European Investment Bank

Bulgaria

Overview

EIB INVESTMENT SURVEY

2022

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Bulgaria

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European
Investment Bank

EIB Investment Survey Country Overview 2022: Bulgaria
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About the EIB Investment Survey (EIBIS)
The EIB Group Survey on Investment, which has been administered since 2016, is a unique, annual survey of some 13 000 firms. It covers firms in all European Union Member States and also includes a sample of firms in 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, such as climate change and digital transformation. The EIBIS, which uses a stratified sampling methodology, is representative across all 27 EU Members States 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
These reports provide an overview of data collected for the 27 EU Member States and the United States. They 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 EIB
The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of 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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EIBIS 2022 – Bulgaria

KEY RESULTS

Investment Dynamics and Focus
EIBIS 2022 shows that on average, at the time of interviews (April-July 2022), Bulgaria's firms were exiting from COVID-19 in a relatively good shape and, on balance, had a negative outlook. Bulgarian firms appear to be holding back from making investment commitments. This is consistent with aggregate statistics from National accounts showing aggregate investment declining since 2019 to some 13% below per-pandemic levels.

Investment Needs and Priorities
Three-quarters of Bulgarian firms (74%) believe they invested the right amount over the past three years while 19% think they invested too little. The proportion thinking they invested too little is above the current EU average (14%). Over the next three years, a similar share of Bulgarian firms will prioritise investment in capacity expansion (34%) and capacity replacement (31%).

Covid-19 Impact
The pandemic was a major shock for EU firms, but policy support was sizable and helped them to survive and transform. However, the impact was uneven across firms and sectors. More than a half (56%) of Bulgarian firms were negatively impacted by COVID-19 but 42% expected sales to recover to 2019 levels in 2022. Around a quarter (27%) did not see a year-on-year sales loss due to COVID-19, and at the time of interview a half (52%) of firms expected 2022 sales to be higher than 2019 and relatively few (17%) said they will be lower. This reflects the EU outlook (57% and 16% respectively).

Compared to the EU average, fewer Bulgarian firms received financial support in response to COVID-19 (51% versus 60%.) Just over one in ten (12%) are still receiving it.

Firms' Transformation, Innovation and Digitalisation
Far fewer Bulgarian firms (45%) than the EU average (63%) have taken actions in response to COVID-19. The action most frequently taken is to become more digital (30%) but this is also much lower than the EU average (53%).

Two-thirds of Bulgarian firms (65%) use at least one advanced digital technology. Having increased from 51% in EIBIS 2021, this is close to EU average (69%). The share of Bulgarian firms investing in innovation (26% versus 34%) and classified as active innovators (8% versus 18%) are below the EU average.

International Trade
Although 75% of Bulgarian firms face disruptions linked to international trade, this is lower than the EU average (87%). Fewer Bulgarian firms than across the EU have been disrupted by COVID-19 and/or the Russia-Ukraine conflict (66% versus 78%). Most Bulgarian firms (55%) are taking action to mitigate the impact of these disruptions and are more focussed on increasing/diversifying trading partners (40%), than domestic suppliers/markets (30%).

Drivers and Constraints
Bulgarian firms are less optimistic about investment conditions than in EIBIS 2021. Economic climate expectations have fallen sharply (+4% to -38%) as have those for business prospects (+26% to -1%). Expectations for availability of external (+18% versus +10%) and internal finance (+17% versus +8%) have deteriorated since EIBIS 2021 but remain in positive territory. As seen across the EU, the overall trend is downward, but apart from business prospects Bulgarian firms are relatively less pessimistic. Bulgarian firms regard the availability of skilled staff (88%), energy costs (87%) and future uncertainty (85%) as the biggest barriers to investment. The energy costs figure is 23 points above EIBIS 2021.

EIBIS 2022 – Bulgaria

Investment Finance
The proportion of finance constrained firms in Bulgaria (7.5%) is the lowest yet seen in EIBIS and is closer than ever to the EU average (6.2%). Internal sources (69%) account for the large majority of Bulgarian firms' investment finance with 27% financed from external sources. This is consistent with EIBIS 2021 and the EU average. Over two-fifths (44%) of Bulgarian firms that invested in the last financial year funded at least some of it through external finance (again consistent with EIBIS 2021 and the EU average). Bulgarian firms are just as likely as those across the EU to have been supported by banks (80% versus 82%), but only half as likely to have received grants (11% versus 21%).

Climate Change and Energy Efficiency
Bulgarian firms are less worried by climate risks and invest less in climate-change mitigation and adaptation measures than their peers in the EU. The proportion of Bulgarian firms facing climate-related losses (44%) is lower than the EU average (57%). Consistent with these perceptions, Bulgarian firms are less likely than those across the EU to have invested in tackling the impacts of weather events and reducing carbon emissions (34% versus 53%) or to have plans to invest in the next three years (43% versus 51%). The share of Bulgarian firms investing in measures to improve energy efficiency (31%) is also below the EU average (40%).

Over twice as many Bulgarian firms regard the transition to stricter climate standards and regulations a risk (37%) as consider it an opportunity (15%). The proportion that considers it a risk reflects the EU average (33%).

While 70% of Bulgarian firms are taking actions to reduce Greenhouse Gas (GHG) emissions, only a quarter (26%) set and monitor targets for their own emissions. Both figures are lower than the EU average (88% and 41% respectively).

Firm Management, Gender Balance and Employment

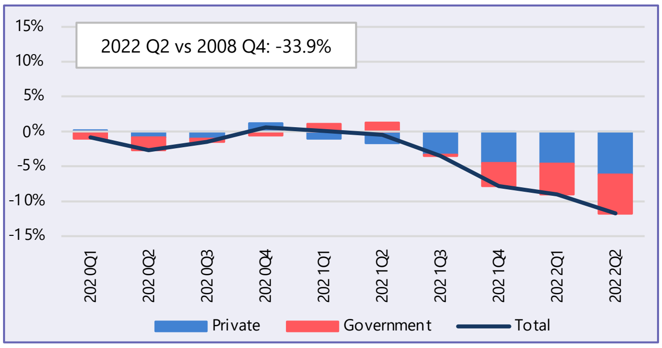
Fewer than four in ten Bulgarian firms (38%) use a strategic monitoring system, lower than the EU average (51%) but similar to the US (44%). The share of Bulgarian firms striving for gender balance within their firm (74%) is higher than either the EU average (58%) or the US (62%).

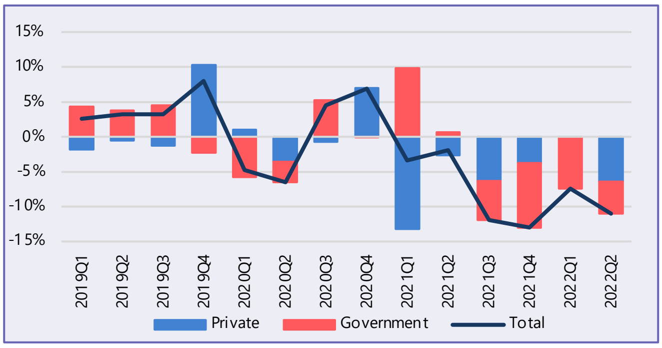
A third of Bulgarian firms have increased employee numbers since 2019 (33%) which is below the EU average (38%) or US (41%).

Investment dynamics and focus

INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

- In spite of the moderate fall in aggregate investment at the beginning of the pandemic (during which the lowest level was reached in Q2 2020 of -2.6% relative to Q4 2019) and the early recovery of the pre-pandemic level in Q4 2020, aggregate investment levels in Bulgaria have been on the decline.
- The continuous fall in aggregate investment, which has been considerably more pronounced than the one observed during the first year of the pandemic, was simultaneously driven by reductions in private and government investments (and with both contributing in roughly equal terms).
- In Q2 2022, aggregate investment was 11.7% below its pre-pandemic level (comparatively, three times larger than the fall registered in Q2 2020 relative to the Q4 2019 level).

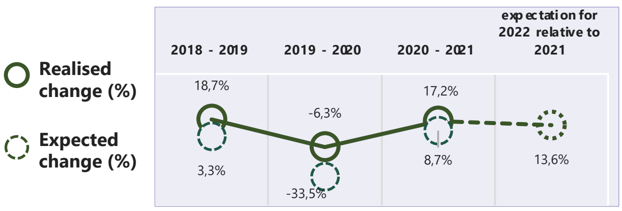




The LHS chart shows the evolution of total gross fixed capital formation (GFCF) by institutional sector, in real terms and non seasonally nor calendar adjusted. The nominal GFCF source data was transformed into four-quarter sums and deflated using the implicit deflator for total GFCF (2015=100 euro). The four-quarter sum of total GFCF in 2019Q4 is normalised to 0.
The RHS chart shows the y-o-y % change in total real GFCF by institutional sector. The implicit deflator for total GFCF (2015=100 euro) was used for deflating the nominal GFCF source data.
Source: Eurostat, authors' own calculations.

