AMERICA FOR BULGARIA FOUNDATION

REGIONAL PROFILES

INDICATORS OF DEVELOPMENT

2017

IME

Institute for Market Economics

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Regional Profiles: Indicators of Development

- 6th annual study of the economic and social development of Bulgaria’s 28 districts
- 65 indicators, divided into 12 categories and grouped under the headings of “Economic Development” and “Social Development”
- Unique databases – available in English at **www.regionalprofiles.bg**
- The study is prepared by the IME with the support of the “America for Bulgaria” Foundation

Plovdiv

ECONOMIC DEVELOPMENT

Income and Living Conditions

Labor Market

Investment

Infrastructure

Taxes and Fees

Administration

SOCIAL DEVELOPMENT

Demography

Education

Healthcare

Security and Justice

Environment

Culture

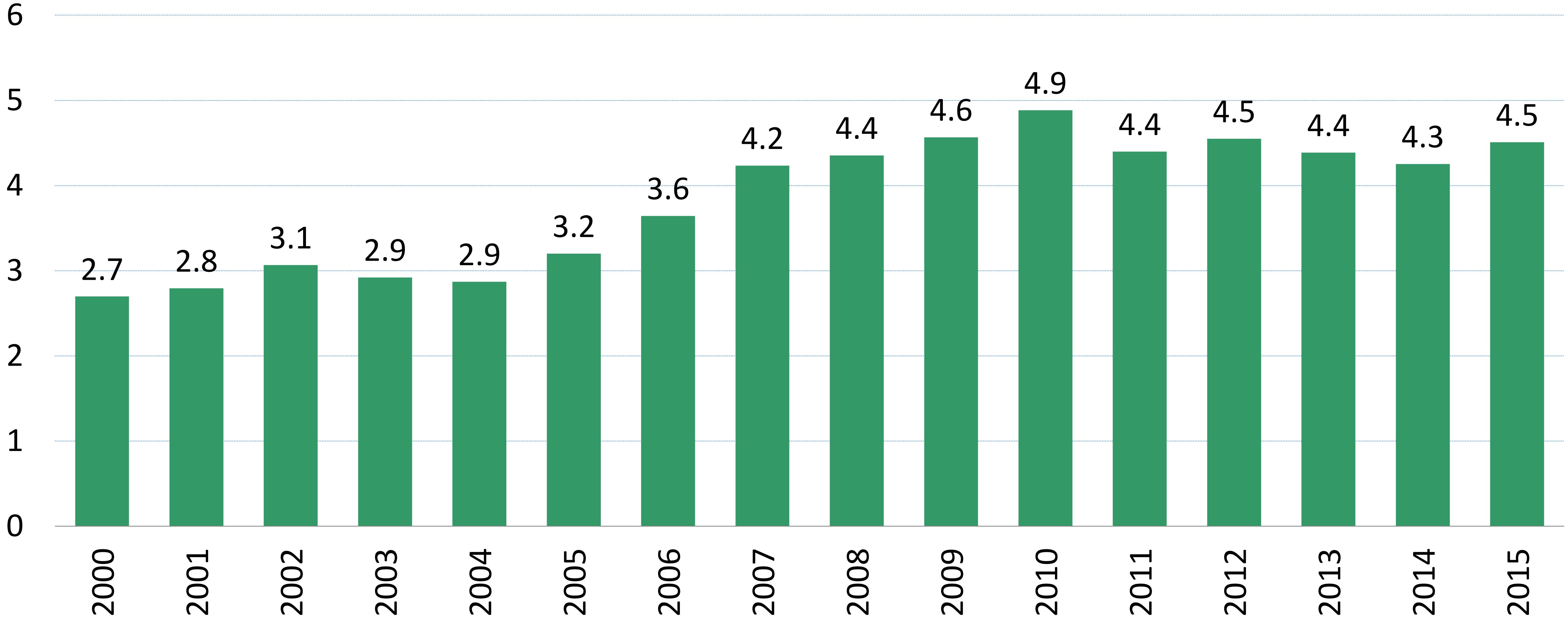
The districts with the strongest economy

<table>
<tr><th colspan="3">Regional Profiles: Indicators of Development</th></tr>
<tr><th>District</th><th>Common factors</th><th>Specific factors</th></tr>
<tr><td>Sofia (cap.)</td><td rowspan="5">Significant investment
Vibrant labour markets – high employment and low unemployment
High income levels</td><td>+ good administration ratings</td></tr>
<tr><td>Gabrovo</td><td>+ relatively low taxes, good administration ratings</td></tr>
<tr><td>Stara Zagora</td><td>+ good infrastructural development</td></tr>
<tr><td>Varna</td><td>+ good infrastructural development and good administration ratings</td></tr>
<tr><td>Ruse</td><td>+ relatively low taxes</td></tr>
</table>

The districts with the weakest economy

District	Common factors	Specific factors
Pazardzhik	Low investment → Troubled labour markets → Low income levels → High share of people living in poverty	+ low administration rankings
Vidin		+ low administration rankings
Sliven		+ low share of internet users
Silistra		+ poor infrastructural development, low administration rankings
Kurdzhali		+ poor infrastructural development, low administration rankings

