# Regional Profiles 2021: Development During a Pandemic

ECONOMIC DEVELOPMENT

The regional map of economic development in Bulgaria continues to be dominated by the major economic centers. In 2019, the gross domestic product (GDP) of Sofia (capital) reached over 51 billion BGN, which was nearly 43% of the country's total economy. Outside the capital, in southern Bulgaria, the districts that stand out are those of Plovdiv (9.7 billion BGN), Burgas (5.5 billion BGN) and Stara Zagora (5.1 billion BGN). In the north, the leader is Varna district (7.7 billion BGN), followed by Ruse (2.8 billion BGN) and Veliko Tarnovo (2.6 billion BGN). The smaller scale of the economic centers in northern Bulgaria with the exception of Varna, as well as the weaker connection among them, are the main factors determining the differences between Bulgaria's North and South.

Fig. 1. Gross domestic product of the districts in Bulgaria in 2019 (in million BGN)
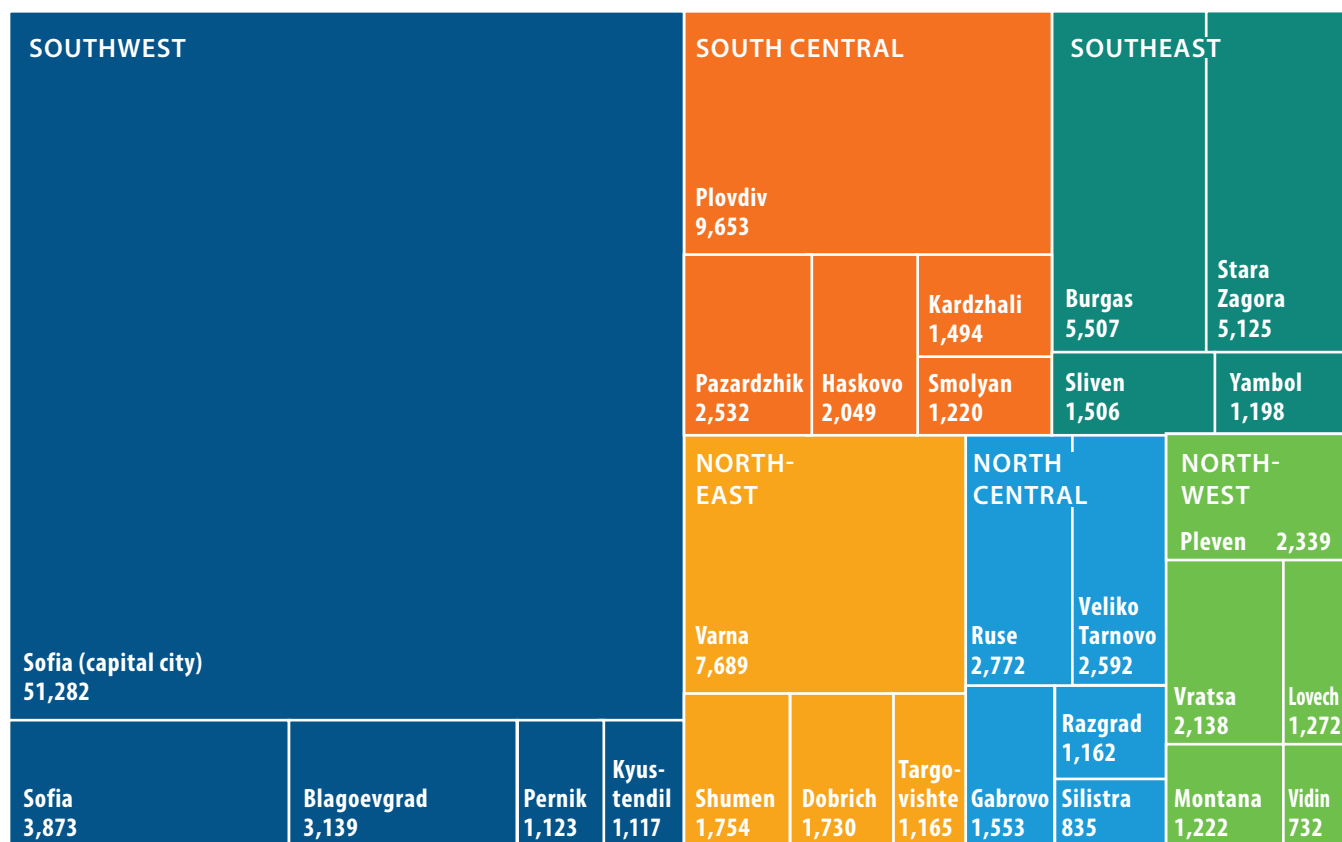
Source: NSI.

Gross value added (GVA) per capita by district varies from over 33,000 BGN in Sofia (capital city) to less than 7,000 BGN in Silistra. Sofia's economy is strongly dominated by the services which generate nearly 87% of value added. The capital exceeds more than twice the other major economic centers – Varna, Stara Zagora and Plovdiv. The second place in the country is now occupied by Sofia district, which includes the industry in the immediate periphery of the capital city, but also a large part of the mining and metallurgy in the Srednogorie region. Along with the district of Sofia, industry also plays a more significant role in the districts of Stara Zagora, Vratsa and Gabrovo. Agriculture brings over 10% of the value added in the districts of Silistra, Vratsa, Montana, Razgrad, Dobrich, Targovishte, Shumen, Yambol and Kardzhali. Evidently, these are the relatively poorer areas located mainly in the northern part of the country.