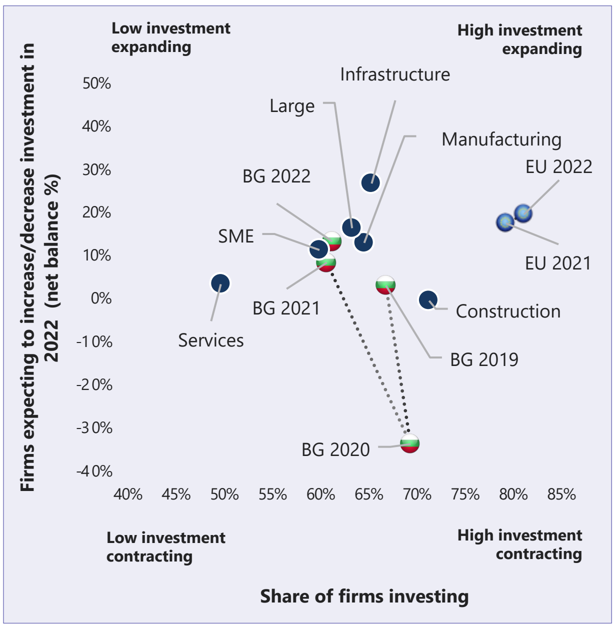
INVESTMENT CYCLE AND EVOLUTION OF INVESTMENT EXPECTATIONS

- The share of Bulgarian firms investing (61%) and investment plans (a net balance of 14% of firms planning to increase rather than decrease investment) in Bulgaria are very similar to EIBIS 2021 (61% and 9%, respectively). Both figures are lower than the EU average (61% versus 81%) and (14% versus 20%). They are in line with aggregate investment trends, observed in National accounts statistics.
- On balance, far more infrastructure (27%) and manufacturing firms (13%) expect to increase rather than decrease their investment than those operating in services (4%) or construction (0%). These shares are similar for SMEs and large firms (12% versus 17%).



'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 for expected and realised change: All firms



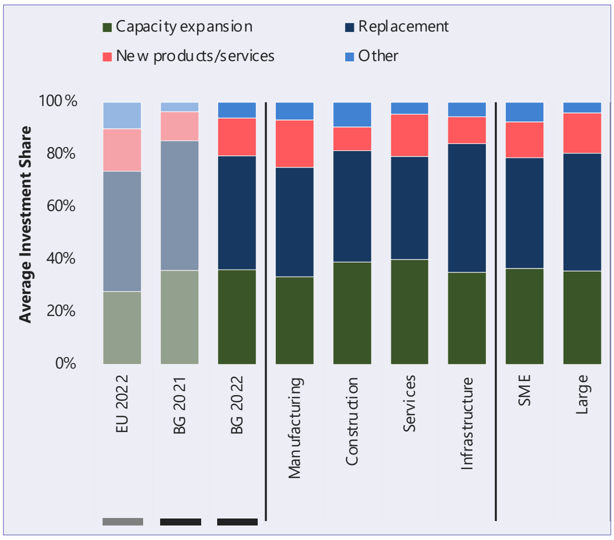
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.

Base for share of firms investing: All firms (excluding don't know/refused responses)

Investment dynamics and focus

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

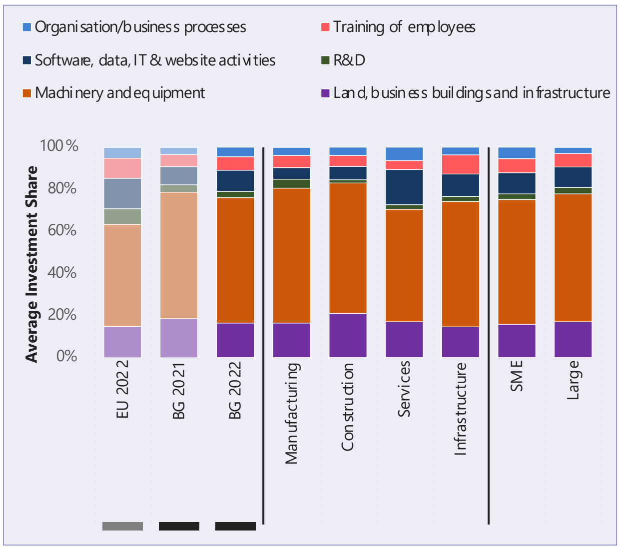
- In broad terms, Bulgarian firms' investment is evenly split between capacity replacement (43%) and capacity expansion (36%). A relatively small proportion (14%) is directed towards developing new products/services. The share of Bulgarian business investment focused on capacity expansion is above the EU average (36% versus 28%).
- Infrastructure (49% versus 35%) and manufacturing firms (42% versus 33%) are directing more investment towards capacity replacement than expansion, while construction and services firms are dividing investment almost equally between the two. Almost a fifth of manufacturers' investment has been in new product/service development.
- Bulgaria's SMEs and large firms have similar investment priorities.



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



- As in EIBIS 2021, three-fifths of Bulgarian firms' investment (60%) was directed towards machinery and equipment. Firms from the services sector have spent a smaller share of their investment in equipment (53%).
- A quarter (24%) of Bulgarian firms' investment was in intangible assets (R&D, software, training and business processes). This is virtually unchanged since EIBIS 2021 (21%) but lower than the EU average (37%).
- Services (29%) and infrastructure sector firms (26%) are directing a much larger proportion of their investment towards intangibles than are manufacturers (19%) or construction firms (17%).
- As with investment purpose, the areas of investment of Bulgaria's SMEs and large firms are very similar.

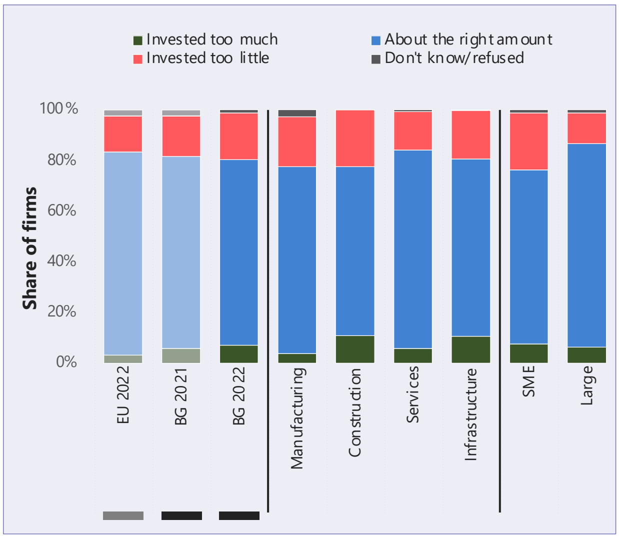
Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company's future earnings?

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

Investment needs and priorities

PERCEIVED INVESTMENT GAP

- Three-quarters of Bulgarian firms (73%) believe they invested the right amount over the past three years. Fewer than two in ten (19%) think they invested too little. The proportion saying they did not invest enough is higher than the current EU average (14%).
- The share of firms that perceive their investment as insufficient is the lowest in the services sector (15%).
- SMEs are more likely than large firms to say they have invested too little over the past three years (23% versus 12%).

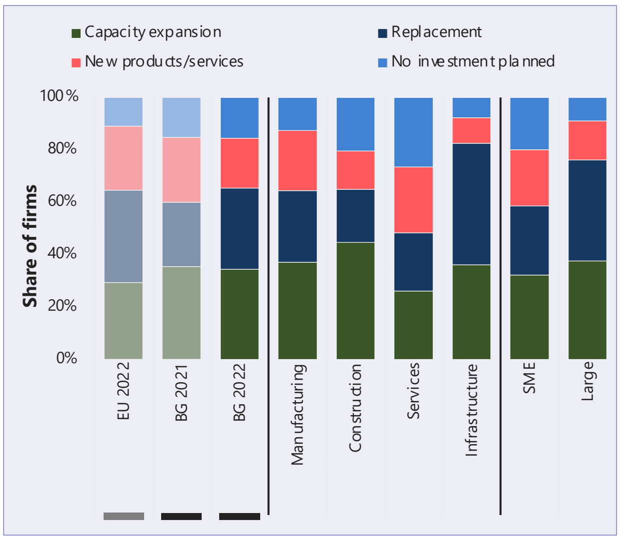


Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

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

FUTURE INVESTMENT PRIORITIES

- Over the next three years, a similar share of Bulgarian firms will prioritise investment in capacity expansion (34%) as will focus on capacity replacement (31%), Two in ten expect to prioritise new product/service development (19%).
- The proportion looking to prioritise capacity replacement has increased since EIBIS 2021 (25% versus 31%), with fewer firms now looking to focus on new product/service development (25% versus 19%).
- In construction, the largest share of firms (45%) expects to prioritise capacity expansion. Capacity replacement is an investment priority for almost half of infrastructure firms (47%). Services (25%) and manufacturing (23%) have the largest proportion of firms intending to prioritise new products/services. A quarter of service sector firms (26%) have no investment planned at all.
- Over twice as many SMEs (20%) as large firms (9%) have no investment planned.

