

# Public Pension Spending Trends and Outlook in Emerging Europe

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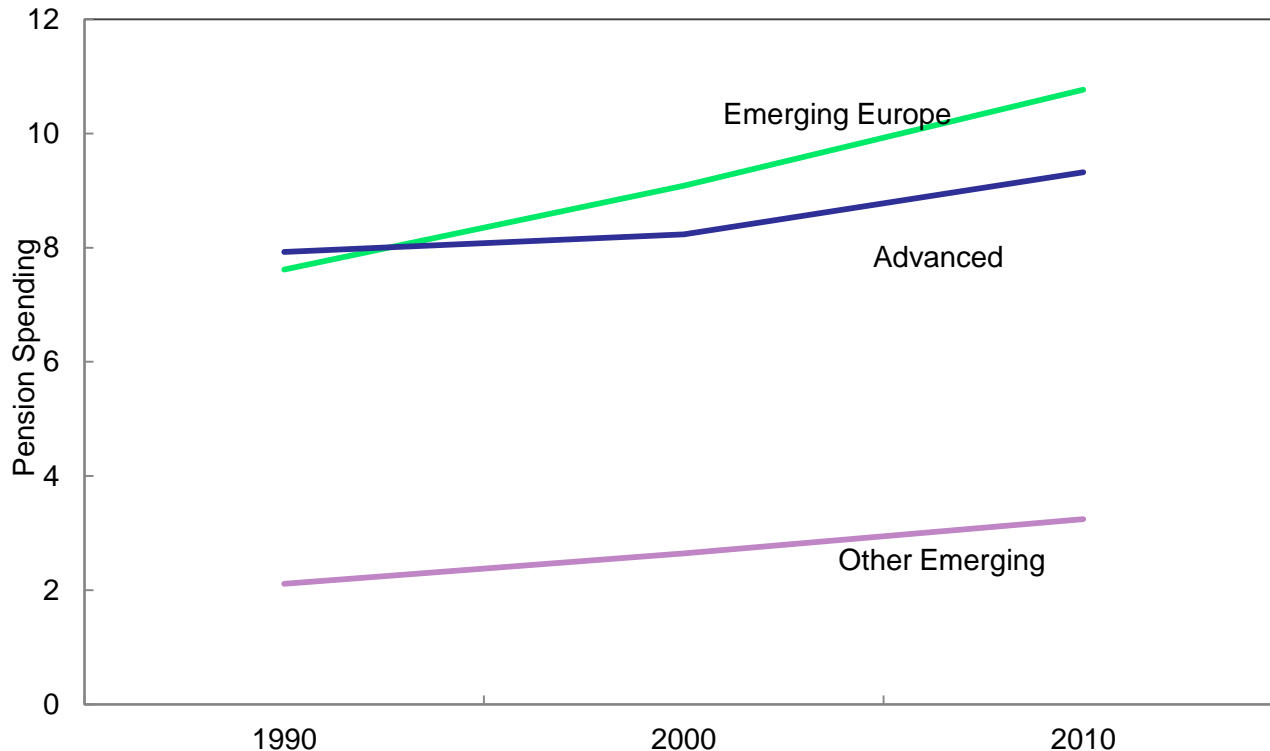
# Plan of Presentation

- I. Trends and drivers of public pension spending in emerging Europe**
  
- II. Fiscal context and projected spending increases**
  
- III. Risks to projections**
  
- IV. Conclusions**

# **I. Trends and drivers of public pension spending**

# Public pension spending has increased more in emerging Europe than elsewhere...

Evolution of Public Pension Expenditures, 1990–2010  
(Percent of GDP)