Differences in GDP per capita between the richest and the poorest district

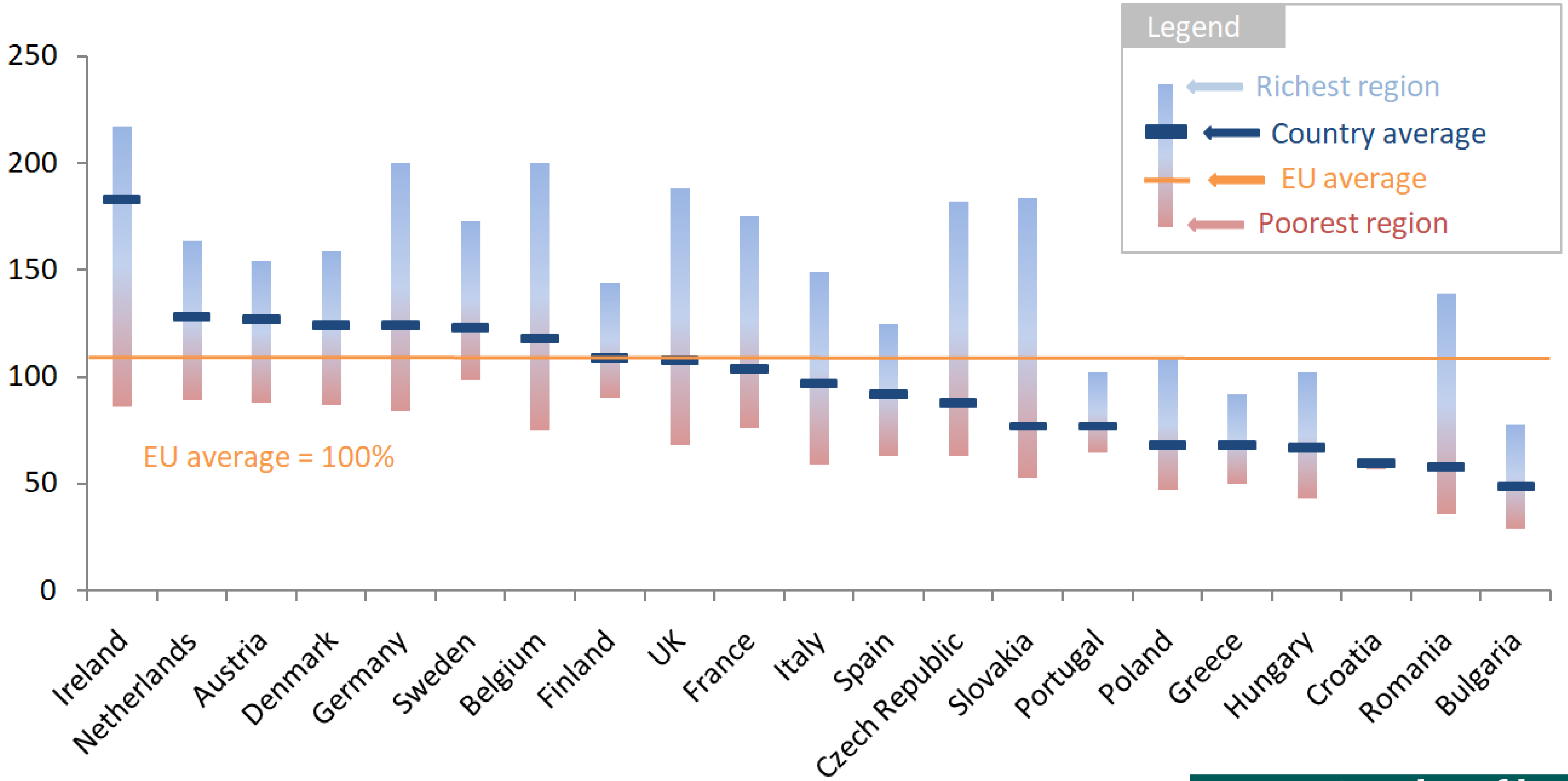


Source: NSI, IME calculations

Regional differences

- The difference between GDP per capita in Bulgaria’s poorest and richest district is 4.5 times
- The gap increased notable in the years prior to the crisis and has remained more or less steady around 4.5 times since
- It is highly probable that faster economic growth will lead to more significant differences

Regional differences in the EU: GDP per capita (PPS), 2016



Source: Eurostat, IME calculations

The economy is growing

- Real GDP growth reached 3.9% in 2016 and is estimated to have reached 3.6% in 2017
- In Q3 2017 the number of people employed stands at 3,167 million
- This translates into a 68.5% employment rate (for the population aged 15-64) in Q3 2017 compared to a previous high of 65% (Q3 2008)

