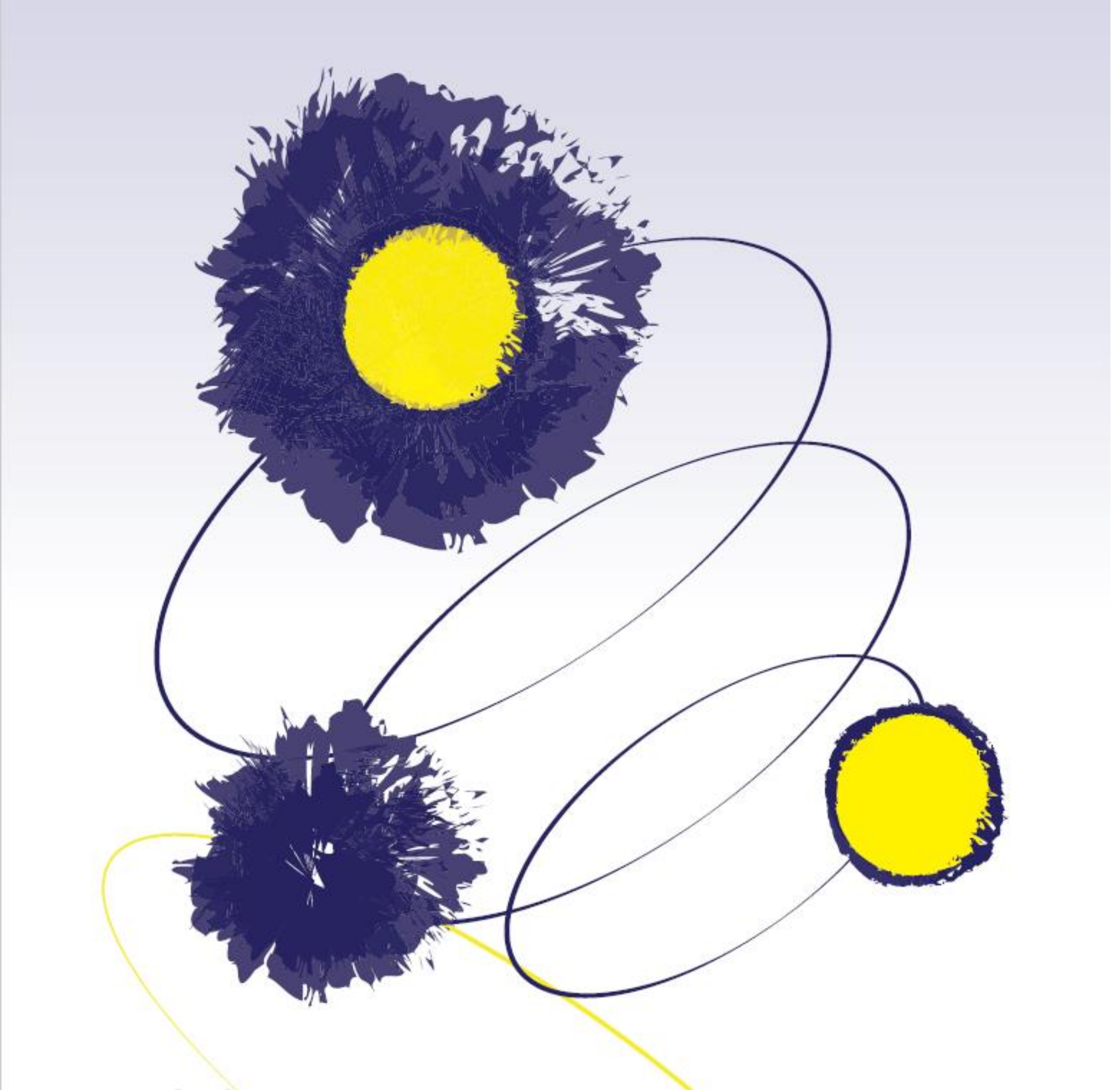

BULGARIA'S ECONOMIC CENTRES

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Economic map of the country

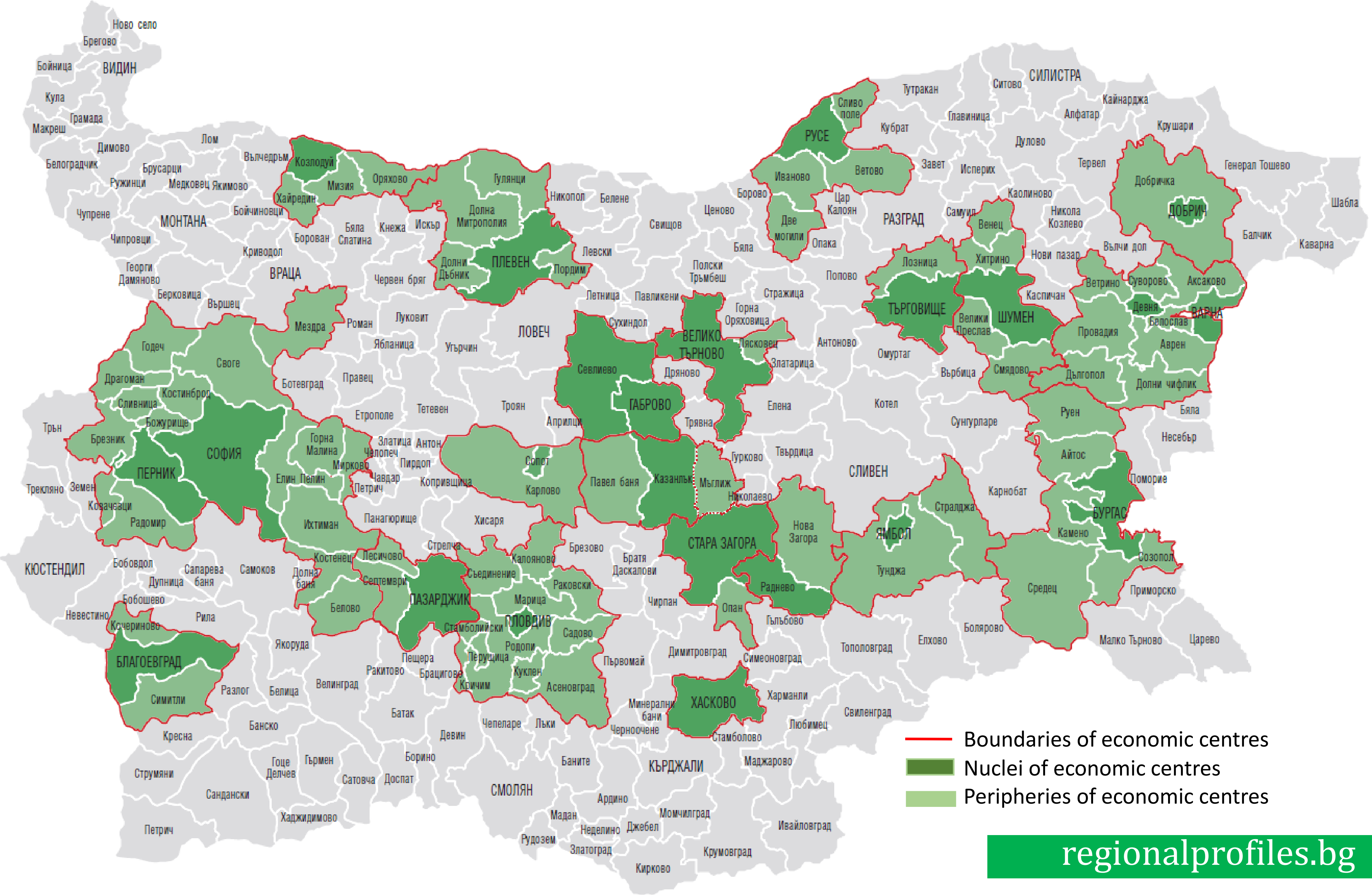
- Main goals:

- To draw an economic map of the country;
- To distinguish the country’s leading economic centres, including their nuclei and peripheries;
- To profile the centers and the economic processes therein – structure of the local economy, human capital, labour market, etc.

How do we define the centres?

- Grouping – done around economic nuclei;
- Nuclei: the municipal engines of local economies that attract labour (daily commuters) from nearby municipalities, and are also top performers in terms of employment and output;
- Periphery: municipalities that are most dependent on the nuclei (formal criterion – at least 10% of those employed are daily commuters to the nuclei).

ECONOMIC CENTRES



Geography (1)

- A total of 20 leading economic centres;
- No “break points” between economic centres to the south of the Balkan mountain; smooth transition from one centre to another
- Northern Bulgaria – isles of economic activity;
- The only exception: the agglomeration of three interconnected centres in Northeastern Bulgaria – Varna, Shumen and Targovishte that encompass a total of 17 municipalities
- Worse road infrastructure to the north of the Balkan mountain – most possibly a part of the explanation

Geography (2)

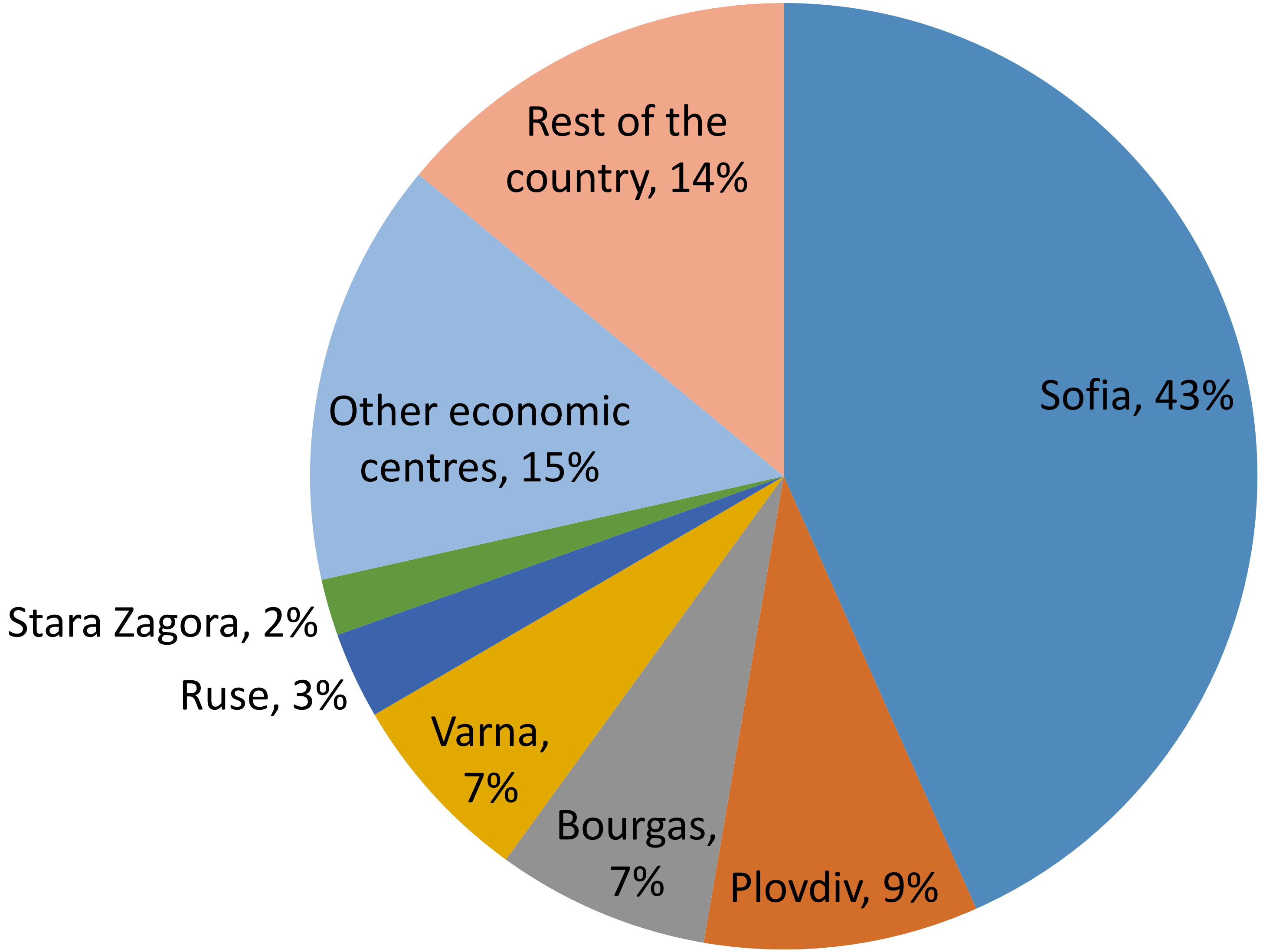
- Clustering of several economic centres on both sides of the Balkan mountain in Central Bulgaria – a couple of centres around Stara Zagora to the south plus the Gabrovo-Sevlievo and Veliko Turnovo centres to the north;
- Yet, lack of adequate infrastructure connectivity through the mountain;
- Otherwise natural connections between economically active territories are hindered and their growth potential is capped.