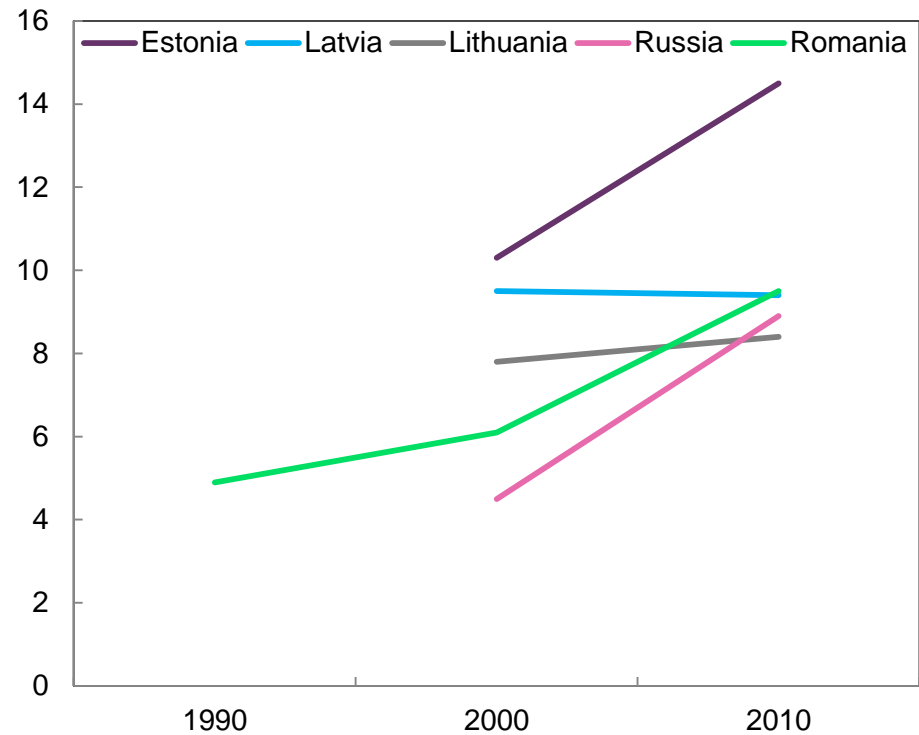
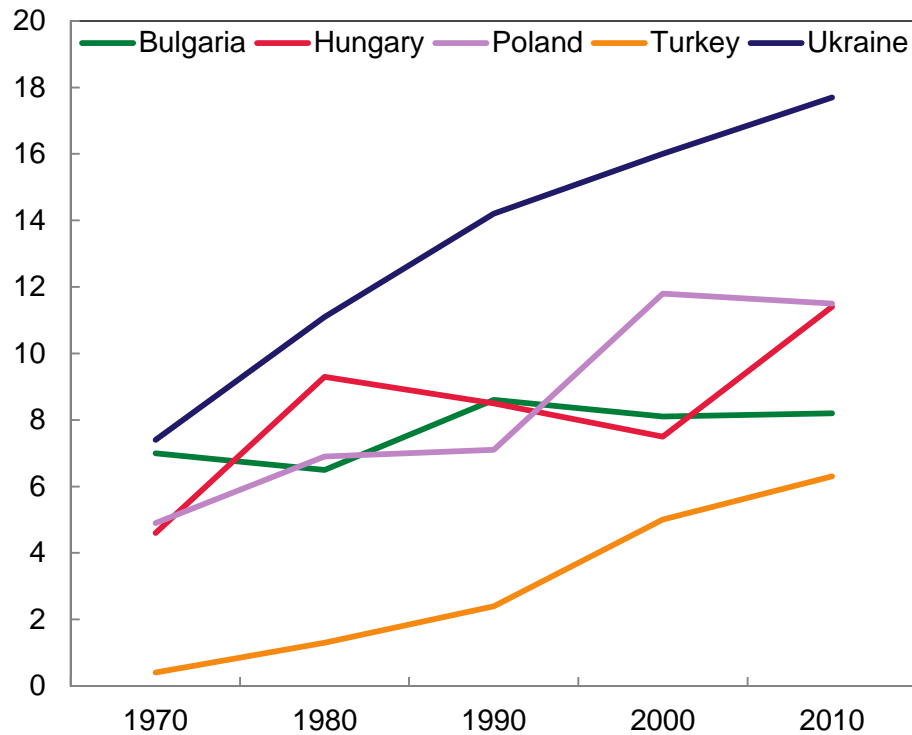
Sources: OECD, EC, ILO, UN, and IMF staff estimates.

Note: Emerging Europe includes Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Turkey, and Ukraine. Other emerging includes Argentina, Brazil, Chile, China, Colombia, Egypt, India, Indonesia, Jordan, Malaysia, Mexico, Pakistan, Philippines, Saudi Arabia, South Africa, and Thailand. Advanced includes Australia, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