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Labour Markets

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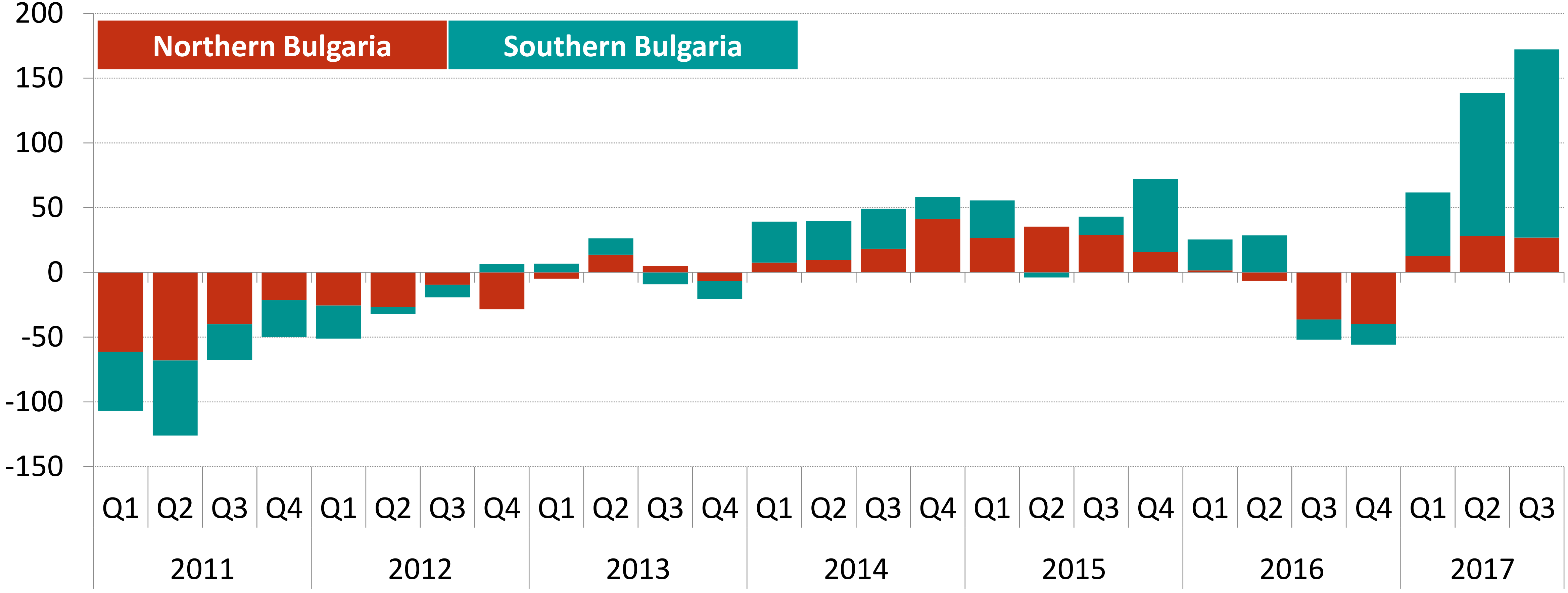
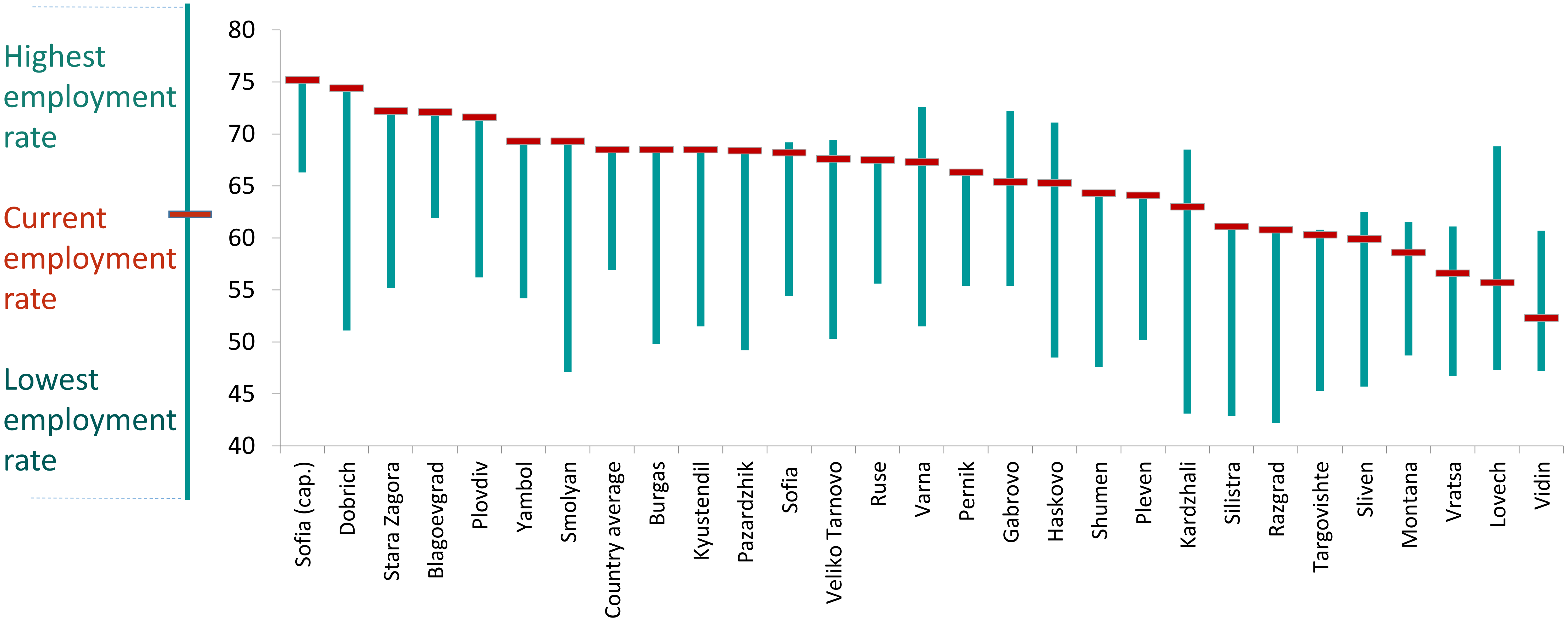
Annual change in the number of people employed (thousands)



Source: NSI, IME calculations

Employment rate of the population aged 15-64 (2008-2017), %