Tipology

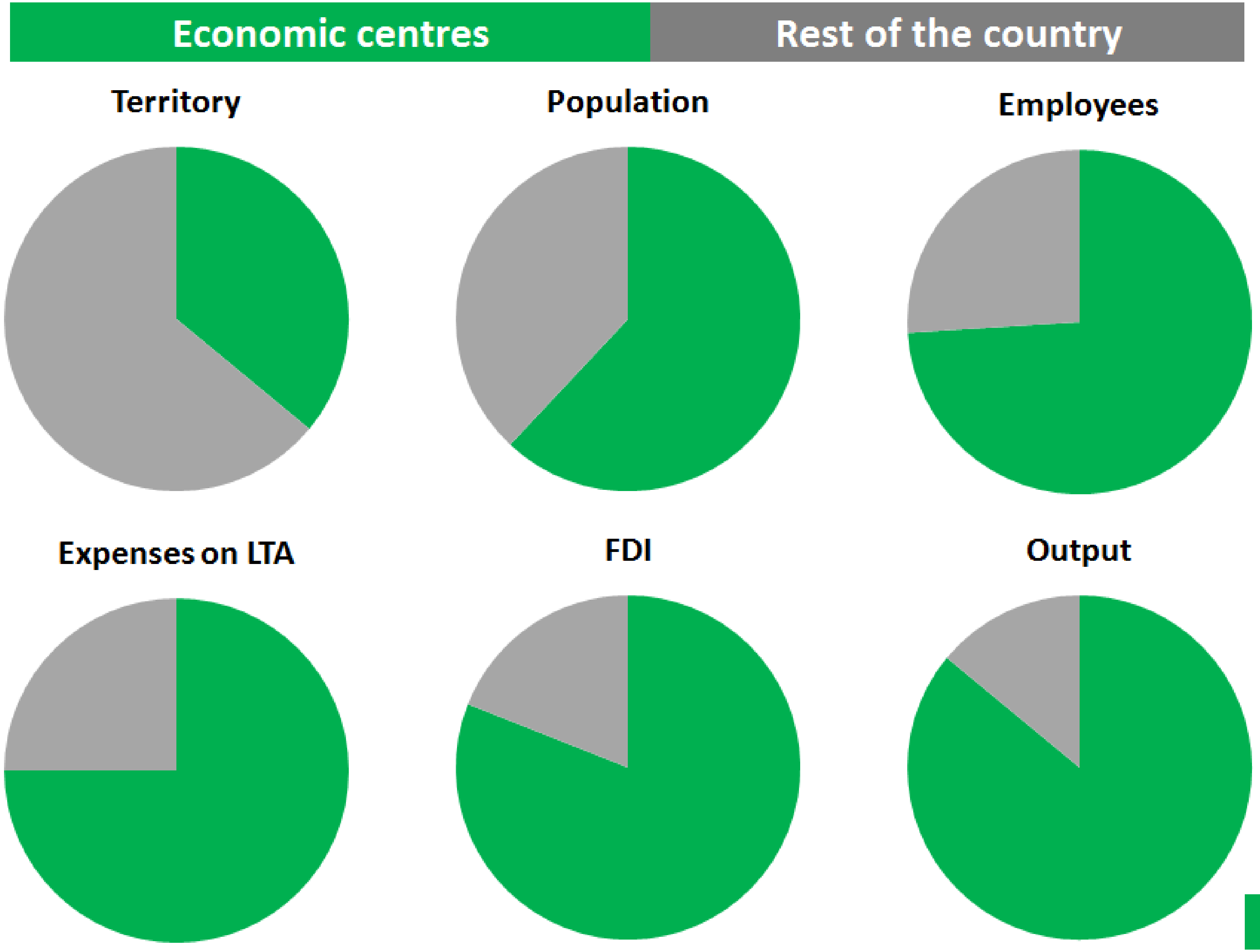
Three main types of economic centres:

- Big economic centres with a strong nucleus and a wide periphery – e.g. those around Sofia and Plovdiv;
- Relatively small centres whose periphery is limited only to a couple of neighbouring municipalities - e.g. Ruse, Pleven, Shumen;
- Specific economic centres with a rather limited or non-existing periphery – Gabrovo-Sevlievo, Stara Zagora, Kazanlak, Radnevo.

Output (thousand BGN, 2015)



Characteristics



Processes

- Continued concentration of economic activity in the centres;
- 2011 - 85% of the country’s output produced in the 20 economic centres; in 2015 this share was already 86%;
- Possible explanations: good infrastructure, market scale, synergies with existing businesses, attractive social environment, etc.
- Perspective – formation of a mega-centre along the Sofia-Pazardzhik-Plovdiv-Stara Zagora-Burgas axis

Sofia

Average gross monthly salary (2015), BGN	1,174
Population (2016)	1,592,455
Unemployment rate (2016), %	3.5
Working age population (2016), %	63.8

Economy and investment

Sofia economic centre

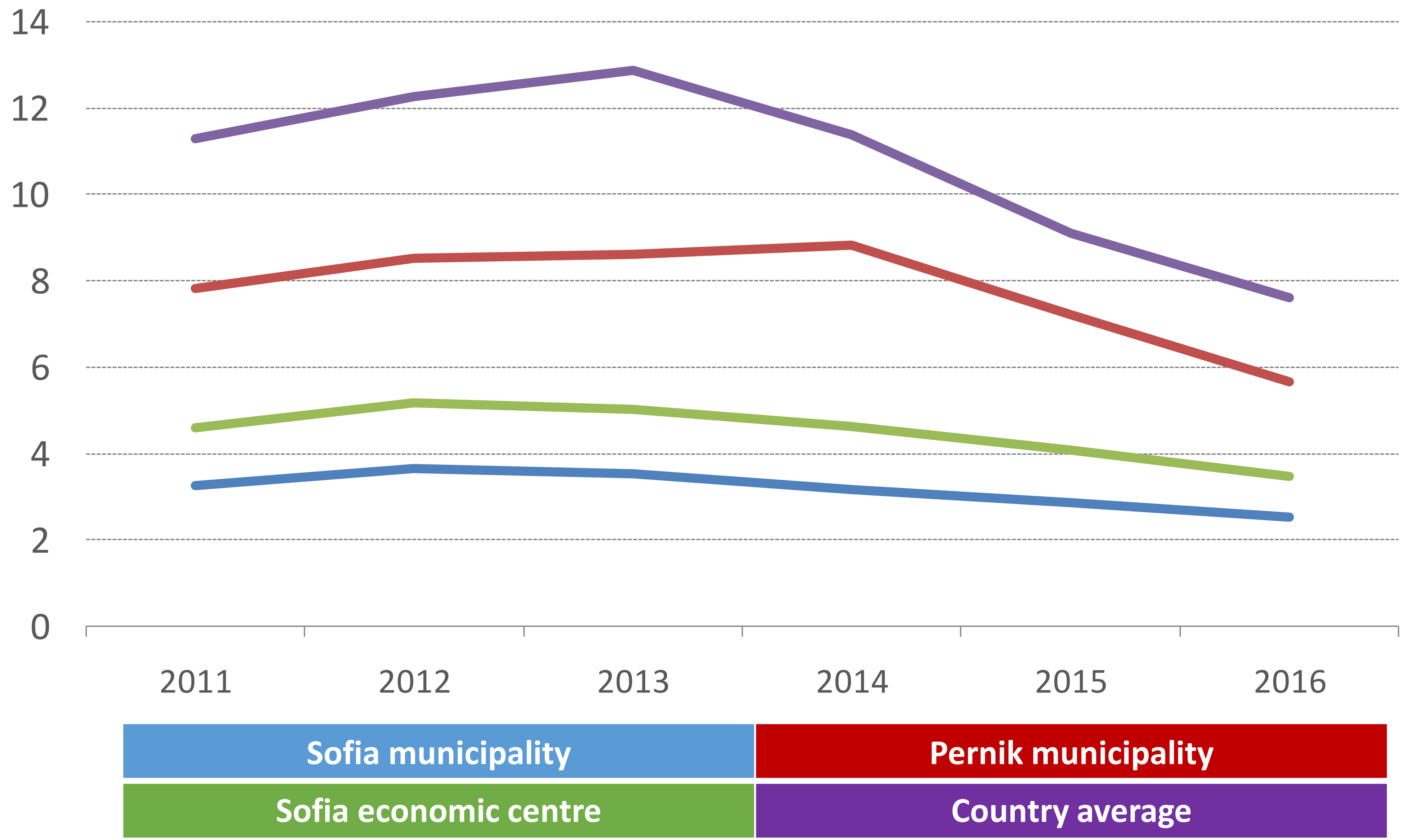
- Pernik – a secondary, albeit much smaller, nucleus;
- 94% of output concentrated in Sofia municipality, another 2% - in Pernik municipality;
- Trade accounts for the biggest share of output, 20%, followed by manufacturing (16%) and the ICT sector (11%);
- In 2011-2015 г. trade (+43%) and construction (+42%) grew the most; professional activities followed suit (+33%) due to the rapid expansion of the outsourcing business.