# ...with a number of countries recording substantial increases over the past 20-40 years



## Evolution of Public Pension Expenditures in Emerging Europe (Percent of GDP)

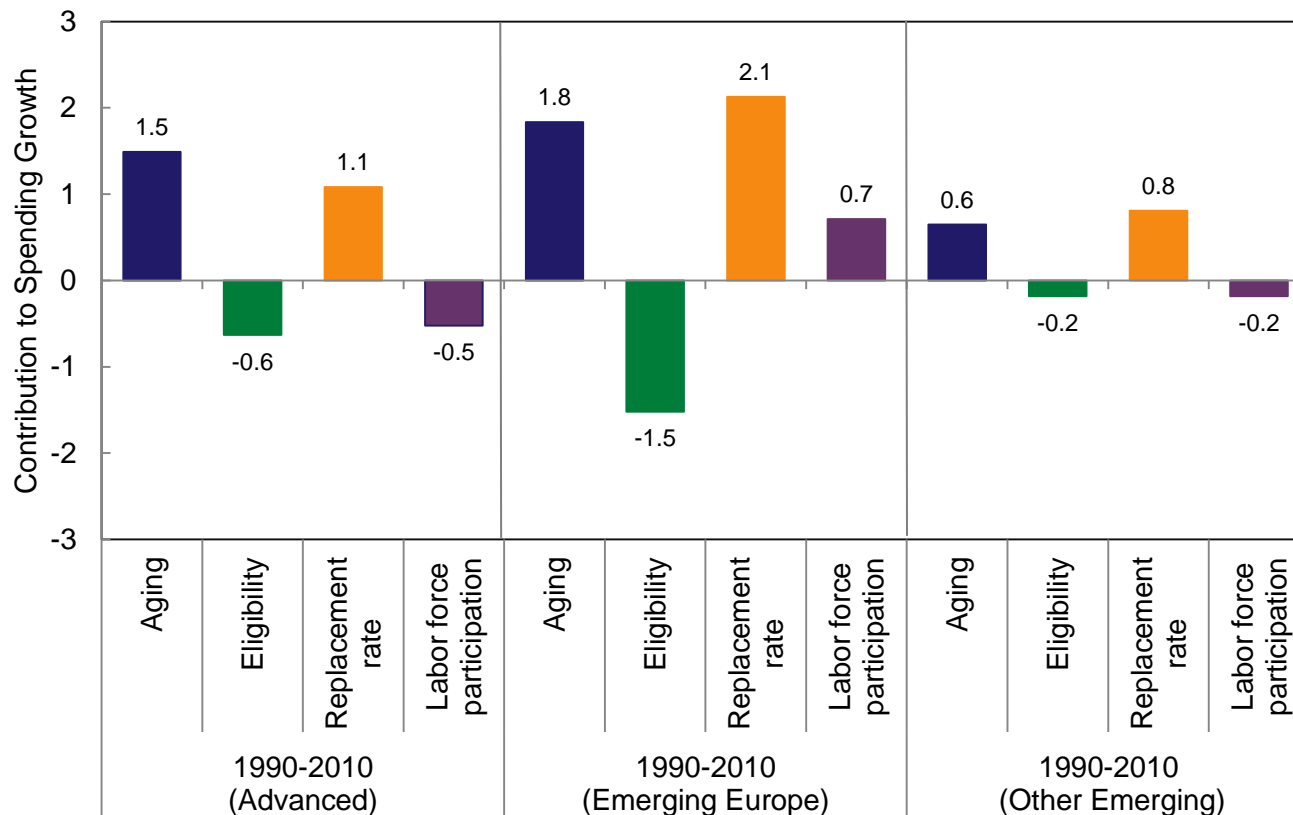


Sources: OECD, EC, ILO, UN, and IMF staff estimates.

# Higher replacement rates and aging have been the drivers of pension spending



Evolution of Public Pension Expenditures, 1990–2010  
(Percent of GDP)