Source: NSI, IME calculations

The labour market looks great at the national level, but

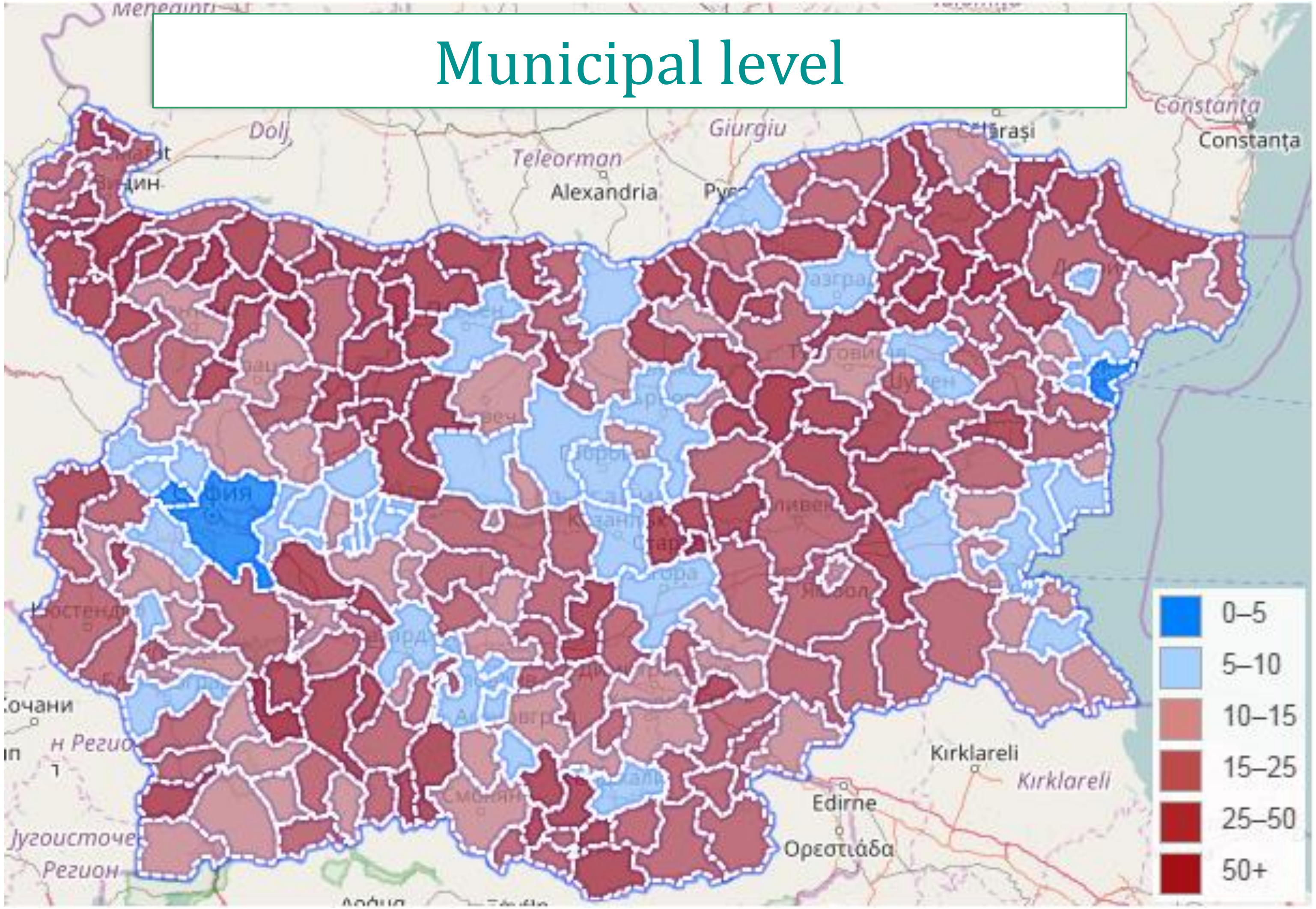
- 70% of the new jobs in the last 12 months are concentrated in Sofia (cap.), Sofia (district), Plovdiv and Stara Zagora
- In Plovdiv alone the number of new jobs is higher than that in the northern part of the country