Labour market

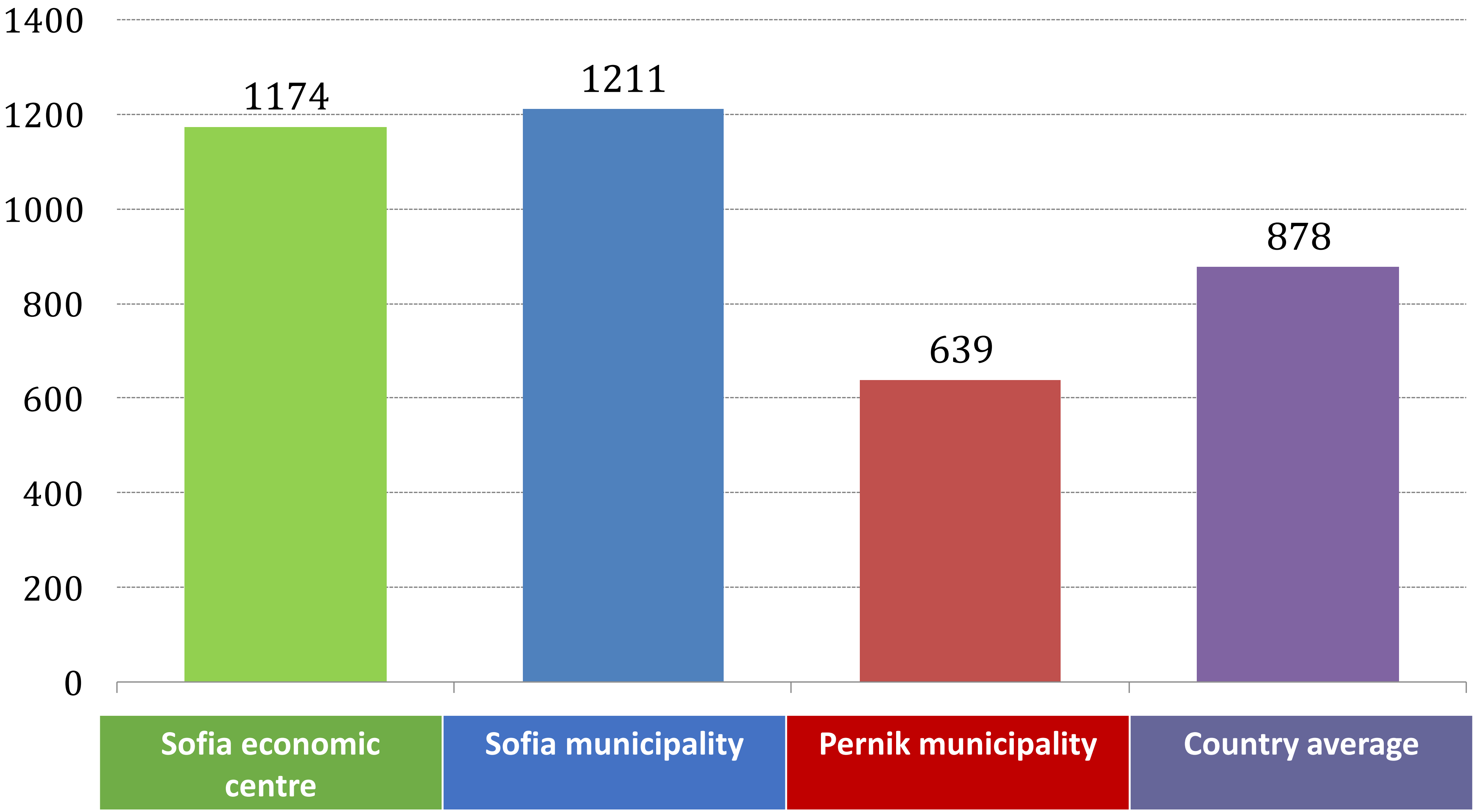
Sofia economic centre

- 92% of the employees work in Sofia, 3% - in Pernik;
- Highest salaries – in ICT, followed by finance; lowest – in tourism;
- Low unemployment – less than 3.5% in Sofia, between 5 and 12% in most of the periphery;
- One of few economic centres with growing population (by 4% since 2001); nevertheless, natural growth rate remains negative;
- 7 of the 10 top performing schools at matriculation exams – in Sofia;
- The Sofia university has the highest rating in leading majors (law, psychology, social sciences, chemistry, physics, maths, etc.)
- Almost 1/3 of the centre’s population – with higher education; about 8% - with primary or lower education

Unemployment in the Sofia economic centre, 2011-2016 (%)



Average wages in the Sofia economic centre, 2015 (%)



Plovdiv

Average gross monthly salary (2015), BGN	771
Population (2016)	568,065
Unemployment rate (2016), %	6.2
Working age population (2016), %	61.5

