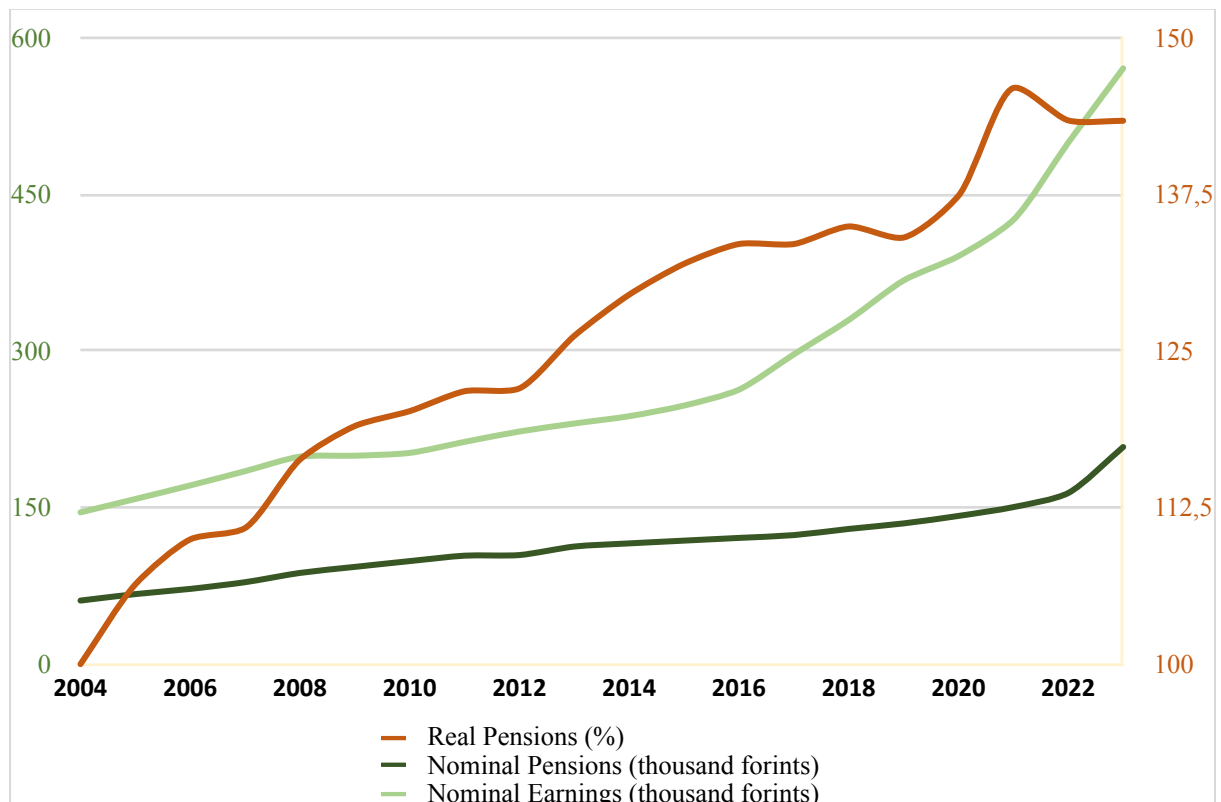


Hungary's 20 Years in the EU: How Have Pensions Changed?

On May 1, 2004, Hungary was among ten new states that joined the European Union. This article examines the changes in pensions over Hungary's 20 years of EU membership.

In 2004, the average pension in Hungary was 61,000 forints, rising to 208,000 forints in 2023, marking a 241% increase. While inflation has partially offset this nominal growth, the real pension increase, adjusted for inflation, was 43% over the past two decades, equivalent to an annual increase of 1.8%. This growth is partly due to the continuous replacement of pensioners, with new, higher pensions coming in as earlier pensioners pass away. Additionally, the introduction of new pension forms, such as the pension premium and the reintroduction of the 13th-month pension, has contributed to this increase.

