

APRIL 2021

Business climate for investments in Bulgaria



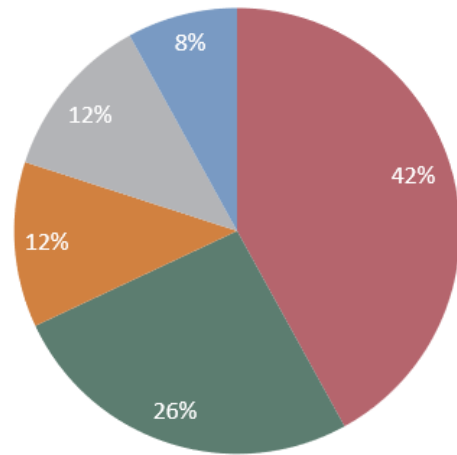
INTRODUCTION

ManpowerGroup Bulgaria key activities include attraction and support of new and existing investors in the country. For this purpose we conduct analyses, make recommendations and help different companies that invest in Bulgaria.

This is the objective of the current study, namely, to make a qualitative assessment of the Bulgarian investment climate according to national and international business organizations. In the February - March 2021 period we collected and analyzed the answers to 17 questions that are key to the business development in the country.

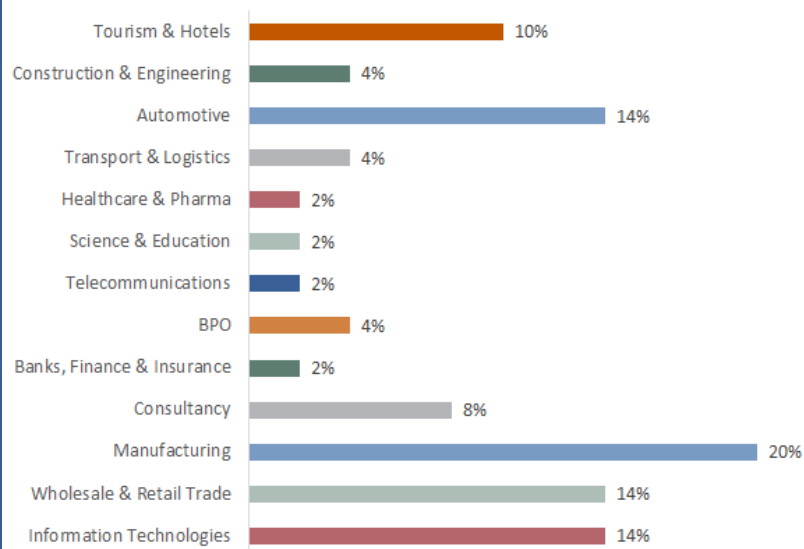
The survey includes a sample of 51 top managers of companies of different sizes and activities that invested significant resources and created new jobs in Bulgaria in the last four years.

The largest number of respondents is represented by the Manufacturing, Automotive, Information Technologies, Wholesale & Retail Trade, and Tourism & Hotels sectors. The prevailing answers pertain to companies with up to 200 employees, half of them operating in Sofia and the other half - in cities and towns across the country

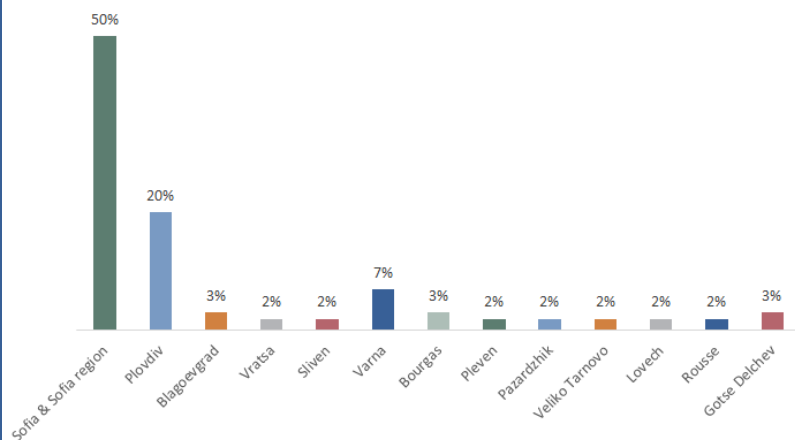


■ Up to 50 employees ■ 51-200 employees ■ 201-500 employees
■ 501-1000 employees ■ 1000+ employees

