Introduction

Lithuania is a country in Northern Europe. Situated on the southeastern shore of the Baltic Sea, it shares a border with Latvia, Belarus, Poland, and the Russian enclave of Kaliningrad. Across the Baltic Sea lies Sweden and Denmark. The government system is a parliamentary democracy; the chief of state is the president, and the head of government is the prime minister. Lithuania has transitioned from a command economy to a market economy in which the private sector accounts for the majority of GDP, and government regulation is transparent and efficient. Lithuania is a member of the European Union (EU).

Key Economic Facts


Risk Assessment (Provided by Coface)

Country rating: A3 - Changes in generally good but somewhat volatile political and economic environment can affect corporate payment behavior. A basically secure business environment can nonetheless give rise to occasional difficulties for companies. Corporate default probability is quite acceptable on average.

Business Climate rating: A2 - The business environment is good. When available, corporate financial information is reliable. Institutions generally perform efficiently. Intercompany transactions usually run smoothly in the relatively stable environment rated A2.

Strengths

- Member of the eurozone since 2015 and the OECD since May 2018
- Sound public and external accounts
- Banking system dominated by three Scandinavian institutions
- Transit zone between the EU and Russia/Kaliningrad enclave
- Diversification of energy supply (Klaipeda gas terminal, shale gas potential, electricity links with Poland and Sweden)

Weaknesses

- Tight labor market: shrinking workforce (emigration of skilled young people) and high structural unemployment
- Large underground economy (26% of GDP)
- Wide income disparity between the capital and the regions – particularly in the northeast, where poverty persists
- Limited value added of exports (mineral products, timber, agri-food, furniture, electrical equipment)
- Competitiveness eroded by insufficient productivity gains

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