Fig. 2. Gross value added per capita by district in 2019.
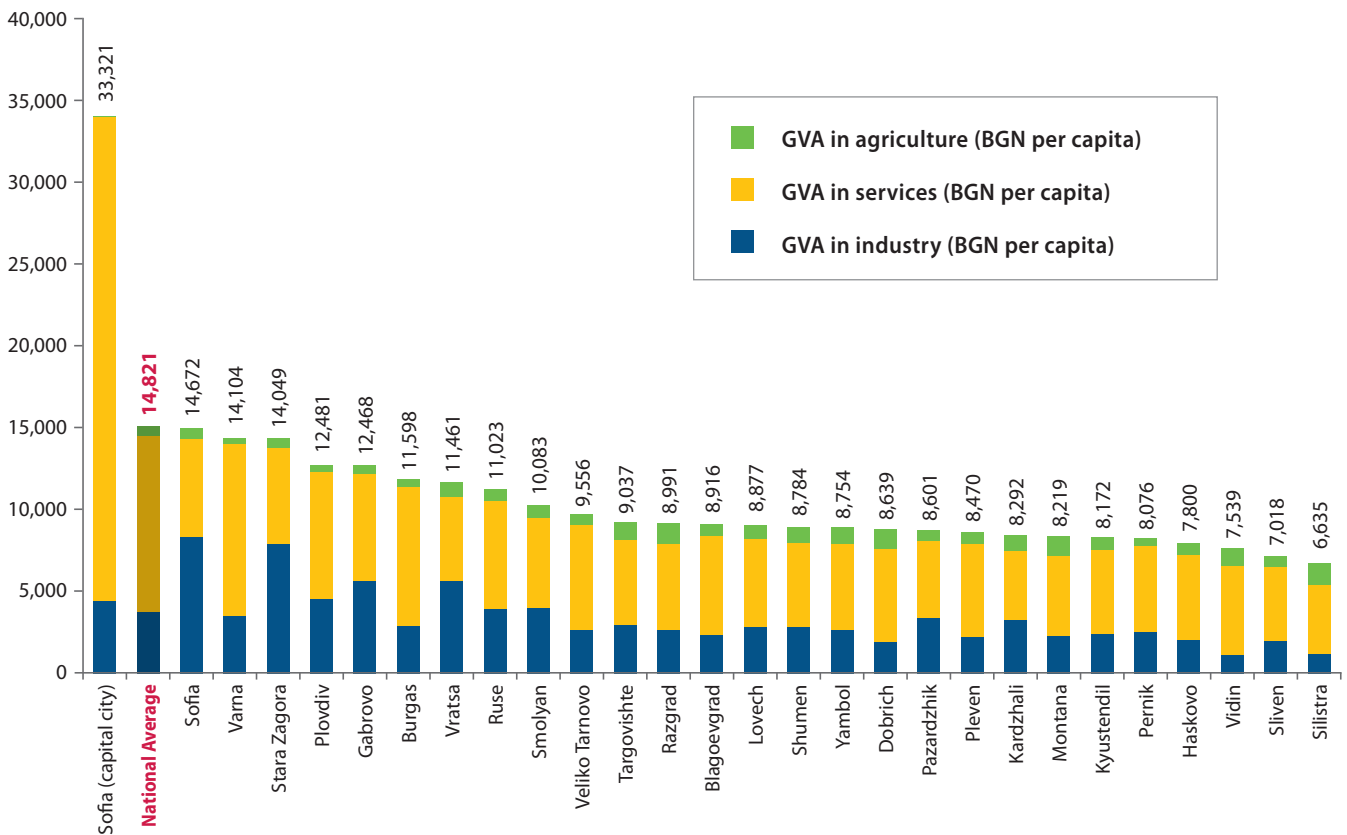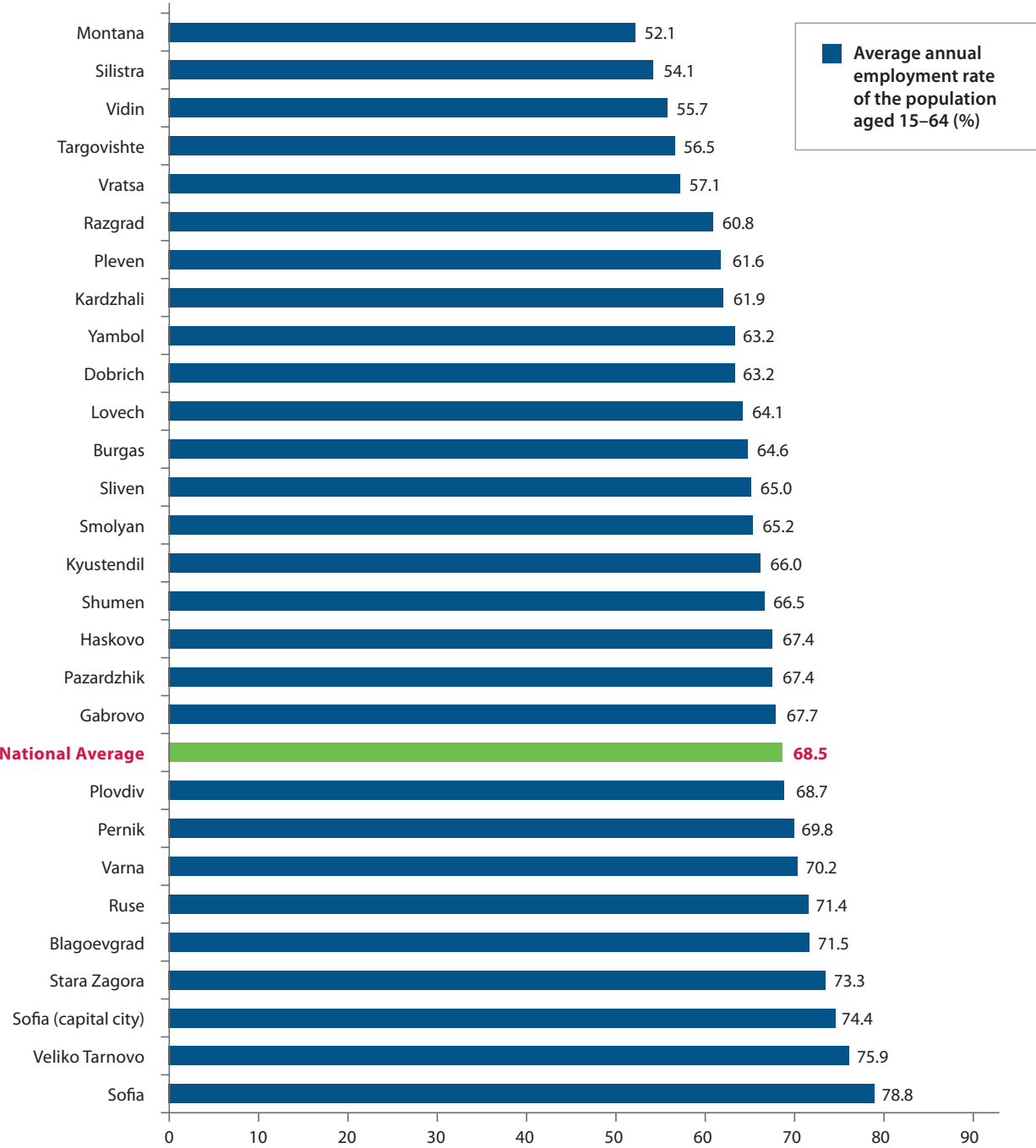

