



Bulgaria

Overview

EIB INVESTMENT SURVEY

2020

EIB Group survey on investment
and investment finance 2020
Country overview

Bulgaria

EIB Group survey on investment and investment finance 2020.

Country overview: Bulgaria

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About the EIB Investment Survey (EIBIS)

The EIB Group Survey on Investment and Investment Finance, which has been administered since 2016, is a unique, annual survey of some 13 500 firms. It covers firms in all European Union Member States and also includes a sample of firms in the United Kingdom and the United States.

The survey collects data on firm characteristics and performance, past investment activities and future plans, sources of finance, financing issues and other challenges that businesses face. The EIBIS, which uses a stratified sampling methodology, is representative across all 27 EU Member States, the United Kingdom and the United States, as well as across four classes of firm size (micro to large) and four main economic sectors (manufacturing, construction, services and infrastructure). The survey is designed to build a panel of observations, supporting the analysis of time-series data. Observations can also be linked back to data on firm balance sheets and profit and loss statements. The EIBIS was developed by the EIB Economics Department. It is managed by the department with the support of Ipsos MORI.

About this publication

The series of reports provide an overview of data collected for the 27 EU Member States, the United Kingdom and the United States. The reports are intended to provide a snapshot of the data. For the purpose of these publications, data are weighted by value-added to better reflect the contribution of different firms to economic output. Contact: eibis@eib.org.

Download the findings of the EIB Investment Survey for each EU country or explore the data portal at www.eib.org/eibis.

About the Economics Department of the European Investment Bank

The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in its positioning, strategy and policy. The department and its team of 40 economists is headed by Debora Revoltella, director of economics.

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Disclaimer

The views expressed in this publication are those of the authors and do not necessarily reflect the position of the EIB.

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Ipsos Public Affairs works closely with national governments, local public services and the not-for-profit sector, as well as international and supranational organisations. Its around 200 research staff in London and Brussels focus on public service and policy issues. Its research makes a difference for decision makers and communities.

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EIBIS 2020 – Bulgaria

KEY RESULTS

Investment Dynamics

With the Covid-19 crisis affecting the economy, investment in Q2 2020 is 10.5% below the level in Q4 2019. EIBIS 2020 shows that COVID-19 has affected firms' investment strategies this year, with more than a half of firms (53%) stating that they will either invest less than planned (46%) or invest more than planned (7%). Bulgaria is in line with the EU averages.

Investment Focus

In 2019, firms in Bulgaria invested mostly in capacity expansion (39%) and replacement (40%). In 2020, more than a quarter (28%) of firms with investment plans in Bulgaria plan to abandon or delay at least some of their investments as a result of COVID-19. This is a much lower share of firms than the EU average (35%). Around a fifth (22%) of firms with investment plans intend to continue with at least some of their investment plans but with reduced scale or scope. Bulgarian firms are less likely to see increased need for investment in digitalisation due to COVID-19 than their EU peers.

Investment Needs and Priorities

Almost six in ten firms (59%) reported operating at or above full capacity in the last financial year, in line with EIBIS 2019 and the EU average (54% and 61% respectively).

In the next 3 years, firms plan to invest mostly in capacity expansion (34%) and new products and services (27%).

Innovation Activities

Almost three in ten of all firms (28%) claim to have developed or introduced new products, processes or services in the last financial year. This is in line with EIBIS 2019 (25%) but remains well below the EU average (42%).

More than half of all firms (55%) have implemented, either fully or partially, at least one digital technology. This is in line with EIBIS 2019 (60%) but below the EU average (63%).

Drivers and Constraints

Firms in both Bulgaria and the EU are much less optimistic about the overall economic climate (net minus 51% and 56% respectively). A big concern is also the availability of internal finance as firms (-10%), which is a major investment financing source.

Uncertainty about the future (86%) is now the most cited long term barrier to investment in Bulgaria, an increase of 12 percentage points on EIBIS 2019. This is above the EU average (81%), which also saw the same increase since EIBIS 2019.

Investment Finance

Around eight in ten firms in Bulgaria (83%) and EU-wide (80%) report that they were generating a profit in the last financial year, similar to EIBIS 2019.

Internal funding was the main source of investment in Bulgaria (67%) in 2019, above the EU average (62%). Bank loans made up the largest share of external finance (40%), well below the EU average (59%).

Access to Finance

Firms that were using external finance in 2019 are on balance satisfied with the amount, cost, maturity, collateral and type of finance received. The share of firms in Bulgaria that could be considered as external finance constrained in 2019 is 9%, similar to the 10% share in EIBIS 2019 and remaining above the EU average of 6%.

Energy Efficiency

The share of firms in Bulgaria investing in measures to improve energy efficiency was 37% in the last financial year, in line with EIBIS 2019 (41%) but below the EU average (47%).

The share of investment in measures to improve energy efficiency was 15%, in line with EIBIS 2019 and the EU average (16% and 12% respectively).

Climate Change

Just over half (51%) of firms say that climate change and related changes in weather patterns have had some impact on their business – 19% a major impact, 31% a minor impact. This is below the EU average (58%), made up of 23% major impact and 35% minor impact.

Firms in Bulgaria do not think that the transition to a low-carbon future will have much effect on their business over the next five years – the net balances being 9% effect on their reputation, 3% on market demand and -2% on their supply chain.

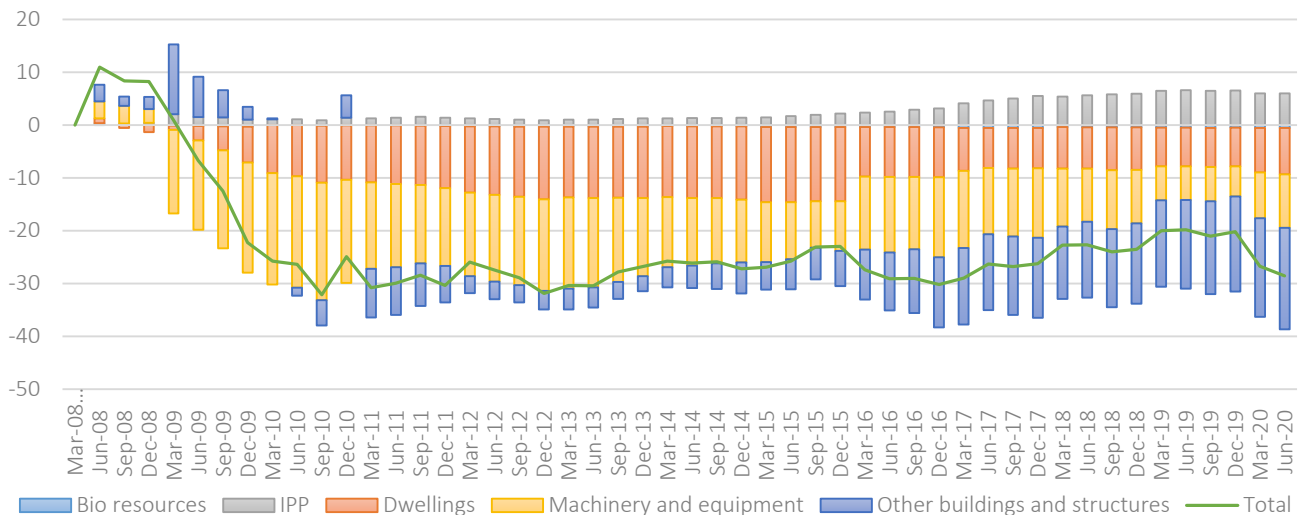
Almost two-thirds (63%) of firms in Bulgaria have no investment plans to tackle climate change impact, well above the EU average (35%).

Investment Dynamics

INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

The outbreak of the Covid-19 pandemic had a negative effect on the economy. Investment in Q2 2020 is 10.5% below the level in Q4 2019.

This drop follows a protracted period of subdued investment after the start of the global financial crisis.



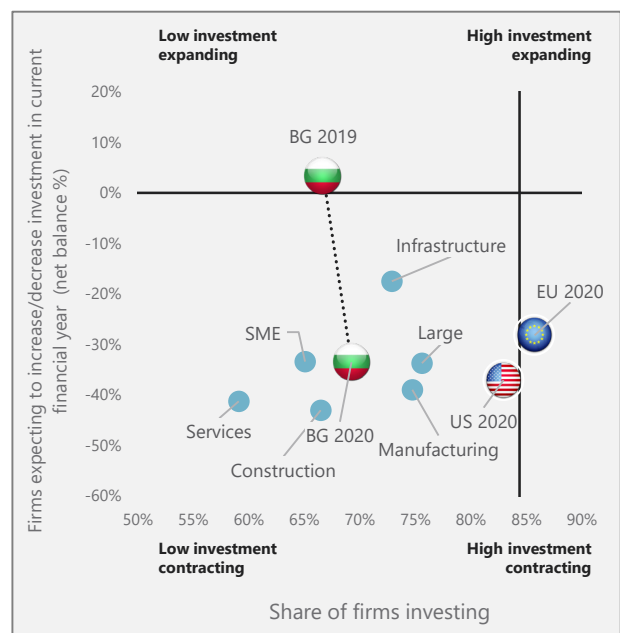
The graph shows the evolution of total Gross Fixed Capital Formation (in real terms); by asset type. The data has been indexed to equal 0 in 2008. Source: Eurostat.

INVESTMENT CYCLE

Corporate investment in Bulgaria is expected to decline significantly in 2020 from a level that was already the lowest in the EU. The decline is driven by high uncertainty and low cash flows.

Fewer firms in the infrastructure sector indicated they would decrease rather increase investment in the current financial year on balance than the other sectors. The infrastructure sector in EIBIS is composed mainly of firms in utilities, whose sales suffered little in the beginning of 2020.

Large firms and manufacturing firms continue to have a higher share of firms investing.