Labour markets

- Further improvement will depend on:
  - the inclusion of economically inactive people and their (re)qualification
  - reversing negative migration trends and increasing the number of foreign workers (especially from third country workers)
- There are a number of municipalities that seem permanently divorced from developments in the general economy

Unemployment rate (2013), %

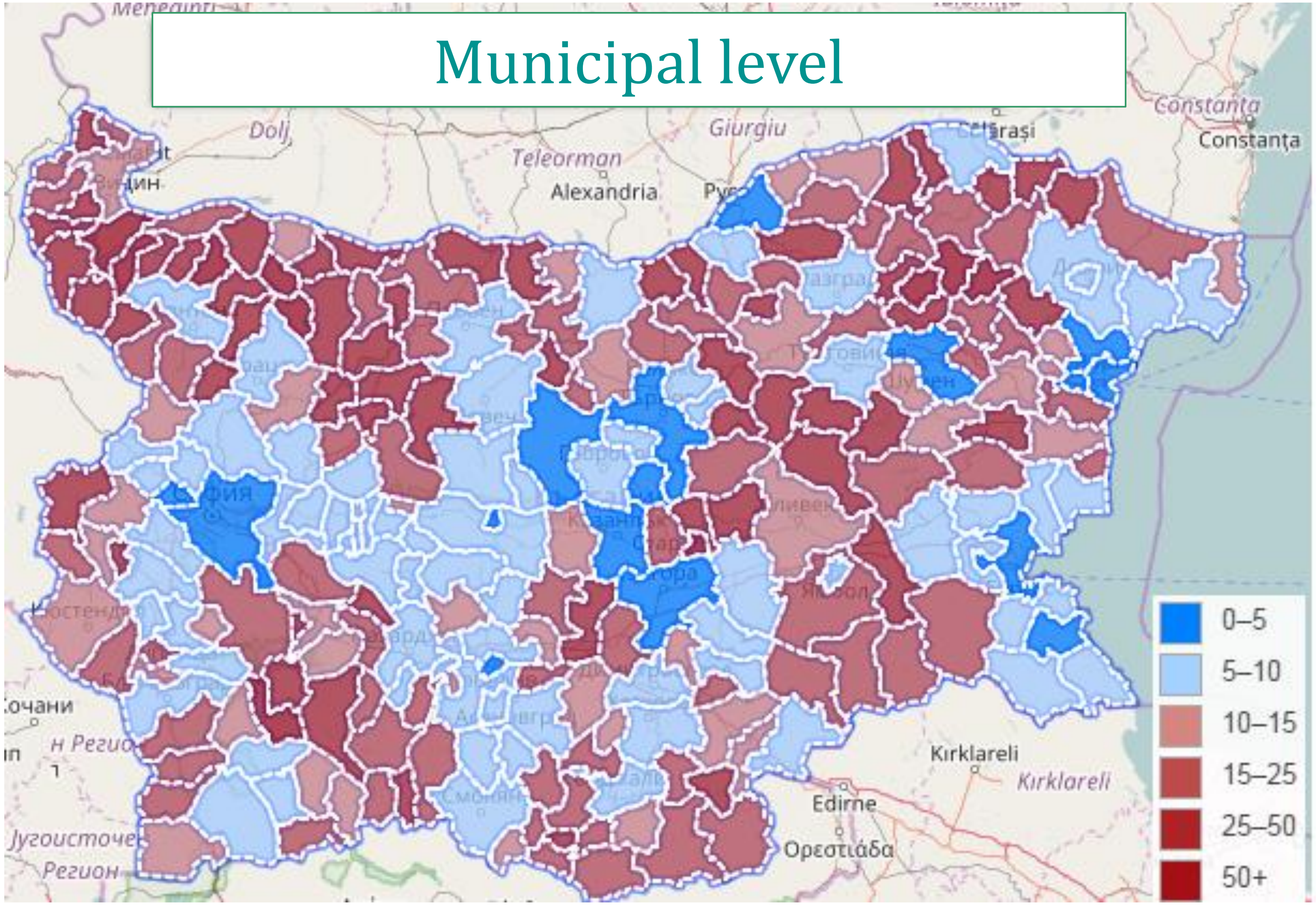
Municipal level



Source: Employment Agency

Unemployment rate (2016), %

Municipal level

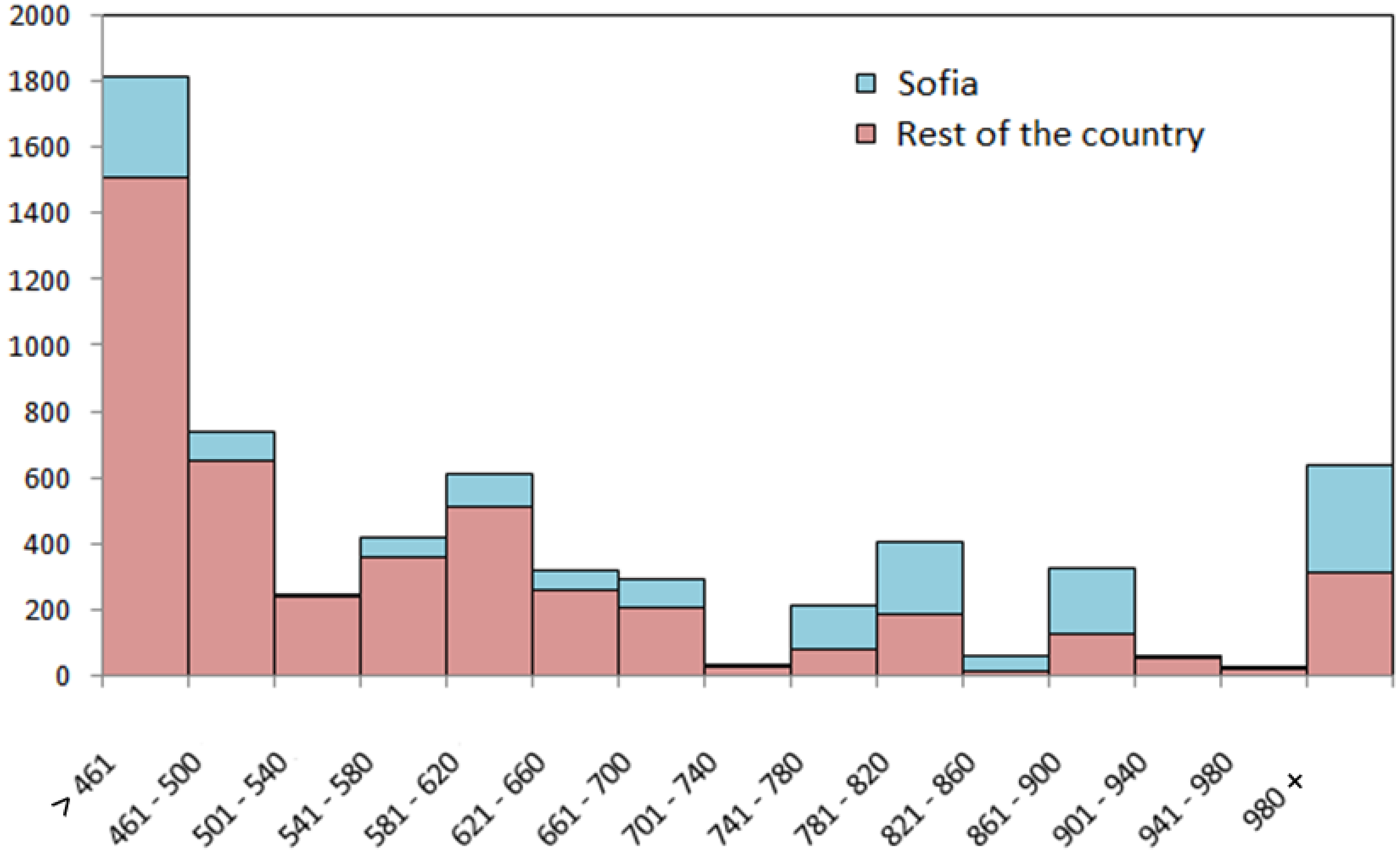


Source: Employment Agency

Wages

- Wages keep growing, but regional differences remain significant
- The concentration of a large share of the highly paid employees in Sofia (cap.) means that as of 2016 it is the only district that actually registers wages that are higher than the country average
- This is a trend that seems here to stay – as of mid-November 2017 51% of all job postings offering more than BGN 1000 are in the capital

Number of vacancies depending on the salary offered (11.2017)