Source: NSI, calculations by IME.

The pandemic has interrupted the positive dynamics of the labor market in Bulgaria. After in 2019 for the first time in the country's recent history the employment rate of the population aged 15–64 reached above 70%, in 2020 employment declined to 68.5%, with the negative processes extending to all of Bulgaria's districts. Despite the pandemic, however, the wide differences in the labor market continue to exist. While the large economic centers report employment rates of around or above 70%, the poorer ones lag far behind. All five districts with an employment rate below 60% are located in the North. The districts in northern Bulgaria with the best performance as regards employment are those of Varna, Ruse and Veliko Tarnovo. Notable also is the very strong performance of Sofia district, which for the second year in a row surpassed the capital. The stable indicators of the labor market in Sofia district are supported by the robust development of the industry in the capital's wider periphery, as well as by the strength of the big companies in the Srednogorie region which managed to survive the initial shock of the pandemic and retain their workforce.

Despite the negative impact of the pandemic on the labor market, several positive developments in 2021 are worth noting. The first one is the growth of salaries, which has continued and remained uninterrupted by the crisis. In 2021, the average gross monthly salary in the country exceeds 1,500 BGN, with a growth of over 10% on an annual basis. At the regional level, the average gross salary varies from over 2,000 BGN in Sofia (capital) to about 1,000 BGN in districts such as Blagoevgrad and Kyustendil. At the same time, the labor market is recovering, with unemployment gradually returning to pre-crisis levels. Nevertheless, the continuing waves of coronavirus and the resulting measures restricting social life and economic activity put new jobs at risk.
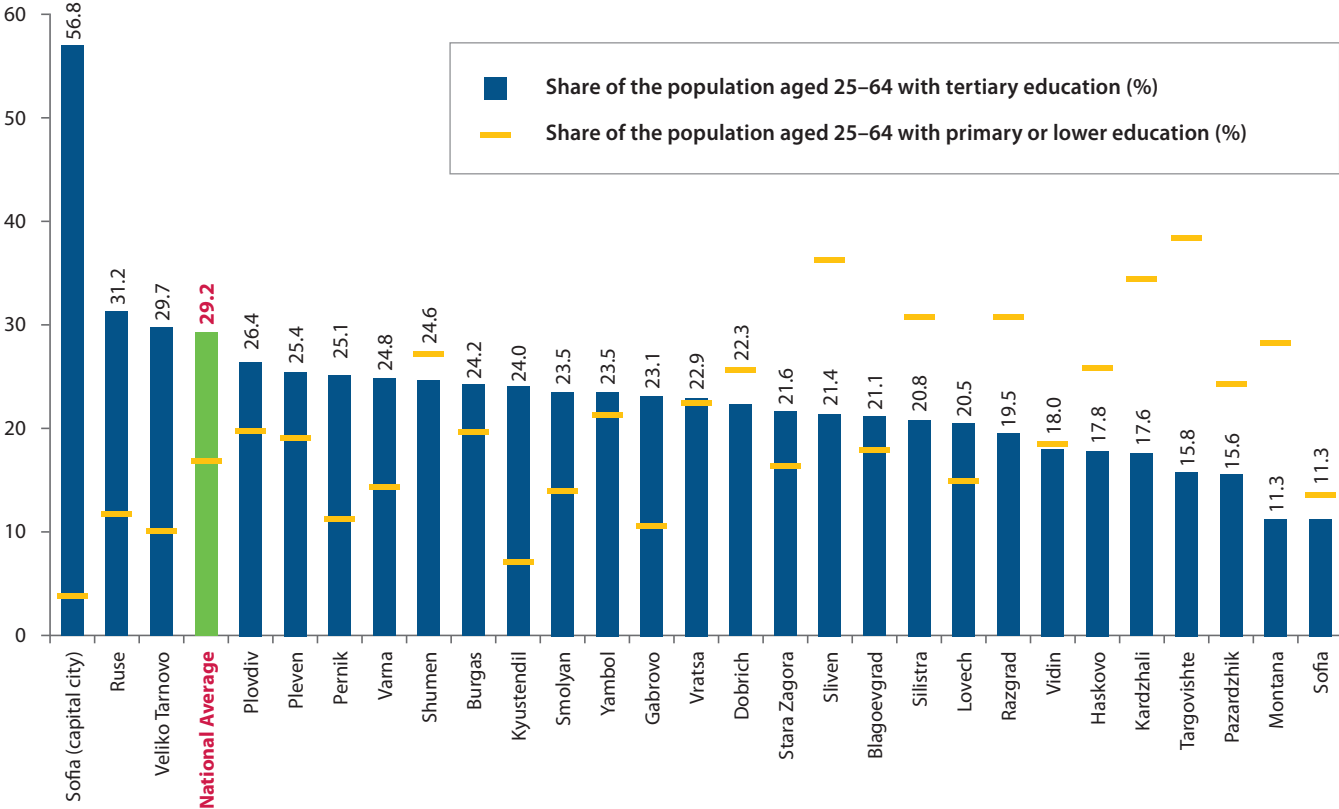
Fig. 3. Employment rate of the population in 2020 by district.

District	Average annual employment rate of the population aged 15–64 (%)
Montana	52.1
Silistra	54.1
Vidin	55.7
Targovishte	56.5
Vratsa	57.1
Razgrad	60.8
Pleven	61.6
Kardzhali	61.9
Yambol	63.2
Dobrich	63.2
Lovech	64.1
Burgas	64.6
Sliven	65.0
Smolyan	65.2
Kyustendil	66.0
Shumen	66.5
Haskovo	67.4
Pazardzhik	67.4
Gabrovo	67.7
National Average	**68.5**
Plovdiv	68.7
Pernik	69.8
Varna	70.2
Ruse	71.4
Blagoevgrad	71.5
Stara Zagora	73.3
Sofia (capital city)	74.4
Veliko Tarnovo	75.9
Sofia	78.8

Source: NSI.

Human capital and the profile of the workforce will be key to the process of recovery and ongoing transformation of the Bulgarian economy. Nearly 30% of the workforce (aged 25–64 years) have tertiary education, and this share has been rising in recent years. The clear leader is Sofia (capital), where 56.8% of the workforce have higher education. Next come Ruse (31.2%) and Veliko Tarnovo (29.7%), which have traditionally performed strongly in this indicator. In almost half of the country's districts the share of people in the workforce with primary or lower education is higher compared to the share of university graduates. The share of people with primary or lower education in the districts of Targovishte, Sliven, Kardzhali, Silistra, Razgrad, Montana and Shumen remains very high.

Fig. 4. Educational structure of the workforce by district in 2020.