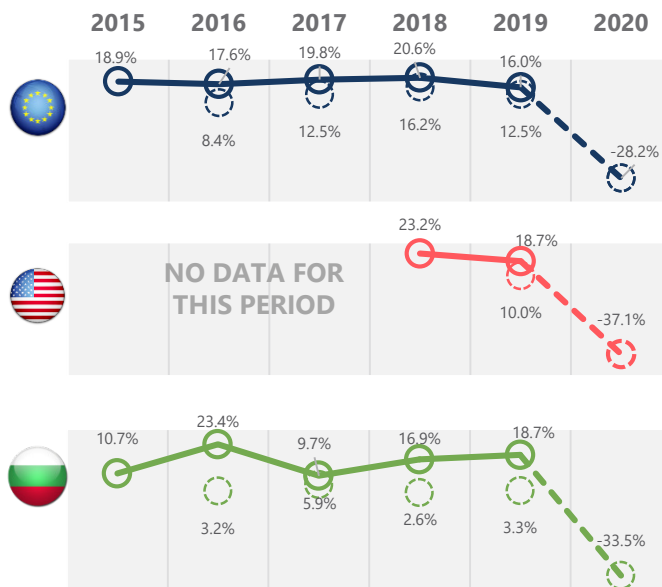
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500. The y-axis line crosses x-axis on the EU average for 2016.

Base: All firms (excluding don't know/refused responses)

Investment Dynamics

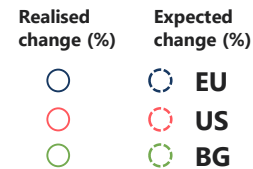
EVOLUTION OF INVESTMENT EXPECTATIONS

Realised/expected change in investment



More firms in Bulgaria increased rather than reduced their investment activity in the last financial year (19%), ahead of expectation for the fourth consecutive year (3%).

For the first time in EIBIS and in line with the EU, the outlook is extremely negative for the current financial year (net minus 34%) with more than half of all firms expecting to reduce their investment.



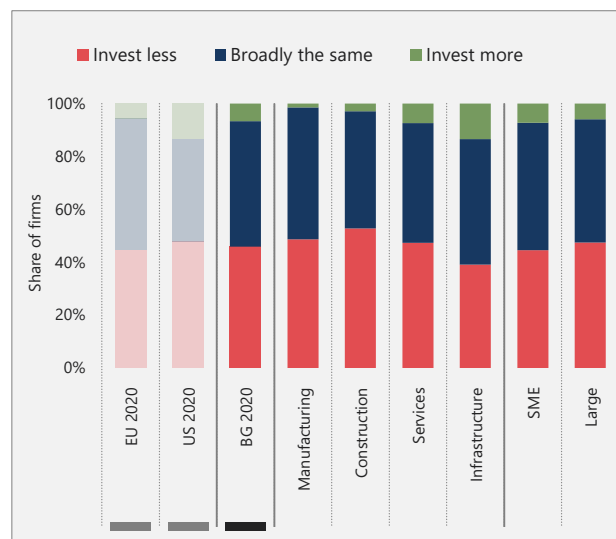
'Realised change' is the share of firms who invested more minus those who invested less; 'Expected change' is the share of firms who expect(ed) to invest more minus those who expect(ed) to invest less.

Base: All firms

IMPACT OF COVID-19 ON INVESTMENT

COVID-19 has affected substantially firms' investment strategies this year. It prompted nearly half of the firms to invest less than planned (46%) and only very few to invest more than planned (7%). Bulgarian firms' reaction to the pandemic is in line with the EU averages.

There is a similar pattern of investment expectations across sizes of firms. The share of firms in the infrastructure sector reducing investment plans is the smallest and the share of firms increasing investment due to COVID-19 is the largest.



Q. Have your company's overall investment expectations for 2020 changed due to coronavirus?

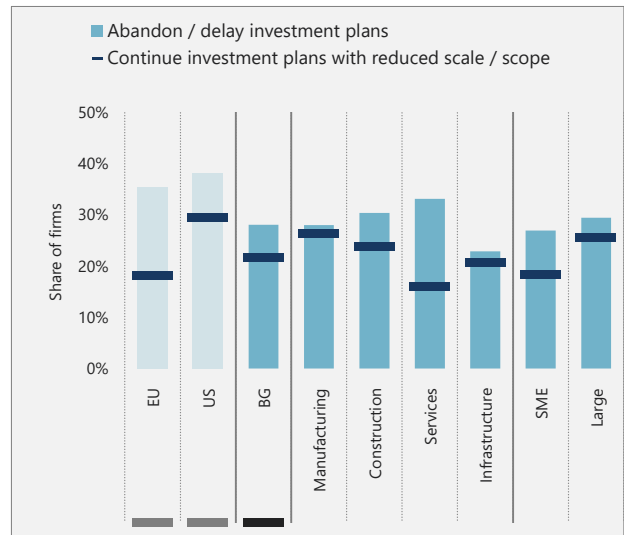
Base: All firms with investment plans for the current financial year (excluding don't know/refused responses)

Investment Focus

ACTIONS AS A RESULT OF COVID-19

More than a quarter (28%) of firms with investment plans for 2020 in Bulgaria plan to abandon or delay at least some of their investments as a result of COVID-19. This is a much lower share of firms than the EU average (35%).

Around a fifth (22%) of firms with investment plans for 2020 intend to continue with at least some of their investment plans but with reduced scale or scope. This is similar to EIBIS 2019 (18%).

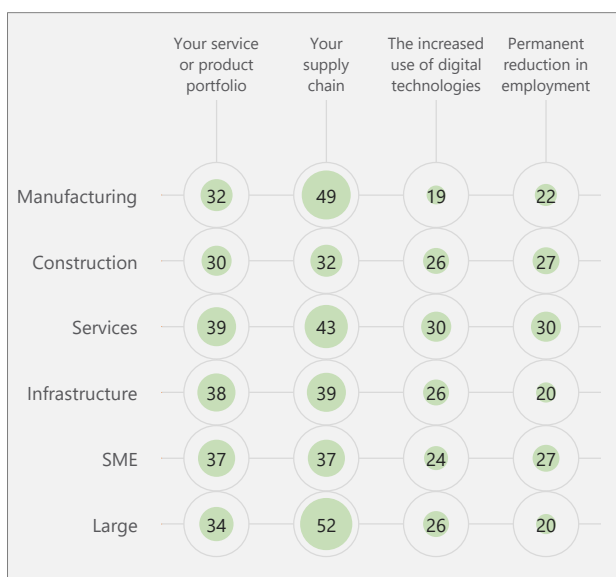


Q. You said you will invest less due to coronavirus. Can I just check which of the following actions will your company undertake?

Please note some firms may be taking multiple actions i.e. abandoning/delaying some investment plans whilst continuing with other plans at a reduced scale or scope.

Base: All firms with investment plans for the current financial year (excluding don't know/refused responses)

LONG TERM IMPACT OF COVID-19 BY SECTOR AND SIZE



Across all sectors, the most frequently cited long term impact of COVID-19 is expected within the supply chain (43%). Large firms are more likely to cite the supply chain as a long term impact compared to SMEs (52% versus 37%).

Just over a third of firms in Bulgaria (36%) expect there to be a long term impact on to their service or product portfolios.

A quarter of firms cited the increased use of digital technologies (25%) compared to half of firms in the EU (50%). A quarter of firms expect permanent reduction in employment (25%) as a long term impact of COVID-19, similar to the EU average (21%).

Q. Do you expect the coronavirus outbreak to have a long-term impact on any of the following?

Base: All firms

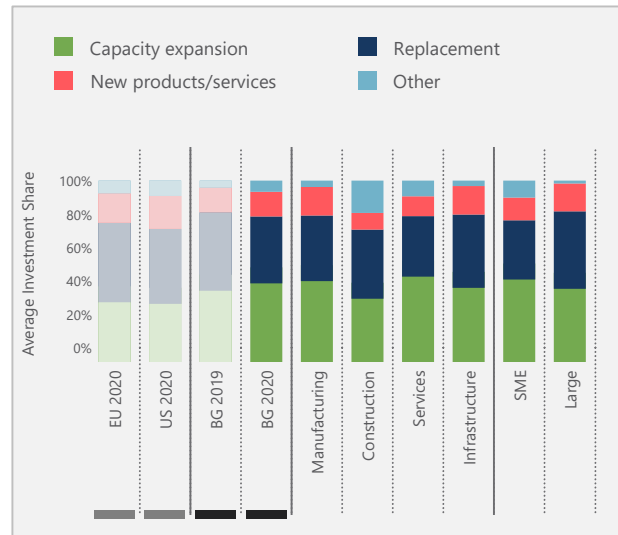
Investment Focus

PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR (% of firms' investment)

Four in ten firms' investment (40%) was either for the purpose of replacing buildings and equipment or capacity expansion (39%) in the last financial year. The share of investment for replacement was lower than the EU average (40% and 47% respectively) and higher than the EU average for capacity expansion (39% and 27% respectively).

The share of investment in replacement was higher among large firms compared to SMEs (46% versus 35%).

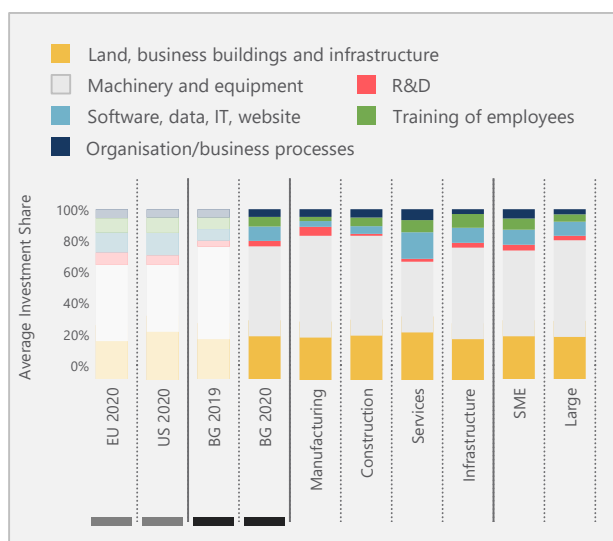
Construction firms are more likely to report a higher share of other investment than firms in the other sectors (19%, compared to between 3% and 9%).