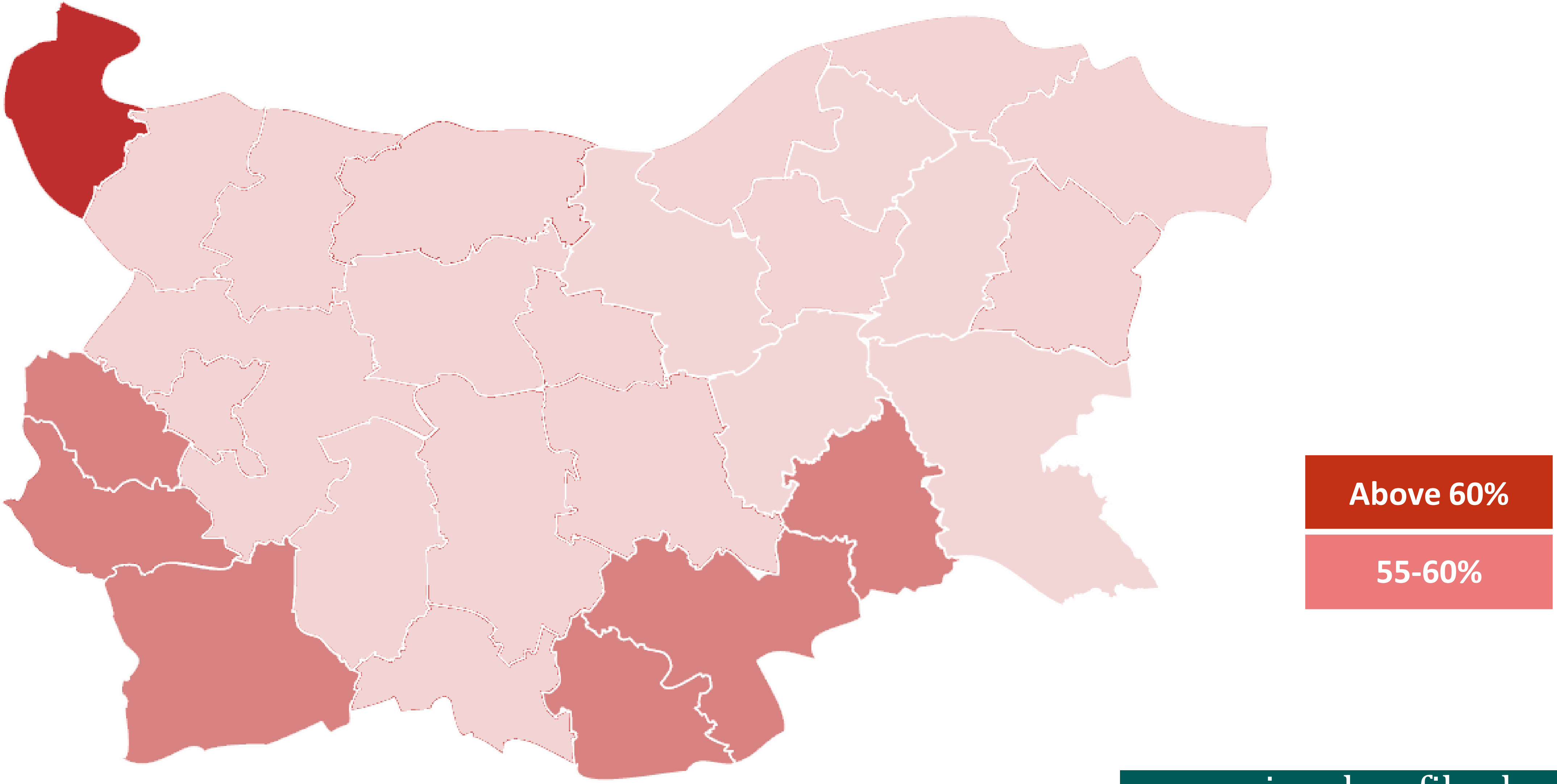


Source: IME, Employment Agency

Wages

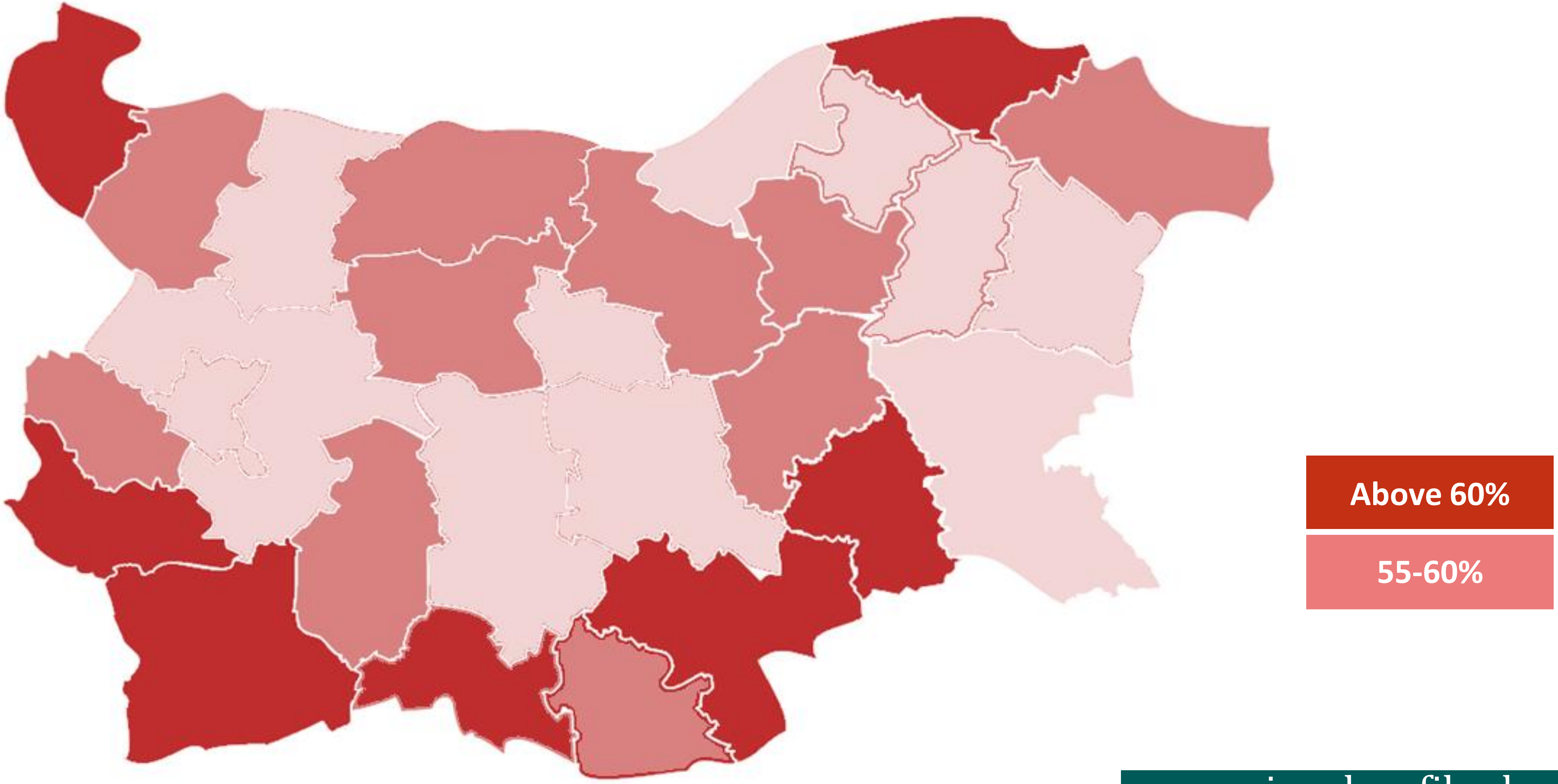
- Sustainable, but moderate “catching-up” trends are only visible in regard to:
  - Plovdiv (from 86% in Q3 2011 to 90% in Q3 2017)
  - Pleven (from 76% in Q3 2012 to 80% in Q3 2017)
- At the same time there is a significant and sustainable negative trends in some of the districts with traditionally low average wages:
  - Vidin (from 75% in Q3 2009 to 64% in Q3 2017)
  - Silistra and Kyustendil (from 79% in Q3 2008 to 70% in Q3 2017)