Graph 1 - Company size

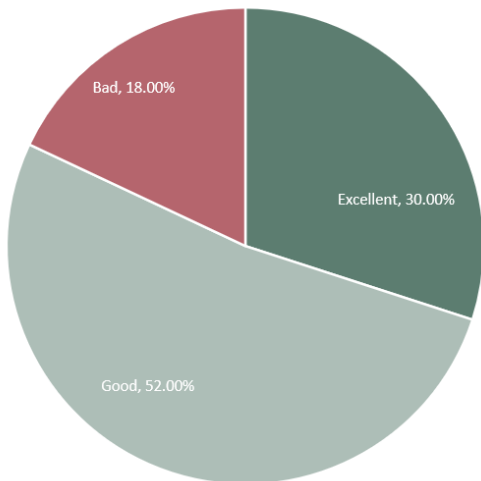


Graph 2 - Industry



Graph 3 - Location

Bulgaria's Competitive Advantages



Graph 4 - Assessment of the business climate

How would you assess the business climate in Bulgaria?

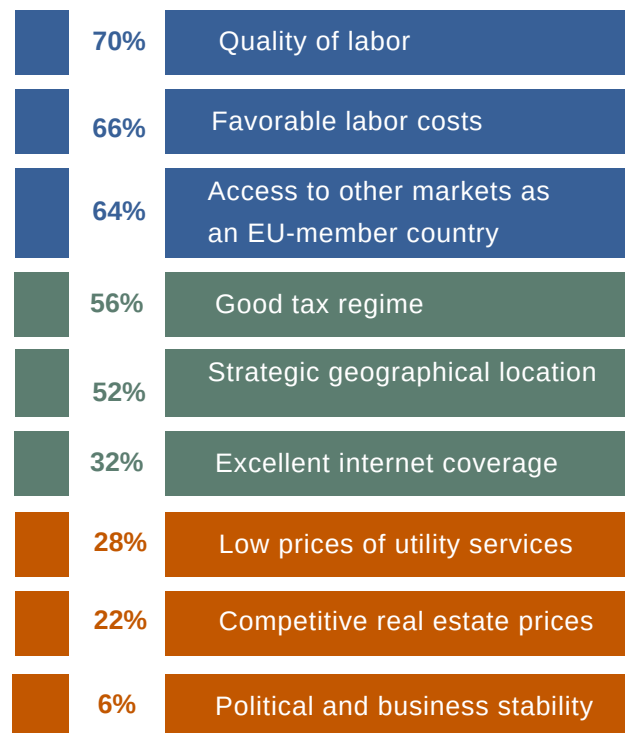
More than half of the respondents believe that the investment climate in the country is good and according to one-third it is excellent. Only 18% share that the local environment for business development is bad. Details of specific parameters are to be found in the rest of the questions of the present analysis.

Which are Bulgaria's biggest advantages for doing business in Bulgaria?

The high quality of labor and the respective relatively low costs, as well as the easy access to other markets, are the country's biggest competitive advantages according to the surveyed investors. ManpowerGroup Bulgaria observations show that the quality of work in certain sectors such as Information Technologies, Business Process Outsourcing, Production of Automotive Components and Electronics & Medical Equipment is at an excellent level which is one of the main reasons for international companies to choose Bulgaria as a suitable location for their business operations.

The country's strategic geographical location and access to other markets as a member of the European Union are also listed among Bulgaria's key advantages by more than half of the respondents. Attracting employees from other European countries is a common practice among companies in well-positioned industries such as Information Technologies.