Q. What proportion of total investment was for (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

INVESTMENT AREAS



Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company's future earnings?

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

Investment in machinery and equipment retained the highest share of total investment (58%), well ahead of the EU average (49%).

Land, business buildings and infrastructure retained the second largest share (18%), in line with the EU average (16%).

Almost two-thirds of the average investment share in manufacturing and construction firms (65% and 64% respectively) was for machinery and equipment.

The average share of investment in software, data, IT and websites was higher among service firms than manufacturing and construction firms (17% versus 3% and 5% respectively).

Overall, the share of investment in intangible assets (R&D, software, data, IT, website, training and organization) of Bulgarian firms (24%) was well below the EU average (36%).

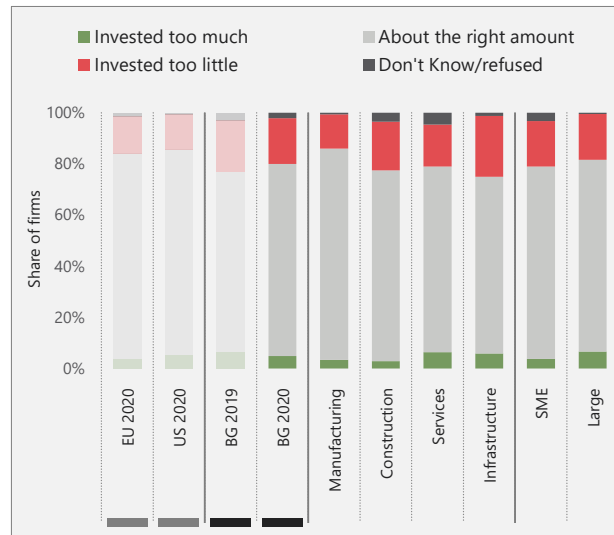
Investment Needs and Priorities

PERCEIVED INVESTMENT GAP

Three-quarters of firms (75%) believe their investment over the last three years was about the right amount, below the EU average (80%).

Around one-fifth (18%) of firms believe they have invested too little, in line with EIBIS 2019 (20%) and the EU average (15%).

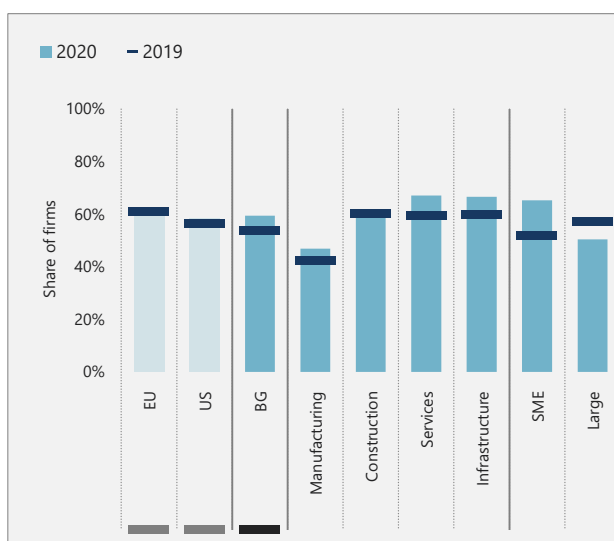
The pattern of the investment gap is similar across all sectors and size of firms.



Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

Base: All firms (excluding 'Company didn't exist three years ago' responses)

SHARE OF FIRMS AT OR ABOVE FULL CAPACITY



Full capacity is the maximum capacity attainable under normal conditions e.g. company's general practices regarding the utilization of machines and equipment, overtime, work shifts, holidays etc.

Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances?

Base: All firms (data not shown for those operating somewhat or substantially below full capacity)

Almost six in ten firms (59%) reported operating at or above full capacity in the last financial year, in line with EIBIS 2019 and the EU average (54% and 61% respectively).

SMEs are more likely than large firms to be operating at or above full capacity (65% versus 50%).

Firms in the manufacturing sector are less likely than firms in the services and infrastructure sectors to be at or above full capacity (47% versus 67% for both). Manufacturing capacity utilisation is a function of international trade, which weakened substantially in the course of 2019 and collapsed in the first half of 2020.

Investment Needs and Priorities

FUTURE INVESTMENT PRIORITIES (% of firms)

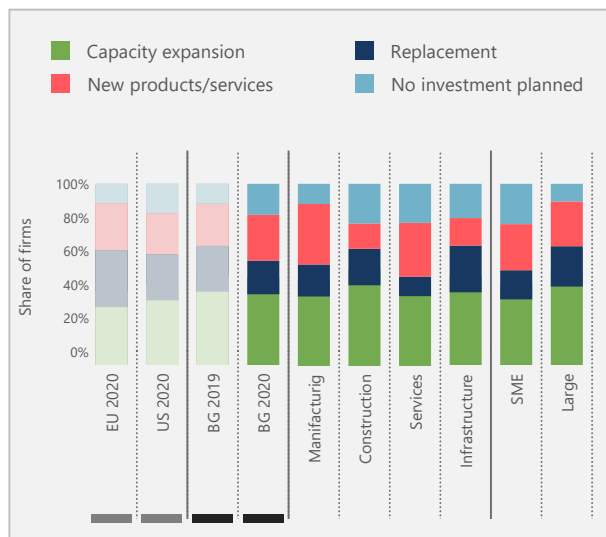
Looking ahead to the next three years, capacity expansion is the most commonly cited investment priority among firms (34%). This is in line with EIBIS 2019 (35%) but much higher than the EU average (26%).

Capacity expansion is followed by investment in new products/services (27%), in line with EIBIS 2019 and the EU average (25% and 28% respectively). Manufacturing and services firms (36% and 32% respectively) are much more likely to cite new products/services as a priority than construction and infrastructure firms (15% and 16% respectively).

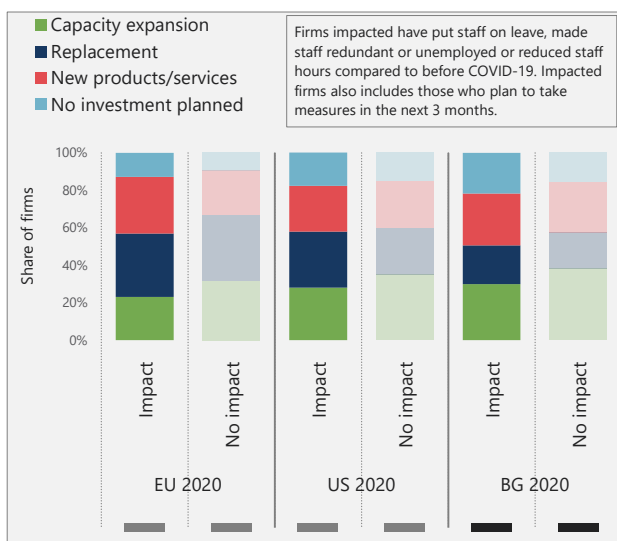
One in five firms (20%) intend to replace existing buildings, machinery, equipment and IT, a decrease of seven percentage points on EIBIS 2019 (27%) and much lower than the EU average (34%).

Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing existing buildings, machinery, equipment, IT; (b) expanding capacity for existing products/services; (c) developing or introducing new products, processes, services?

Base: All firms (excluding don't know/ refused responses)



COVID-19 IMPACT ON PRIORITIES



Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing existing buildings, machinery, equipment, IT; (b) expanding capacity for existing products/services; (c) developing or introducing new products, processes, services?

Q. Thinking about the impact of coronavirus, have you had to put staff temporarily on leave, make staff redundant or unemployed or reduce the number of hours they work compared to before the coronavirus pandemic?

Base: All firms (excluding don't know/ refused responses)

Firms in Bulgaria which have been impacted by COVID-19 are more likely than firms impacted across the EU to have no investment planned (22% versus 13%) and to be prioritising capacity expansion (30% versus 23%).

The pattern of priorities among firms in Bulgaria who were impacted by COVID-19 and those firms who were not impacted is not significantly different.

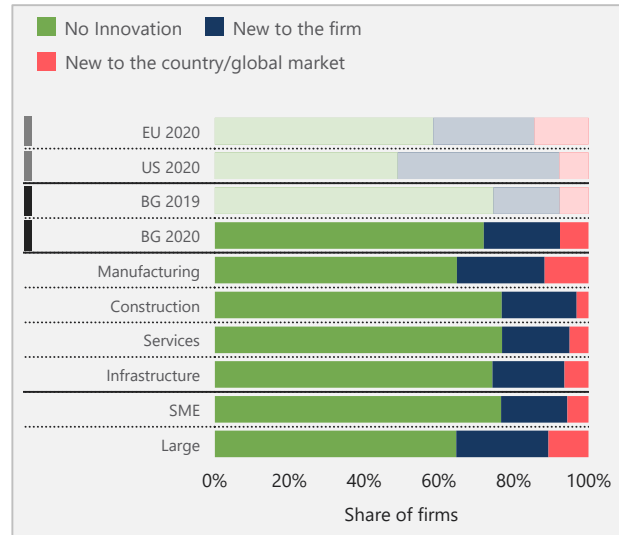
Innovation Activities

INNOVATION ACTIVITY

Almost three in ten of all firms (28%) claim to have developed or introduced new products, processes or services in the last financial year. This is in line with EIBIS 2019 (25%) but remains well below the EU average (42%).

Manufacturing firms are the most likely to innovate (35% overall, with 23% reporting the products, processes or services were new to the company and a further 12% new to the country or world).

Large firms are more likely to report undertaking innovation than SMEs (35% versus 23%)

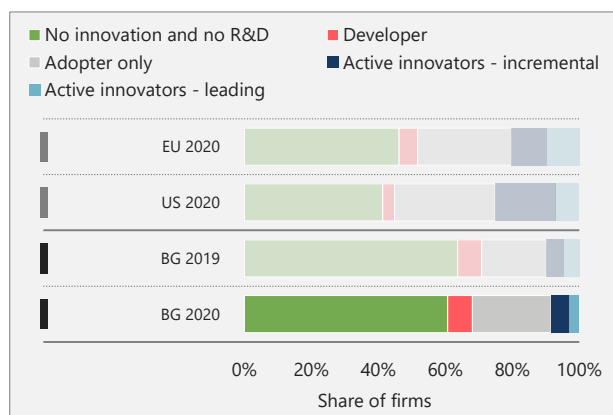


Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Base: All firms (excluding don't know/ refused responses)

INNOVATION PROFILE



When firms' innovation and research and development behaviour is profiled more widely, 8% of firms in Bulgaria are classified as 'active innovators', and a further 7% of firms are 'developers'.

