

# Flash Comment

## Lithuania: New Minister of Finance

- A new Finance Minister will be appointed today in Lithuania. The new Finance Minister Ingrida Simonyte has been deputy finance minister for the last 10 years.
- Simonyte will replace Algirdas Semeta, who has been appointed as Lithuania's representative at the European Commission.

### Details

A new Finance Minister will be appointed today in Lithuania. The new Finance Minister Ingrida Simonyte has been deputy finance minister for the last 10 years and we view her as professional and well informed.

### Assessment & Outlook

We think the appointment is good news. The new minister has a clear understanding of the problems facing the Lithuanian economy and particular public finances. Former Finance Minister Algirdas Semeta will become Lithuania's representative in the European Commission. We do not view this as an outright dismissal, but it is no secret that Semeta is very unpopular with the Lithuanian public and his relationship with the newly elected president has been quite bad.

We expect a continuation of previous fiscal policy options. Currently the government intends to implement a further tightening by cutting social spending and public wages and raise some taxes (VAT). All those measures will have a positive effect on next year's budget as well. Lithuania's budget deficit may widen to 13% of GDP in 2010 without significant fiscal tightening in 2009. Lithuania is expected to close the "excessive deficit procedure" by 2011, thus the restrictive fiscal policy stance is crucial, especially in 2010. Public wage cuts and VAT increases are not popular but there is general acceptance of the necessity of such measures. However, political consensus still has not been reached.

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