Economy and investment

Plovdiv economic centre

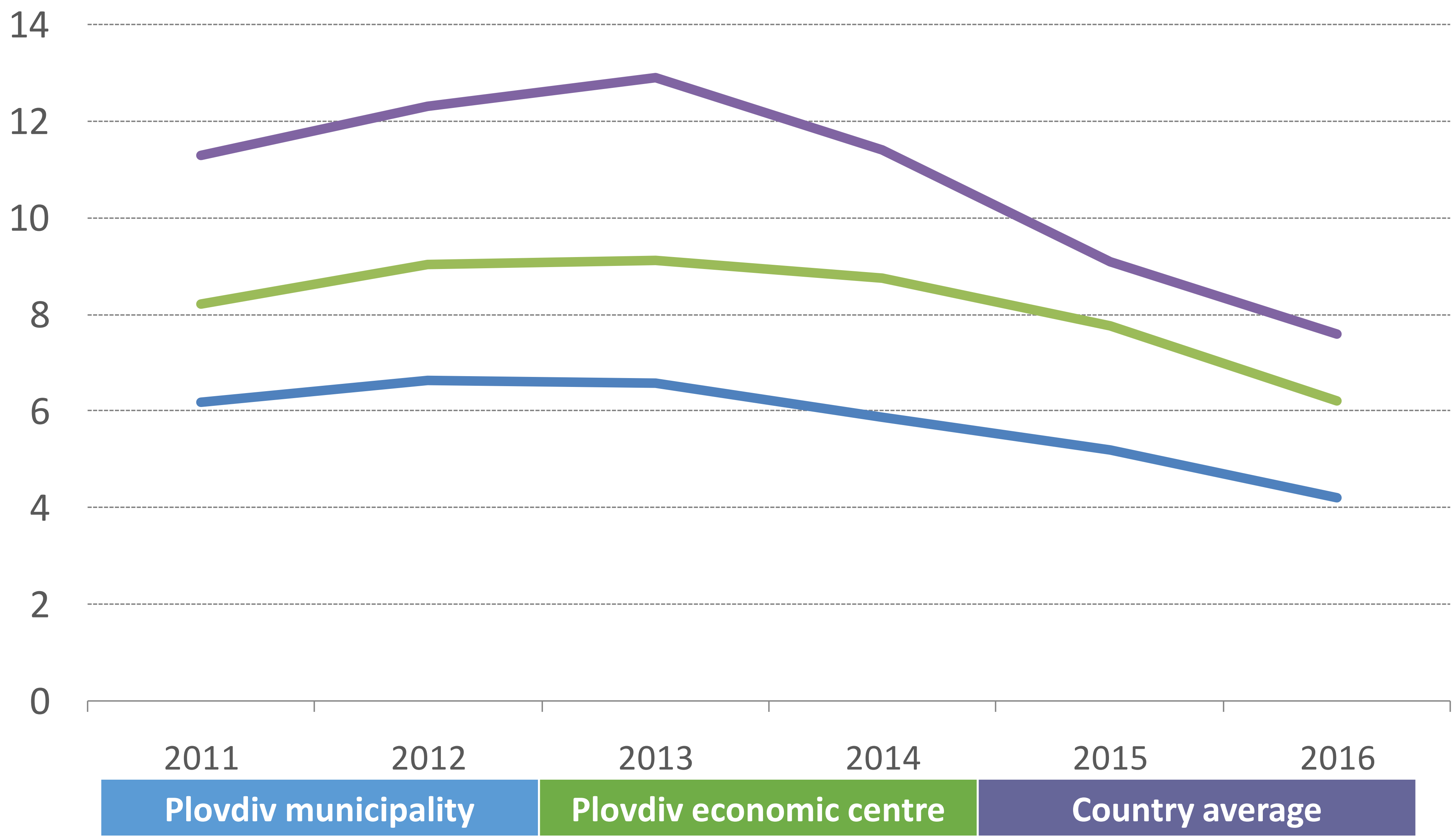
- Almost 2/3 of the centre's output – in Plovdiv municipality;
- Manufacturing generates more than 50% of output, followed by trade and construction (with 10% each);
- 76% of the attracted FDI – in industry, which is one of the reasons for the spectacular development of Trakia economic zone;
- Total FDI inflow – more than 1.5 bn as of end-2015