This breakdown is comparable to EIBIS 2019 (with 10% of firms classifying as 'active innovators' plus 7% of firms as 'developers') but remains below the average for the EU (with 20% 'active innovators' plus 6% 'developers').

Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Q. In the last financial year, how much did your business invest in Research and Development (including the acquisition of intellectual property) with the intention of maintaining or increasing your company's future earnings?

Base: All firms (excluding don't know/refused responses)

The 'No innovation and no R&D' group comprises firms that did not introduce any new products, processes or services in the last financial year. The 'Adopter only' introduced new products, processes or services but without undertaking any of their own research and development effort. 'Developers' are firms that did not introduce new products, processes or services but allocated a significant part of their investment activities to research and development. 'Incremental' and 'Leading innovators' have introduced new products, processes and services and also invested in research and development activities. The two profiles differ in terms of the novelty of the new products, processes or services. For incremental innovators these are 'new to the firm'; for leading innovators these are 'new to the country/world'.

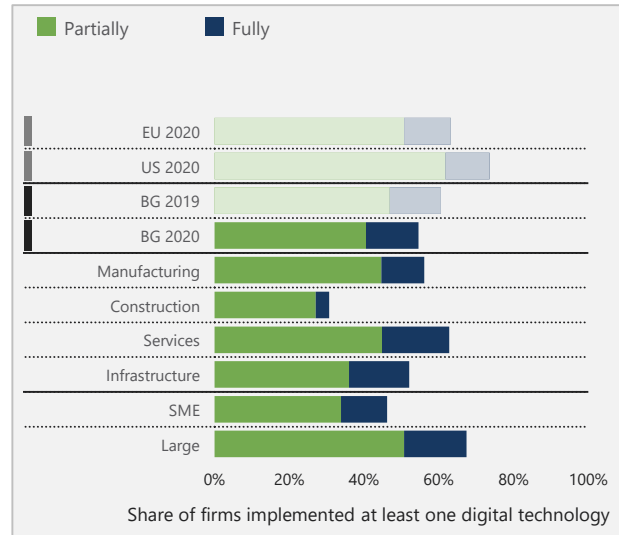
Innovation Activities

IMPLEMENTATION OF DIGITAL TECHNOLOGIES

More than half of all firms (55%) have implemented, either fully or partially, at least one digital technology. This is in line with EIBIS 2019 (60%) but below the EU average (63%).

Construction firms are less likely than firms in the other sectors to have implemented at least one digital technology (31%, compared to between 52% and 63%). Similarly, SMEs are less likely than large firms to have implemented at least one (46% versus 67%).

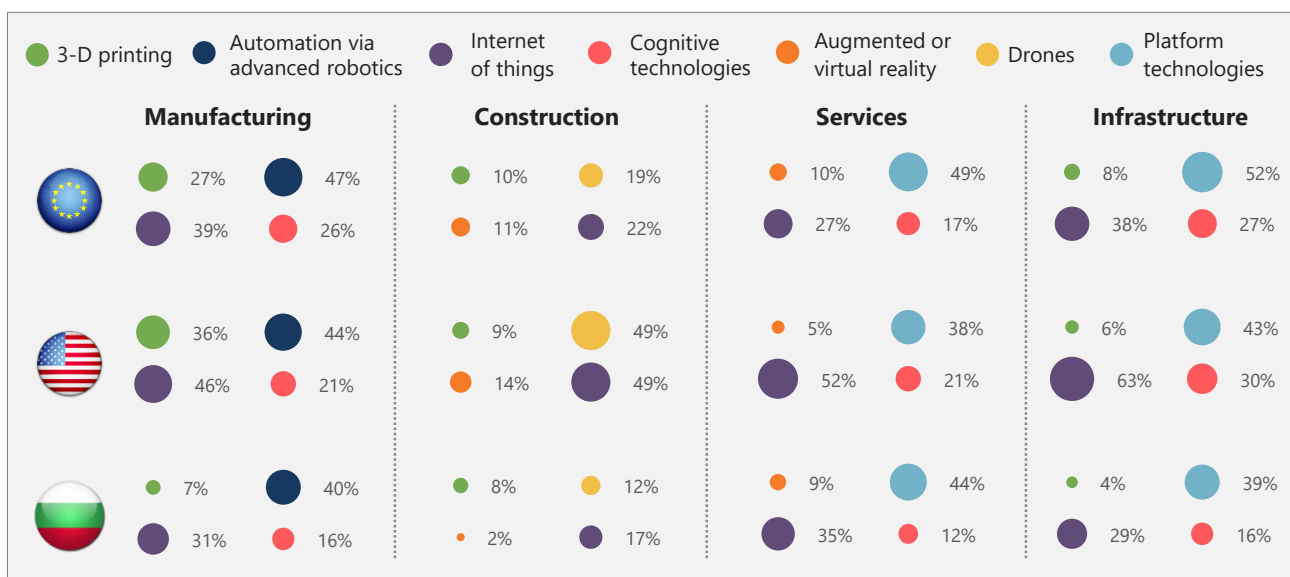
Adoption of the '3-D printing' and 'cognitive technologies' by manufacturing sector firms is lower than the EU average (7% versus 27% and 16% versus 26%). Similarly, the adoption of 'cognitive technologies' by infrastructure firms is lower than the EU average (16% versus 27%).



Q, Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

Base: All firms (excluding don't know/ refused responses)

DIGITAL TECHNOLOGIES BY SECTOR



Q, Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

Base: All firms (excluding don't know/refused responses)

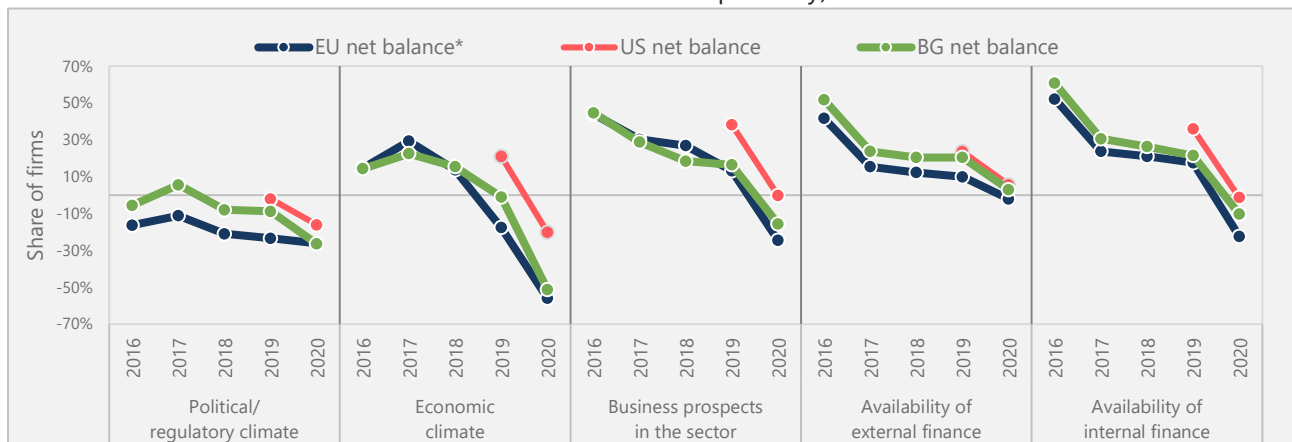
Reported shares combine implemented the technology 'in parts of business' and 'entire business organised around it'

Drivers And Constraints

SHORT TERM FIRM OUTLOOK

Due to the extraordinary policy measures, the availability of external finance over the next twelve months is now the only outlook which is positively balanced.

However, all five outlooks have steep declines since EIBIS 2019. Firms in both Bulgaria and the EU are much less optimistic about the overall economic climate (net minus 51% and 56% respectively).



Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

*Net balance is the share of firms seeing improvement minus the share of firms seeing a deterioration

Base: All firms

SHORT TERM FIRM OUTLOOK BY SECTOR AND SIZE (NET BALANCE %)



Please note: green figures are positive, red figures are negative

Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

Firms are generally more positive than negative about the availability of external finance over the next 12 months (+3%). This optimism is being driven by services sector firms (+14%) and large firms (+10%).

In contrast, firms are generally more negative than positive about the availability of internal finance over the next 12 months (-10%) and this pessimism is higher among construction and infrastructure firms (-21% and -22% respectively).

Firms in all sectors are pessimistic about the economic climate (ranging from -48% to -60%), whilst SMEs and large firms are equally pessimistic (both -51%).

At the overall level, firms are more negative than positive about the political and regulatory climate (-26%), with firms in the construction sector being the most negative (-43%).

