

**Republic of Lithuania**

This annex refers to the release of the rating action of 29 January 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard<sup>1</sup>

| <b>Implied rating of core variable scorecard (CVS)</b> |  | <b>aa-</b>   |
|--|--|--------------|
| <b>Reserve currency adjustment</b>                     |  | <b>1</b>     |
| <b>Weight</b>  | <b>Qualitative scorecard (QS) for long-term issuer ratings</b> |              |
| 20%  | Growth potential of the economy                                | Weak         |
|  | Monetary policy framework                                      | Neutral      |
|  | Macro-economic stability and sustainability                    | Weak         |
| 20%  | Fiscal policy framework  | Weak         |
|  | Debt sustainability  | Neutral      |
|  | Debt profile and market access                                 | Neutral      |
| 20%  | Current account resilience                                     | Weak         |
|  | External debt structure  | Neutral      |
|  | Resilience to short-term shocks                                | Weak         |
| 20%  | Banking sector performance                                     | Neutral      |
|  | Banking sector oversight                                       | Neutral      |
|  | Financial imbalances   | Weak         |
| 20%  | Environmental risks  | Weak         |
|  | Social risks   | Weak         |
|  | Institutional and political risks                              | Neutral      |
| <b>QS adjustment (notches)</b>                         |  | <b>-3</b>    |
| <b>Additional considerations (notches)</b>             |  | <b>0</b>     |
| <b>Final rating</b>                                    |  | <b>A STA</b> |

## Annex II: Selected indicators

|                                      | 2016 | 2017 | 2018 | 2019 | 2020E | 2021F | 2022F |
|--------------------------------------|------|------|------|------|-------|-------|-------|
| GDP per capita (EUR '000s)           | 13.6 | 14.9 | 16.2 | 17.5 | 17.3  | 18.3  | 19.3  |
| Real GDP, % change                   | 2.5  | 4.3  | 3.9  | 4.3  | -1.5  | 2.5   | 2.5   |
| HICP, % change                       | 0.7  | 3.7  | 2.5  | 2.2  | 1.3   | 1.5   | 1.7   |
| General government balance, % of GDP | 0.2  | 0.5  | 0.6  | 0.3  | -8.0  | -6.0  | -2.8  |
| General government debt, % of GDP    | 39.7 | 39.1 | 33.7 | 35.9 | 46.0  | 51.0  | 51.0  |
| Current account balance, % of GDP    | -0.8 | 0.6  | 0.3  | 3.3  | 8.0   | 4.5   | 2.0   |
| Gross external debt, % of GDP        | 86.3 | 82.6 | 78.1 | 67.7 | -     | -     | -     |

Source: Macrobond, European Commission, IMF, Statistics Lithuania, Bank of Lithuania, Scope Ratings GmbH

## Annex III: Economic development and default indicators

IMF Development Classification<sup>2</sup>

AE

5y USD CDS spread (bps) as of 27 January 2021

60

<sup>1</sup> The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on [www.scooperatings.com](http://www.scooperatings.com)
<sup>2</sup> AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

| Lithuania                | January 2021  | Assessment | Rationale  |
|--------------------------|---|------------|--|
| Peers*                   | Estonia, Slovenia, Czech Republic, Finland, Austria |            |  |
| Domestic economic risk   | Growth potential                                    | Weak       | Medium-run growth potential faces travails from adverse demographics   |
|                          | Monetary policy framework                           | Neutral    | ECB is a highly credible and effective central bank; appropriate central bank response to the 2020 global crisis                 |
|                          | Macro-economic stability & sustainability           | Weak       | Shortages of skilled labour, gradual recovery in the labour market   |
| Public finance risk      | Fiscal policy framework                             | Weak       | Track record of fiscal prudence, but still-sizeable shadow economy and comparatively restricted tax base                         |
|                          | Debt sustainability                                 | Neutral    | Moderate but rising debt levels  |
|                          | Debt profile & market access                        | Neutral    | Improving debt structure, long debt maturity, ability to issue on favourable terms   |
| External economic risk   | Current account resilience                          | Weak       | Risks from higher reliance on transport services' exports and higher share of lower technology exports                           |
|                          | External debt structure                             | Neutral    | Share of direct investment in external liabilities in line with CEE peers, falling levels of net external debt                   |
|                          | Resilience to short-term shocks                     | Weak       | Very small-open economy  |
| Financial stability risk | Banking sector performance                          | Neutral    | Well-capitalised and profitable banking sector with a low NPL ratio; profitability and asset quality impacted by Covid-19 crisis |
|                          | Banking sector oversight                            | Neutral    | Oversight under the Bank of Lithuania and the ECB as part of Banking Union   |
|                          | Financial imbalances                                | Weak       | Concentration and spill-over risks in the banking system from dominant Nordic banking groups                                     |
| ESG risk                 | Environmental risks                                 | Weak       | Transition risks in line with peers, improving but still lower policy measures compared to peers                                 |
|                          | Social risks  | Weak       | Above-EU-average poverty ratio, relatively high income inequality, adverse demographics  |
|                          | Institutional and political risks                   | Neutral    | Comparatively stable governance framework, supported by EU and euro area memberships   |

\*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.