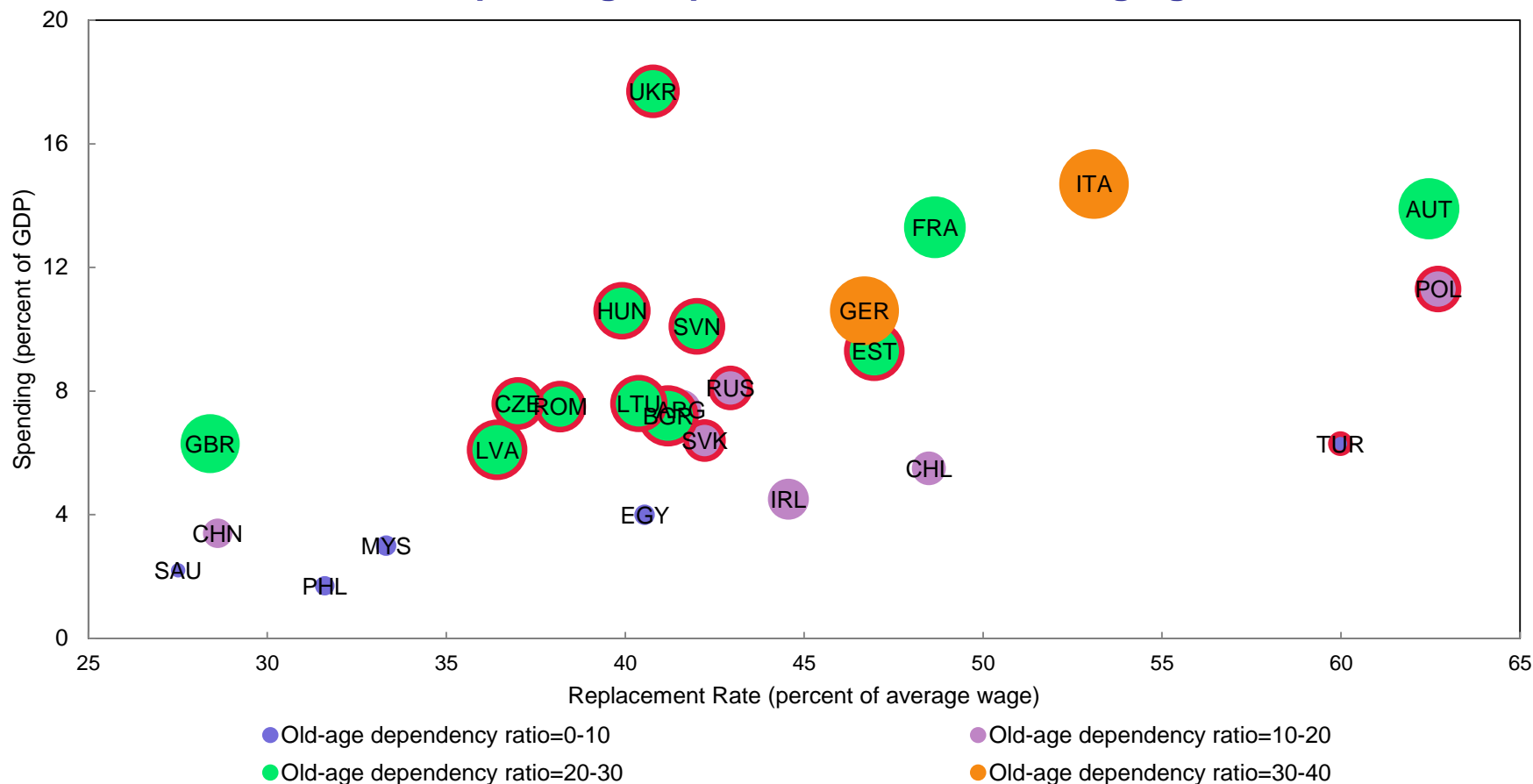


Sources: OECD, EC, ILO, UN, and IMF staff estimates.

# Variation in spending reflects differences in aging, system generosity, and coverage rates



Pension Spending, Replacement Rates, and Aging, 2010



Sources: OECD, EC, ILO, UN, and IMF staff estimates.