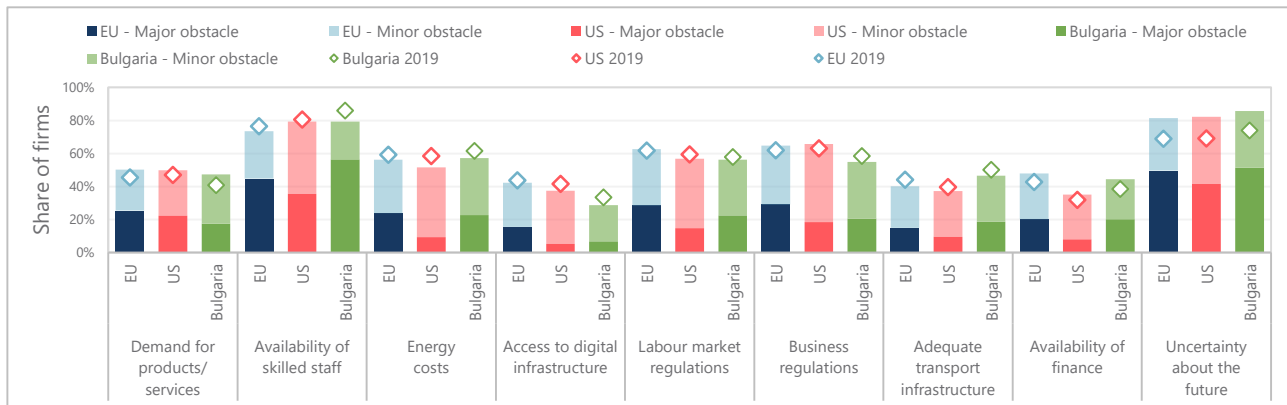
Base: All firms

Drivers And Constraints

LONG TERM BARRIERS TO INVESTMENT

Uncertainty about the future (86%) is now the most cited long term barrier to investment in Bulgaria, an increase of 12 percentage points on EIBIS 2019. This is above the EU average (81%), which also saw the same increase since EIBIS 2019.

Availability of skilled staff (79%) remains another barrier to investment in Bulgaria, although this has decreased by seven percentage point since last year. That said, availability of skilled staff ranks first as major obstacle (56%).



Q. Thinking about your investment activities in Bulgaria, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

LONG TERM BARRIERS BY SECTOR AND SIZE



Please note: green figures are positive, red figures are negative

Q. Thinking about your investment activities in Bulgaria, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Reported shares combine 'minor' and 'major' obstacles into one category

Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

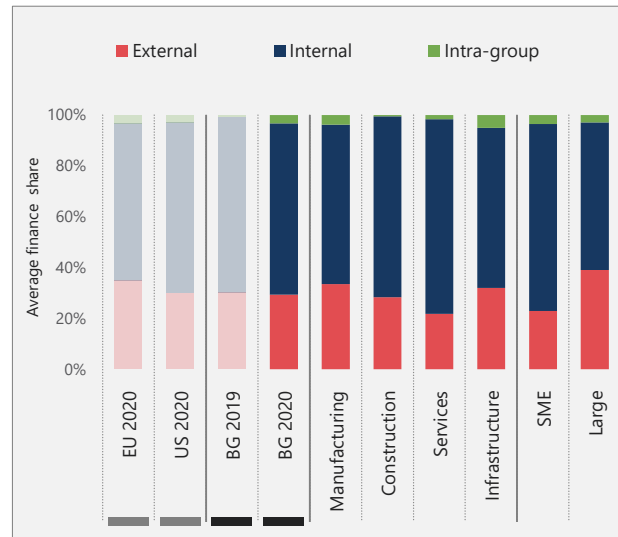
Investment Finance

SOURCE OF INVESTMENT FINANCE

Internal funding remained the main source of investment in Bulgaria (67%). This is in line with EIBIS 2019 (69%) and above the EU average (62%).

Firms in the services sector (77%) were more likely to use internal funds compared to firms in the manufacturing and infrastructure sectors (both 63%), as often time they have fewer tangible assets to use as collateral for external financing.

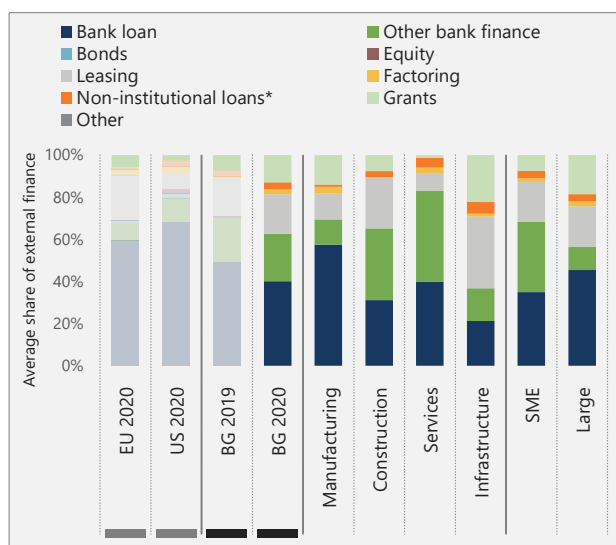
SMEs were more likely to use internal funding than large firms (73% versus 58%), as their access to external finance is more difficult in a financial market that is less developed than the EU average.



Q. What proportion of your investment was financed by each of the following?

Base: All firms who invested in the last financial year (excluding don't know/refused responses)

TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES



Bank loans continued to make up the largest share of external finance (40%), broadly in line with EIBIS 2019 (49%) but well below the EU average (59%).

Other types of bank finance and leasing accounted for about a fifth of the external finance share (22% and 19% respectively). The share of investment made up by other types of bank finance was much higher than the EU average (22% versus 8% respectively).

SMEs had a higher share of other bank finance than large firms (33% versus 11%) and similarly, services and construction firms compared to manufacturing firms (43% and 34% versus 12%).

Q. Approximately what proportion of your external finance does each of the following represent?

*Loans from family, friends or business partners

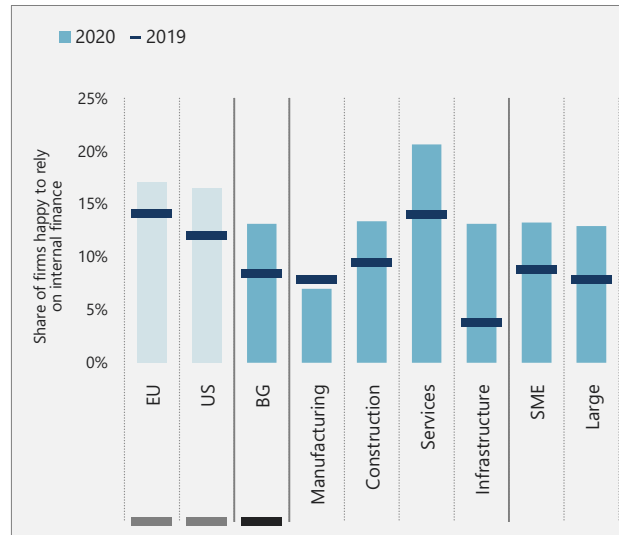
Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

Investment Finance

SHARE OF FIRMS HAPPY TO RELY EXCLUSIVELY ON INTERNAL SOURCES TO FINANCE INVESTMENT

One in eight (13%) Bulgarian firms say they were happy to use internal funds or did not have a need for external finance. This is broadly similar to EIBIS 2019 (8%) but is below the EU average (17%).

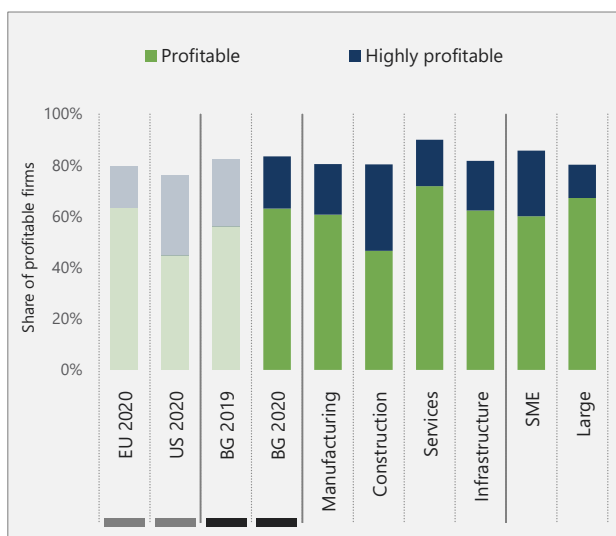
Services firms (21%) were more likely than manufacturing firms (7%) to be happy to rely on internal sources of finance investment.



Q. What was your main reason for not applying for external finance for your investment activities? Was happy to use internal finance/didn't need the finance

Base: All firms

SHARE OF PROFITABLE FIRMS



Around eight in ten firms in Bulgaria (83%) and EU-wide (80%) report generating a profit in the last financial year, the same as in EIBIS 2019.

One in five firms in Bulgaria (20%) claim to be highly profitable, defined as generating a profit level at least 10% of firm turnover. This broadly similar to EIBIS 2019 (26%) and the EU average (16%).

Within Bulgaria, firms in the services sector are most likely to report generating any profit (90%), whereas construction firms (34%) and SMEs (26%) are the most likely to say they are highly profitable.

Q. Taking into account all sources of income in the last financial year, did your company generate a profit or loss before tax, or did you break even? Highly profitable is defined as profits/turnover of 10% or more

Base: All firms (excluding don't know/refused)

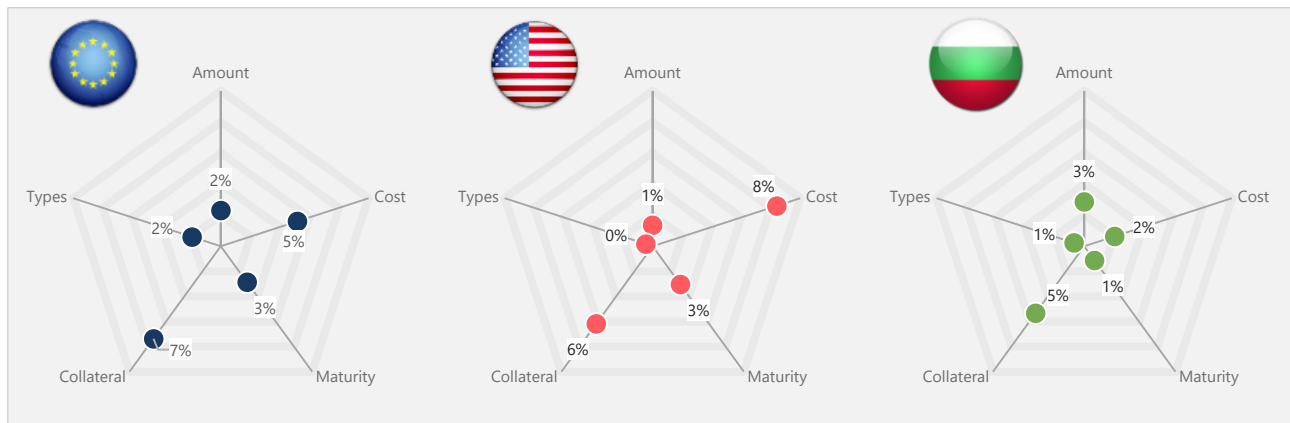
Access To Finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

Firms that were using external finance in 2019 are on balance satisfied with the amount, cost, maturity, collateral and type of finance received.