BULGARIA'S BIGGEST ADVANTAGES:





In addition, the **developing transport infrastructure** creates suitable conditions for investments in the field of Production, Logistics, and Distribution Centers, and European citizens' freedom of movement is a prerequisite for the development of companies in the Tourism & Hotels, and Trade sectors.



The country's favorable **tax regime** ranks next. With a 10% corporate and private tax and opportunities for additional tax advantages (e.g. 0% corporate tax in areas with high unemployment) Bulgaria is among the leading European destinations with competitive prices for doing business.



32% of the respondents report that the excellent **internet coverage** is a key advantage and a necessary prerequisite for business development in the Information Technologies and Telecommunications sectors, followed by the competitive utility and real estate prices (28%), the latter being an important part of the final costs for investors from all sectors.



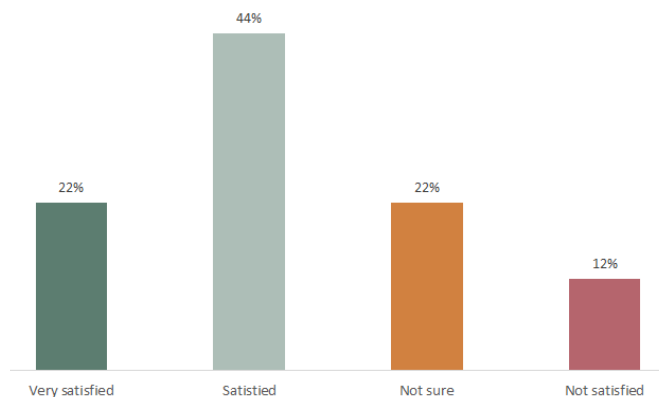
Merely 6% of the respondents indicate the country's **political and business stability** as an advantage. Most of the business recommendations at the end of the analysis are focused on this very priority.

To what extent do you manage to meet your business needs in terms of human capital?

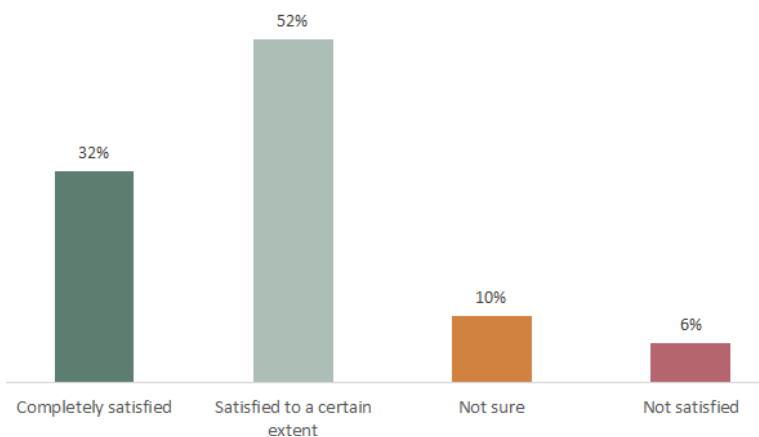
Going back to the key topic and objective of the present analysis two-thirds of the respondents report that they manage to meet their business needs in terms of human capital.

22% are not sure. As ManpowerGroup Bulgaria observations show, this answer is largely due to the differences between specific roles: the available workforce meets employers' needs for some of them while for others there are still serious challenges regarding talent attraction, retention and management.

12% of the respondents say that they are not satisfied with the quality of the workforce, more than half of them being representatives from the Tourism & Hotels and Construction & Engineering sectors.



Graph. 5 - Ability to meet business needs



Graph 6 - Workforce quality evaluation

Regarding the quality of the labor force in Bulgaria most of the investors' answers are positive with a little over half of them being satisfied with it to a certain extent, and 32% - being completely satisfied.

Only 6% of the respondents state that they are not satisfied with the quality of the workforce in the country.