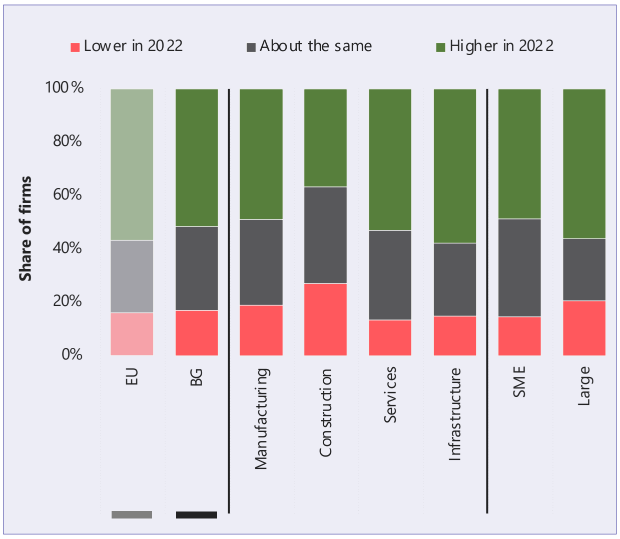


Q. Looking ahead to the next three years, which is your investment priority (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

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

Impact of COVID-19

IMPACT OF COVID-19 ON SALES OR TURNOVER BY END OF 2022 COMPARED TO 2019



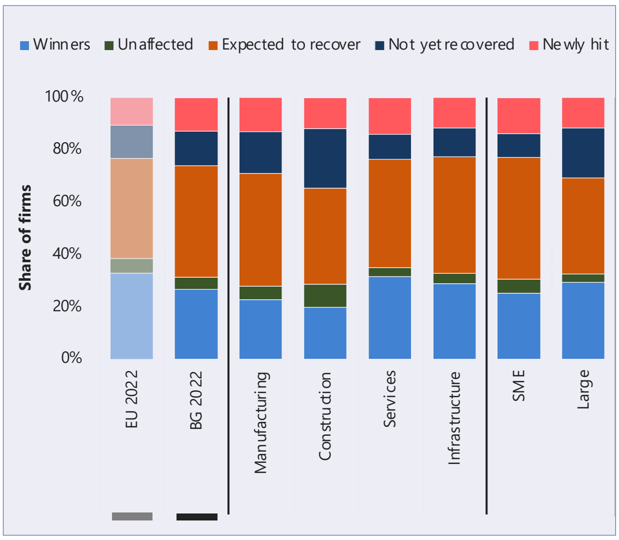
- The majority of Bulgarian firms (52%) expected their 2022 sales to be higher than those achieved in 2019. Relatively few (17%) thought they would be lower. This reflects the general EU outlook (57% and 16% respectively).
- Infrastructure and services firms were the most optimistic that their 2022 sales would exceed those of 2019 (58% and 53% respectively). Over a quarter of construction firms (27%) thought 2022 sales would be lower than 2019.
- SMEs were more likely than large firms to be expecting their sales or turnover in 2022 to be about the same, compared to 2019 (37% versus 23%).

Q. Compared to 2019, do you expect your sales or turnover in 2022 to be higher, lower or about the same?

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

IMPACT ON FIRMS' SALES OR TURNOVER

- More than a half (56%) of Bulgarian firms were negatively impacted by COVID-19. Nevertheless, 42% expected 2022 sales to recover to 2019 levels.
- A further 27% were COVID-19 winners, in that they did not experience a loss of sales or turnover in 2020-2021 and expected a positive sales evolution in 2022 compared to 2019. However, the proportion of 'winners' is lower than the EU average (27% versus 33%).
- The sales outlook varies by sector. Services (32%) and infrastructure (29%) are more likely than manufacturing (23%) or construction firms (20%) to be classified as winners. Nearly a quarter of construction firms (23%) expected their sales to recover in 2022.
- More SMEs than large firms expected their sales to recover to pre-pandemic levels (46% versus 37%). A bigger proportion of large firms than SMEs reported that sales were yet to recover (19% versus 9%).



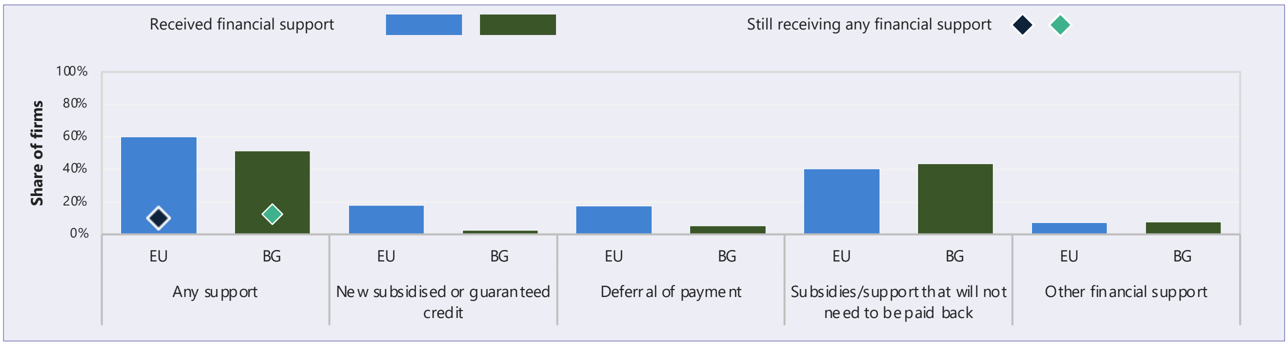
Q. Compared to 2019, before the pandemic started, did your company's sales and turnover in 2020 decline, increase or stay the same?
Q. Compared to 2020, did your company's sales and turnover in 2021 decline, increase or stay the same?
Q. Compared to 2019, do you expect your sales or turnover in 2022 to be higher, lower or about the same?

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

Impact of COVID-19

FINANCIAL SUPPORT RECEIVED IN RESPONSE TO COVID-19

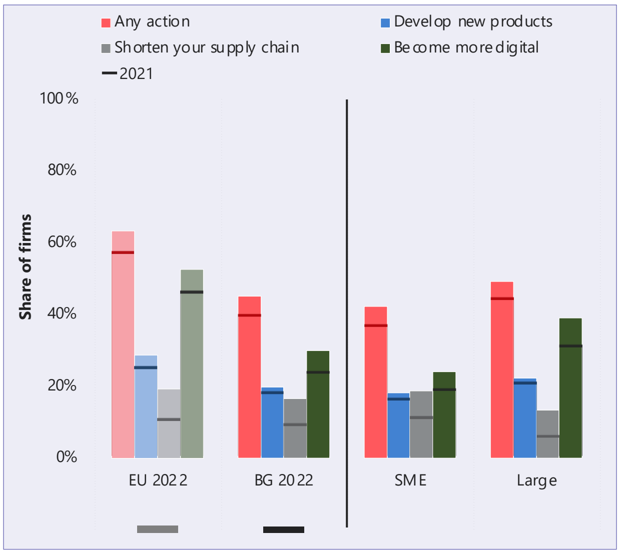
- The proportion of Bulgarian firms that received financial support in response to COVID-19 is lower than the EU average (51% versus 60%.) Just over one in ten (12%) are still receiving it.
- Over two-fifths of Bulgarian firms (44%) were supported by subsidies/support that will not need to be paid back (similar to EU, 40%).
- Compared to the EU average, very few Bulgarian firms benefited from deferred payments (5% versus 17%), and subsidised or guaranteed credit (2% versus 18%).



Q. Since the start of the pandemic, have you received any financial support?
Q. Are you still receiving {any of} this financial support?

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

ACTIONS AS A RESULT OF COVID-19



- A minority of Bulgarian firms (45%) say they have taken at least one action in response to COVID-19. The figure is slightly higher than EIBIS 2021 (40%) but remains much lower than the EU average (63%).
- As reported by 30% of Bulgarian firms, the most frequently taken action or investment is to become more digital. This is a similar level to EIBIS 2021 (24%) but again much lower than the EU average (53%).
- Over four in ten SMEs (42%) and large firms (49%) have taken action of some kind. Bulgaria's largest firms have responded to a greater degree than its SMEs by becoming more digital (39% versus 24%).

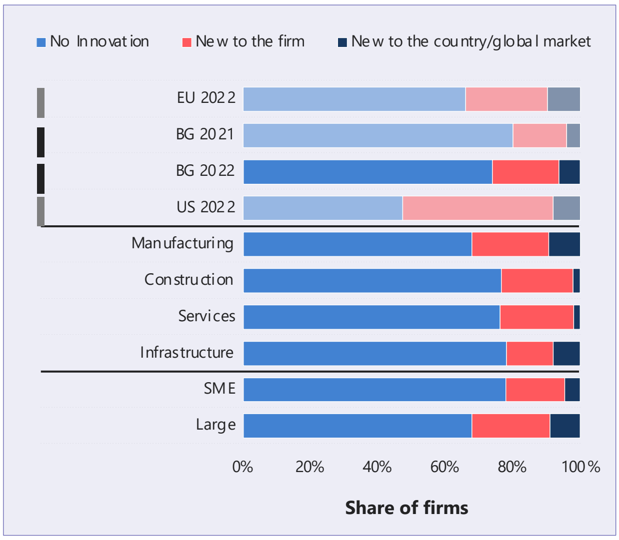
Q. As a response to the COVID-19 pandemic, have you taken any actions or made investments to...?