The highest levels of dissatisfaction recorded among firms in Bulgaria is with the collateral requirements (5%).

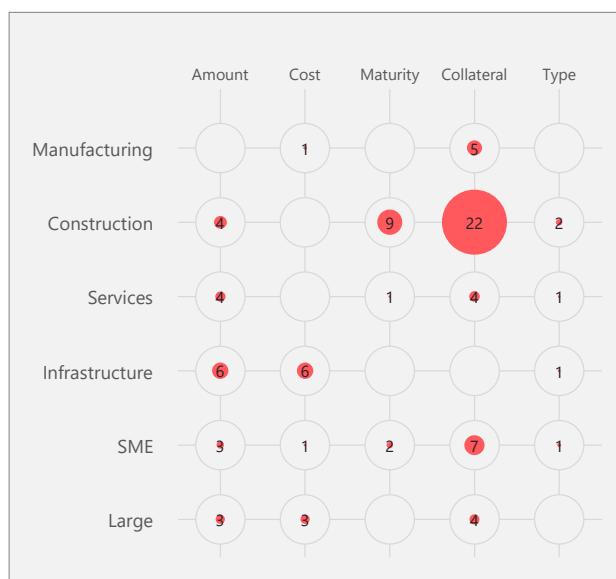
Share of dissatisfied firms



Q. How satisfied or dissatisfied are you with ...?

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

DISSATISFACTION BY SECTOR AND SIZE (%)



Overall dissatisfaction levels are low, with the highest levels of dissatisfaction mentioned regarding the collateral requirements.

More than one in five construction firms (22%) are dissatisfied with the collateral requirements asked of them, up from 3% in EIBIS 2019.

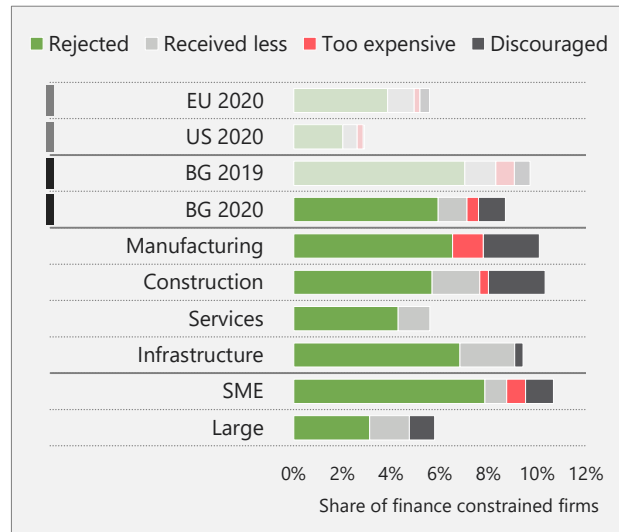
Q. How satisfied or dissatisfied are you with ...?

Base: All firms who used external finance in the last financial year (excluding don't know/ refused responses)

Access To Finance

SHARE OF FINANCE CONSTRAINED FIRMS

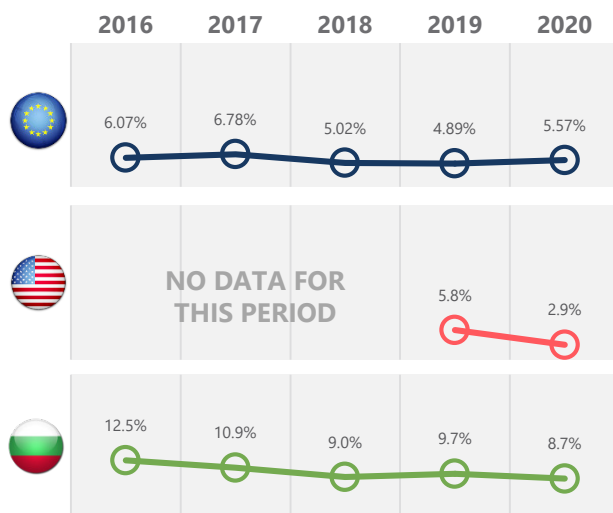
The share of firms in Bulgaria that could be considered as external finance constrained in 2019 is 9%, similar to the 10% share in EIBIS 2019 and remaining above the EU average of 6%. Less developed financial markets, weaker competition in the provision of financial services and weak bankruptcy framework and enforcement are main reasons for this difference.



Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged)

Base: All firms

FINANCING CONSTRAINTS OVER TIME



The share of external finance constrained firms in Bulgaria is in line with EIBIS 2019, and lower than that in the first wave of EIBIS.

Over time, firms in Bulgaria were generally slightly more likely than the EU average to be constrained. The share of constrained firms has been gradually falling as the economy picked up, Bulgarian banks strengthened balance sheets and have begun addressing the problem with high NPLs more actively since 2017.

Base: All firms

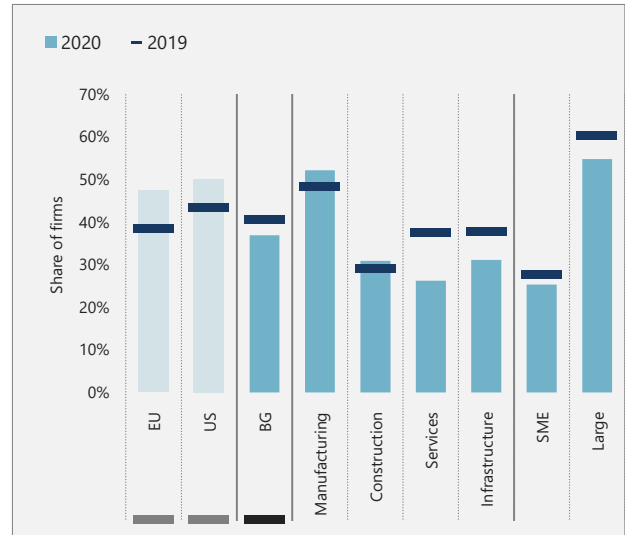
Energy Efficiency

SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY

The share of firms in Bulgaria investing in measures to improve energy efficiency is 37% was in line with EIBIS 2019 (41%) but below the EU average (47%).

Firms in the manufacturing sector (52%) were more likely to invest in these measures than firms in the other sectors (ranging from 26% to 31%).

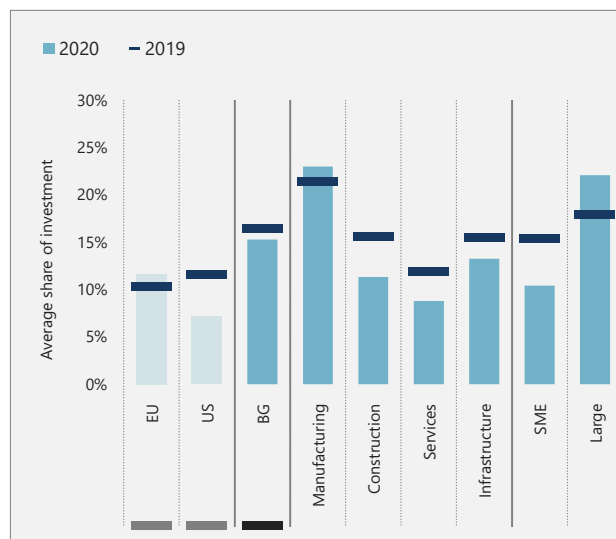
Large firms (55%) continued to be more likely than SMEs (25%) to invest in measures to improve energy efficiency.



Q. What proportion of total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms

AVERAGE SHARE OF INVESTMENT IN MEASURES TO IMPROVE ENERGY EFFICIENCY



The share of investment in measures to improve energy efficiency was 15%, in line with EIBIS 2019 and the EU average (16% and 12% respectively).

Firms in the manufacturing sector in Bulgaria were more likely to invest a higher share (23%) than the other three sectors, all of which are decreasing since EIBIS 2019.

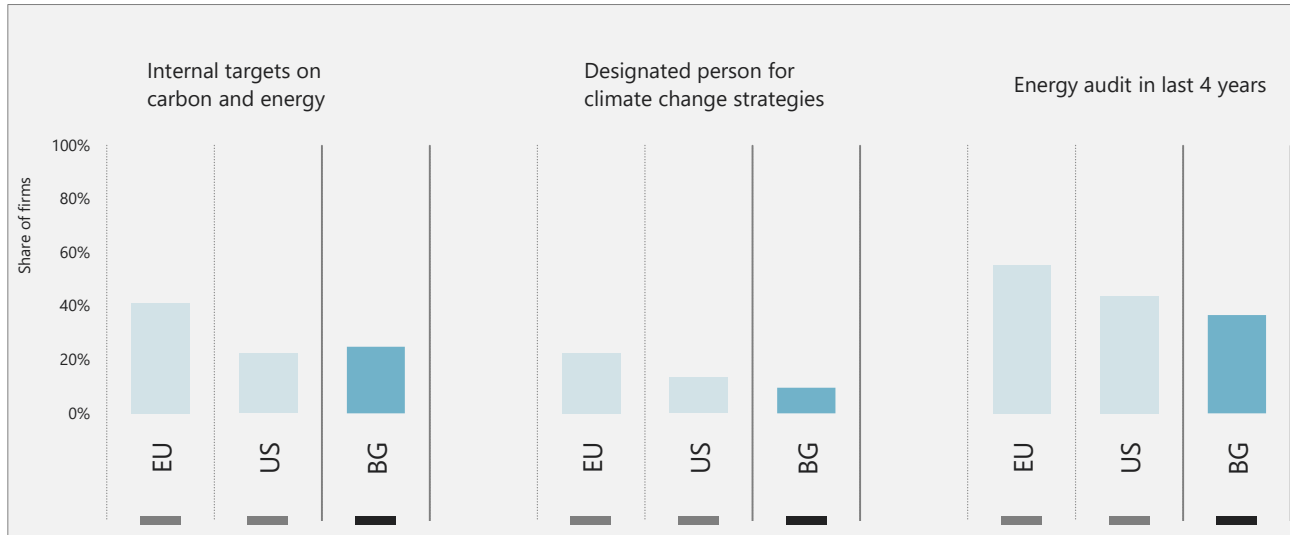
Similarly, large firms invested a higher share (22%) and are increasing, whereas SMEs invest a lower share (10%) and are decreasing.