Ratio between minimum wage and average wage in 2014



Source: NSI, IME calculations

Ratio between minimum wage and average wage in Q3 2017



Source: Projections based on IME calculations and NSI data

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Education

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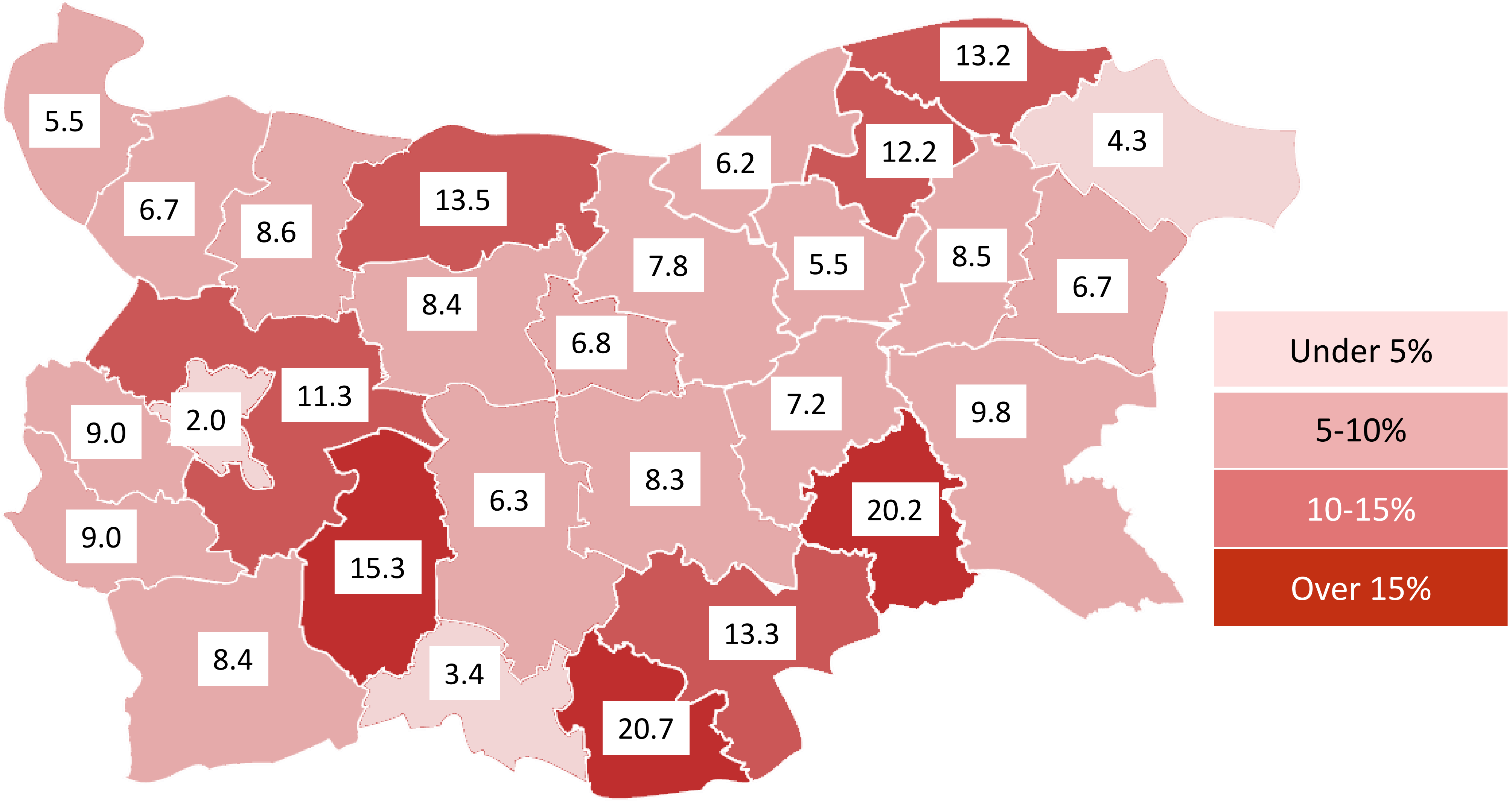
Challenges in workforce education

- No lifelong learning traditions
- Active labour market policies (ALMPs) continue to target primarily the unemployed and are heavily dominated by subsidised employment, rather than (re)qualification
- No career guidance traditions
- VET is still unpopular

Challenges in school and university education

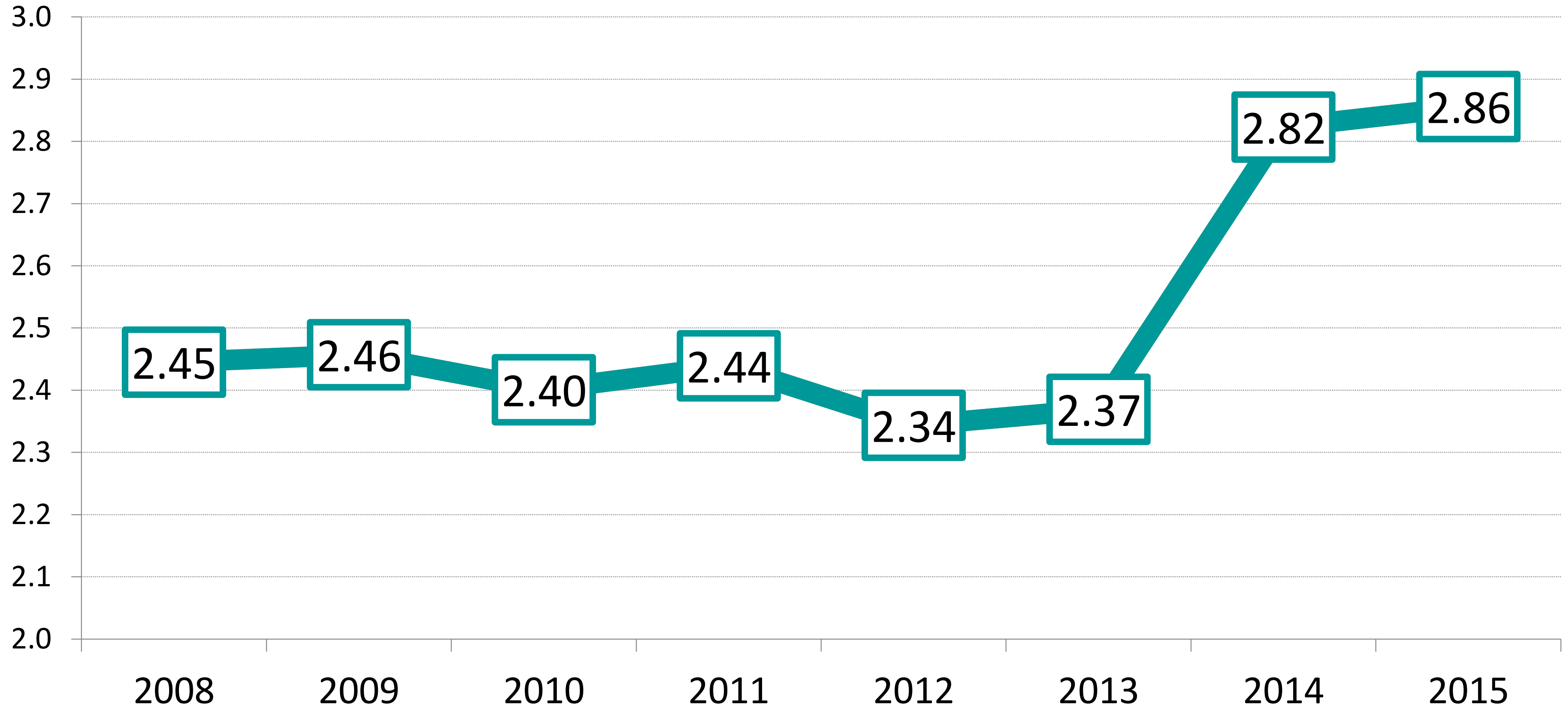
- Centralized and strictly determined curriculum and teaching methods
- Still too many small schools and inadequate control of attendance and quality of teaching
- No qualitative assessment
- No financial incentives for well performing teachers
- Some of the poorest regions also register the worst education performance
- Universities operate under perverse incentives and strive for quantity rather than quality