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

Innovation activities

INNOVATION ACTIVITY

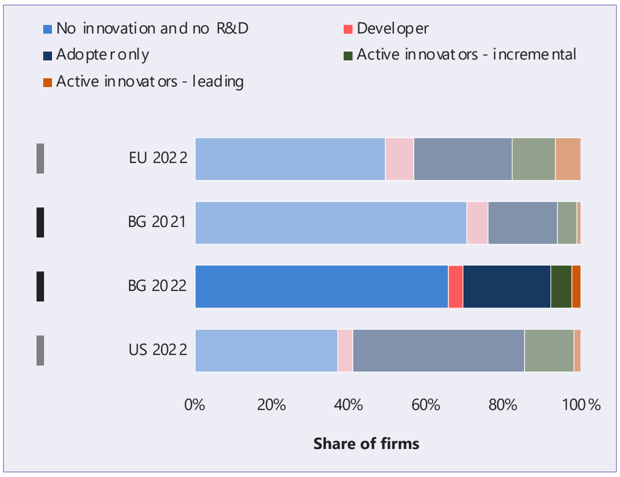
- A quarter (26%) of Bulgarian firms developed or introduced new products, processes or services as part of their investment activities. This represents an increase from EIBIS 2021 (20%) but is lower than the EU average (34%).
- Bulgaria's manufacturing sector has the highest proportion of innovating firms (32%). In all other sectors it ranges from 22% to 24%. A greater proportion of large firms than SMEs are making investments in developing or introducing new products, processes or services (32% versus 22%).
- Fewer Bulgarian firms (6%) than the EU average (10%) have developed or introduced products, processes or services that were new to either the country or global market. The figure is higher among manufacturers (9%) than firms in the services or infrastructure sectors (both 2%).



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



- Fewer than one in ten Bulgarian firms (8%) can be classified as active innovators — firms that invested significantly in research and development and introduced a new product, process or service. The proportion is similar to that recorded in EIBIS 2021 (6%) but much lower than the EU average (18%).
- The proportion of Bulgarian firms that did not innovate or invest in R&D in the last financial year (66%) matches EIBIS 2021 (70%) and is much higher than either the EU average (49%) or the US (37%).

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?

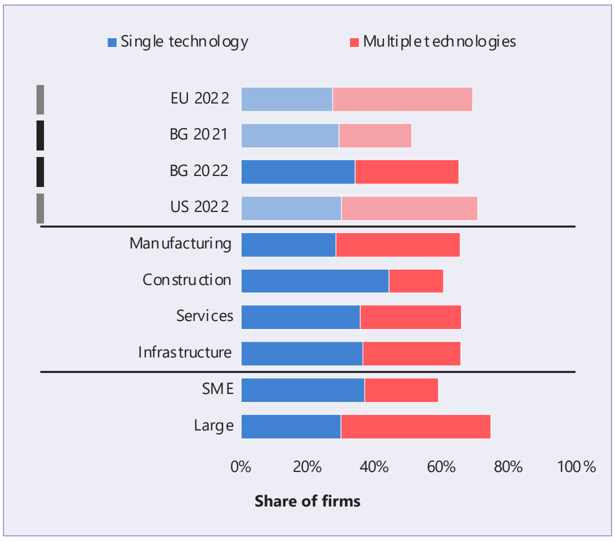
Base: All firms (excluding don't know/refused responses)

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

USE OF ADVANCED DIGITAL TECHNOLOGIES

- Two-thirds of Bulgarian firms (65%) are using at least one advanced digital technology, having increased from 51% in EIBIS 2021. This is close to EU average (69%).
- Between 60% (construction) and 66% (services and infrastructure) of firms in every sector are now employing at least one digital technology.
- Bulgaria's large firms are far more likely than its SMEs to utilise digital technologies (75% versus 59%) while these bigger businesses are twice as likely to be embracing multiple digital technologies (45% versus 22%).
- Except for the Internet of Things (50% versus 41%), Bulgarian firms use individual technologies to a lesser degree than firms across the EU. In relative terms they make far less use of 3-D Printing (6% versus 23%) and digital platform technologies (24% versus 49%).



2022
Q. TO what extent, if at all, are each of the following digital technologies used within your business? Please say if you do not use the technology within your business?

2021
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?

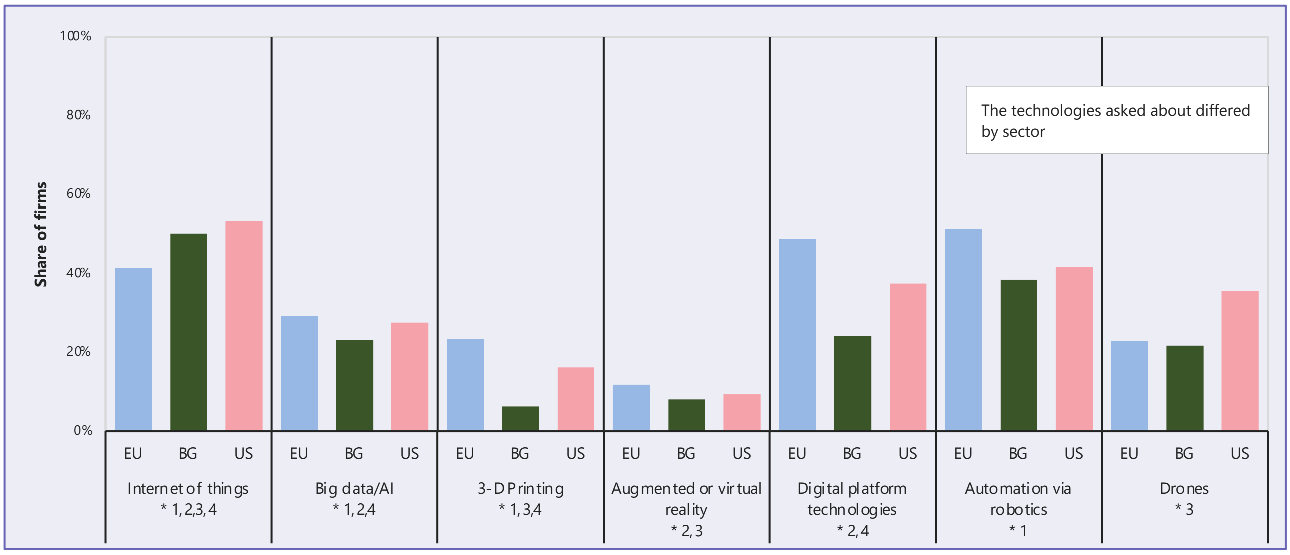
Base: All firms (excluding don't know/refused responses)

Please note: the question wording and definitions changed between 2021 and 2022, comparisons between the two waves should not be made.

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

Single technology is where firms have used one of the technologies asked about. Multiple technologies is where firms have used more than one of the technologies asked about

ADVANCED DIGITAL TECHNOLOGIES



*** Sector: 1 = Asked of Manufacturing firms, 2 = Asked of Services firms, 3 = Asked of Construction firms, 4 = Asked of infrastructure firms**

Q. To what extent, if at all, are each of the following digital technologies used within your business? Please say if you do not use the technology within your business?

Base: All firms (excluding don't know/refused responses);
Sample size BG: Manufacturing (144); Construction (108); Services (107); Infrastructure (118).

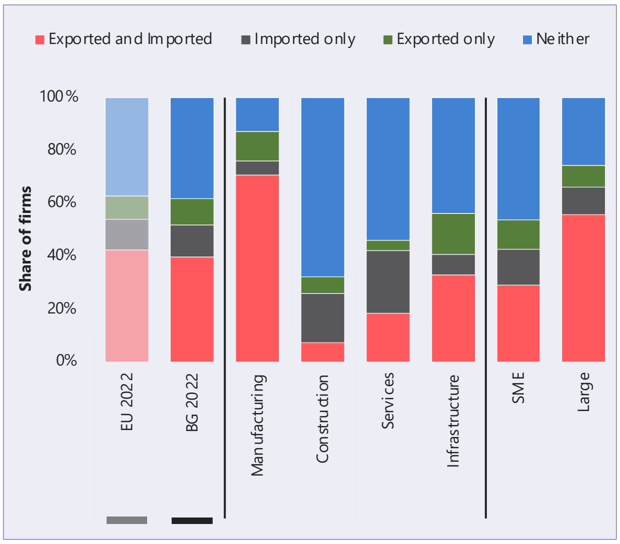
Reported shares combine used the technology 'in parts of business' and 'entire business organised around it'

Please note: question wording changed between 2021 and 2022, comparisons between the two waves should not be made.

International trade

ENGAGEMENT IN INTERNATIONAL TRADE

- The proportion of Bulgarian firms engaged in international trade reflects the EU average (62% versus 63%). Manufacturers (87%) are far more likely than construction (32%) or services firms (46%) to trade outside their home market. Only in manufacturing (82%) do a majority of firms export.
- A higher proportion of large firms than SMEs are trading internationally (74% versus 54%). They are also more likely to be exporters (64% versus 40%).

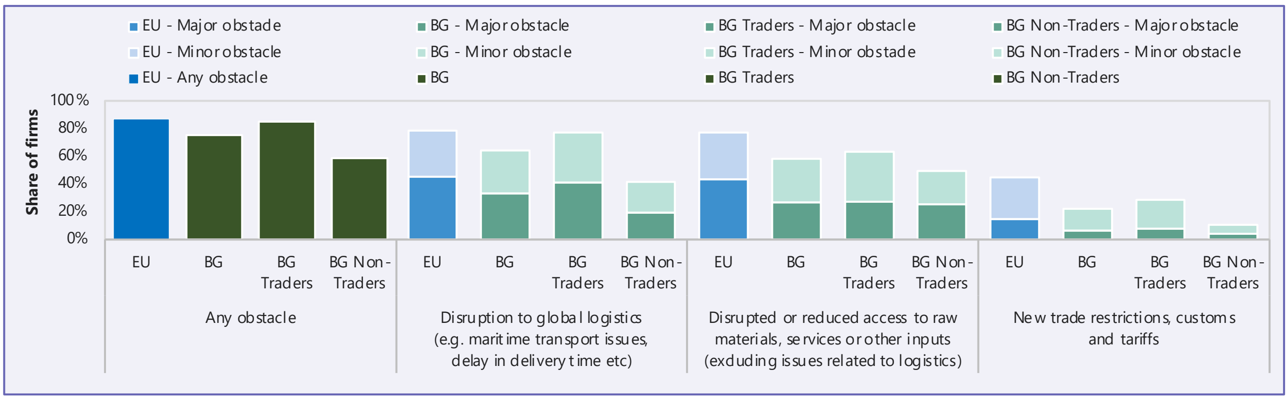


Q. In 2021, did your company export or import goods and/or services?

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

DISRUPTIONS RELATED TO INTERNATIONAL TRADE

- Although 75% of Bulgarian firms face disruptions linked to international trade, this is lower than the EU average (87%). Bulgaria's exporters and importers have been impacted to a far greater degree than its non-traders (85% versus 59%).
- Disruption to global logistics (64%) and reduced access to raw materials, services or other inputs (58%) are the main trade-related obstacles for Bulgaria's firms.
- Relatively few Bulgarian firms have found trade restrictions, customs or tariffs an obstacle to their activities (22%).
- Bulgarian firms have found these disruptions a little less problematic than businesses across the EU. In relative terms, trade restrictions are much less of an obstacle (22% versus 45%).