Q. What proportion of total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms who had invested in the last financial year (excluding don't know/refused responses)

Energy Efficiency

ENERGY TARGETS, MANAGEMENT AND INTERNAL AUDIT



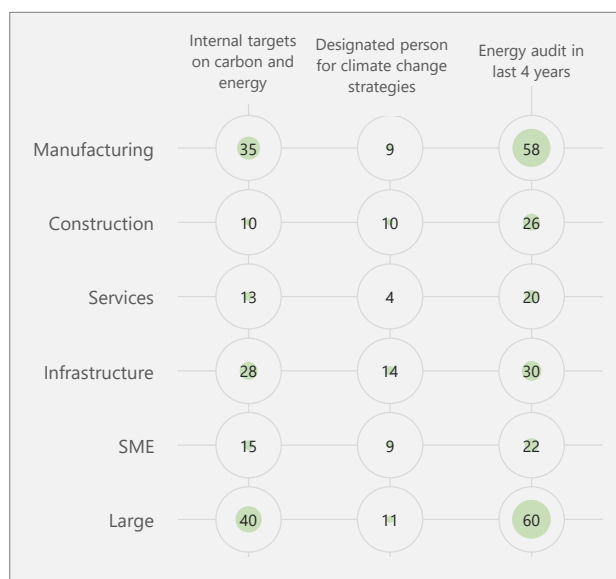
Q. In 2019 and under normal conditions, did your company set and monitor internal targets on carbon emissions and energy consumption?

Q. In 2019 and under normal conditions, did your company have a designated person responsible for defining and monitoring climate change strategies?

Q. And can I check, in the past four years has your company had an energy audit? By this, I mean an assessment of the energy needs and efficiency of your company's building or buildings

Base: All firms

ENERGY TARGETS, MANAGEMENT AND INTERNAL AUDIT BY SECTOR AND SIZE



Almost a quarter (25%) of firms in Bulgaria set and monitored internal targets on carbon emissions and energy consumption in 2019 but this is well below the EU average (41%).

Only one in ten (10%) firms have a designated person responsible for defining and monitoring climate change strategies in 2019, again well below the EU average (23%).

Over a third (37%) of firms have had an energy audit in the last 4 years, also below the EU average (55%).

Large firms and firms in the manufacturing sector are most likely to have set targets (40% and 35% respectively) and also to have had an energy audit in the last 4 years (60% and 58% respectively).

Q. In 2019 and under normal conditions, did your company set and monitor internal targets on carbon emissions and energy consumption?

Q. In 2019 and under normal conditions, did your company have a designated person responsible for defining and monitoring climate change strategies?

Q. And can I check, in the past four years has your company had an energy audit? By this, I mean an assessment of the energy needs and efficiency of your company's building or buildings

Base: All firms

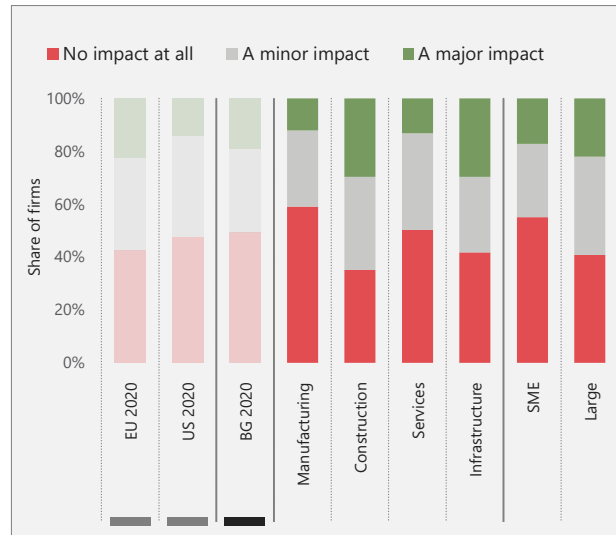
Climate Change

CLIMATE CHANGE IMPACT

Just over half (51%) of firms say that climate change and related changes in weather patterns have had some impact on their business – 19% a major impact, 31% a minor impact. This is below the EU average (58%), made up of 23% major impact and 35% minor impact.

Firms in the construction sector (65%) and infrastructure sector (58%) are more likely to say they have been impacted than manufacturing (41%) and services (50%) sectors and also that it is a major impact (both 30%).

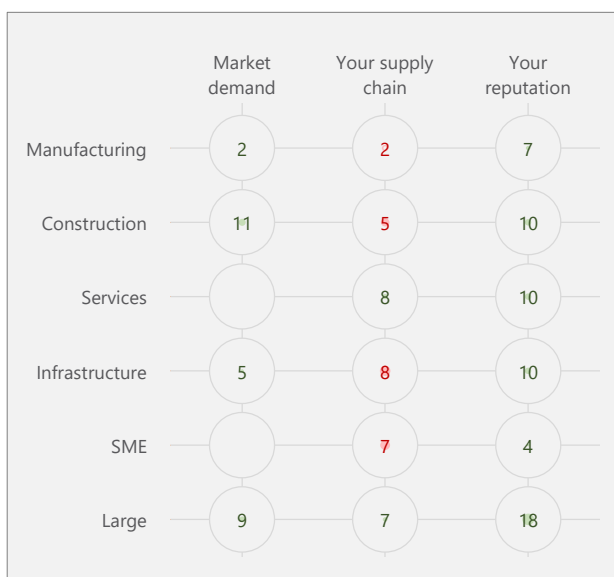
Large firms are also more likely than SMEs to report being impacted (59% versus 45%).



Q, Thinking about climate change and the related changes in weather patterns, would you say these weather events currently have a major impact, a minor impact or no impact at all on your business?

Base: All firms (excluding don't know / refused responses)

REDUCTION IN CARBON EMISSIONS OVER NEXT FIVE YEARS BY SECTOR AND SIZE (NET IMPACT %)



Please note: green figures are positive, red figures are negative

Q. What impact will the transition to a reduction of carbon emissions have on the following aspects of your business over the next five years?

Base: All firms

Firms in Bulgaria do not think the transition to a low-carbon future will have much effect on their business – the net balances being 9% effect on their reputation, 3% on market demand and -2% on their supply chain.

Large firms do think it will affect their reputation more than SMEs (18% and 4% respectively).

*Net balance is the share of firms seeing positive impact minus the share of firms seeing a negative impact

Climate Change

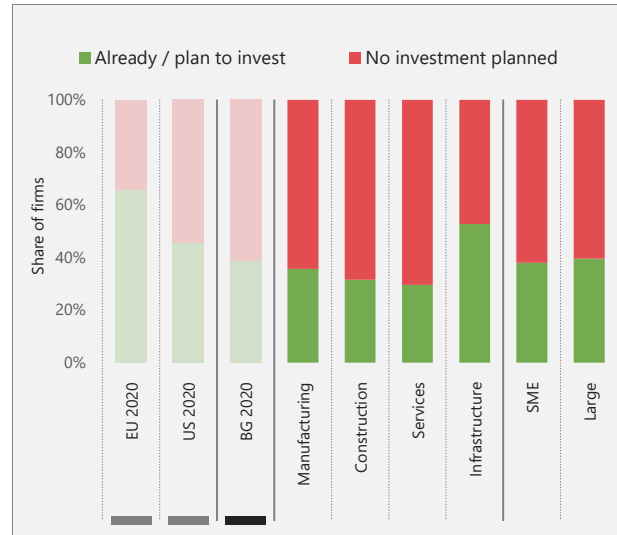
INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT

Almost two-thirds (64%) of firms in Bulgaria have no investment plans to tackle climate change impact, well above the EU average (35%).

However, more than half of infrastructure firms (53%) have already or plan to invest, more so than the other three sectors (ranging from 31% to 39%).

Similar levels of SMEs and large firms have already invested or plan to invest (39% and 43% respectively).

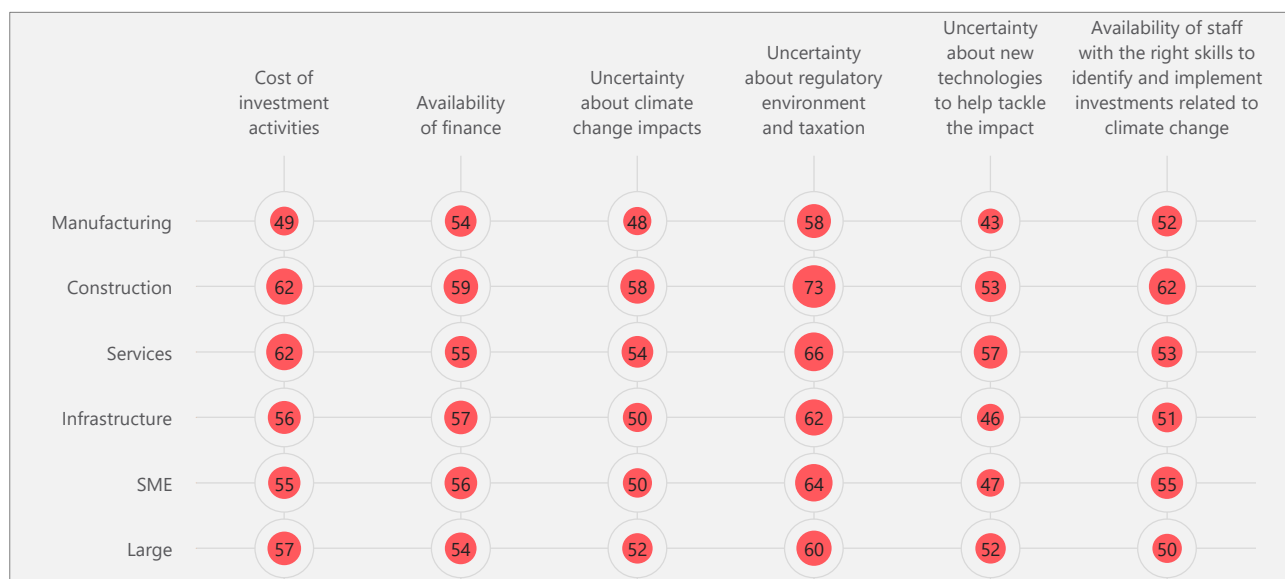
The biggest barrier to investing in activities to tackle climate change is uncertainty about the regulatory environment and taxation (63%), particularly for firms in the construction sector (73%). However, most firms have concerns about each of the barriers, irrespective of sector or size of firm.