Legend:
- ■ Share of the population aged 25–64 with tertiary education (%)
- ▬ Share of the population aged 25–64 with primary or lower education (%)
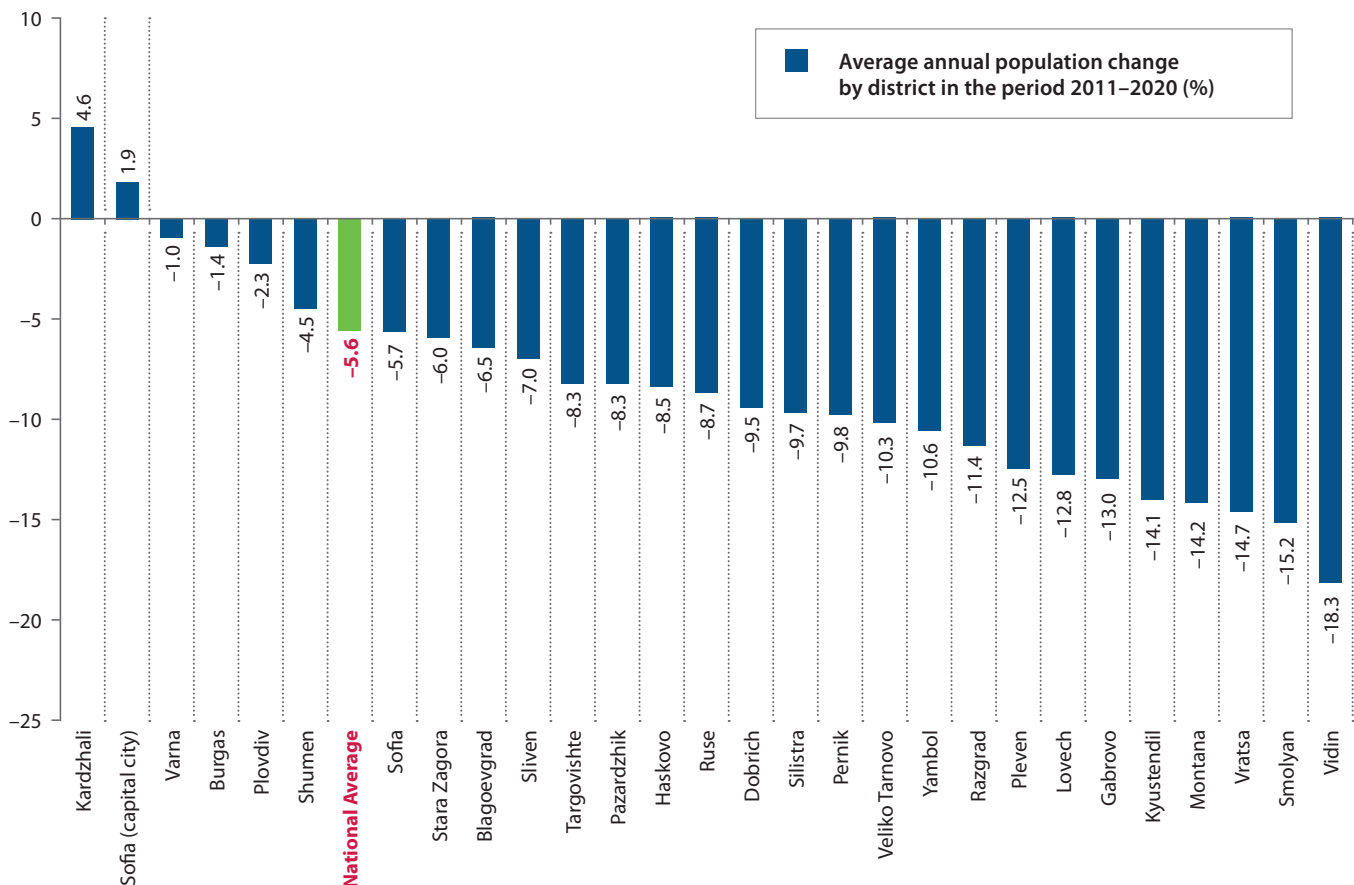
Source: NSI, calculations by IME.

At the end of 2021, despite the new wave of the pandemic, focus is on restoring economic growth and changing the regional map. The technological and structural transformations of industry, including changes in supply chains and the introduction of digital services, will continue to be the leading factors for local development. The big challenge for economic growth will be investment, which is still suppressed by the uncertain economic and political environment. Strategic planning by the municipalities for the period 2021–2027, as well as the efforts of the large economic centers to attract investors and develop industrial zones, can play a positive role and support the transformation of the economy. In these efforts, municipalities need support and, above all, real steps towards financial decentralization.

SOCIAL DEVELOPMENT

Over the last decade, the population in 26 of the country's districts has been on the decline. The only districts where the opposite trend is in evidence are those of Sofia (capital) and Kardzhali. In recent years, the performance of Kardzhali has been very strong, as almost all settlements in the area register an influx of population. The coastal districts of Varna and Burgas have registered a slight decline, but maintain stable positive net migration rates and have the potential to reverse demographic processes. Until the onset of the pandemic, it was net migration that characterized the strong economic centers. They managed to attract young and active people, which resulted in a boom of in-migration. In 2020, however, with the pandemic and the restrictive measures induced by it, the situation changed. On the one hand, many Bulgarians returned from abroad, and on the other hand, the population began migrating from the larger cities to smaller settlements.

In 2020, all major cities, headed by Sofia, Plovdiv and Varna, reported negative net migration, i.e. population outflow. At the same time, a total of 205 municipalities recorded positive net migration, unprecedented in the recent history of the country. In the year of the pandemic, the district centers lost population, while the peripheral municipalities registered an influx of new residents. Nevertheless, despite this adjustment induced by the pandemic and the restrictive measures, the long-term demographic trends tend to remain unchanged, with the strong economic centers best placed to attract young and active people.