Changes in Average Nominal Pension, Real Pension, and Earnings, 2004=100%



143% 571 208 61 146 ↑ ↓ ← →

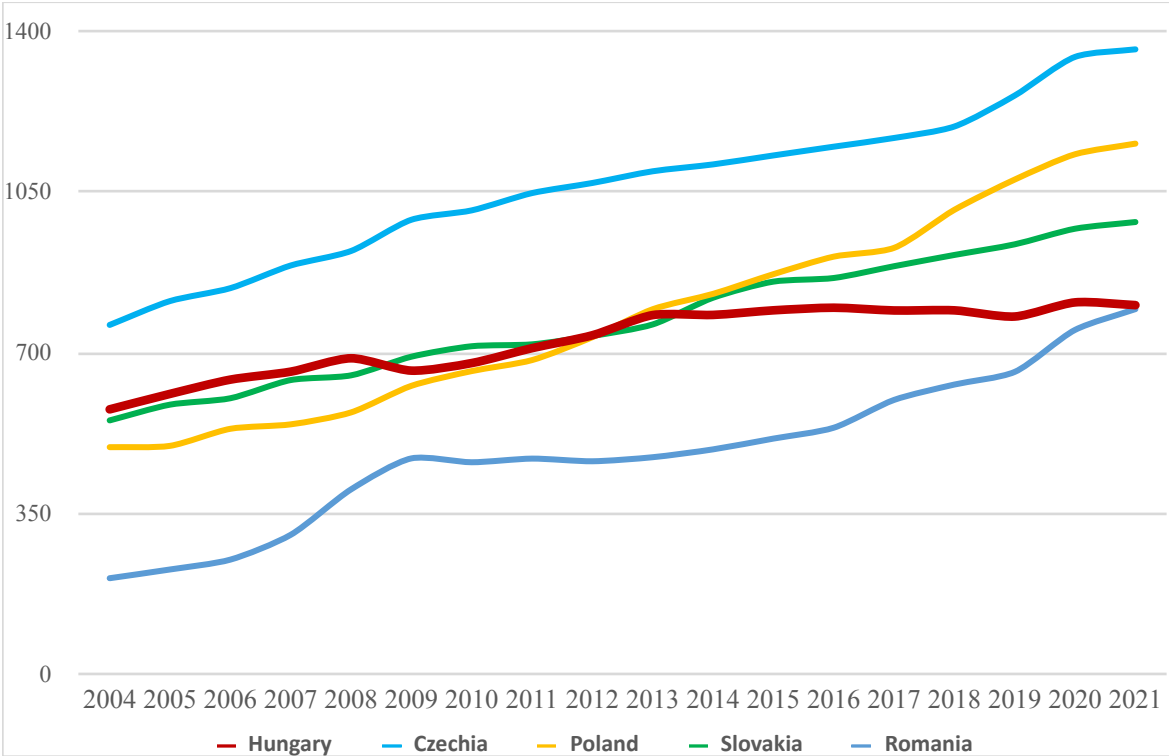
Source: GKI calculations based on Hungarian Central Statistical Office data (2024). Note: left axis: thousand forints, right axis: %.

Over the past 20 years, the number of pensioners decreased from 3.1 million to 2.4 million. While the number of old-age pensioners increased by 21.5%, the number of those receiving disability, widow's, and parental pensions plummeted. Contributing factors include the increase in the retirement age to 65 and the introduction of the "Women 40" program. Despite these changes, state spending on pensions dropped from 9.7% of GDP in 2004 to 8% by 2022.

Examining these figures in a regional context, Hungarian pensions measured in euros increased by 39%, roughly matching the eurozone's inflation rate. Poland and Slovakia have surpassed Hungary, and the gap between the Hungary and Czechia has increased year by year. By 2021, Romanian pensions measured in euros were just behind Hungary's. Overall,

Hungary slipped from 19th to 24th place among the 27 EU member states. Only Croatia, Bulgaria, and Romania ranked lower in 2021.