Q. Since 2021, did any of the following present an obstacle to your business's activities?

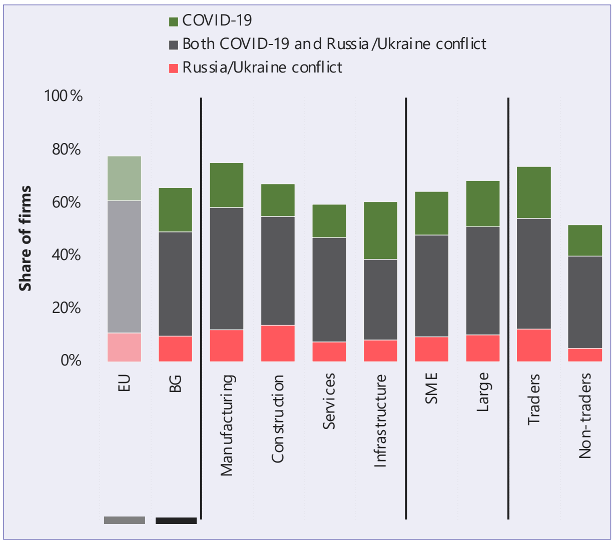
Any obstacle combines 'minor' and 'major' obstacles into one category

Base: "Any obstacle" - All firms (excluding those who said don't know/refused/not applicable responses to all three international trade obstacles)
Base: Individual obstacles - All firms (excluding those who said don't know/refused/not applicable)

International trade

EXTERNAL FACTORS IMPACTING INTERNATIONAL TRADE

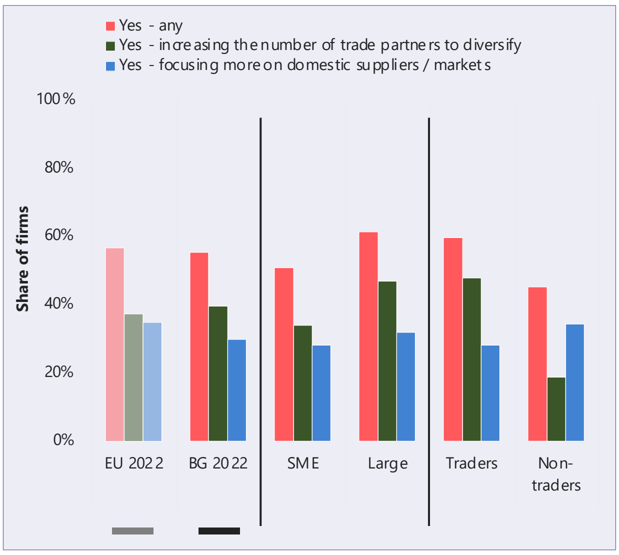
- The proportion of Bulgarian firms that have been impacted by external factors disrupting international trade, is lower than the EU average (66% versus 78%). In relative terms, COVID-19 as a stand-alone factor has impacted more Bulgarian firms than the Russia-Ukraine conflict (17% versus 10%).
- Service sector (60%) and infrastructure (61%) firms are the least likely to have been effected by these external factors. The figure reaches 75% among manufacturers. In every sector except construction (12% versus 14%), COVID-19 has impacted more Bulgarian firms than the Russia-Ukraine conflict.
- For both SMEs and large firms, traders and non-traders, COVID-19 has impacted more firms than has the Russia-Ukraine conflict.



Q. You have just said that you experienced {an obstacle/obstacles} to your business activities since 2021. Did Covid-19 and/or the Russia-Ukraine conflict, including the sanctions imposed by the International community, contribute to this in anyway?

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

ACTIONS TO MITIGITATE INTERNATIONAL TRADE DISRUPTIONS



- Over half of Bulgaria's firms (55%) are taking action to mitigate the impact of international trade disruptions. This matches the EU average (57%).
- A higher share of Bulgarian firms are focussing on increasing or diversifying trading partners (40%), than on domestic suppliers or markets (30%). Both figures are similar to the EU average (37% and 35% respectively).
- A bigger proportion of Bulgaria's large firms than its SMEs have taken steps to mitigate the impact of international trade disruptions (61% versus 51% respectively). Traders (60%) have generally been more active than non-traders (45%), with traders far more focussed on increasing or diversifying trading partners than non-traders have been (48% versus 19%).

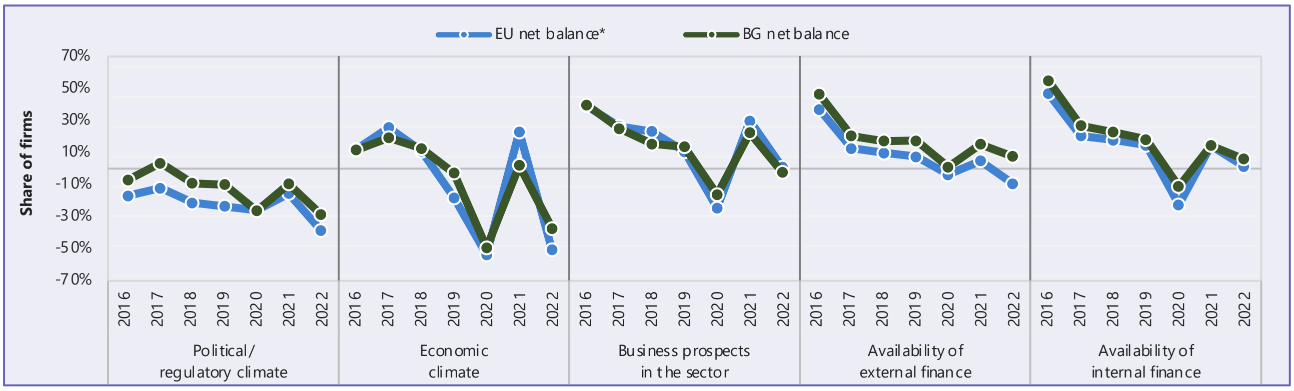
Q. Is your company taking any actions to mitigate the impact of these disruptions?

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

Drivers and constraints

SHORT-TERM FIRM OUTLOOK

- Bulgarian firms are less optimistic about investment conditions for the year ahead than they were in EIBIS 2021.
- Economic climate expectations have deteriorated sharply, from +4% to -38%. For the political climate, the balance of pessimists over optimists is 29%. Expectations for business sector prospects have dropped 27 points to be marginally negative (-1%).
- Expectations for the availability of external (+18% versus +10%) and internal finance (+17% versus +8%) have deteriorated but this still means more Bulgarian firms expect these to improve rather than get worse over the next 12 months.
- The downward trend in sentiment reflects the data from the EU as a whole, except for business sector prospects, Bulgarian firms are not as pessimistic.



Q, Do you think that each of the following will improve, stay the same, or get worse over the next 12 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 %)

	Political / regulatory climate	Economic climate	Business prospects	External finance	Internal finance
Bulgaria	29%	38%	1%	10%	8%
Manufacturing	33%	48%	0%	16%	12%
Construction	33%	29%	20%	1%	5%
Services	42%	48%	7%	7%	2%
Infrastructure	11%	21%	10%	9%	14%
SME	37%	45%	7%	2%	1%
Large	17%	29%	10%	22%	20%

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?

