



## Doing Business in Bulgaria

### Government debt

According to Eurostat, Bulgaria's government debt is the second-lowest in the EU at 16.5% of GDP on 30<sup>th</sup> June 2012, next only to Estonia's. The Euro area total public debt stands at about 90% of the area's GDP.

### Budget deficit

The government budget deficit for 2011 was 2% of GDP, compared to 4.4% for the entire EU, and it is further declining in 2012 to about 1.2%. For the 10 years 2002-2011, the deficit averaged -0.3%, compared to EU average of -3.4% - ranking next only to Finland, Denmark, Sweden, Luxembourg and Estonia. In 5 out of the 10 recent years the budget recorded a surplus.

### Taxes

Bulgaria's 10 % corporate and personal income tax rates are the lowest flat rates in the EU

### Government spending

According to Eurostat, the government spending in Bulgaria was the lowest in the EU – 35.6% of GDP in 2011, compared to 49% in the EU and 41% in the Eastern European members.

### Doing Business Index

In the 2013 edition of the World Bank *Doing Business Report* Bulgaria ranks 66 out of 185 countries. The best scores are in 'getting credit' (40), 'protecting investors' (49) and 'starting a business' (57).

### Economic Freedom

In the 2012 edition of the *Economic Freedom of the World report* by the Fraser Institute (Vancouver, Canada) Bulgaria ranks 45 overall (out of 144 countries). The best scores are in 'sound money' and 'regulation' (23), and 'freedom to trade internationally' (35). The major improvements recorded in the most recent index are in the area of 'freedom to trade internationally' (13 positions upward) and 'sound money' (6 positions upward).

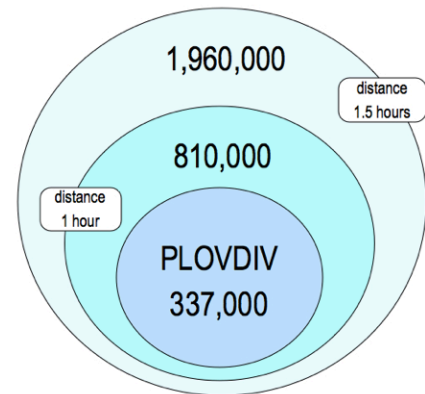
Indicator	Rank	Source	Year
Government debt (% of GDP)	2 <sup>nd</sup> in EU	Eurostat	Q2 2012
Personal and corporate income flat tax rates	1 <sup>st</sup> in EU	Eurostat	2012
Total government expenditures (% of GDP)	1 <sup>st</sup> in EU	Eurostat	2011
Global Competitiveness Index	62 <sup>nd</sup> (out of 144)	World Economic Forum	2012-2013
Doing Business index	66 <sup>th</sup> (out of 185)	World Bank	2013
Economic Freedom index	45 <sup>th</sup> (out of 144)	Fraser Institute	2012
Index of Economic Freedom	61 <sup>st</sup> (out of 184)	Heritage Foundation/WSJ	2012

## Labor Market

Companies that choose Plovdiv as their investment destination have access to human capital, consisting of many well prepared workers and specialists who can create value for various manufacturing and service sectors.

The labor market in Plovdiv has been more robust than most other regions in Bulgaria since the onset of the global economic crisis. The labor force in Bulgaria decreased by 183 000 people between 2008 and 2011, while the active population in the Plovdiv district declined by only 13 000 people. Fewer people quit looking for work and left the labor force altogether in Plovdiv compared to the country average.

### Population: 20-64 years old



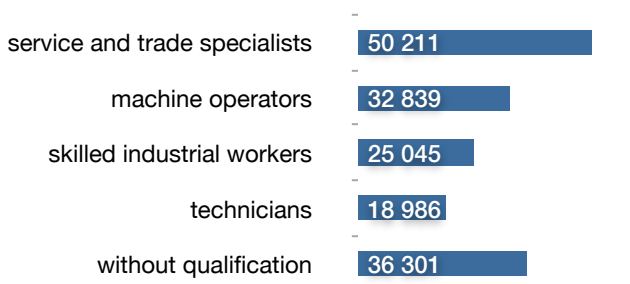
Source: National Statistical Institute

There are approximately 65 000 jobs in the manufacturing sector in Plovdiv. In addition to the production of food, drinks and cigarettes (22% of all manufacturing jobs) and textile & apparel (21% of industrial jobs), Plovdiv has specialized in the production of metals and metal parts, chemical products, machinery and equipment. Plovdiv has a long-lasting tradition in producing computer, optical and electrical equipment, which employ almost 4500 people or 7% of all manufacturing workers. Plovdiv also has competitive edge in furniture, paper and wood manufacturing, whose exports from Bulgaria surged in the post-crisis period.