Fig. 5. Population change by district in the period 2011–2020.

Source: NSI, calculations by IME.

Education has also been severely affected by the onset of the pandemic, with students going into online learning for long periods of time within the past two years. However, the general picture of the educational imbalances in the country remains unchanged. The highest results in the State matriculation exams in Bulgarian language and literature in 2021 were recorded in the capital Sofia (4.58), Smolyan (4.44) and Varna (4.39). For yet another year in a row, Sofia (capital) and Smolyan district had a very low share of poor grades. A total of ten districts registered average results, i.e. below 4.00. In some places there was a high share (over 10%) of poor grades, which points to the serious challenges facing the quality of school education in these districts.
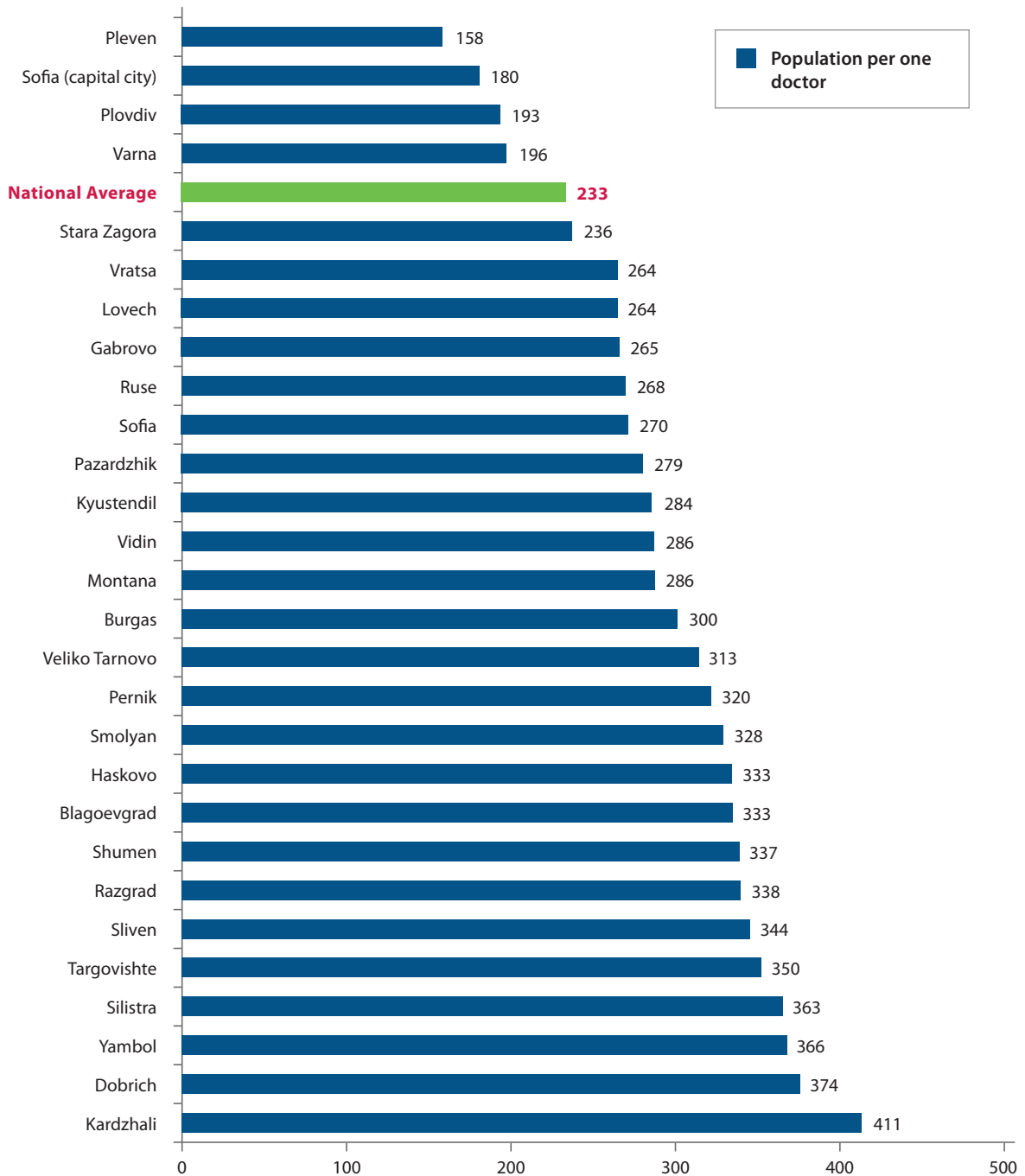
Fig. 6. Average grade in the 2021 matriculation exam in Bulgarian language and literature.
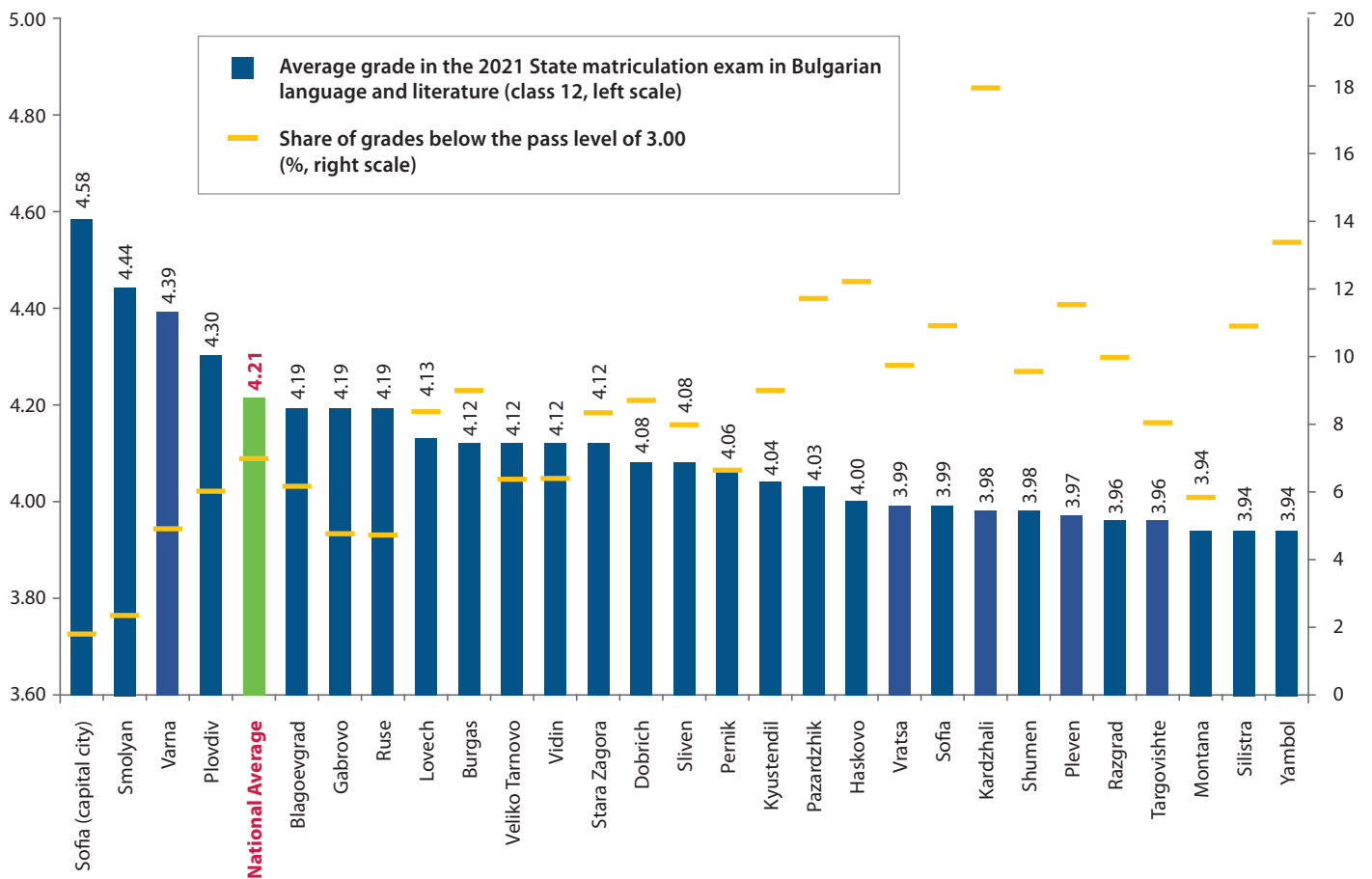
Source: MES, calculations by IME.