Labour market

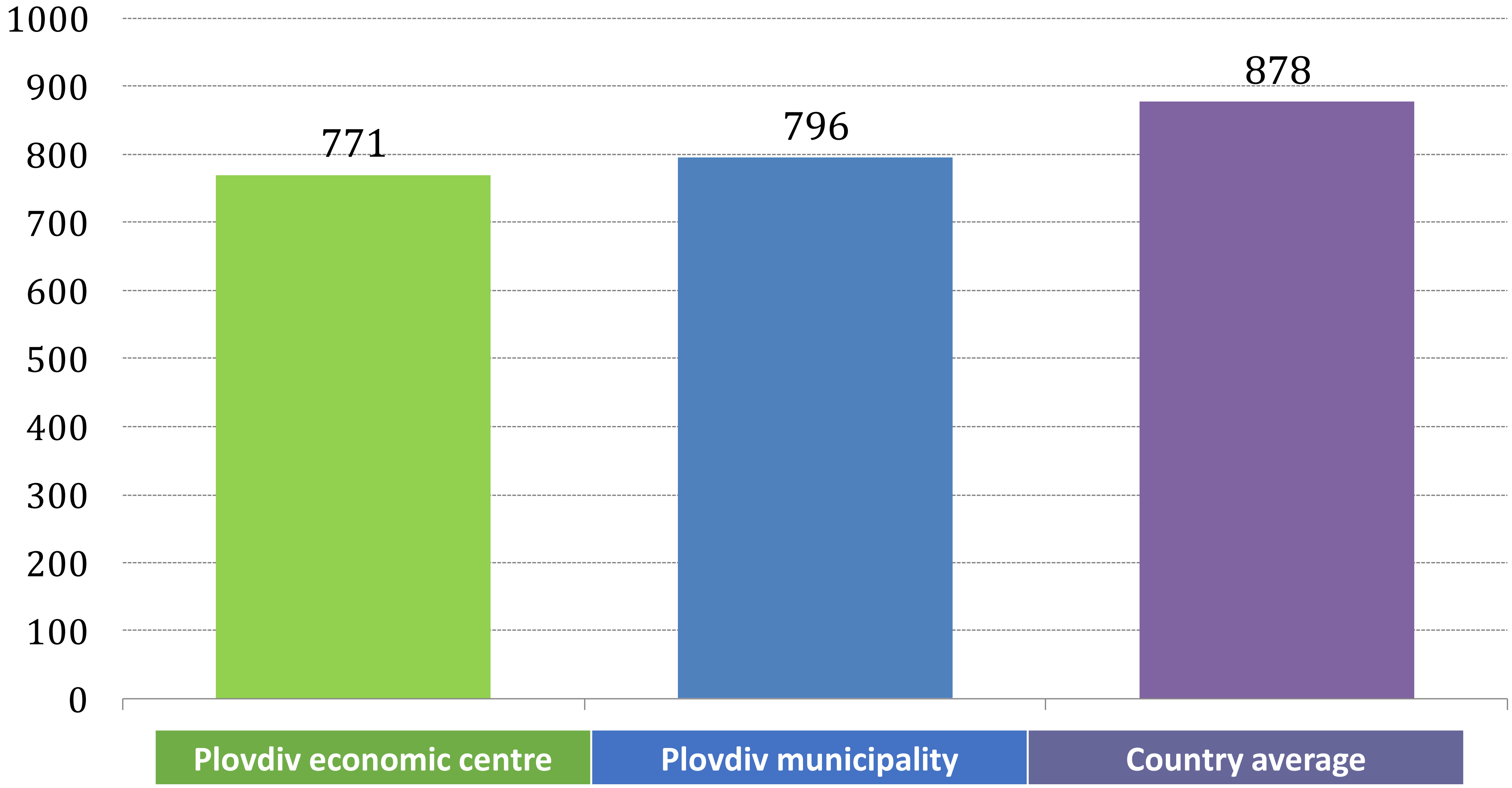
Plovdiv economic centre

- 73% of employees in the centre work in Plovdiv municipality;
- Top employers – manufacturing (32%) and commerce (15%);
- Unemployment in the nuclei – around 4%;
- Salaries – highest in energy sector, lowest in tourism;
- Net migration – positive, mainly due to inflow of people to Plovdiv;
- Yet population declines; 60% of those in working age – in Plovdiv;
- The centre offers diverse professional education – agriculture, textiles, tourism, food manufacturing, mechatronics, metallurgy, etc.;
- 21% of the population - with higher education, 43% - with secondary;
- Quality of education – close the country average, but all peripheral municipalities cannot achieve a result above Good 3.50

Unemployment in Plovdiv economic centre (2011-2016, %)



Average wages in Plovdiv economic centre, 2015 (%)



Varna

Average gross monthly salary (2015), BGN	835
Population (2016)	459,790
Unemployment rate (2016), %	6.1
Working age population (2016), %	62.5

Economy and investment

Varna economic centre

- 75% of output – in Varna municipality, 15% - in the secondary nucleus Devnya;
- A well diversified economy – manufacturing holds 25%, construction – 17%, and trade – 12%;
- The only sector to shrink in 2011-2015 period – energy (-21%) due to the closure of Varna thermal power station;
- Main recipient of FDI in last few years – construction due to sea resorts expansion; most cumulative FDI to date – industry (80% of these - in Devnya)

Labour market

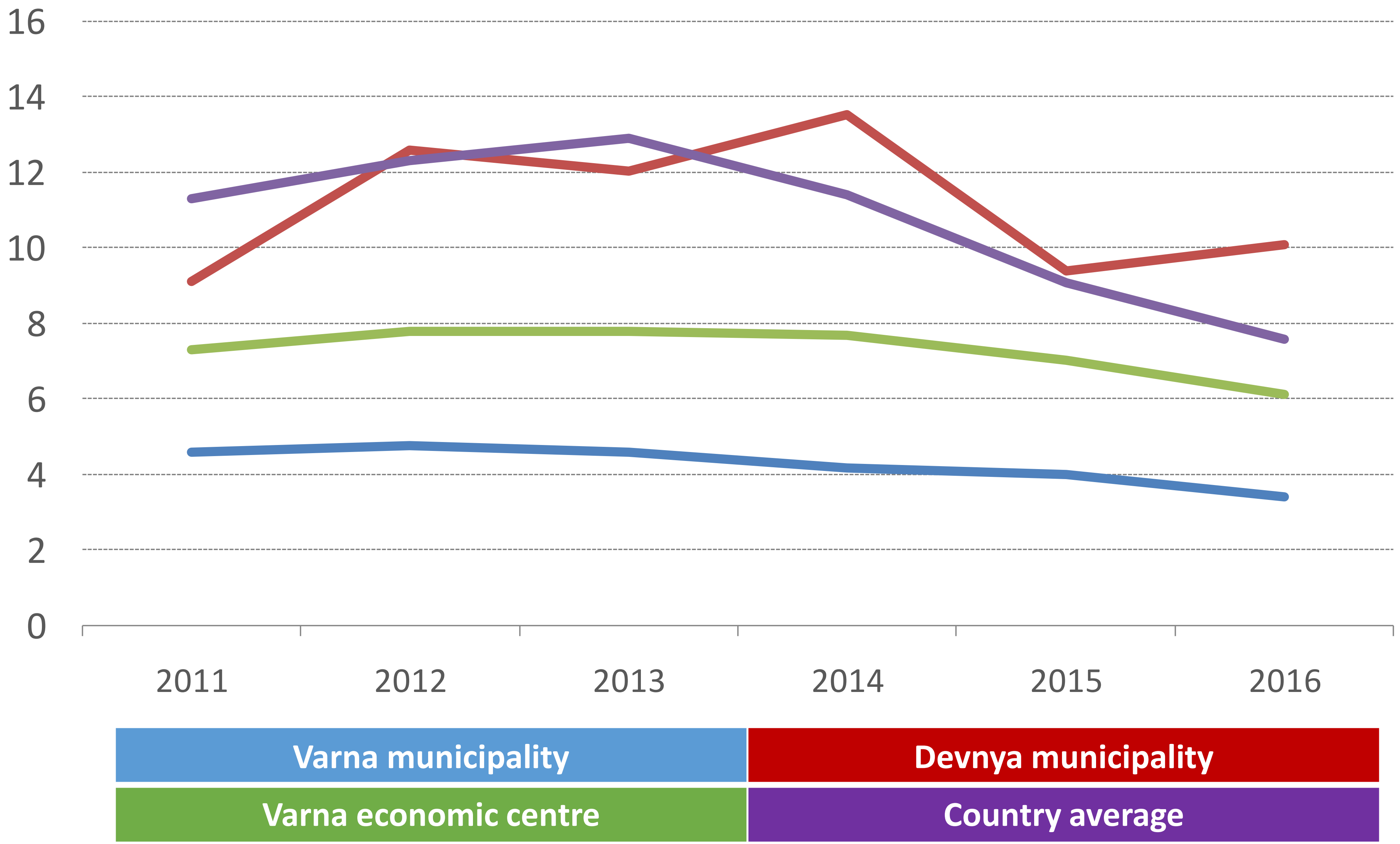
Varna economic centre

- Employees – relatively equally distributed among sectors, with trade (19%) and manufacturing (14%) holding the biggest shares;
- Unemployment in the centre – around 6%, due primarily to the low unemployment in Varna municipality (3.4%);
- Population rises; it was 6% higher in 2016 against 2001 – main reasons: positive net migration that reaches 1‰ in some years;
- Working age population - 63% in 2016 (against 60% in 2001);
- Professional education in tourism, electrotechnics, sailing,