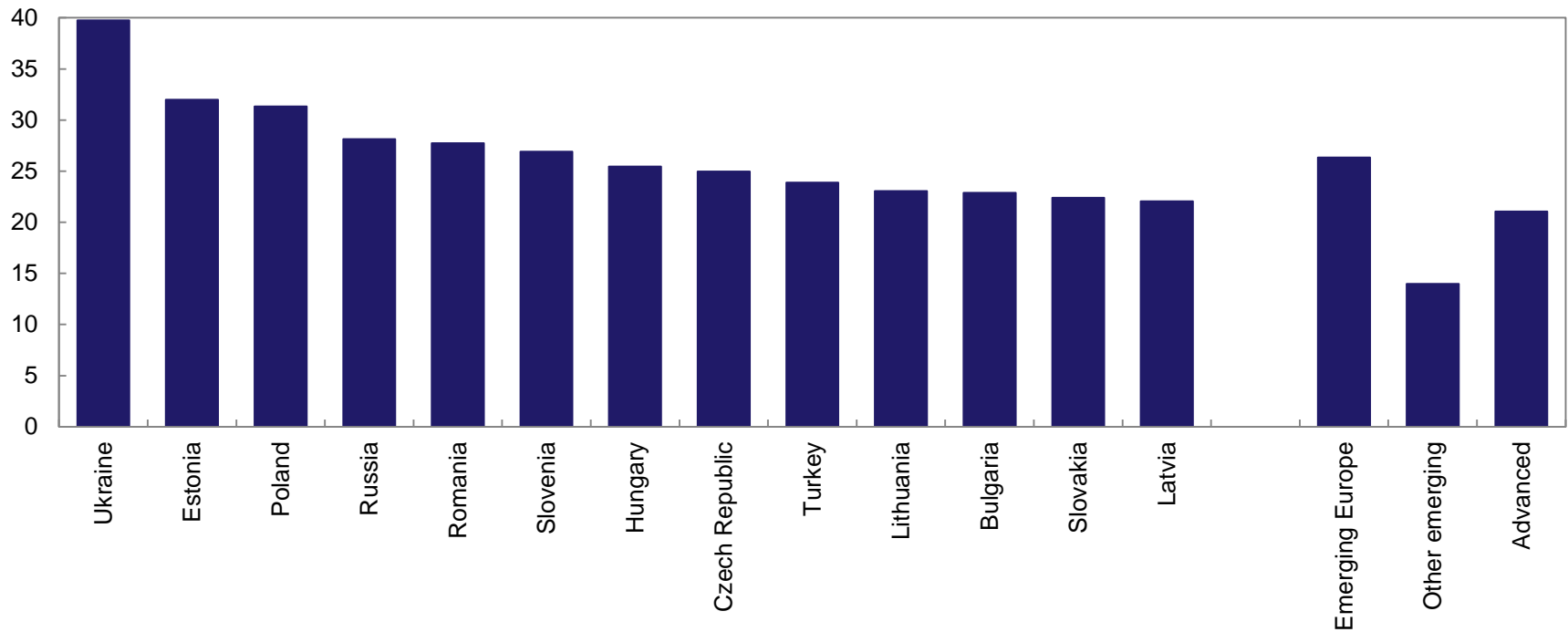
## **II. Fiscal context and projected spending increases**



# In most of emerging Europe pensions absorb a large share of government spending...

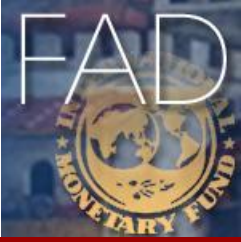


Pension Spending, 2010  
(Percent of primary spending)