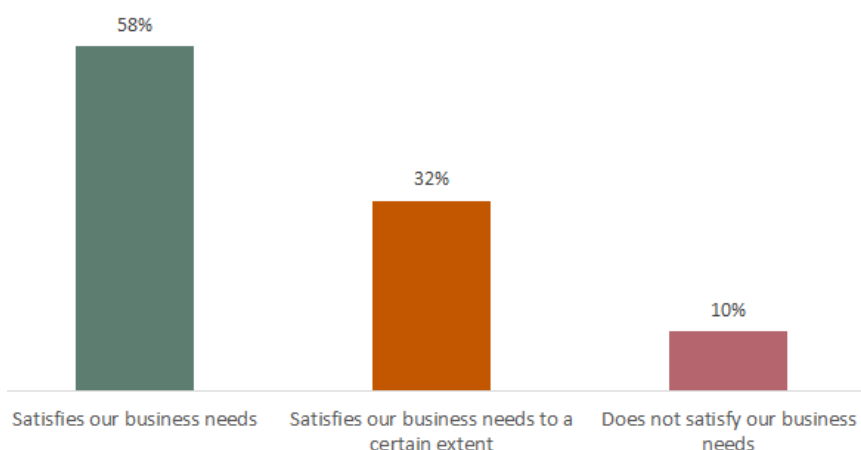


When asked about the level of satisfaction with the quality of Bulgaria's education, the percentage of the partially satisfied investors reaches the significant 32%.

ManpowerGroup Bulgaria practice shows that employers in most of the business sectors organize more than one staff training per year in order to compensate for the need for more skills. It is important to note that a number of international studies confirm this practice in the developed European economies.

Rapid business development implies rapid adaptation on behalf of the educational institutions which do not provide yet all skills companies need in relation to their employees.

In addition, the quality of the education in traditionally strong fields such as maths, foreign languages, physics and chemistry is at an excellent level according to the business in the country.



Graph 7 - Quality of education

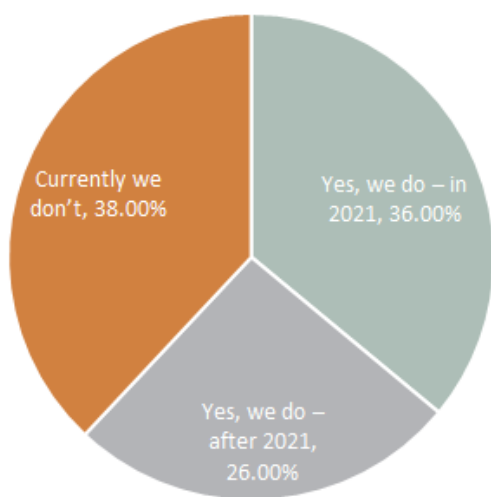
Plans and Expectations

Business plans for investment expansion are relatively balanced – one-third of the respondents forecast to increase their investments in 2021, one-third - after the end of the year, and 38% currently do not plan new investments or job openings in Bulgaria.

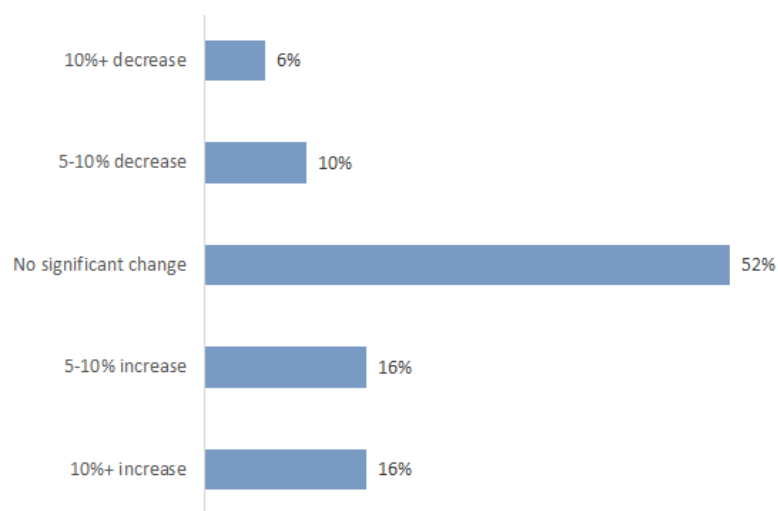
The current situation as a result of the COVID-19 pandemic creates new opportunities for certain business sectors such as Healthcare & Pharma, Banking, Finance & Insurance, E-Commerce, Information Technologies & Cybersecurity, Business Process Outsourcing, and Telecommunications. In other industries such as Tourism & Hotels and Automotive Industry which are most impacted by the crisis the time for new investments is not right due to reduced consumption.