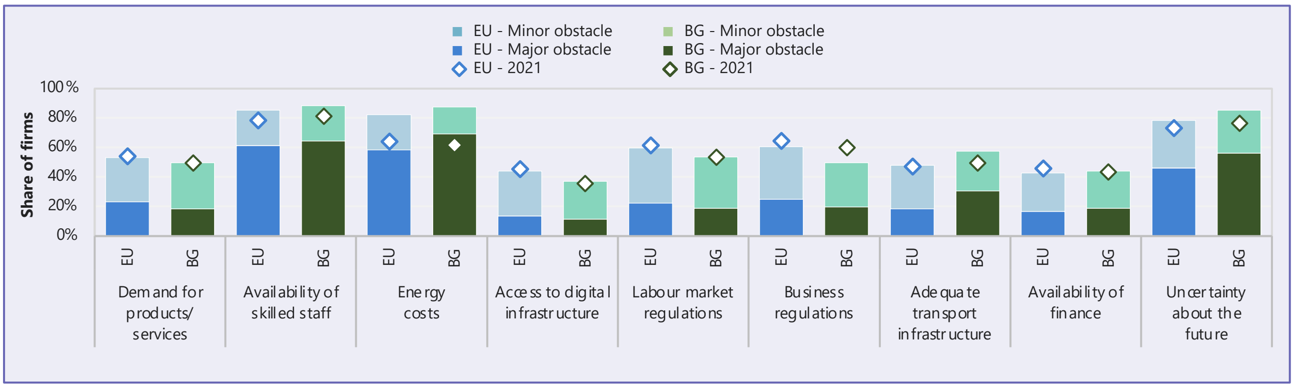
Base: All firms

- In every sector and for SMEs and large firms alike, firms are substantially more negative than positive about the political and economic climate in Bulgaria. Services and manufacturing firms are most pessimistic, while infrastructure firms a little less so. A bigger share of SMEs than large firms think things will get worse.
- Construction (-20%) firms and SMEs (-7%) are the most pessimistic about business sector prospects, while infrastructure and large firms have a net positive balance (both +10%).
- In each sector and size category, more firms expect the availability of external finance to improve rather than get worse. Manufacturers (+16%) and large firms (+22%) are the most optimistic.
- Only in construction (-5%) is there a negative balance of opinion regarding availability of internal finance. Infrastructure (+14%) and manufacturing (+12%) firms are the most positive. As seen for every other element of the short-term outlook, SMEs are less optimistic (+1%) than large firms (+20%).

Drivers and constraints

LONG-TERM BARRIERS TO INVESTMENT

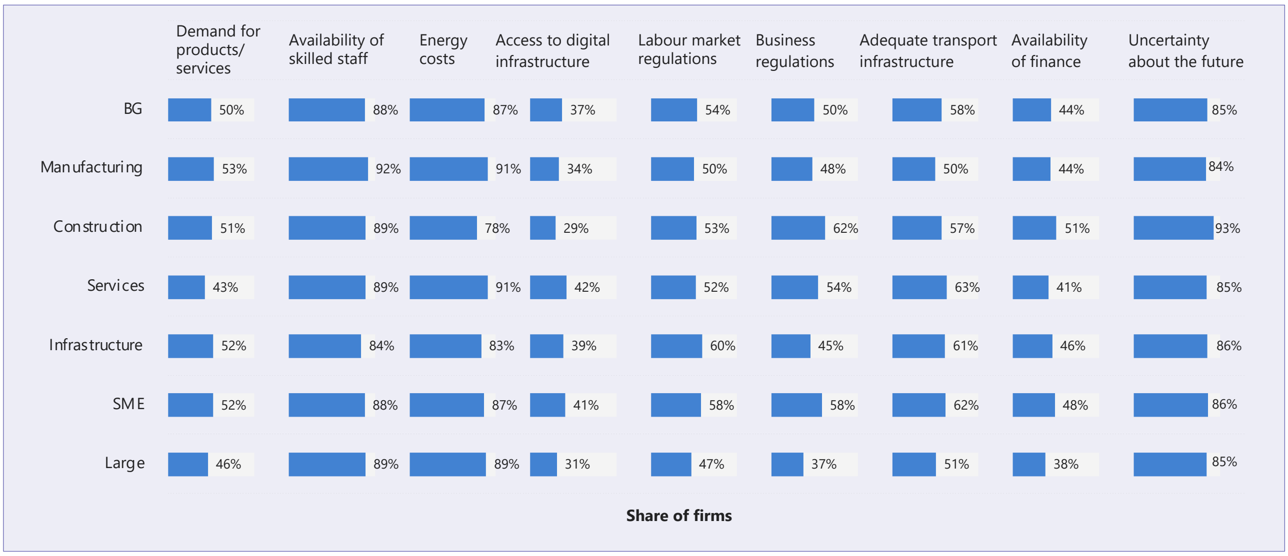
- Almost nine in ten Bulgarian firms regard the availability of skilled staff (88%), energy costs (87%) and future uncertainty (85%) as barriers to investment.
- Most firms also consider Bulgaria's transport infrastructure (58%) and labour regulations (54%) as obstacles to business investment.
- Compared to EIBIS 2021, the energy costs figure is 23 points higher, while the proportion saying business regulations deter investment has dropped 10 points (60% to 50%).
- The proportion of Bulgarian firms saying each factor obstructs investment is similar to the EU average. In relative terms, transport infrastructure is more of a barrier (58% versus 48%), but business regulations are perceived as less obstructive (50% versus 61%).



Q. Thinking about your investment activities, 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



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

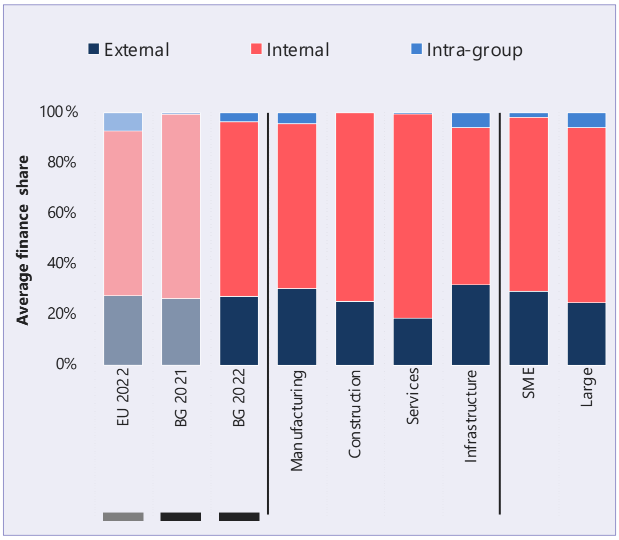
Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

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

Access to finance

SOURCE OF INVESTMENT FINANCE

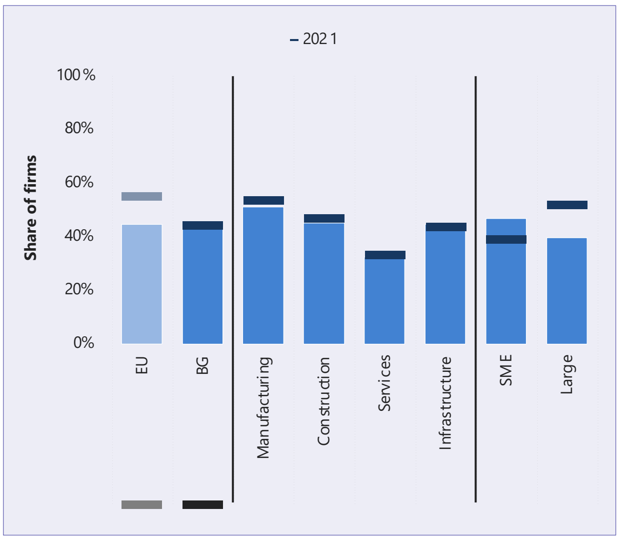
- As in EIBIS 2021 (73%), internal sources currently account for the large majority of Bulgarian firms' investment finance (69%). The proportion financed from external sources (27%) is broadly consistent with the EU average (28%).
- In every sector at least 62% of investment is financed from internal sources. Services firms are most reliant on their own internal resources with 81% of investment funded through this channel.
- SMEs finance slightly more of their investment via external sources than large firms (29% versus 25% respectively).



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)

USE OF EXTERNAL FINANCE



- Over two-fifths of Bulgarian firms that invested in the last financial year funded at least some of this using external finance (44%). The proportion of Bulgarian firms using external finance is consistent with EIBIS 2021 (also 44%) and the current EU average (45%).
- Half of manufacturers (51%) have accessed external finance, but this accounts for a much lower proportion of service sector firms (33%). In all sectors the share of firms using external finance is within two percentage points of EIBIS 2021.
- Owing to a drop among large firms, SMEs are now more likely to have accessed external finance in their last financial year (47% versus 40%).

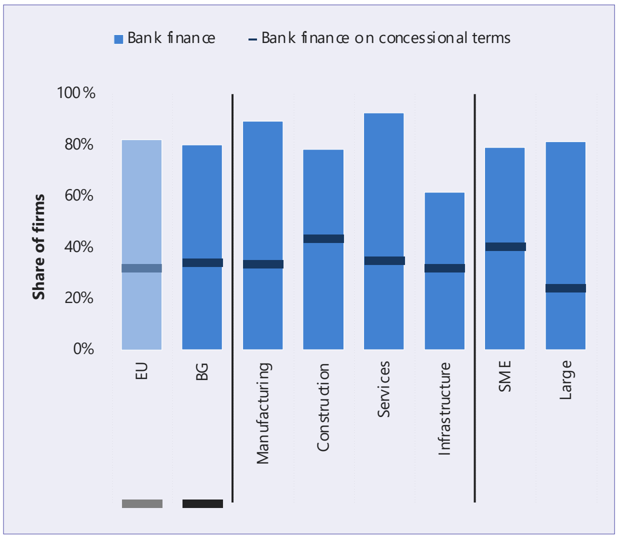
Q. Approximately what proportion of your investment in the last financial year was financed by each of the following