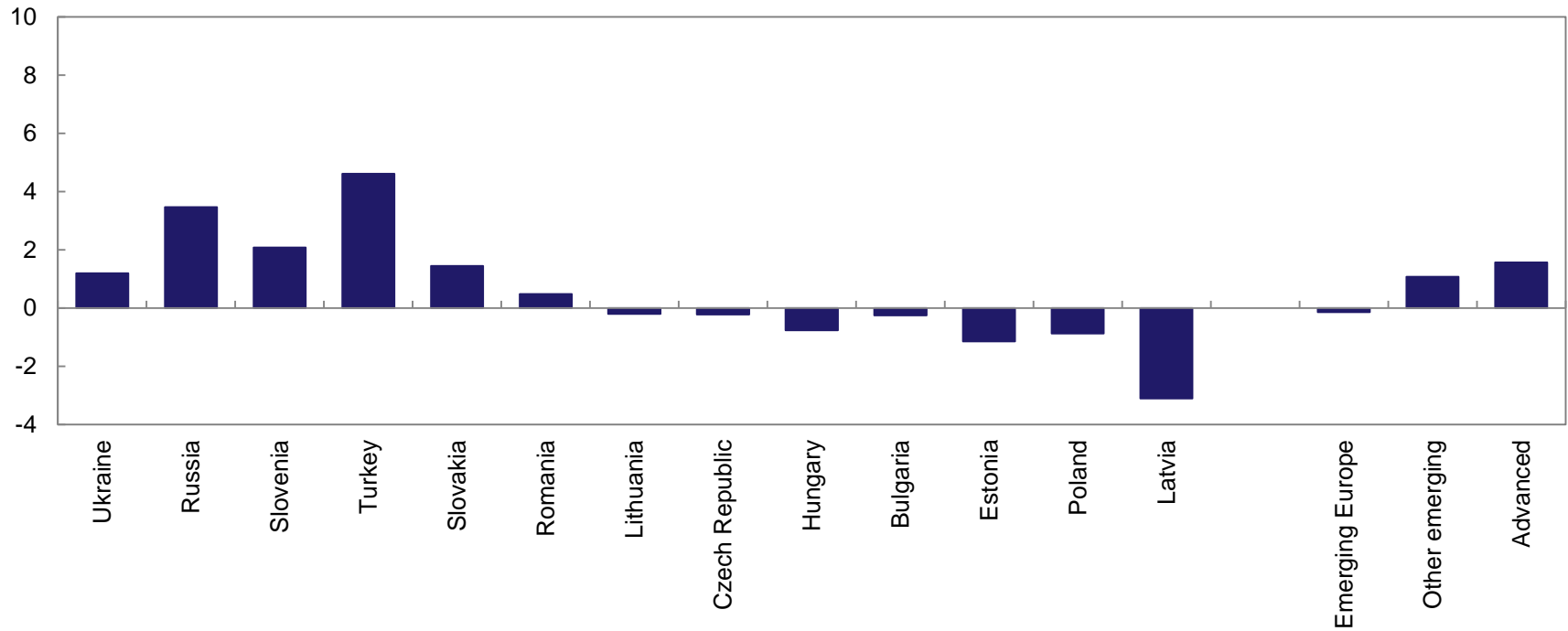


Sources: OECD, EC, ILO, UN, and IMF staff estimates.

# ...and pension outlays are projected to rise sharply in some countries...



### Increase in Pension Spending, 2011–2030 (Percent of GDP)

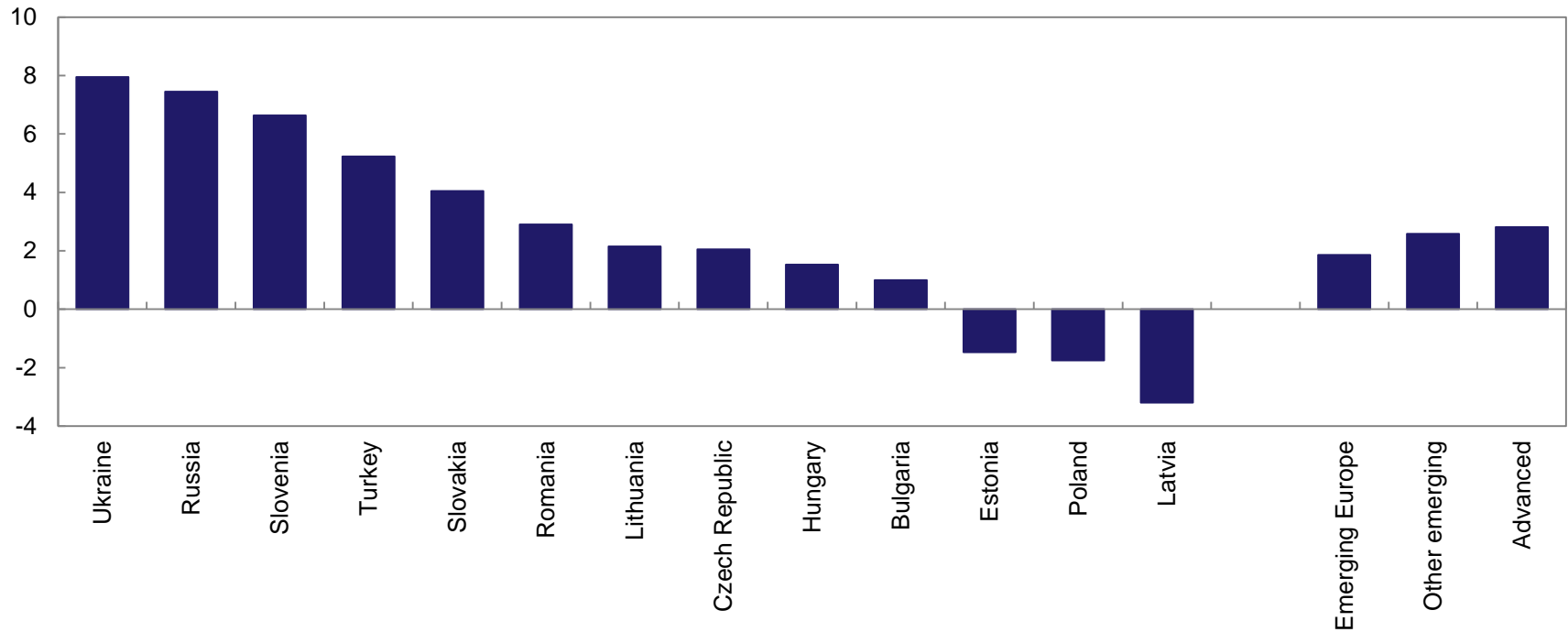


Sources: OECD, EC, ILO, UN, and IMF staff estimates.