Q. Now thinking about investments to tackle the impacts of weather events and reduction in carbon emissions, which of the following applies?

Base: All firms (excluding don't know/refused responses)

BARRIERS TO INVESTING IN ACTIVITIES TO TACKLE CLIMATE CHANGE BY SECTOR AND SIZE



Q. To what extent is the following an obstacle to investing in activities to tackle weather events and emissions reduction? Is it a major obstacle, minor obstacle or not at obstacle at all?

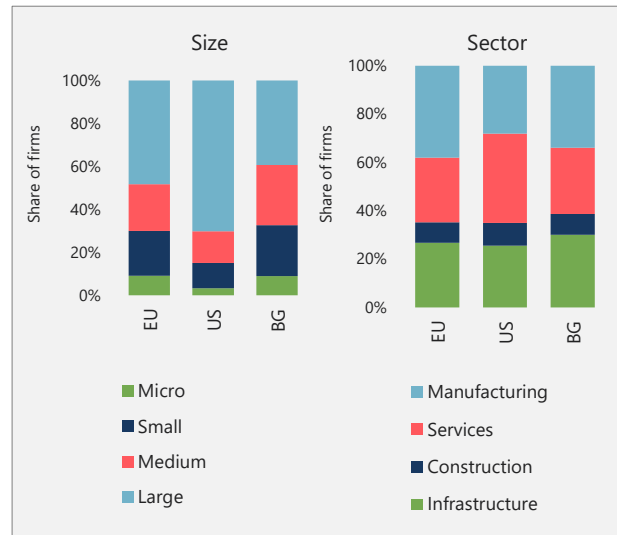
Base: All firms (data not shown for those who said not at obstacle at all / don't know / refused)

Profile of Firms

CONTRIBUTION TO VALUE ADDED

Large firms with 250+ employees (39%) account for the greatest shares of value-added in Bulgaria, though this is below the EU average (48%).

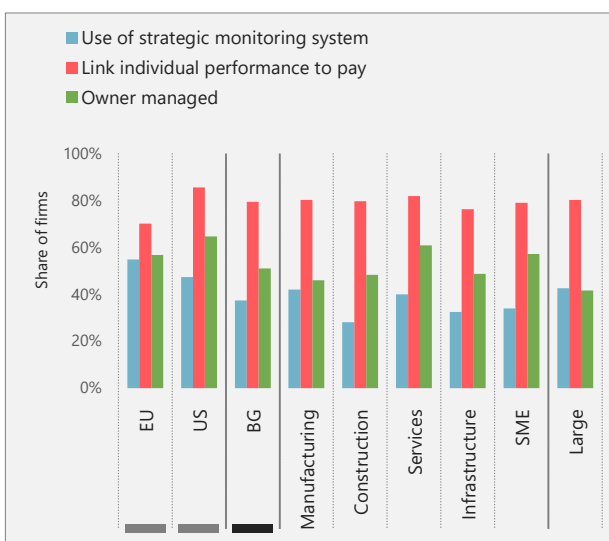
The manufacturing and infrastructure sectors contribute the largest share of value-added (34% and 30% respectively, exactly the same share as EIBIS 2019 and remaining similar to the EU average.



The charts reflect the relative contribution to value-added by firms belonging to a particular size class / sector in the population of firms considered. That is, all firms with 5 or more employees active in the sectors covered by the survey. Micro: 5-9 employees; Small: 10-49; Medium: 50-249; Large: 250+

Base: All firms

FIRM MANAGEMENT



Almost eight in ten firms (79%) report linking individual performance to pay, similar to EIBIS 2019 (78%) and remaining above the EU average (70%).

In contrast, only 37% use a strategic monitoring system, down eight percentage points on EIBIS 2019 and well below the EU average (55%).

More than half of firms report being owner managed (51%) but this has decreased by eleven percentage points since EIBIS 2019 and is now below the EU average (57%).

Q. And does your company (a) use a formal strategic business monitoring system (that compares the firm's current performance against a series of strategic key performance indicators) (b) link individual performance with pay?
Q. Does the CEO/ company head of your firm own or control the firm, or have a family member that owns/controls it?

Base: All firms (excluding don't know/refused responses)

EIBIS 2020 – Country Technical Details

SAMPLING TOLERANCES APPLICABLE TO PERCENTAGES AT OR NEAR THESE LEVELS

The final data are based on a sample, rather than the entire population of firms in Bulgaria, so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

	EU	US	BG	Manufacturing	Construction	Services	Infrastructure	SME	Large	EU vs BG	Manuf vs Constr	SME vs Large
	(11971)	(800)	(480)	(140)	(115)	(115)	(108)	(397)	(83)	(11971 vs 480)	(115 vs 140)	(397 vs 83)
10% or 90%	1.1%	3.5%	2.8%	4.7%	5.1%	5.4%	5.7%	2.8%	5.6%	3.0%	6.9%	6.2%
30% or 70%	1.7%	5.3%	4.3%	7.1%	7.7%	8.2%	8.7%	4.3%	8.6%	4.6%	10.5%	9.5%
50%	1.9%	5.8%	4.6%	7.8%	8.4%	9.0%	9.5%	4.7%	9.3%	5.0%	11.4%	10.4%

GLOSSARY

Investment	A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities with the intention of maintaining or increasing the company's future earnings.
Investment cycle	Based on the expected investment in current financial year compared to last one, and the proportion of firms with a share of investment greater than EUR 500 per employee.
Manufacturing sector	Based on the NACE classification of economic activities, firms in group C (manufacturing).
Construction sector	Based on the NACE classification of economic activities, firms in group F (construction).
Services sector	Based on the NACE classification of economic activities, firms in group G (wholesale and retail trade) and group I (accommodation and food services activities).
Infrastructure sector	Based on the NACE classification of economic activities, firms in groups D and E (utilities), group H (transportation and storage) and group J (information and communication).
SME	Firms with between 5 and 249 employees.
Large firms	Firms with at least 250 employees.
EIBIS 2019	The previous wave of the EIB Investment Survey, with interviews carried out between April-July 2019.
EIBIS 2020	The current wave of the EIB Investment Survey, with interviews carried out between May-August 2020.

Note : the EIBIS 2020 overview refers interchangeably to 'the past/last financial year' or to '2019'. Both refer to results collected in EIBIS 2020, where the question is referring to the past financial year, with the majority of the financial year in 2019 in case the financial year is not overlapping with the calendar year 2019.

EIBIS 2020 – Country Technical Details

The country overview presents selected findings based on telephone interviews with 480 firms in Bulgaria (carried out between May and August 2020).

BASE SIZES (*Charts with more than one base; due to limited space, only the lowest base is shown)

Base definition and page reference	EU 2020/2019	US 2020/2019	BG 2020/2019	Manufacturing	Construction	Services	Infrastructure	SME	Large
All firms, p. 3, p. 4, p. 6, p. 10, p.11, p. 13, p. 15, p. 16, p. 17, p. 18, p. 19, p. 20	11971/12071	800/803	480/481	140	115	115	108	397	83
All firms (excluding don't know/refused responses), p. 2	11634/11417	748/711	465/456	136	112	110	105	384	81
All firms with investment plans for the current financial year (excluding don't know/refused responses), p. 3 (bottom), p. 4 (top)	9606/NA	643/NA	315/NA	97	75	74	69	248	67
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5 (top)	10138/9716	682/624	406/382	119	103	96	87	329	77
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5 (bottom)	9874/9506	683/620	400/347	118	104	92	85	328	72
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	11949/12042	799/802	480/481	140	115	115	108	397	83
All firms (excluding don't know/refused responses), p. 7 (top)	11727/11757	787/775	468/457	138	113	109	106	386	82
All firms (excluding don't know/refused responses), p. 7 (bottom)	11608/0	780/0	461/0	135	113	106	105	381	80
All firms (excluding don't know/refused responses), p. 8 (top)	11720/11770	769/772	479/477	140	115	114	108	397	82
All firms (excluding don't know/refused responses), p. 8 (bottom)	9039/8380	600/516	388/318	114	101	89	83	318	70
All firms (excluding don't know/refused responses), p. 9	11938/11937	799/800	479/479	140	115	114	108	396	83
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 12	9255/9008	648/587	383/361	109	99	90	84	316	67
All firms who used external finance in the last financial year (excluding don't know/ refused responses), p. 12	4354/4369	314/252	162/167	51	42	37	32	120	42
All firms (excluding don't know/refused responses), p. 13	10711/10490	637/605	411/384	122	96	98	93	333	78
All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 14*	4310/4292	314/245	159/159	52	41	37	28	120	39
All firms (excluding don't know/refused responses), p. 18	11898/NA	794/NA	478/NA	140	115	115	106	395	83
All firms (excluding don't know/refused responses), p. 19	11739/NA	772/NA	470/NA	136	112	112	108	388	82
All firms (excluding don't know/refused responses), p. 20*	11740/11627	777/762	468/455	137	112	111	106	386	82



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Bulgaria

Overview

EIB INVESTMENT SURVEY

2020