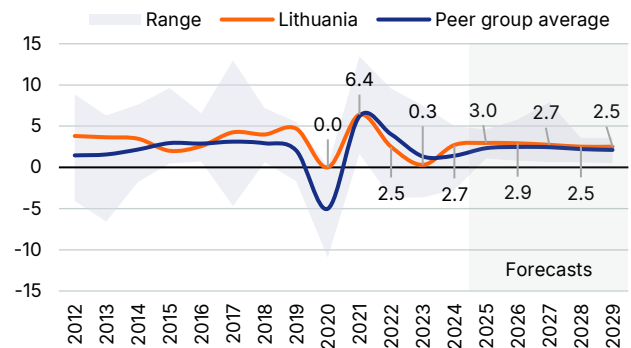
SQM <sup>1</sup> indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Growth potential and outlook	Neutral	0	Robust economic prospects supported by EU funds, although adverse demographic trends are a challenge
	Monetary policy framework	Neutral	0	ECB is a credible and effective central bank; effective policy framework and transmission over the cycle
	Macroeconomic stability and sustainability	Weak	-1/3	Pressures related to labour shortages, regional disparities, and still moderate, despite improving, economic diversification

Figure 3: Nominal GDP and GDP per capita (2024E)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



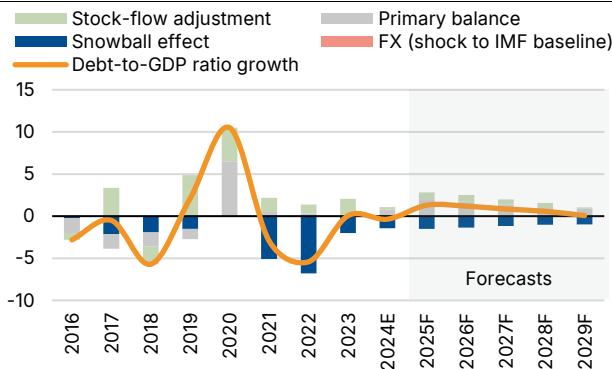
Source: IMF WEO, Scope Ratings forecasts

### Public finance risk

#### Overview of Scope's assessments of Lithuania's Public Finance Risk

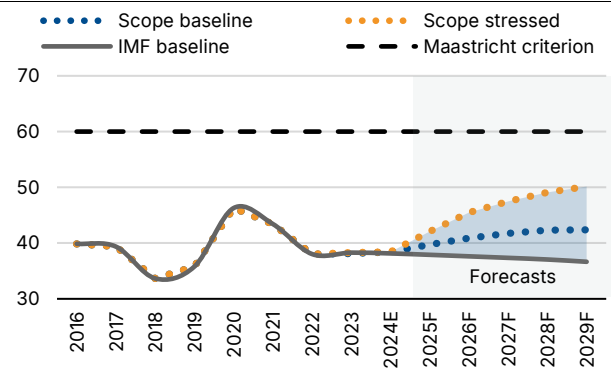
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Fiscal policy framework	Neutral	0	Track record of fiscal prudence, but still important shadow economy and comparatively restricted tax base
	Long-term debt trajectory	Weak	-1/3	Moderate debt; gradual increase of the debt ratio expected in the medium run. Sizable ageing-related long-term spending pressures relative to peers.
	Debt profile and market access	Neutral	0	Prudent debt management, low funding needs, ability to issue on favourable terms

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

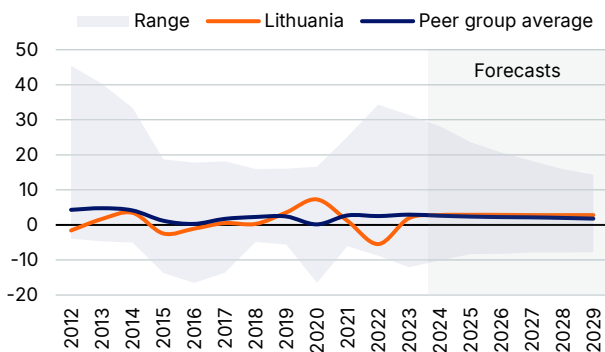
<sup>1</sup> Sovereign Quantitative Model