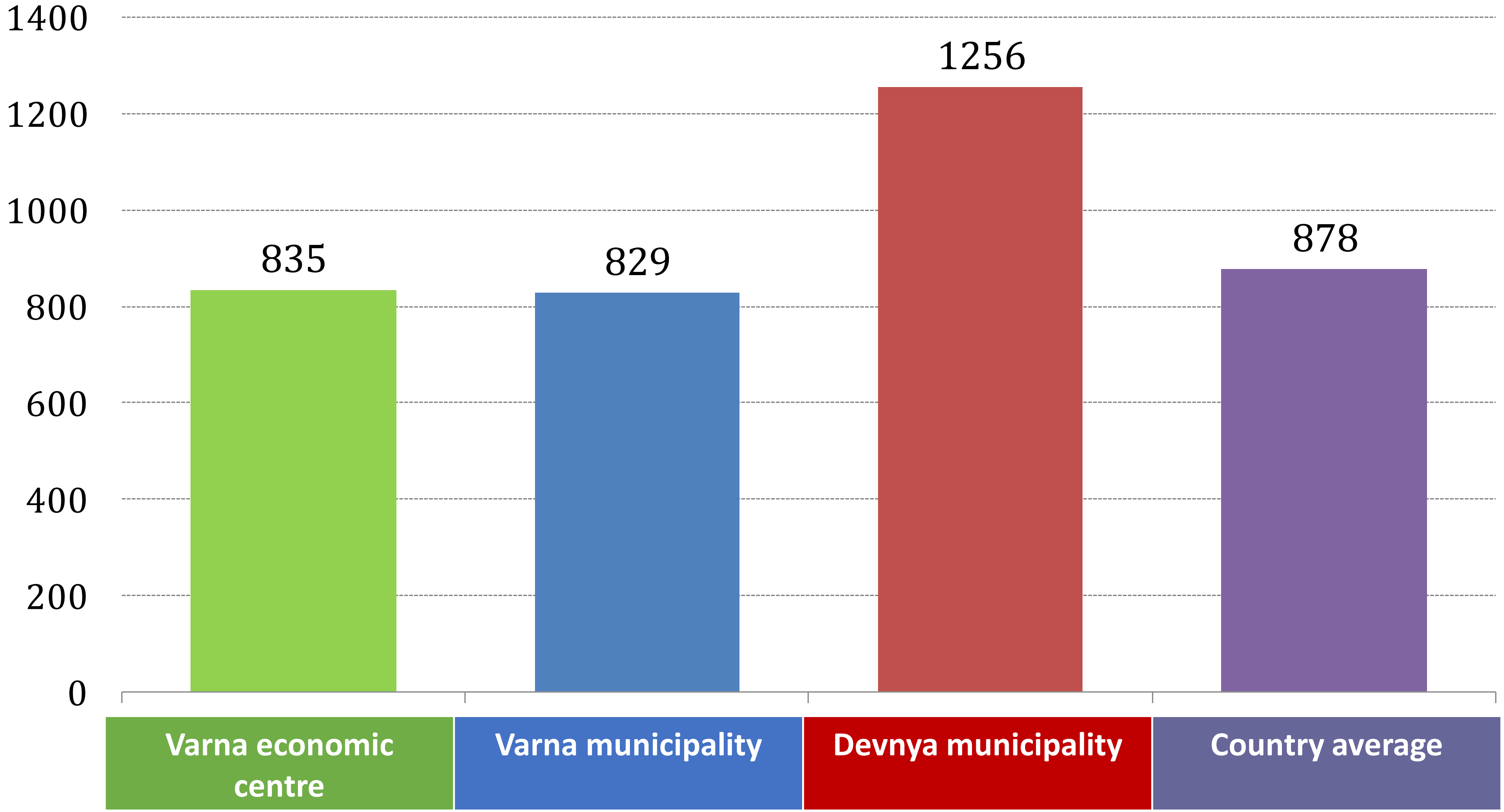
geodesy, forestry, culinary, etc;

- The best secondary school outside Sofia – in Varna
- Higher-than-average results at matriculation exams

Unemployment in Varna economic centre (2011-2016, %)



Wages in Varna economic centre, 2015 (%)



Gabrovo-Sevlievo	
Average gross monthly salary (2015), BGN	750
Population (2016)	93,553
Unemployment rate (2016), %	4.9
Working age population (2016), %	55.7

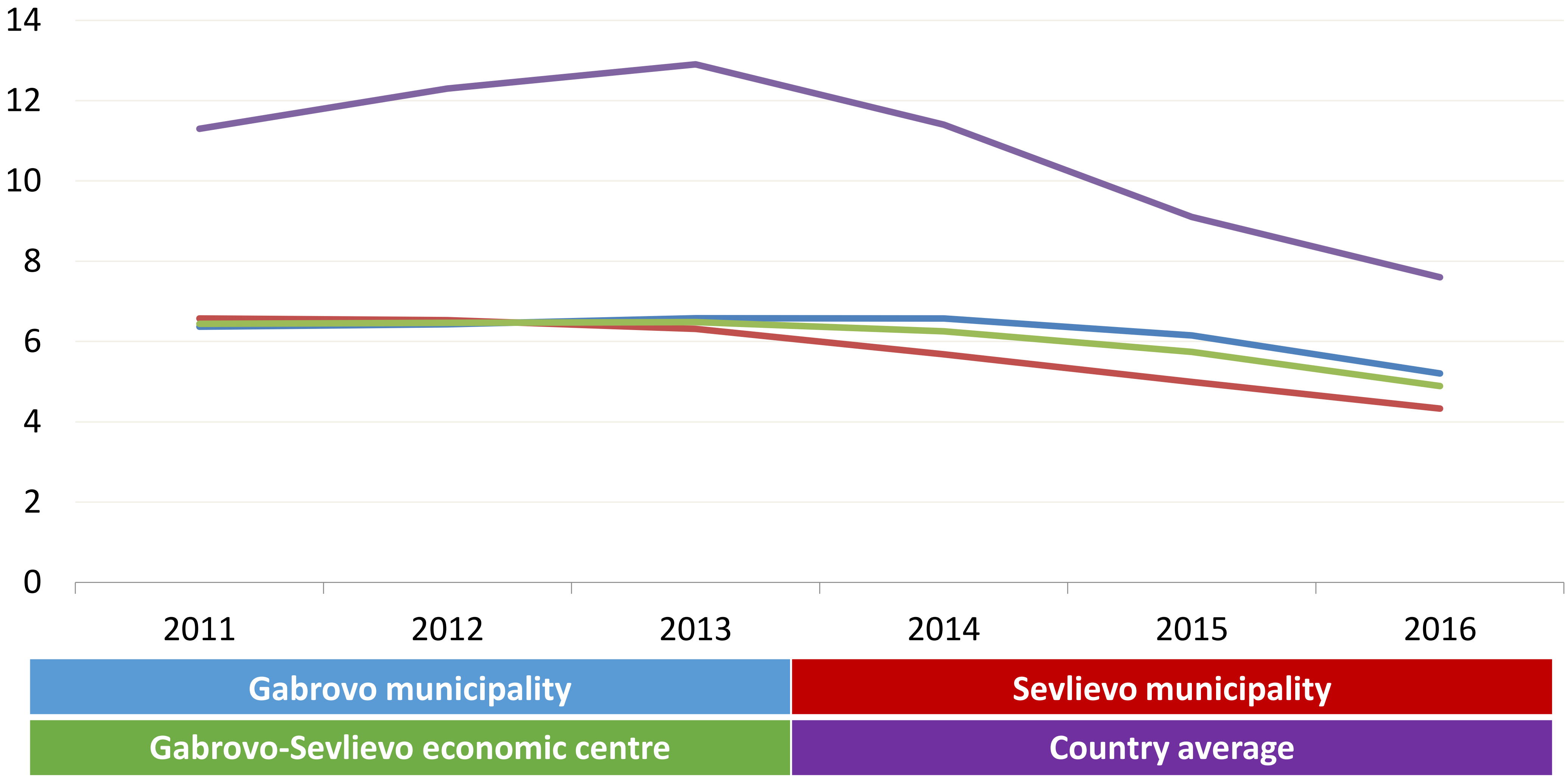
Specific economic centres – Gabrovo-Sevlievo

