BULGARIA
PRESENTATION OF THE COUNTRY

In 2003 the Gross Domestic Product (GDP) of the country has reached 34.410 mln. BGN in current prices. It has been increased with 4.3 % as compared to the previous year.

The Gross Value Added (GVA), amounting to in 30.089 mln. BGN, in total covers 87.4 % of the Gross Domestic Product.

The largest share in the Gross Value Added – 58.6 %, are of the branches in the sphere of services, followed by the industrial sector – 30.0 % and the agrarian sector with 11.4 %.

The alterations of the Gross Value Added (at basic prices) 2003/2002 are positive in the sphere of industry and agriculture, with an increase of +1.6 %, respectively +1.3 %, followed with an decrease of -2.9 % in the in services.

Structural alterations in the economy are also remarked with the increase of the share of the private sector in the Gross Value Added – from 70.6 % in 2002 to 73.3 % in 2003.

The alterations 2003/2002 of the private sector GVA are really considerable - in the communications - with growth of +18.9%, reprocessing industry – with growth of +12 %,
transport – with growth of +8.6 %, construction - with growth of +7.5 %, services + 4.9 % and trade and repair +1.9 %.

Administrative Territorial Division

The territory of the republic of Bulgaria is divided into 263 municipalities and 28 districts, grouped into 6 “planning economic regions”.

North - West Region - Districts: Vidin, Vratza, Montana
North – Central Region - Districts : V.Tirnovo, Gabrovo, Lovech, Pleven, Rousse
North - East Region - Districts : Dobrich, Shumen, Varna, Razgrad, Silistra, Targovishte
South - West Region - Districts: Sofia- Town, Blagoevgrad, Kustendil, Pernic, Sofia- District
South - Central Region - Districts: Pazardjik, Plovdiv, Smolian, Kirdjali, Stara Zagora, Haskovo
South - East Region - Districts: Burgas, Sliven, Iambol

MAIN RESULTS

In 2004 Bulgarian economy preserved the positive tendency of development marking respectively GDP growth of about 6% for the first half of 2004 as compared with the first half of 2003.

The recorded average annual inflation in 2003 reached 2,4% (compared with 5,8% in 2002). At the end of 2003 the annual inflation was 5,7% and respectively 1,9% in September 2004.

At the end of August 2004 the level of unemployment in Bulgaria reached 12%, while it was 13,51% at the end of 2003 and 16,27% at the end of 2002.

In the favourable conditions of this tendencies in July 2004 there was reached state budget surplus of BGN 977 million. At the end of 2004, foreign investments are expected to reach USD 2 milliard (about 6,7% of GDP compared with 4,5% in 2003).

The improvement of the business climate in Bulgarian economy is mainly due to tax legislation reforms directed chiefly to reduction of tax rate under the Corporate Income Taxation Act up to 19,5% in 2004, facilitation of depreciation allowances, tax credit refund under the Value Added Tax Act, regulation regimes as well as betterment of tax and customs dues collecting.

In 2004 bank loans mark growth resulting respectively in growth of consumption. Part of bank loans contributed to increase in import over export rate. Together with the negative tendencies of foreign trade balance ensuing from petrol prices on international markets, there is the reassuring fact that a great part of the realized import into Bulgaria is in the field of investments goods as a security for future economy growth.

ECONOMIC INDICATORS

This study covers summarized information for the results of the participating companies for the year 2004 vs. 2003 and their expectations for the business environment in the next year.

The interviewed companies have different forms of ownership and operate in the production and service sectors.
The economic environment (the ongoing process of transformations in our economy) has reflected on the results under this indicator on national level.

It is of significance that the indicators analyzed for the particular period marks growth in terms of achievements and expectations as compared with the preceding one. It may be said that the expectations for Bulgaria for the coming period are traditionally optimistic, nearly twice bigger than the results achieved. Nevertheless, growth tendencies coincide.

TOTAL TURNOVER

In 2004, as compared to 2003, the interviewed companies with positive changes in their sales incomes prevail over the companies with negative results. The expectations for 2005 show prevailing positive results, the balance values (56,1 p.p.. in 2004) growing to 71,9 p.p. in 2005.

The reasons are:

- higher competitiveness resulting from the foreign investments in the country and the preparation of companies for the EU acquis communautaire
- increase in consumer demand on home markets as a result of increase of bank credit granting.

65,4 % of the interviewed companies report a growth in their sales income for 2004 vs. 9,3 % of those, which suffer a decrease. The companies expecting a growth of sales income for 2005 are 74,3 % vs. 2,4 % with negative expectations.

The companies with positive results for 2004 is 65,9 %. in the production sector, and 64,8 %. in service sector.