In addition, just over half of the companies do not expect a significant change in the total number of employees in the first half of 2021. 26% plan to open new jobs while 16% forecast workforce reductions. The sharp decline in new hires in 2020 as well as the serious layoffs in some industries created conditions for doing more with fewer people.

Do you plan to expand your investments in Bulgaria?



Graph. 8 - Planned investments



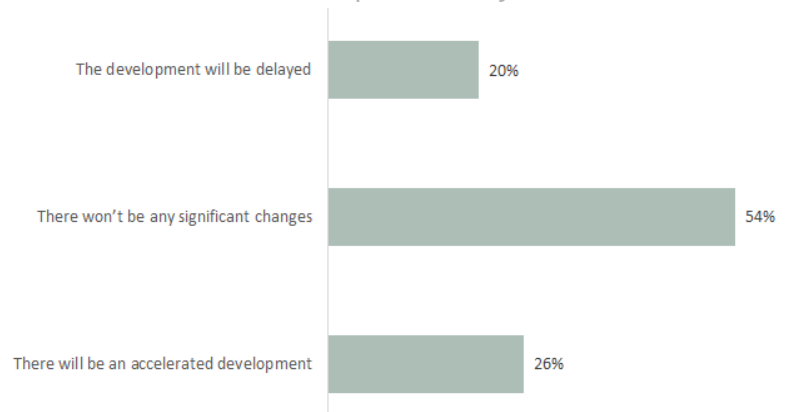
Graph. 9 - Planned changes in the workforce

ManpowerGroup Bulgaria constant observations unequivocally show that the majority of business organizations are looking for opportunities for robotization and process automation, outsourcing certain key services, as well as for flexible positions for people with wider skillsets. In the current situation, new job openings follow a more careful consideration and detailed planning of the business operations, related costs, and teams compared to the time before the pandemic.

Regarding the market's technological progress, a little over half of the respondents do not expect any significant changes.

26% forecast an accelerated development, the majority (79%) of the latter being represented by companies with business operations in major cities in the country such as Sofia, Plovdiv, Varna, and Bourgas.

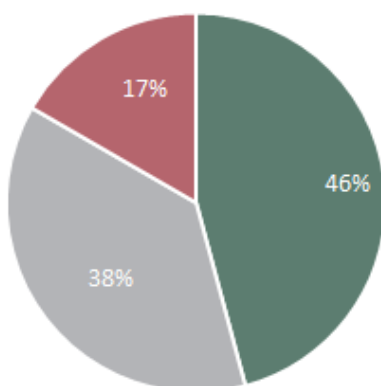
How do you anticipate the total employment at your company to change in the first half of 2021 as compared to the same period last year?



Graph. 10 - Expectations regarding the technological development

Comparison with Other Eastern European Countries

How would you assess Bulgaria's business climate compared to other Eastern European countries?



- Bulgaria is a better country for doing business compared to the rest of the Eastern European countries
- I don't find any significant difference
- Other Eastern European countries are better than Bulgaria for doing business

Graph 10 - Bulgaria compared to other south European countries

For the purposes of the present survey, the respondents who had business operations in other Eastern European countries in the last five years (50%) answered an additional question.