The 2020 pandemic gave special prominence to healthcare. Data such as the number of hospital beds and access to doctors became the crucial indicator for the quality of life in the different regions. Regional differences in the field of healthcare are especially visible when considered through the perspective of access to GPs. While in some regions – Pleven, Sofia (capital city), Plovdiv and Varna – less than 2,000 persons were served by one GP, in half of the rest one doctor cared for over 3,000 persons. The differences as regards specialist physicians are similar in their proportions. The numbers of hospital beds also vary from nearly 10 beds per 1,000 persons in Pleven district to under 3 beds per 1,000 people in Pernik, Dobrich and Shumen.

Fig. 7. Access of the population to GPs in 2020 by district.

Legend: ■ Population per one doctor

| District	Population per one doctor
Pleven	158
Sofia (capital city)	180
Plovdiv	193
Varna	196
National Average	**233**
Stara Zagora	236
Vratsa	264
Lovech	264
Gabrovo	265
Ruse	268
Sofia	270
Pazardzhik	279
Kyustendil	284
Vidin	286
Montana	286
Burgas	300
Veliko Tarnovo	313
Pernik	320
Smolyan	328
Haskovo	333
Blagoevgrad	333
Shumen	337
Razgrad	338
Sliven	344
Targovishte	350
Silistra	363
Yambol	366
Dobrich	374
Kardzhali	411

Source: NSI, calculations by IME.