Changes in Pensions in the V4 Countries and Romania (measured in 2010 euros)



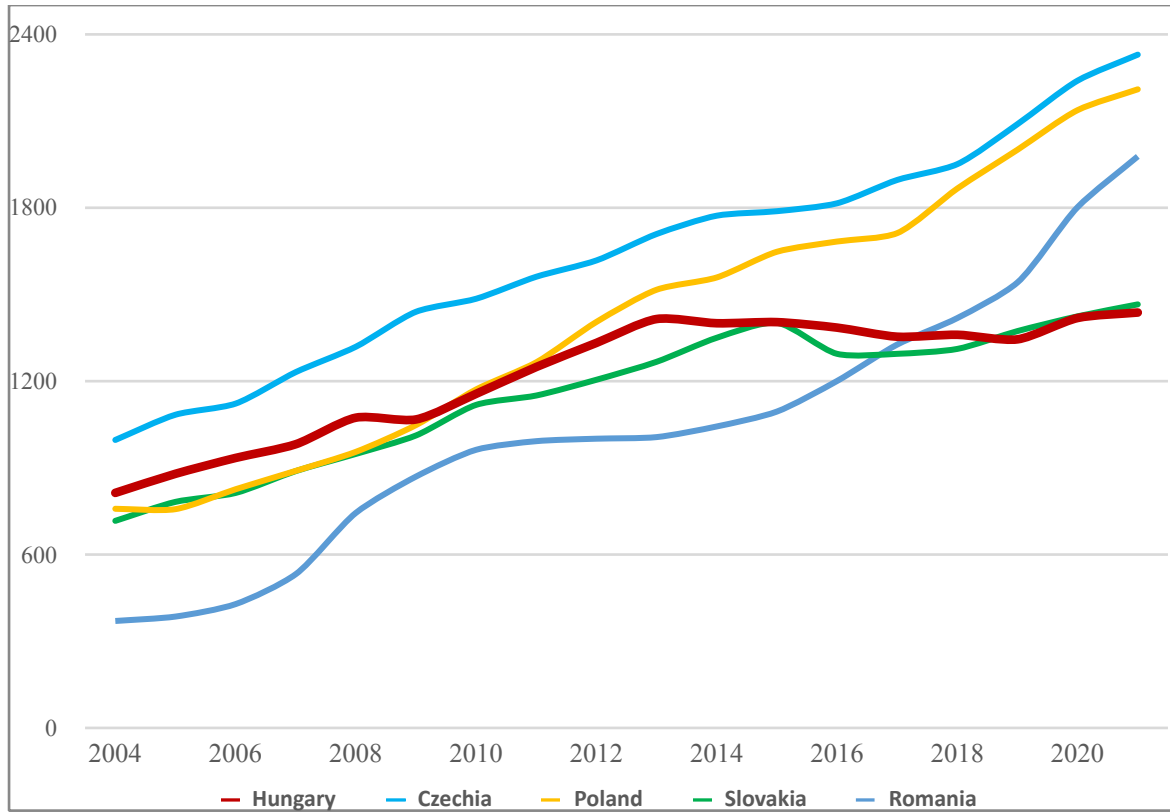
577 803

Source: Eurostat (2024)

Pensions measured in purchasing power parity (PPP) have risen significantly in Hungary over the past two decades, with a 76% increase. However, the growth rate has not been steady: most of the increase occurred between 2004 and 2013, followed by a decrease between 2013 and 2019, and a slight improvement in 2020 and 2021.

When comparing Hungary's results with the region, the impressive increase in pensions measured in PPP is nuanced. While Hungarian and Polish pensions were essentially the same in 2004, by 2023, Polish pensioners received one and a half times the amount of Hungarian pensions. Romanian pensions, less than half of Hungarian pensions in 2004, were 37% higher than Hungary's by 2023, and the Czechs further increased their lead. Slovak pensioners now receive the same amount as Hungarians do. Overall, Hungarian pensions measured in PPP fell from 52% of the EU average in 2004 to 45% in 2021, placing Hungary 23rd out of 27 member states in 2021. These figures likely have not changed significantly by 2023.

Changes in Pensions in the V4 Countries and Romania (measured in PPP, euros)



815 1 438 ↗

Source: Eurostat (2024)