Share of failed students at the matriculation exams in 2017, %



Source: MoE

Share of dropouts from primary and secondary education, %



Source: NSI

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Local Taxes & Fiscal Decentralization

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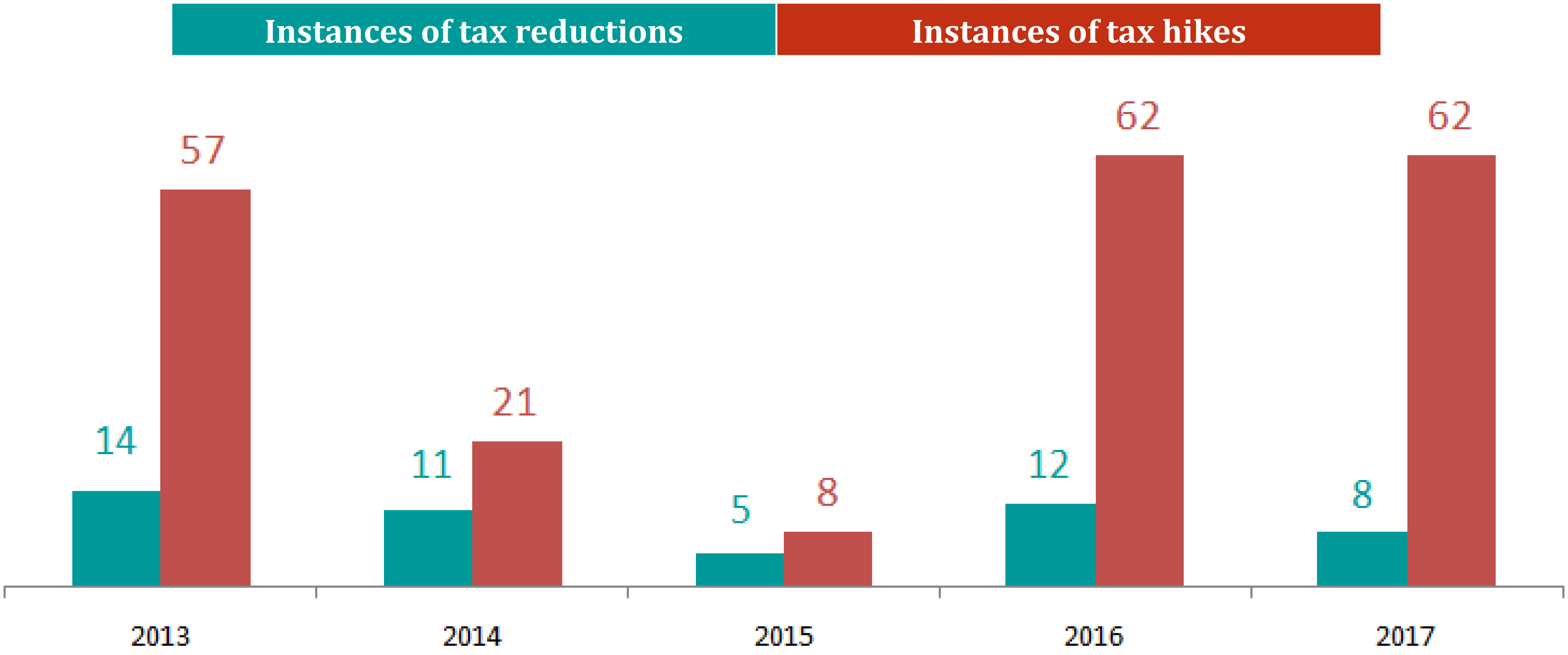
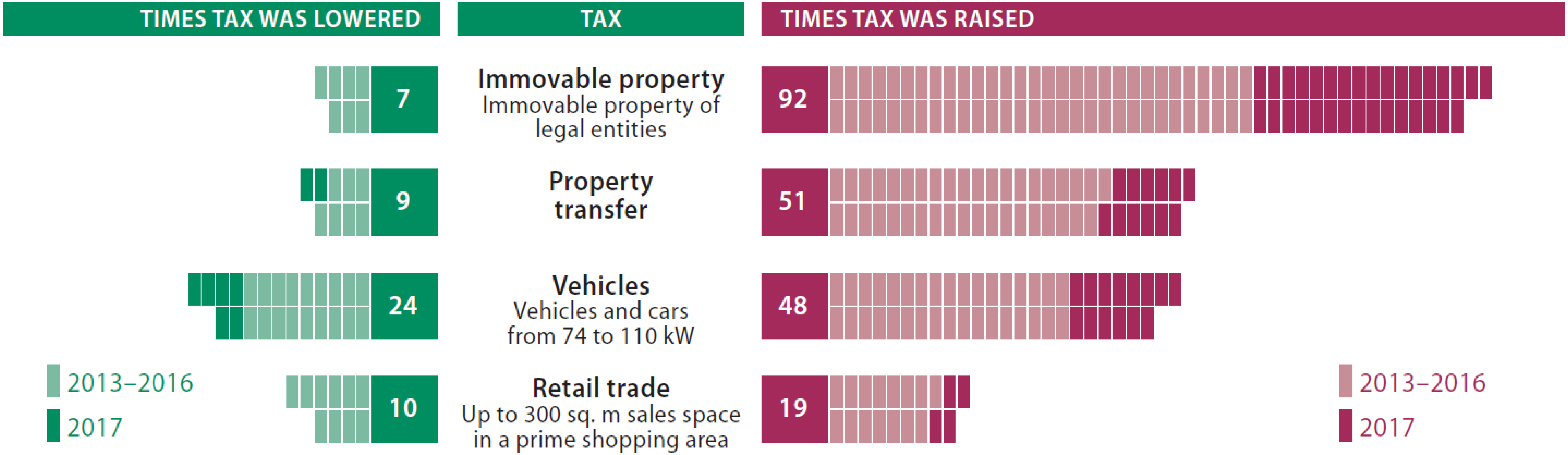
Trends in Local Taxation



Source: IME

Local Taxation Trends



Source: IME

Financial decentralisation

- Local governments are heavily dependent on central government subsidies and EU funds
- The recently adopted Financial Stabilisation Mechanism does not address the reasons, but rather the consequences of the poor state of local budgets
- Financial decentralisation though income taxation is much needed and long overdue

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Thank You!

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