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

Access to finance

ACCESS TO BANK FINANCE AND CONDITIONS

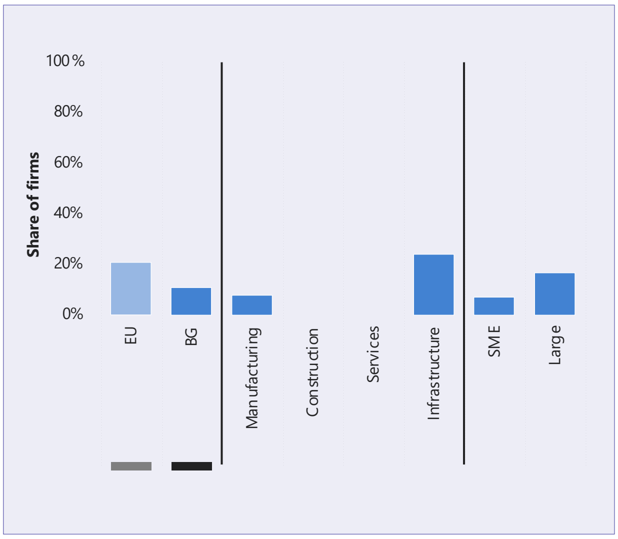
- Eight in ten Bulgarian firms (80%) accessing external finance received funding from a bank, with 34% obtaining it on concessional terms. Bulgarian firms have used bank finance to the same extent as businesses across the EU (80% versus 82%).
- Those in the service sector (93%) and manufacturing (89%) are the most likely to have received bank finance, and infrastructure firms the least (62%). In contrast to other sectors, hose in construction were more likely to benefit from concessional terms.
- SMEs and large firms are equally as likely to have received external finance from a bank (79% versus 81% respectively). However, SMEs are more likely to have obtained bank finance on concessional terms (41% versus 24%).



Q. Which of the following types of external finance did you use for your investment activities in the last financial year?
Q. Was any of the bank finance you received on concessional terms (e.g. subsidised interest rates, longer grace period to make debt payments)?

Base: All firms who used external finance (excluding don't know/refused responses)

SHARE OF FIRMS WITH FINANCE FROM GRANTS



- Compared to the EU average, Bulgarian firms are half as likely to have received external finance in the form of grants (11% versus 21%).
- While a quarter of infrastructure firms (24%) said they received grants, fewer than one in ten manufacturers (7%) obtained external finance through this channel, and none in the construction or services sectors.
- Twice as many large firms as SMEs that accessed external finance received some of it in the form of grants (16% versus 7%).

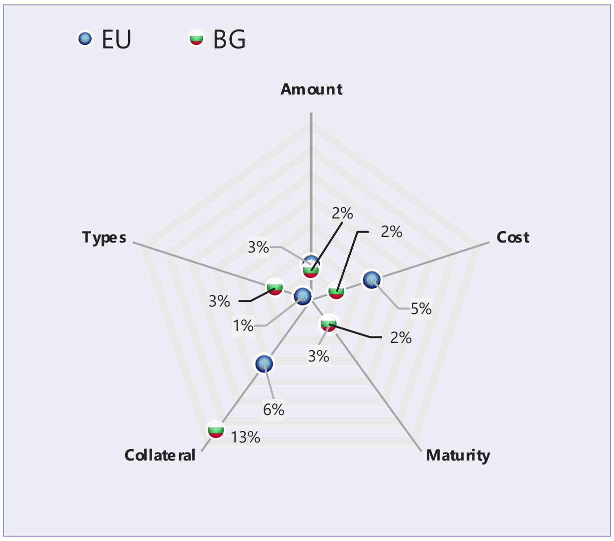
Q. What proportion of your total investment in your last financial year was financed by grants?

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

Access to finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED (% of firms)

- Bulgarian firms that used external finance are far more satisfied than dissatisfied with each aspect of the finance received. Only for collateral requirements did more than one in ten firms express dissatisfaction (13%).
- The findings in Bulgaria are generally similar to those across the EU, although twice as many firms are dissatisfied with collateral requirements (13% versus 6%).



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 (% of firms)

	Amount	Cost	Maturity	Collateral	Type
BG	2%	2%	2%	13%	3%
Manufacturing	0%	1%	1%	14%	1%
Construction	0%	0%	5%	2%	0%
Services	12%	7%	5%	21%	1%
Infrastructure	0%	1%	1%	9%	7%
SME	4%	4%	4%	10%	2%
Large	0%	0%	0%	17%	4%

- With the exception of collateral requirements, dissatisfaction levels are generally low across all sectors and size classes.
- Over one in ten service sector firms (12%) are dissatisfied with the amount offered. A relatively high proportion of services firms (21%) are also unhappy about collateral requirements, as are 14% of manufacturers. At least one in ten SMEs (10%) and large firms (17%) expressed dissatisfaction with collateral requirements.
- Otherwise, dissatisfaction is very low in all cases. Especially within construction where no criticism is expressed about the amount, cost or type of finance offered. Among large firms there is zero dissatisfaction with the amount, cost or maturity period.

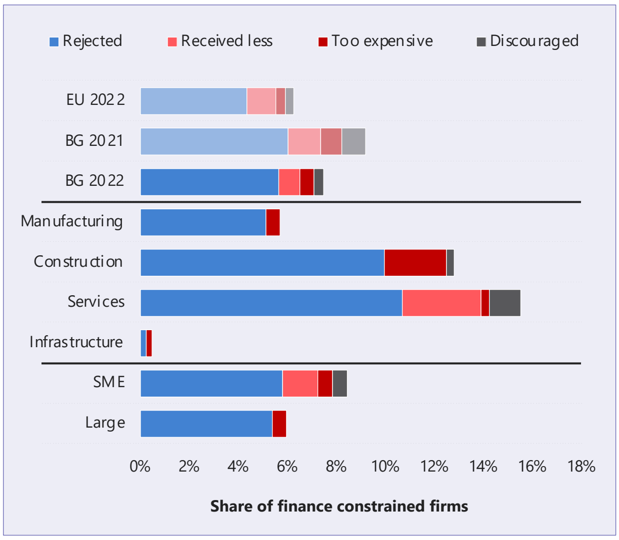
Q. How satisfied or dissatisfied are you with …?

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

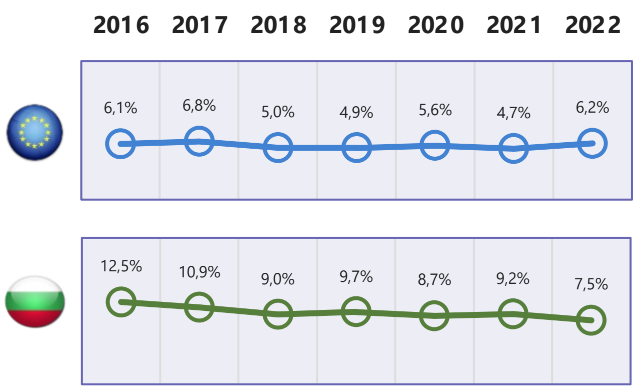
- The share of financially constrained firms in Bulgaria (7.5%) is lower than EIBIS 2021 (9.2%) and similar to the EU average (6.2%).
- Rejection (5.6%) accounts for most of Bulgaria's financially constrained firms.
- Firms in the services (15.5%) and construction sectors (12.8%) are far more likely than manufacturers (5.7%) to be financially constrained. Fewer than half of one percent of infrastructure firms have experienced external finance constraints.
- More SMEs (8.4%) than large firms (5.9%) are finance constrained with rejection (5.4%) accounting for almost all these bigger firms.



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 (excluding don't know/refused responses)

SHARE OF FINANCE CONSTRAINED FIRMS OVER TIME



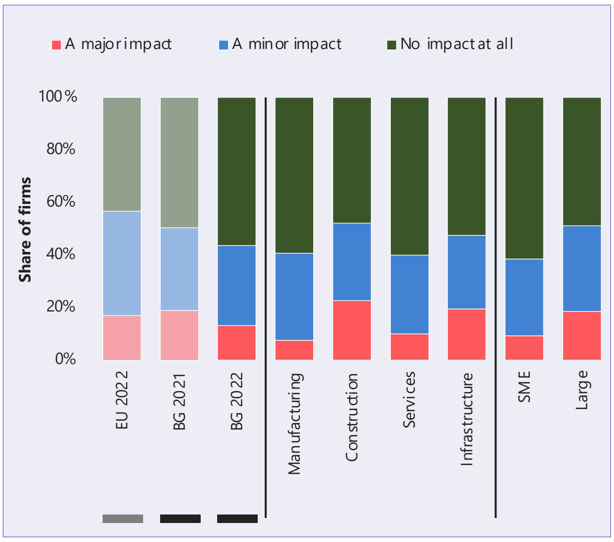
- The proportion of Bulgarian firms that are finance constrained (7.5%) is the lowest yet seen in the EIBIS series.
- The proportion of finance constrained firms in Bulgaria has always been larger than the EU average, but the gap is now much smaller (7.5% versus 6.2%).

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

Climate change and energy efficiency

IMPACT OF CLIMATE CHANGE – PHYSICAL RISK

- The proportion of Bulgarian firms facing climate-related losses (44%) is lower than the EU average (57%). Just over one in ten report that weather events are having a major impact (13%).
- Perceived impact is highest among construction (52%) and infrastructure firms (48%). In each of these sectors at least two in ten firms say weather events are having a major impact (23% and 20% respectively).
- Bulgaria's large firms (51%) have seen climate events causing physical losses more frequently than its SMEs (39%).