## External economic risk

### Overview of Scope's assessments of Lithuania's External Economic Risk

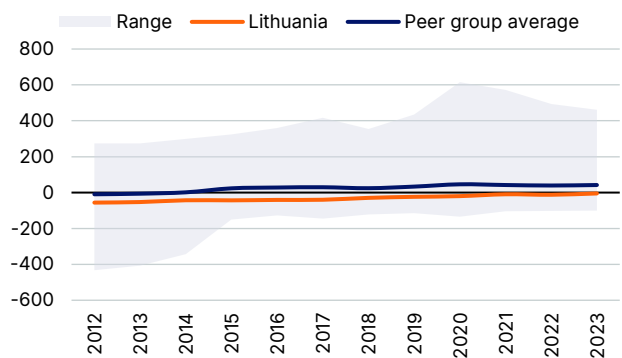
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Current account resilience	Neutral	0	Some risks from persistent reliance on low value-added export sectors, though diversification is improving
	External debt structure	Neutral	0	Moderating levels of external debt, sizeable share of foreign direct investments in external liabilities
	Resilience to short-term external shocks	Weak	-1/3	Small and open economy, exposed to ongoing uncertainty on global trade; euro-area membership partly mitigates exposure to external developments

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



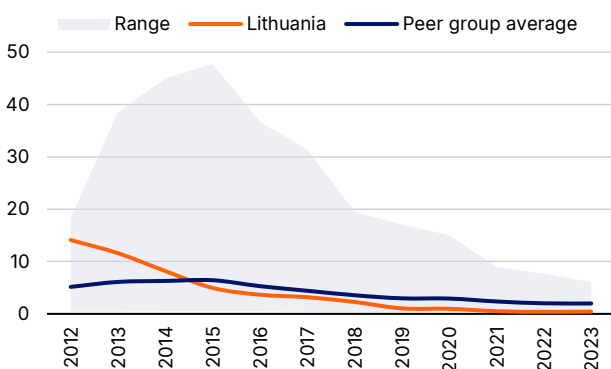
Source: IMF, Scope Ratings

## Financial stability risk

### Overview of Scope's assessments of Lithuania's Financial Stability Risk

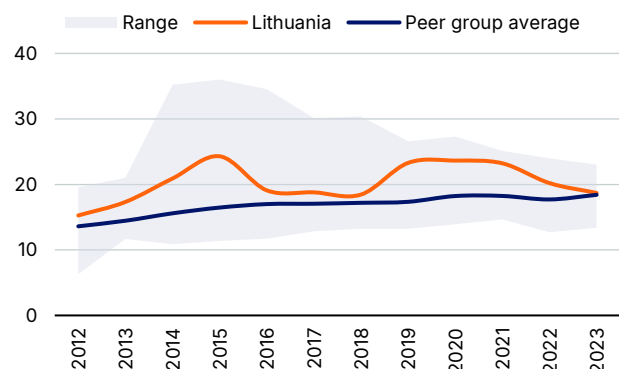
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Well-capitalised and profitable banking sector with moderate non-performing loans
	Financial sector oversight and governance	Neutral	0	Oversight under the Bank of Lithuania and the ECB as part of Banking Union
	Financial imbalances	Neutral	0	Concentration and spill-over risks from dominant Nordic banking groups; elevated cross-country financing flows; low private debt

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



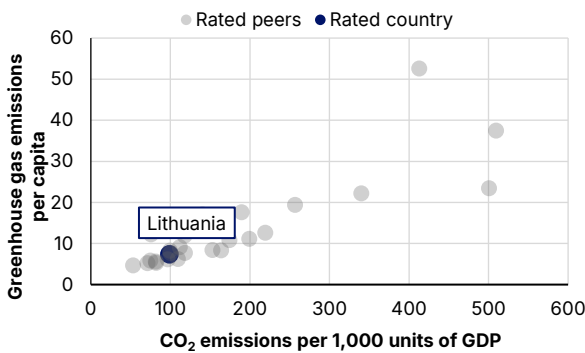
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

