



# Bulgaria

## Basic Facts

**Location:** South Eastern Europe, bordering the Black Sea, between Romania and Turkey.

**Area:** 110,910 sq km

**Population:** 7,262,675 (July 2008)

**Capital:** Sofia

**Nationality:** Bulgarian

**Currency:** Lev

**Climate:** Temperate, cold, damp winters and hot, dry summers

**Language:** Bulgarian 84.5%, Turkish 9.6%, Roma 4.1%, other 1.8%

**Natural Resources:** Bauxite, copper, lead, zinc, coal, timber, arable land

**Industry:** Electricity, gas, water, food, beverages, tobacco, machinery and equipment, base metals, chemical products, coke, refined petroleum, nuclear fuel



## Economy

**GDP (purchasing power parity):** £50.37bn (est. 2007)

**GDP (official exchange rate):** £23.01bn (est. 2007)

**GDP (per capita):** £6,853 (est. 2007)

**GDP (real growth rate):** 6.2%

In the last few years Bulgaria has made impressive progress towards long-term stability and sustained growth. Between 1998 and 2005 the average GDP growth was 4.5%. In 2007, growth continued to be above 6% for the third consecutive year. The expansion of the economy is expected to continue in the future, with growth predicted at an annual average of 4.4% between 2008 and 2011.

Despite these positive developments there are important gaps in reforms. The country has a well-diversified trade partnership and a liberal trade regime that provides Bulgarian producers with easy access to global markets. However the economy has yet to benefit more fully from its integration with the EU and external markets. Its export capacities remain limited compared to the other EU-8 countries and competitiveness remains limited to unskilled labour intensive and energy intensive activities.



## Reasons to Invest in Bulgaria

There are many reasons why a person might want to invest in Bulgaria. Although at first mention Bulgaria may not seem like a potential candidate for overseas investor interest, the ex-communist country has seen tremendous growth lately and is benefiting from a red-hot property market.

- Bulgaria experienced tremendous economic growth preceding its entry into the European Union. Furthermore the country has a very competitive and skilled labour force when compared to the rest of Europe.
- Privatisation and deregulation have created sophisticated public utility and telecommunications industries. Since its ascension to EU membership, companies established in Bulgaria will also profit from free trade with EU preferential trade partners.
- The country has a VAT exemption on equipment imported for investment projects over €5 million and also has treaties in place to avoid double taxation within 61 countries.
- Bulgaria offers tax incentives for investing in depressed regions. There are also different incentives offered for varying categories of investment. Based on the amount of your investment, your project will fall into one of three categories. These categories are entitled to different forms of aid and assistance.
- Currently there are many investments open to large investors; such as investments in fixed assets with the purpose of creating new or enlarging or modernising the existing production of goods and services, creating new jobs or investing in projects meant to be started within three years.
- Bulgaria's booming real estate sector is another great area for investment with property prices seeing a 25% increase over the last several years while maintaining the lowest real estate prices in Europe.

## Business Culture

- **Meeting & Greeting:** Bulgaria on the face of it is still a fairly formal society. This reflects in the rather proper and reserved nature of initial meetings. Within the business context a firm handshake, direct eye contact and the appropriate greeting for the time of day suffices. The hierarchal nature of Bulgarians results in an emphasis on rank and position. As a result if people have official, educational or work titles ensure you use them. If you are unsure simply use 'Gospodin' (Mr) or 'Gosphoza' (Mrs) followed by the surname.
- **Communication:** Until a relationship warms up the communication will be reserved and cool. However, once the other person is seen as an individual rather than a foreigner, they will slowly become less formal and more relaxed. Business decisions are often heavily influenced by personal sentiments. It is therefore a good idea to invest time in relationship building. This helps overcome the initial communication barrier as well as increase chances of business success.
- **Business Meetings:** Meetings are formal and follow certain etiquettes and customs. The normal protocol is for the most senior Bulgarian to open the meeting with an introduction or statement and to then chair the proceedings. Although a hierarchal culture where important decisions are made at the top of the company, Bulgarians seek to have a consensus of all stakeholders before reaching a final decision.



## Sector Opportunities

- **Automotive:** The automotive market in Bulgaria is characterised with steady growth of new car imports and sales and decreasing imports of used cars. In the last few years, car sales have seen dramatic growth. In 2004 the market increased by half and in 2005 another 40%.
- **Aviation Equipment and Services:** Over the coming years the market for aviation, runway systems and air traffic control equipment is estimated at approximately \$200 million. The market is supplied almost entirely by imports and these are expected to increase by an average of 27% annually.
- **Construction:** Bulgaria has made rapid progress in becoming a modern country. The construction sector is witnessing a boom and expanded by 12.5% in 2006. In the last decade major cities have changed drastically. Many infrastructure projects have been completed, and there are residential, commercial and industrial projects at different stages of completion.
- **Electrical Engineering and Electronics:** This sector has priority in long-term development programmes. This industry combines the potential of more than 200 enterprises. Specialised branches include electrical engineering, electronics, computer and office facilities, radio engineering and communication equipment.
- **ICT:** The ICT sector in Bulgaria has developed rapidly in recent years. The number of mobile network subscribers now exceeds over 1.5 million. Bulgaria serves as a cross point for telecommunications traffic to the Middle East and Asia making the sector very attractive for foreign investors. The majority of the regulatory framework is in line with EU standards.
- **Software Development and Outsourcing:** The development of the IT and software industry is a key priority to the Government. It currently has a stable growth of approximately 30% annually and Bulgaria ranks 8<sup>th</sup> in the world for the number of certified IT professionals. Key advantages of the industry are a highly qualified workforce, competitive pricing and a large number of talented young people who have studied IT.

## Useful Contacts

### British Chamber of Commerce of Bulgaria

1058 Sofia

9 Iskar Street

**Phone:** (+359 2) 811 74 00

**Fax:** (+359 2) 987 32 09

**Email:** [bcci@bcci.bg](mailto:bcci@bcci.bg)

**Website:** [www.bcci.bg](http://www.bcci.bg)

### Embassy of the Republic of Bulgaria

186-188 Queen's Gate

London SW7 5HL

**Phone:** 020 7584 9400

**Fax:** 020 7589 4875

**Website:** [www.bulgarianembassy-london.org](http://www.bulgarianembassy-london.org)

For more detailed information regarding **Bulgaria** or **ANY** other **European Country** please contact **Enterprise Europe Network (West Midlands)** on **0121 455 0268** or by email at

[een@birminghamchamber.org.uk](mailto:een@birminghamchamber.org.uk)



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To obtain general advice or further information about any of the services we provide please contact:

**Enterprise Europe Network (West Midlands)**

**Tel:** 0121 455 0268

**Fax:** 0121 607 0130

**Email:** [een@birminghamchamber.org.uk](mailto:een@birminghamchamber.org.uk)

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