The share of companies expecting an increase in their sales income grows to 73.5 % in the production sector vs. 75,6 %. in the service sector.

The highest percentage of positive expectations under this indicator belongs to the companies of the North- West Region (80.2 p.p.), which surpasses the average balance value for the country (71.9 p.p.).

![Total Turnover expectations for 2005](image-url)
DOMESTIC SALES

The data for 2004 show a prevailing increase of sales on the domestic market with an average value of the indicator (36.6 p.p).

The expectations of the companies for 2005 vs. 2004 under this indicator are positive – from balance value (36.6 p.p.) to (61.0 p.p).

The companies in the service sector have higher expectations for increased profits for 2005 (64.1 p.p) vs. 58.8 p.p. of the interviewed companies of the industrial sector.

On regional level, expectations for 2005 for the domestic market with values higher that that on national level have been registered again the South-Central Region (72.8 p.p.).

EXPORT SALES

In national aspect, in 2004 there was a increase in the income from sales on the international market, the average value of this indicator being 37.4 percent points.

For 2005, the expectations for the income from sales on the international market show a rise, with an average value of the indicator (59.1 percent points).

The industrial enterprises expecting a rise in their income from exports for 2005 are 65.4 % vs. 53.7 % for the previous period.

In the service sector, expectations for an increase in the exports for 2005 were registered for 62.8 % of the interviewed vs. 47.2 % for 2004.

Increased external sales income were reported by the companies from the North-West Region 61.7 p.p. The positiv expectations of the companies from South-Central Region reach the maximum value of 74.8 p.p. of all interviewed by region.

The lowest sales income from international markets for the country for 2004 was in the South-West Region (+) 20.0 p.p. vs. 37.4 p.p. on national level.
On national level, the expectations for increased sales in the international markets indicate 59.1 p.p. for all regions for 2005.

**Export Sales expectations for 2005**

**EMPLOYMENT**

The results from the research show that in 2004, as compared to 2003, the employment in the two sectors – production and services – has remained constant for 45.8 % of the interviewed, while for 14.9 % of them there was a deterioration. For 2004, 39.3 % of the interviewed indicate positive changes, v.s. 36.2 % (2003).

The expectations for 2005 are optimistic:
In national aspect, the balance numbers indicate positive tendencies for employment, the average values of the indicator growing from 24.4 percent points in 2004 to 37.7 p.p. in 2005.

Compared to the other regions in the country, most pessimistic are the employment expectations in the North Central Region.

**Employment expectations for 2005**
INVESTMENT

Comparing the results for 2004 (balance value 39.8 percent points) with the expectations for 2005 (balance value 46.7 p.p.) for the investments made and planned, we are witnessing a certain optimism. The companies reporting and expecting positive changes are 50.8 % and 53.3 % respectively. Those who do not report or expect any change in the amount of investments for 2004 and 2005 are respectively 38.2 % and 40.1 %.

The companies reporting negative results for the present period and expecting a decrease of investments for the future are 11.0 % and 6.6 % respectively.

The highest percentage of envisaged investments comes from the South - Central Region 55.9 p.p. and from the North - West Region – 49.4 p.p.

The share of investments that have been made and of positive expectations for investments is considerably bigger in the production sector – 38.3 p.p in 2004 and 50.7 p.p. in 2005.

BUSINESS CONFIDENCE

The prevailing opinion of the companies for 2004 concerning the conditions for development of economic activity is that there were no considerable positive changes in the environment as compared to 2003.

In percentages, the biggest share (50.7 %) of the interviewed both of the production and service sectors indicate that the conditions for business have not changed in 2004.

Their expectations for 2005 under this indicator are positive. From pessimistic for 2004 – balance value 22.3 p.p. their expectations for positive changes rise for 2005, reaching a balance value of + 57.9 p.p.

On national level, the data under this indicator show that the companies from the South-Central Region (65.5 p.p.) are the most optimistic for the amelioration of the conditions for business in the country in 2005.
The companies, which reported a deterioration of the conditions for economic activity for the current period 2004 are 13.5% vs. 5.4% of those expecting their deterioration in the future.

**Business Confidence for 2005**

![Bar chart showing business confidence for 2005 across different regions and the EU average.]

**METHODOLOGY**

The participation in this research was voluntary and anonymous. The involved companies were selected according to the Eurochambres’ instructions. The questionnaire was distributed among 800 representatives of the real sector of the economy in the country, as 651 of them answered all questions. From the inquired companies, 82.0% make export; 58.5% are in the industrial sector, 41.5% of the companies make services.

*All texts and information is provided by and under the responsibility of the national coordinators from the countries participating in the EES 2005.*