### Overview of Scope’s assessments of Lithuania’s ESG Risk

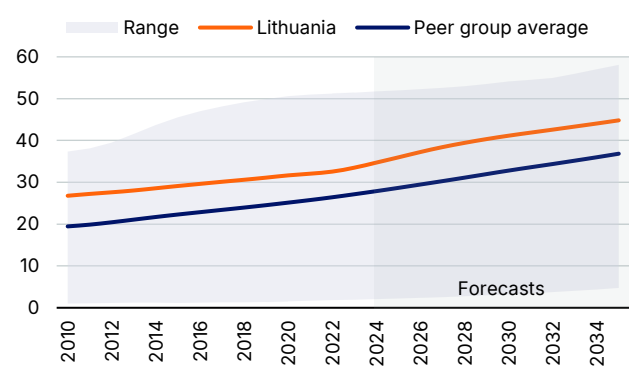
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
<b>a</b>	Environmental factors	Neutral	0	Transition risks in line with peers, ambitious climate agenda
	Social factors	Weak	-1/3	Inclusive labour market but still elevated poverty and income inequality; unfavourable demographic trends
	Governance factors	Weak	-1/3	Stable governance, supported by EU, euro area and NATO memberships; heightened geopolitical uncertainty could impact domestic institutional developments

Figure 11: CO<sub>2</sub> emissions per capita/GDP (2023), mtCO<sub>2</sub>e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

## Reserve-currency adjustment

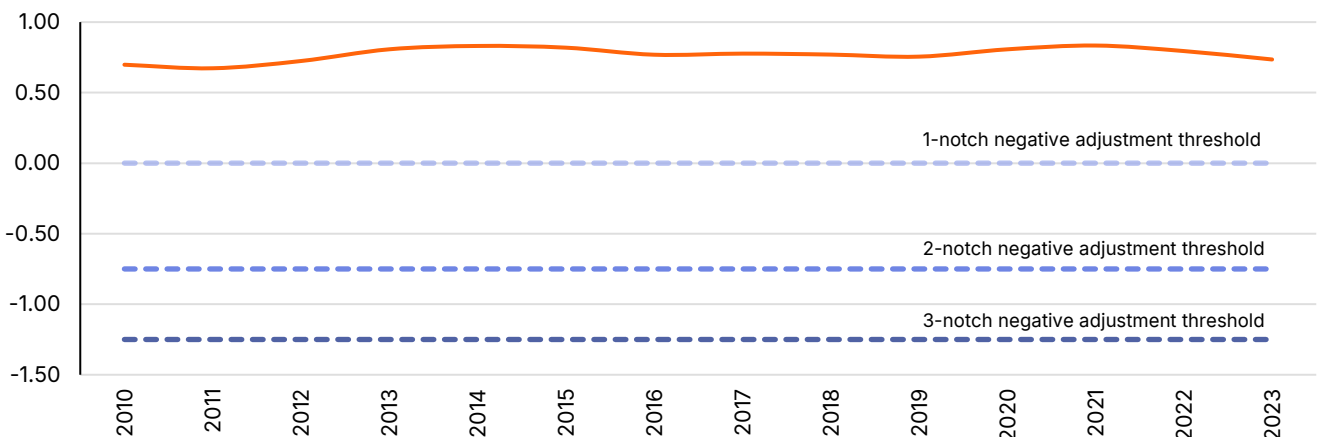
### IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	<b>29.3</b>	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	<b>1</b>	1	1	1	0

Source: IMF, Scope Ratings

## Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Lithuania, 3-year moving average



