WORLD RANK: 20

REGIONAL RANK: 14

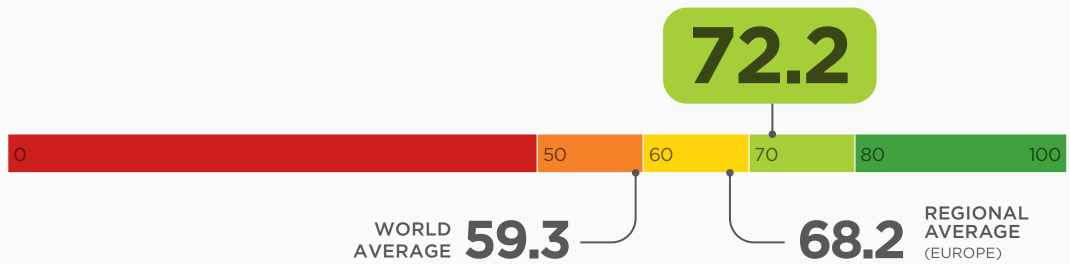
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

LITHUANIA

Lithuania's economic freedom score is 72.2, making its economy the 20th freest in the 2023 *Index*. Its score is 3.6 points lower than last year. Lithuania is ranked 14th out of 44 countries in the Europe region, and its overall score is well above the world and regional averages.

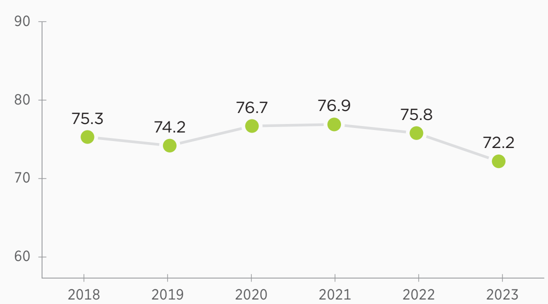
Lithuania's ongoing transition to a free-market economy is facilitated by the rule of law, structural reforms, and an increasingly vibrant private sector. Along with policies that open Lithuania to global commerce and trade, competitive taxation and a relatively efficient regulatory system have encouraged a more dynamic and broadly based economic expansion.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +22.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.8 million

GDP (PPP):
$119.8 billion
4.9% growth in 2021
5-year compound annual growth 3.5%
$42,944 per capita

UNEMPLOYMENT:
8.5%

INFLATION (CPI):
4.6%

FDI INFLOW:
$2.1 billion

PUBLIC DEBT:
44.7% of GDP

2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: Lithuania regained independence in 1991 and joined the European Union in 2004 and the Organisation for Economic Co-operation and Development in 2018. Political independent Gitanas Nauseda was elected president in 2019. Prime Minister Ingrida Šimonytė's governing coalition includes her center-right Homeland Union–Lithuanian Christian Democrats (TS–LKD), the economics-focused Liberal Movement, and the centrist Freedom Party. Privatization of most state-owned enterprises helped to encourage years of growth, but youth emigration is still a problem. An offshore liquefied natural gas terminal at Klaipeda has helped to diversify energy imports. China has targeted Lithuania because of its ties to Taiwan.