# ...especially beyond 2030, potentially squeezing other spending that could support growth



Increase in Pension Spending, 2011–2050  
(Percent of GDP)

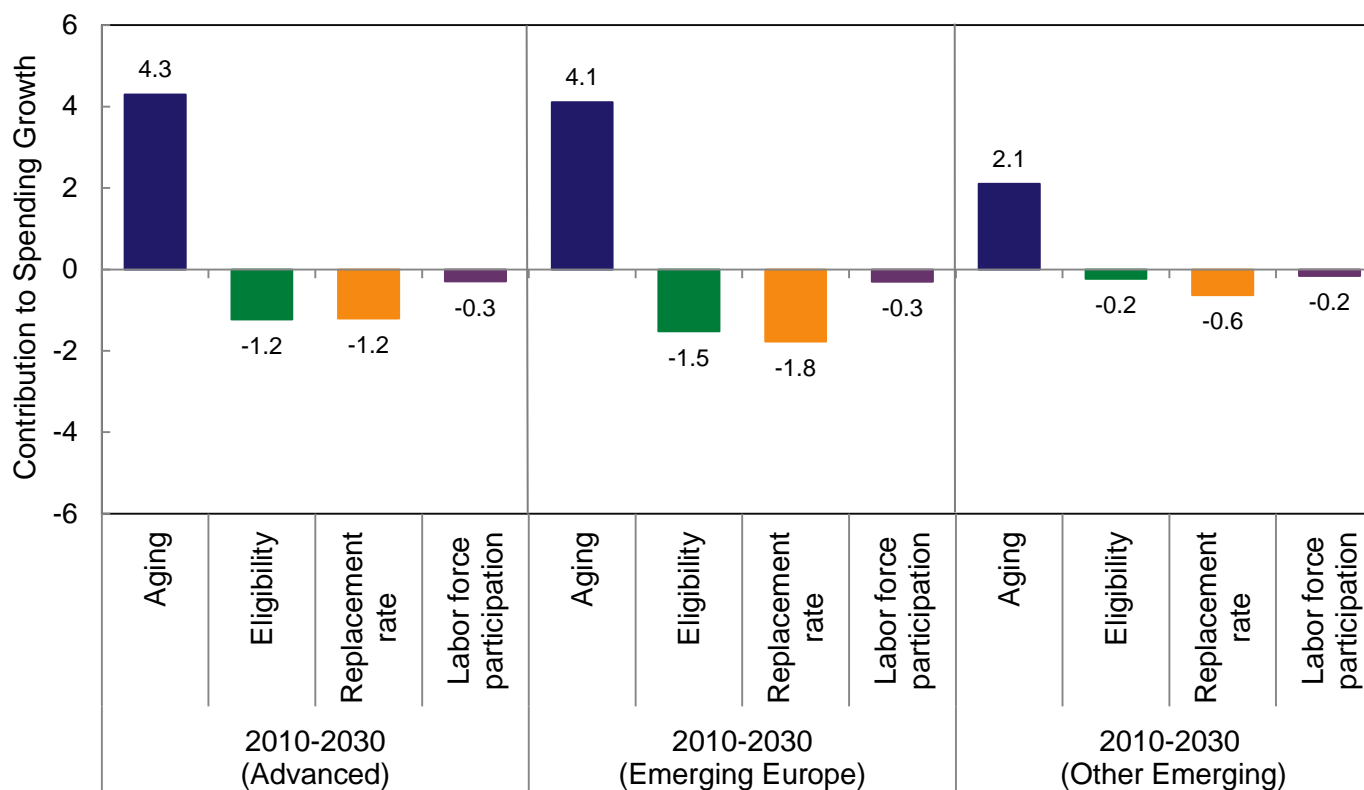


Sources: OECD, EC, ILO, UN, and IMF staff estimates.