The labor force in Plovdiv is very diverse according to the qualification of employees. There are more than 142 000 production jobs and more than 54 000 administrative, analytical and management positions. Plovdiv employs almost 19 000 technicians, 25 000 skilled industrial workers, 33 000 machine operators and 31 000 service and trade specialists. The labor force is specialized but nevertheless readily adaptable and can easily work in different segments of industrial production.

Wages in Plovdiv vary according to the sector in which the worker is employed since different sectors require workers with different skill set and experience.

### Number of Employees by Qualification



Source: NSI (data on district level)

Wages are lowest for workers without special qualification (about €240 per month) and higher for machine operators (€320 monthly) and skilled industrial workers (€350 a month). Engineers receive an average salary of €425 each month.

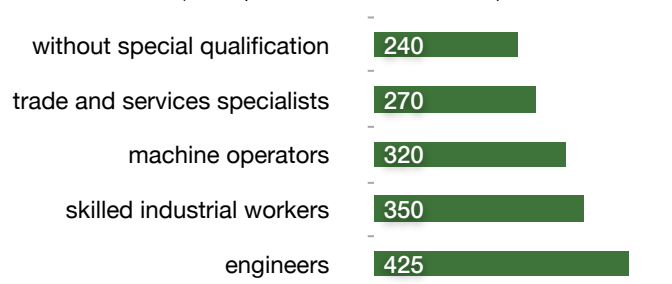
The total cost of labor includes the salary of the worker and the contributions to the state budget which both the employee and the employer have to make. The total cost of hiring a skilled industrial worker in Plovdiv is only €6300 a year. It costs only €8000 a year to employ an engineer in the Plovdiv region.

The costs of hiring skilled manufacturing labor in Bulgaria in general and particularly in Plovdiv are among the most competitive in Europe. Employing an industrial worker or an engineer in Plovdiv is cheaper compared to most locations in Central and Eastern Europe.

Wages paid to skilled industrial workers in Plovdiv are 60% lower than wages in Budapest (Hungary) and just 1/3 of the salary in Istanbul (Turkey). Hiring an engineer in Plovdiv is twice cheaper compared to Warsaw (Poland). Wages of engineers in Plovdiv are only 1/3 of the pay in Moscow (Russia).

### Wages in Plovdiv by Qualification

(EUR per month, after taxes)

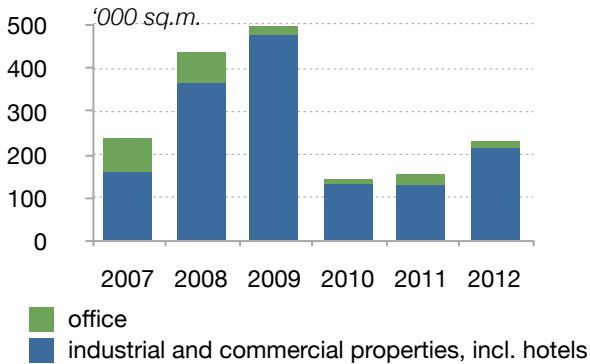


Source: Industry Watch

## Land and property market

There is land for industrial use for sale located both in the city itself and the industrial zones in the region. Overall, prices of industrial land in the region vary from €19 to €50 depending on the location of the land and its characteristics. Prices of industrial land range from €30 to €50 per sq. m. in the city of Plovdiv and from €19 to €25 per sq. m. in the industrial zones Maritza, Rakovski and Kuklen.

**Issued construction permits in Plovdiv**



There are almost 3500 hectares of land for business development in the region of Plovdiv. The current city master plans of Plovdiv and the adjacent municipalities increased substantially the availability of industrial land which will stimulate the business activity in the region. About 870 hectares (or 25% of the land) are located in organized industrial zones, close to 1 400 hectares in the city of Plovdiv and 1 200 hectares in neighboring municipalities. The city master plans of the municipalities of both Plovdiv and Maritza envisage the development of mixed multifunctional industrial areas and modern industrial space which achieve the right balance between industrial growth and sustainable development.