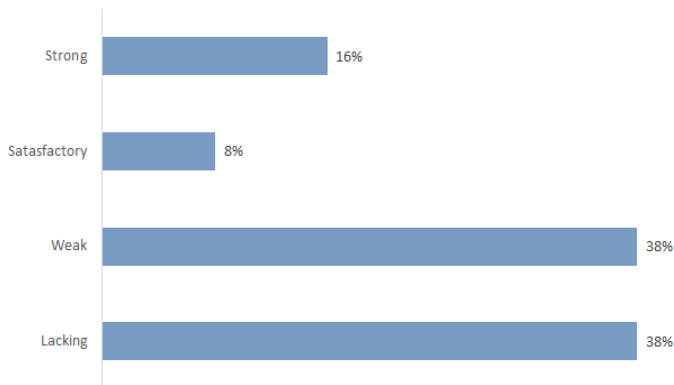
In comparison with Romania, Serbia, Northern Macedonia, Bosnia and Herzegovina, Montenegro, and others, as many as 46% of the respondents report that the Bulgarian business climate is better. ManpowerGroup experience shows that the leading factors of this response are Bulgaria's EU membership, more developed infrastructure, and the lower levels of bureaucracy compared to the rest of the countries.

Business Recommendations

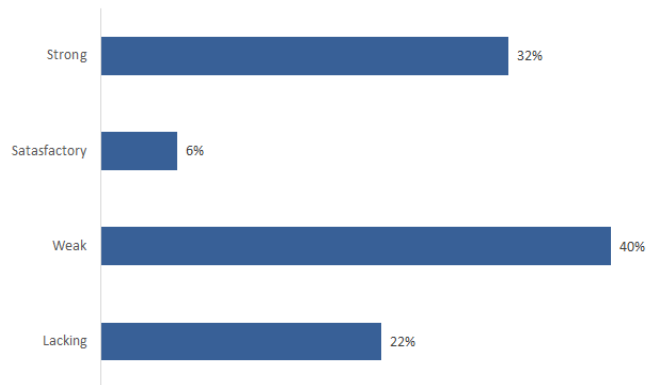
The quality of support provided by both state institutions and businesses in the country was also a question all respondents were asked. The results show that investors in Bulgaria find greater support from the private sector.

PLEASE ASSESS THE QUALITY OF SUPPORT

STATE SUPPORT IN BULGARIA



PRIVATE BUSINESS SUPPORT IN BULGARIA



According to ManpowerGroup Bulgaria observations, businesses seek support from the private sector for new and existing activities, most often in the form of membership in sectoral associations to represent them officially before state institutions in order to change or improve certain policies, as well as for provision of market services such as easy and affordable funding and of various training and educational programs for workforce up- and reskilling.

Investors' recommendations to the local market are mainly aimed at increasing the state support, including planning the education system in accordance with the current business needs, improvement of the procedures for importing staff from third countries, implementing more measures regarding the pandemic, as well as providing an electronic government

TOP BUSINESS RECOMMENDATIONS TO THE STATE INSTITUTIONS

Planning of the education system in accordance with the labor market needs

Better conditions regarding the state investment strategy and support

A better system for import of workforce from third countries

Better tax policy

Electronic government

Bigger state support regarding the COVID-19 pandemic

Other business recommendations for improvement of the investment environment in the country include long-term efforts and funding to motivate young emigrants to return to Bulgaria.

The investment climate would also be positively affected by the simplification of the administrative procedures and the provision of fast communication with the state institutions, as well as the elimination of the requirements for paper media and other similar obstacles to the use of digital technologies.



Assert International services as part of ManpowerGroup Bulgariaportfolio help us conduct real-time surveys on key HR metrics such as salary levels, additional social benefits, staff satisfaction, and engagement combined with automated market researches of talent availability in specific regions and industry sectors.

Our surveys blend up-to-date business information, official statistical data and feedback from job candidates and current employees, thus allowing timely and informed decisions regarding human capital strategic development.

For more information, please contact our experts:

Maria Stoeva
Head of Sales and Business Development
maria.stoeva@manpower.bg
+359 879 958 628

Gerasim Naydenov
Senior Consultant
gerasim.naydenov@manpower.bg
+359 879 958 620

www.manpower.bg