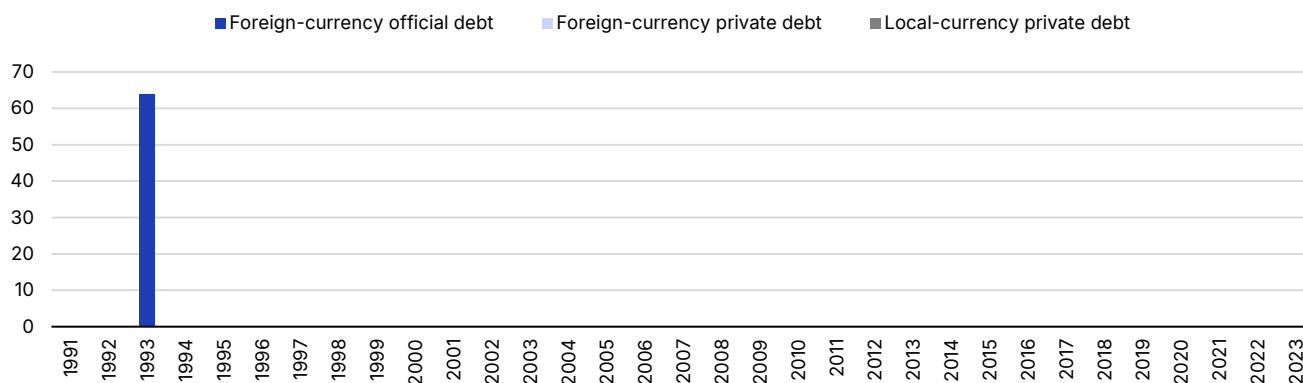
Source: WB, Scope Ratings

### Additional considerations

No adjustment was applied to the rating from additional considerations.

### Appendix 1. Sovereign default history

Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).

Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

### Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Austria
Belgium
Croatia
Cyprus
Czech Republic
Estonia
Finland
Malta
Portugal
Slovenia

\*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

### Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bp) as of 3 March 2025	66.1

#### Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024E
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	40.6	41.1	46.4	50.5	51.1	53.6
	Nominal GDP, USD bn	IMF	55	57	67	71	78	83
	Real growth, %	IMF	4.6	0.1	6.2	2.4	-0.3	2.4
	CPI inflation, %	IMF	2.2	1.1	4.6	18.9	8.7	0.9
	Unemployment rate, %	WB	6.3	8.5	7.1	6.0	7.0	-
Public Finance	Public debt, % of GDP	IMF	35.8	46.3	43.4	38.0	38.3	38.1
	Net interest payment, % of government revenue	IMF	2.9	2.2	1.4	0.9	1.6	2.1
	Primary balance, % of GDP	IMF	1.2	-6.5	-0.5	-0.3	-0.2	-0.8
External Economic	Current-account balance, % of GDP	IMF	3.5	7.3	1.1	-5.5	1.9	2.8
	Total reserves, months of imports	WB	1.4	1.5	1.2	1.0	1.2	-
	NIIP, % of GDP	IMF	-23.7	-19.8	-9.5	-12.1	-	-
Financial Stability	NPL ratio, % of total loans	IMF	1.0	1.0	0.5	0.4	0.6	-
	Tier 1 ratio, % of risk-weighted assets	IMF	19.5	22.7	24.2	22.4	20.2	-
	Credit to the private sector, % of GDP	WB	39.0	37.3	37.3	35.7	35.2	-
ESG	CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> e	EC	116.8	116.5	110.2	98.8	98.8	-
	Income share of bottom 50%, %	WID	8.1	8.1	8.1	8.1	-	-
	Labour-force participation rate, %	WB	78.1	78.5	78.2	78.5	-	-
	Old-age dependency ratio, %	UN	31.1	31.7	32.1	32.6	33.5	34.7
	Composite governance indicators*	WB	1.0	1.0	1.0	1.0	1.1	-
	Political stability, index	WB	0.8	0.8	0.8	0.8	0.8	0.7

\*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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## Related research

[CEE Sovereign Outlook: Recovering growth, diverging fiscal paths, and persistent geopolitical risks, January 2025](#)  
[Baltic update: divergence in macro-fiscal outlooks drive recent rating actions, December 2024](#)

## Applied methodology

[Sovereign Rating Methodology, January 2025](#)

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