# On average spending will increase because of aging...



Evolution of Public Pension Expenditures, 2010–2030  
(Percent of GDP)

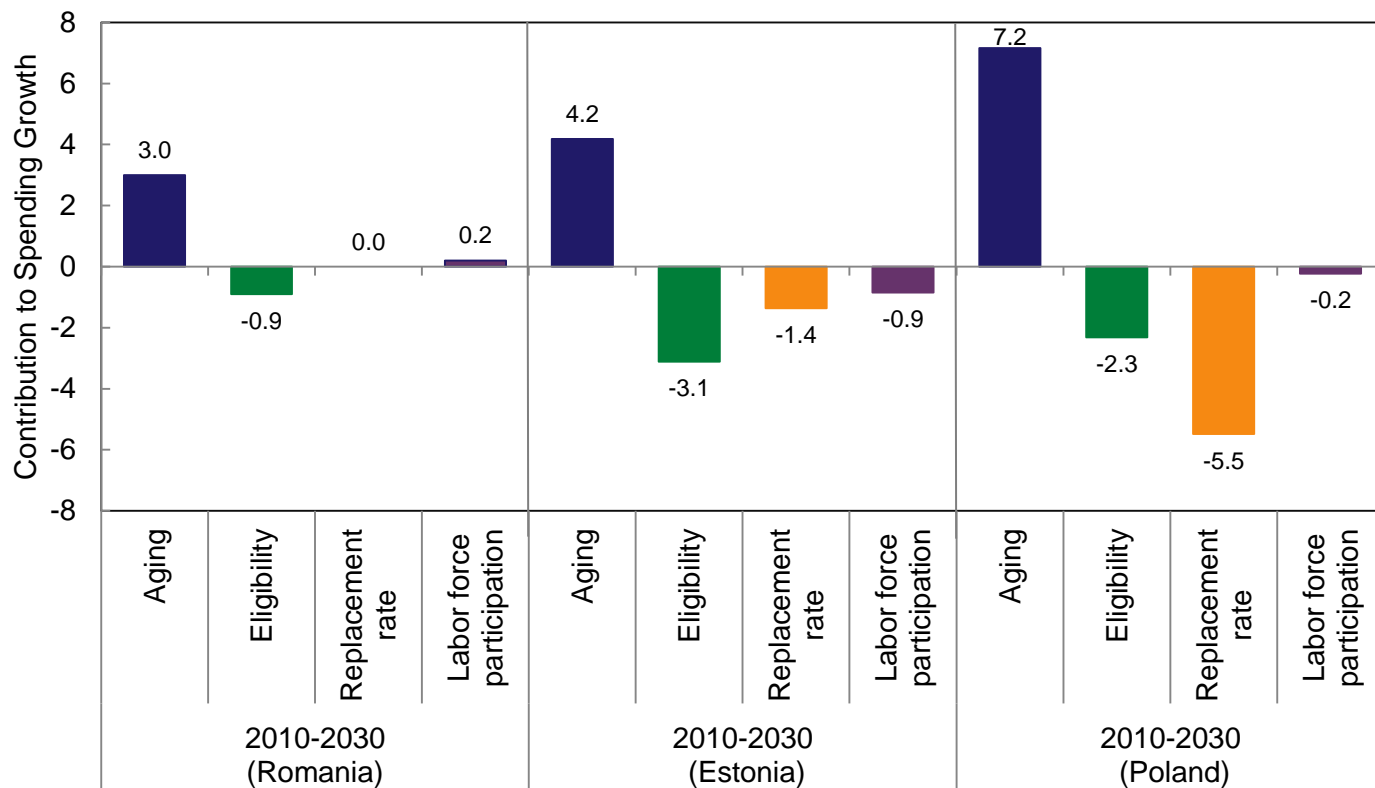


Sources: OECD, EC, ILO, UN, and IMF staff estimates.

# ...despite enacted reforms affecting retirement ages and replacement rates



Evolution of Public Pension Expenditures, 2010–2030  
(Percent of GDP)



Sources: OECD, EC, ILO, UN, and IMF staff estimates.

# III. Risks to projections

# Considerable uncertainty and upside risks to projections



## Demographic risks

High longevity  
( $>1/2$  percentage point of GDP in 2030  
spending)

Bulgaria, Czech Republic, Russia,  
Slovakia, Slovenia, Turkey, and  
Ukraine

## Other risks

Reform reversal  
(Reform impact  $>5$  percentage points  
of GDP in 2030 spending)

Hungary and Poland



## **IV. Conclusions**

- ❑ Public pension spending has increased more in emerging Europe than elsewhere since 1990**
- ❑ Pensions absorb a large share of primary spending**
- ❑ Rising pension spending could squeeze out other spending needed to support growth**
- ❑ Upside risks to projections and uncertainties, including whether enacted reforms will remain in place and will deliver expected outcomes**



**Thank you!**