## Construction permit

Although it is one of the most burdensome and costly administrative procedure in Bulgaria and throughout Europe, the municipality of Plovdiv is providing a clear and relatively short workflow in terms of both number of procedures and timeframe of execution.

	Plovdiv	Eastern Europe & Central Asia	OECD
number of procedures	21	26	19
time (days)	136	226	143

It would take 136 days from the moment of applying for certificate for project planning (step 1 in the workflow) to the moment of getting a certificate of operational building (final step).

The total administratively imposed cost would be EUR 35,846. The biggest part (78%) of this being remuneration for construction supervision company. That cost does not include cost of connection to the power and water grids.

There would be 21 steps in dealing with the whole process, which includes also the process of dealing with the Power Company. A comparison of the World Bank has shown that the average number of steps in OECD is 19, and in Eastern Europe and Central Asia 26.

The process takes substantially less time in Plovdiv than in the average destination from Eastern Europe and Central Asia, and even less than the developed economies of OECD.



**Location & Connectivity**

The Plovdiv region holds many logistic advantages. The region is a prime road and railway hub in southern Bulgaria. It is a major link in the chain of the transport routes connecting Europe and Anatolia (Asia Minor) and an intersection point of three Pan-European corridors (IV, VIII, and X).

Trakia Motorway - A1, which passes through the region, is part of Pan European Transport Corridor VIII and of the international road E 80 – Belgrade-Sofia-Plovdiv-Istanbul. First class roads intersect the whole region.

The nearest port – Burgas Port, located 280 km away from the region, is easily reachable through highway, first class roads or railway. The second nearest port is the Thessaloniki Port in Greece, 330 km away from the region.

The Plovdiv Airport, located within the region, is a hub for charter and cargo flights. The Bulgarian capital’s airport – Sofia Airport is at a 140 km distance from the region. The region also has an intermodal terminal, a duty-free zone and a customs terminal.

Plovdiv region has an extensive public transport system and very developed infrastructure which link the region with cities and towns all over the country and many European countries.

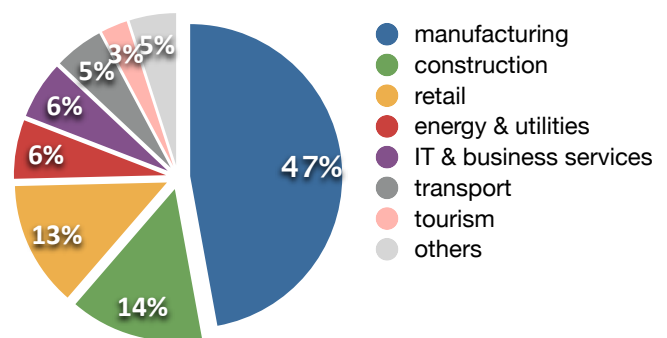
**Local Economy**

The economy of Plovdiv produces output of €4.2 billion annually, of which half or €2.1 billion in manufacturing, €500 million in construction, and €260 million in transport and logistics. IT & professional services together generate annual output of €110 million.

Plovdiv has a well-balanced mix of manufacturing and services. Manufacturing is responsible for the production of €2.1 billion in 2010, which is about 50% of the economic output during that year. The relatively high share of the processing industry compared to other regions in Bulgarian and Europe is exemplary of Plovdiv’s leadership position in manufacturing on national and pan-European scale.

Bulgaria in general is very competitive on a global scale and has been ranked among the most attractive outsourcing destinations in Europe and the World according to the Global Services Location Index compiled by A.T. Kearney. IT and professional services together are responsible for 3% of the production in the region.

**Structure of the economy (by production volumes)**



Source: Industry Watch based on NSI.

Plovdiv also has a vibrant construction cluster, producing 12% of the region’s output, which unlike other regions, is primarily focused on non-residential construction and industrial space in particular.

Due to its strategic location and excellent connectivity, Plovdiv has established itself as a leading transport and logistics hub. Transport and logistics companies create 6% of the production in the regional economy.