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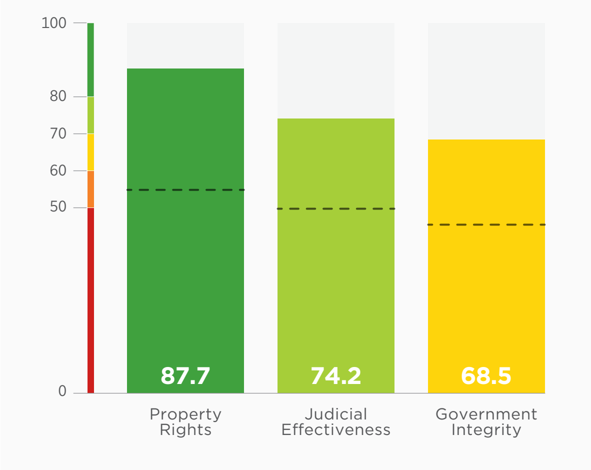
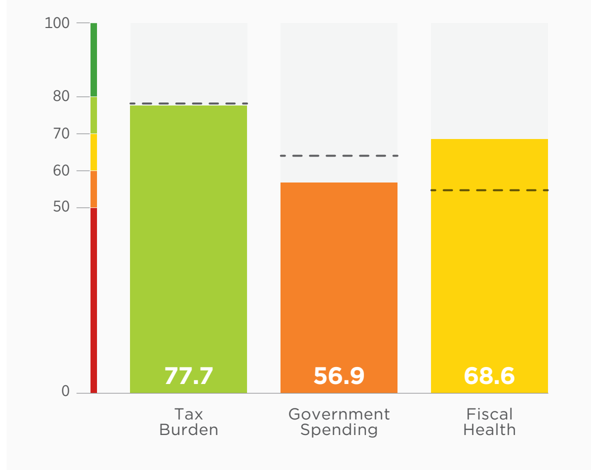
RULE OF LAW



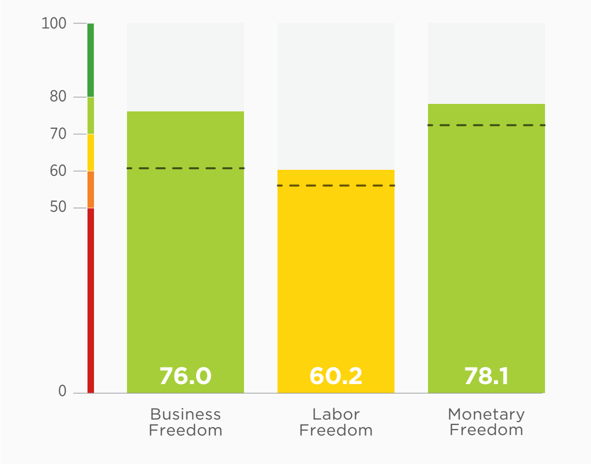
The overall rule of law is well respected in Lithuania. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.

GOVERNMENT SIZE



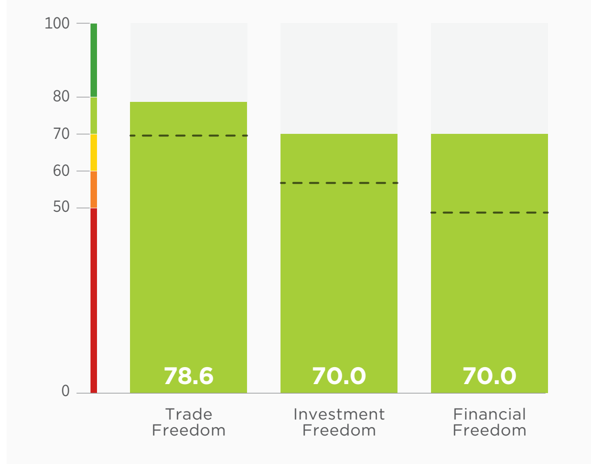
The top individual and corporate tax rates are, respectively, 32 percent and 15 percent. The tax burden equals 31.3 percent of GDP. Three-year government spending and budget balance averages are, respectively, 37.9 percent and –2.7 percent of GDP. Public debt equals 44.7 percent of GDP.

REGULATORY EFFICIENCY



The overall entrepreneurial framework is fairly streamlined and efficient. Business formation and operation take place without bureaucratic interference. The minimum capital requirement is relatively low. Despite some reform, the labor market remains relatively rigid. The most recent available inflation rate is 4.6 percent.

OPEN MARKETS



The trade-weighted average tariff rate (common among EU members) is 3.2 percent, and more than 600 EU-mandated nontariff measures are in force. The regulatory framework facilitates foreign investment flows. The financial sector offers a full range of services, and the banking system is stable.