Lithuania

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IN A NUTSHELL

- → The economy grew by 1.9%, unemployment decreased to 6.0% and inflation increased to 18.9%. The general government deficit decreased to 0.6% of GDP.
- → House prices increased by 19%, while issued building permits decreased to 8,426, a fall of 23%.
- → Outstanding residential mortgages and new lending continued the growing trend of previous years.

MACROECONOMIC OVERVIEW

Following the political conflict in Ukraine, economic activity slowed due to contracting private consumption over the last three quarters, driven by a drop in consumer confidence and household disposable income. Large supply chain disruptions drove input prices up and hindered the performance and competitiveness of industries in some sectors, putting a drag on investment. As a result, economic growth turned negative in the fourth quarter (-0.5%) and annual growth slowed down to 1.9%. For 2023, economic activity is set to continue to be impacted by economic and geopolitical uncertainty. Growth is expected to benefit from a slight pick-up of private consumption, thanks to easing price pressures and improved purchasing power. Nonetheless, the high price of basic consumer goods, such as food and energy, is set to continue to subdue consumer spending.

Unemployment was at 6.0% at the end of the year, down from 7.1% in 2021. Some signs of cooling in the labour market emerged by the end of the year and the slowdown in GDP growth negatively impacted employment growth with the number of vacancies decreasing and a slight increase in unemployment.

HICP inflation in Lithuania surged to 18.9% but is expected to moderate to 9.2% in 2023. Prices growth was already decelerating at the turn of the year, thanks to declining energy prices, owing in particular to the compensation of gas and electricity prices for households and businesses.

In 2022, the general government deficit decreased to 0.6% of GDP due to lower-than-expected expenditure on energy support measures and intermediate consumption. In 2023, public debt is forecast to reach 37.1% of GDP.

HOUSING MARKETS

At the beginning of the year, real estate prices were still on the rise, continuing an unprecedented real estate price increase of 2021. But geopolitical uncertainty caused by the conflict in Ukraine, subsequent turmoil in commodity and energy markets and soaring inflation made the second half very different. House prices in the first half of 2022 grew by 12.9%, while house prices in the second half of the year grew only by 4.7%. Overall, the HPI still increased to an annual average of 195.0 from 163.8 in 2021 (base year 2015).

Although as of January 2023 there has not been any noticeable real estate price decrease, the final months of 2022 saw a sharp drop in real estate transactions. In 2022 the number of real estate transactions was about 25 per cent lower than that in the previous year. After increasing in 2021, the number of building permits issued decreased by over 23%. The significant slowdown in building permits was due to economic and political factors, such as high inflation and the rise in interest rates. The total number of transactions in 2022 was only 5,872 (6,836 in 2021), the lowest amount since 2016.

MORTGAGE MARKETS

The mortgage market continued to grow - to EUR 11.5 bn outstanding by year end, a growth rate of 12.1%, from 11.6% in 2021. Breaking the trend of falling interest rates since 2017, average interest rates increased to 2.76% (2.16% in 2021). The share of gross residential lending with a variable interest rate (fixed for up to 1 year) remained high at 96.0%, but decreased slightly from 97.6% of new loans in 2021.

MORTGAGE FUNDING

As in previous years, deposits remained the primary source of mortgage funding. In 2022, deposits continued to grow. The competitive landscape is dominated by SEB, Swedbank, and Luminor (merged DNB and Nordea banks), who have over 95% of the mortgage market.

	LITHUANIA 2021	LITHUANIA 2022	EU 27 2022
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	6.0	1.9	3.5
Unemployment Rate (LSF), annual average (%) (1)	7.1	6.0	6.2
HICP inflation (%) (1)	4.6	18.9	9.2
HOUSING MARKET			
Owner occupation rate (%) (1)	89.0	88.6	69.1
Gross Fixed Investment in Housing (annual change)(1)	-1.4	18.2	1.5
Building Permits (2015=100) (2)	175.0	119.9	125.8
House Price Index – country (2015=100) (2)	163.8	195.0	164.6*
House Price Index – capital (2015=100) (2)	#N/A	#N/A	163.8*
Nominal house price growth (%) (2)	16.1	19.0	10.6*
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	10,237	11,471	6,743,197
Outstanding Residential Loans per capita over 18 (EUR) (2)	4,442	4,965	18,433
Outstanding Residential Loans to disposable income ratio (%) (2)	29.3	28.5	71.5
Gross residential lending, annual growth (%) (2)	38.8	11.3	-6.5
Typical mortgage rate, annual average (%) (2)	2.2	2.8	3.1

* Please note that this value is the simple average of the available values in 2022.

Sources:
(1) Eurostat.
(2) European Mortgage Federation – Hypostat 2023, Statistical Tables.

LITHUANIA FACT TABLE

Which entities can issue mortgage loans in your country?	Banks and bank' branches.
What is the market share of new mortgage issuances between these entities?	100% banks
Which entities hold what proportion of outstanding mortgage loans in your country?	100% banks
What is the typical LTV ratio on residential mortgage loans in your country?	No statistical data on average LTV is available. New buyers tend to max out with their LTVs, getting close to 80%.
How is the distinction made between loans for residential and non-residential purposes in your country?	Based on type of property and whether this is the first or second mortgage. Second mortgage tends to be treated as an investment with rental purpose.
What is/are the most common mortgage product(s) in your country?	30 year, 6 month EURIBOR mortgages.
What is the typical/ average maturity for a mortgage in your country?	30 years
What is/are the most common ways to fund mortgage lending in your country?	Deposits
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	Low to medium level associated
What is the level (if any) of government subsidies for house purchases in your country?	Not available