- Two nuclei and no periphery, substantial number of daily commuters in both directions;
- Rather high share of manufacturing - 67% of the output of the centre (75% of Sevlievo's output due to several large-scale plants);
- The economic expansion of the two nuclei moves in parallel – 15% growth in Gabrovo and 16% in Sevlievo in 2011-2015 period;
- Yet Sevlievo has attracted much more FDI to date.

Labour market in Gabrovo-Sevlievo

- Biggest challenge – demography; population loss of more than 30 000 since 2001;
- Natural growth strongly negative (-12.5‰ in 2016), net migration at -4‰;
- Decline of employees by 4% in 2011-2015; most of the employee loss – in Gabrovo, due to faster decline of working age population)
- Biggest decline of employees (-51%) – in real estate, biggest growth – in ITC (+37%);
- Relatively low salaries (BGN 750); ITC wages – fastest rise;
- One of the economic centres with lowest unemployment – 4.9% in 2016

Unemployment in the Gabrovo-Sevlievo centre, 2011-2016 (%)



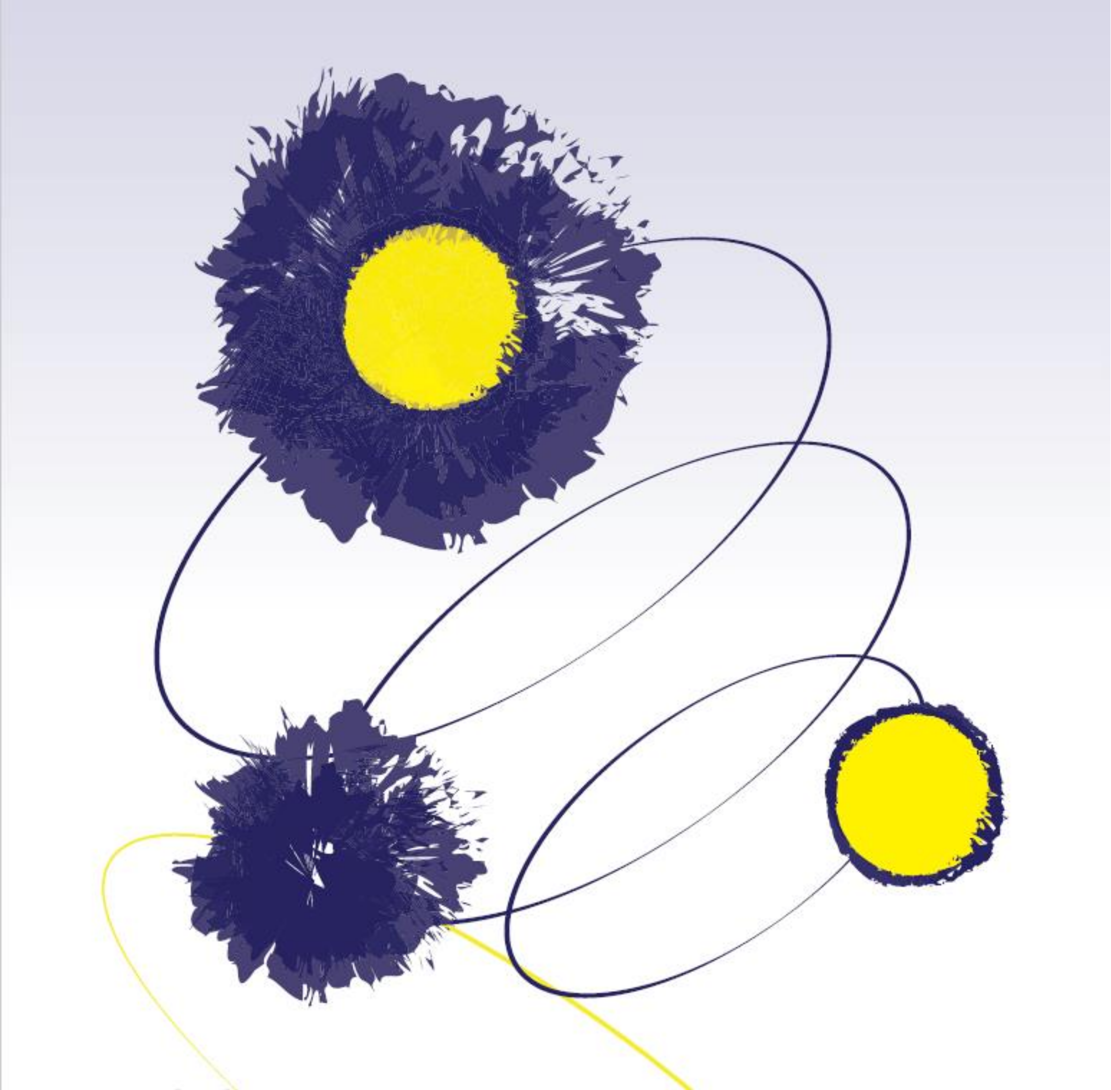
Economic centres around Stara Zagora

Key characteristics of the centres around Stara Zagora

- Several economic centres that are close geographically;
- Sharing of a common periphery (Muglizh municipality) by the Stara Zagora and Kazanlak centres;
- Different economic profiles: Radnevo – mostly energy, Kazanlak – manufacturing, Stara Zagora – more diverse profile with a dominant share of industry;
- Stara Zagora centre - demographic trends in line with national average; education quality – relatively good
- Negative demography and education processes in Radnevo and Kazanlak centres

Stara Zagora centres - perspectives

- The Zagore economic zone – a likely factor for the future expansion and consolidation of the centres
- A new economic centre emerging around Galabovo and its merger with the agglomerate around Stara Zagora;
- A potential improvement of road connectivity across the Balkan mountain - key to the emergence of a competitive economic belt with Gabrovo-Sevlievo and Veliko Turnovo;
- Closer ties with the Sopot economic centre.



Thank You!

Q&A

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