Over the past few years, the country has witnessed a drop in the number of registered crimes against the person and property. The pandemic was an additional factor affecting this decline, with under 10 crimes against the person and property per 1,000 persons registered in 2020. Kardzhali and Smolyan were the safest districts with some 5 crimes against the person and property per 1,000 persons. The average detection rate for 2020 was highest in Gabrovo district, where over 76% of the crimes registered during that same year were cleared. The districts in the Bulgarian north-west – Montana, Vratza and Vidin – as well as the coastal cities of Varna and Burgas – were notable for the high number of registered crimes. In Sofia (capital) and Varna, there

has been a persisting tendency towards a very low detection rate, with under 50% of the registered crimes against the person and property having been cleared in the past few years.

Fig. 8. Registered crimes against the person and property and detection rates in 2020.
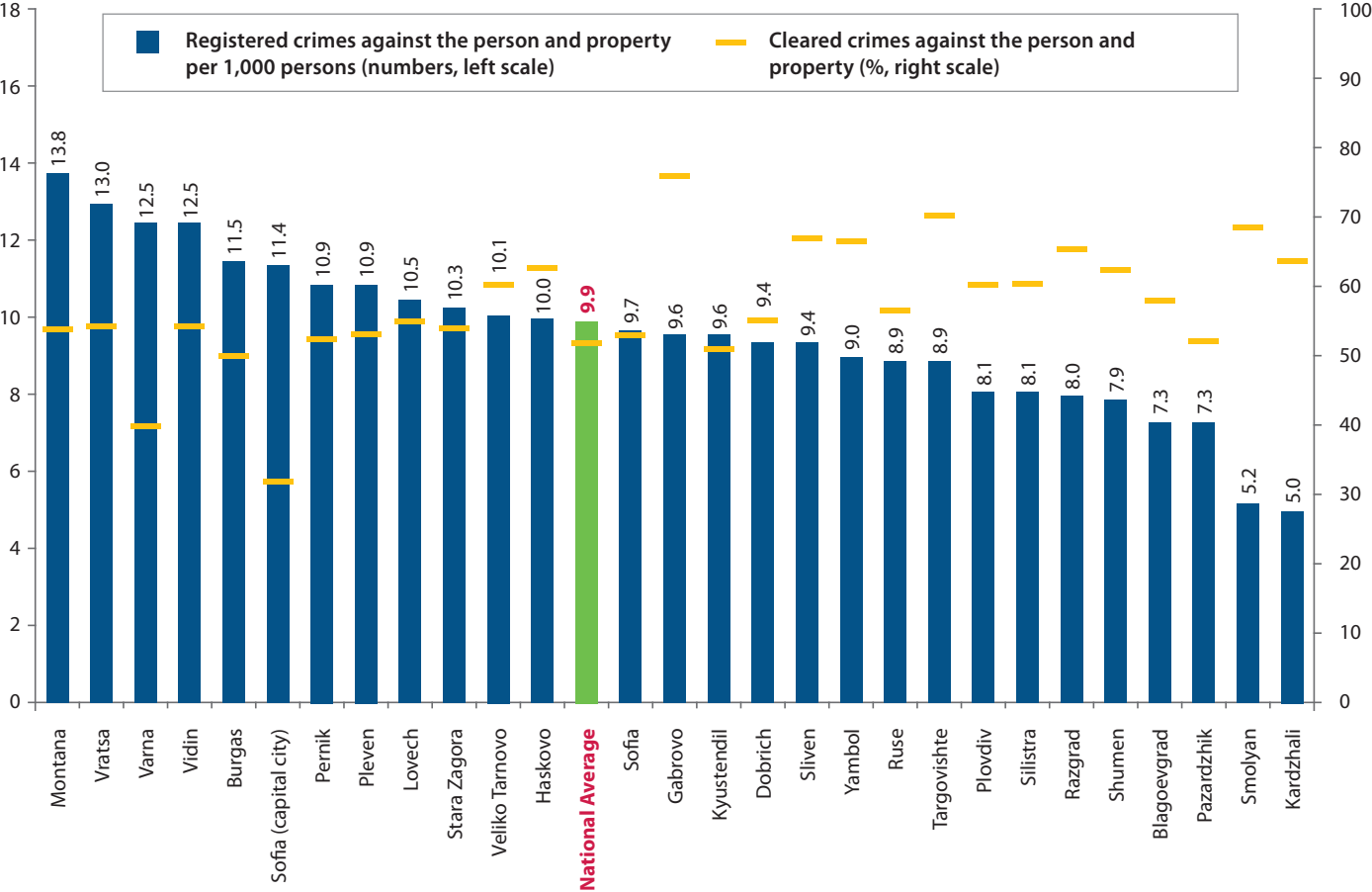
Source: SJC, calculations by IME.

The pandemic has impacted both the economic and the social indicators of Bulgaria's districts. Clearly noticeable is the change in the demographics due both to the very high mortality rate and to the outflow of population from the big cities to their periphery. Areas such as healthcare, education and culture have been severely affected and are operating in emergency conditions. Nevertheless, the large regional differences persist and continue to stand out in the data. The current edition of Regional Profiles: Indicators for Development shows the real picture on the ground after the onset of the pandemic and once again draws attention to the huge challenges facing development and the convergence of opportunities across the country. The change in the social environment of the districts depends both on their economic recovery and on the powers, capacity and financial independence of the local authorities.