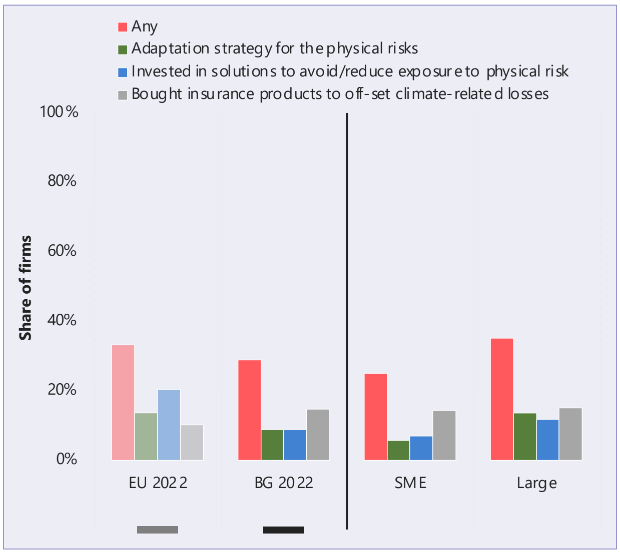


Q. Thinking about the impact of climate change on your company, such as losses due to extreme climate events, including droughts, flooding, wildfires or storms or changes in weather patterns due to progressively increasing temperature and rainfall. What is the impact, also called physical risk, of this on your company?

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

Please note: question wording changed between 2021 and 2022. Comparisons should be treated with caution.

BUILDING RESILIENCE TO PHYSICAL RISK



- Almost three in ten Bulgarian firms (29%) have already developed or invested in measures to build resilience to the physical risks caused by climate change. This is close to the EU average (33%).
- Unlike many other EU countries, Bulgarian firms are more likely to have responded by buying relevant insurance (15%). In contrast, far fewer Bulgarian firms are investing in solutions to avoid or reduce exposure to physical risk (9% versus 20%).
- Bulgaria's large firms (35%) are more likely than its SMEs (25%) to have developed or invested in measures to build resilience to physical risk.
- Only 6% of SMEs are adapting their strategy to take account of the losses they may suffer as a result of climate change, compared to 14% of large firms.

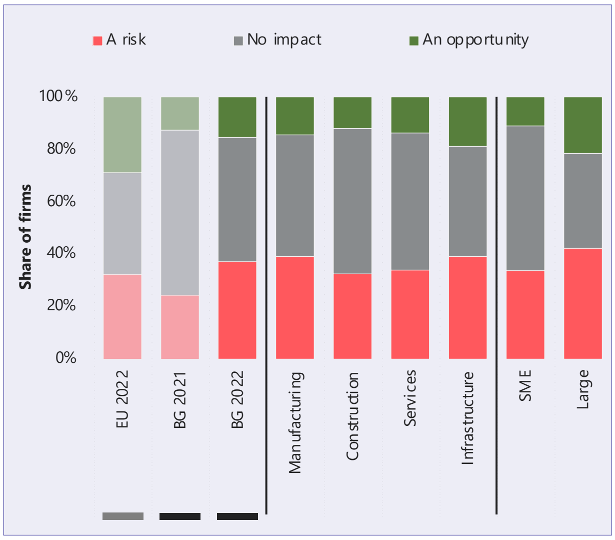
Q. Has your company developed or invested in any of the following measures to build resilience to the physical risks to your company caused by climate change?

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

Climate change and energy efficiency

IMPACT OF CLIMATE CHANGE – RISKS ASSOCIATED WITH THE TRANSITION TO A NET ZERO EMISSION ECONOMY OVER THE NEXT FIVE YEARS

- Over twice as many Bulgarian firms regard the transition to stricter climate standards and regulations a risk (37%) as considers it an opportunity (15%). The proportion that considers it a risk has increased since EIBIS 2021 (24%) and is above the EU average (33%). Just under half of Bulgarian firms (47%) think this will have no impact.
- Opinions are consistent across sectors. The balance of firms regarding this transition as a risk rather than an opportunity ranges from 33% in construction to 39% in manufacturing and infrastructure.
- More SMEs than large firms (55% versus 36%) believe the transition to stricter climate standards and regulations will have no impact on their business. Large firms are twice as likely to consider this a risk rather than an opportunity (42% versus 22%).

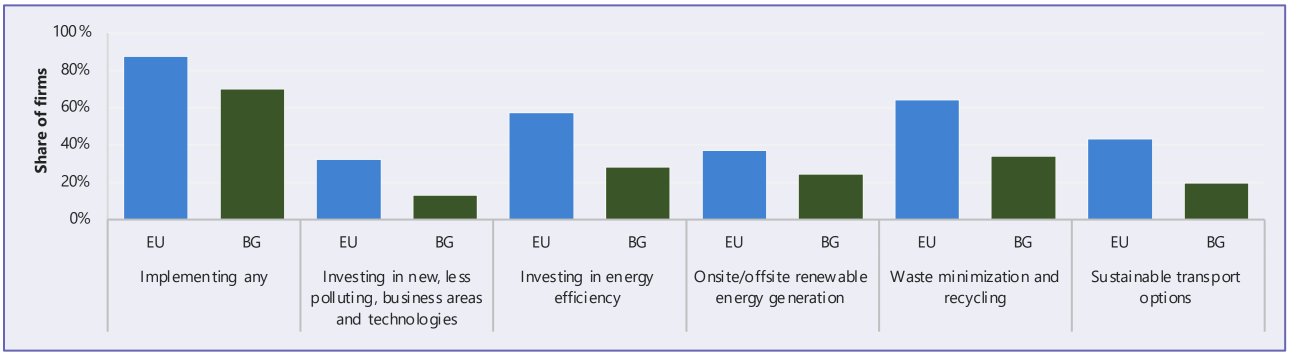


Q. Thinking about your company, what impact do you expect this transition to stricter climate standards and regulations will have on your company over the next five years?

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

ACTIONS TO REDUCE GHG EMISSIONS

- Bulgarian firms are less likely than those across the EU to be taking actions to). reduce greenhouse gas (GHG) emissions (70% versus 88%
- The main actions being taken by Bulgarian firms are waste minimization and recycling (34%), investment in energy efficiency (28%) and renewable energy generation (24%).
- For each initiative, Bulgarian firms are less likely than those across the EU to be making investments.
- The biggest difference is seen for waste minimization and recycling (34% versus 64%), and investment in energy efficiency (28% versus 57%).



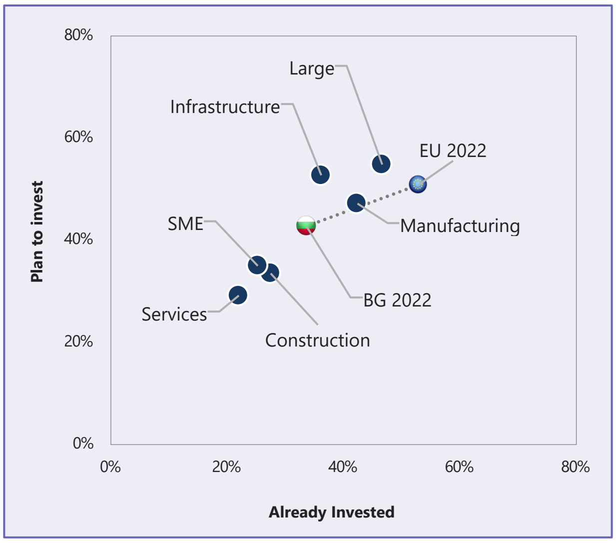
Q. Is your company investing or implementing any of the following, to reduce Greenhouse Gas (GHG) emissions?

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

Climate change and energy efficiency

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT

- Bulgarian firms are less likely than those across the EU to have invested in tackling the impacts of weather events and reducing carbon emissions (34% versus 53%) or to have plans to invest in the next three years (43% versus 51%).
- No more than 42% of firms in any sector have already invested in these areas and only among infrastructure business (52%) are a majority planning investment that addresses the impacts of weather events and reducing carbon emissions. Only around three in ten construction (34%) and services firms (29%) have such plans.
- A higher proportion of large firms than SMEs have already invested (47% versus 25%) and also plan to make investments related to climate change (55% versus 35%).



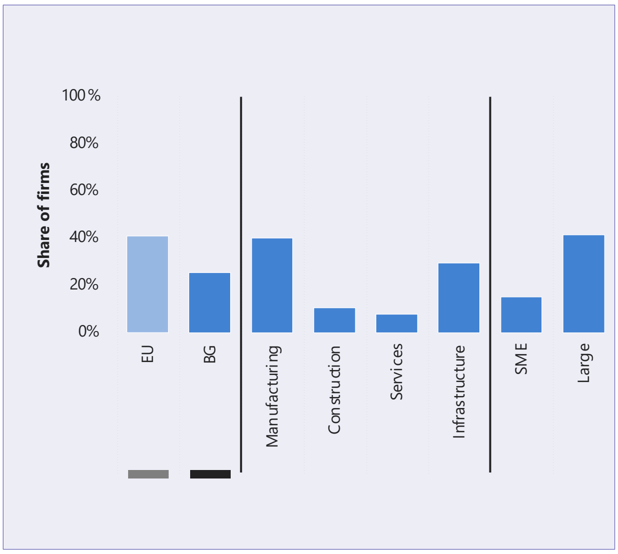
EIBIS 2022
Q. Which of the following applies to your company regarding investments to tackle the impacts of weather events and to help reduce carbon emissions?

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

EIBIS 2021
Q. Now thinking about investments to tackle the impacts of weather events and to deal with the process of reduction in carbon emissions, which of the following applies?

Please note: question change and an additional answer option was included in 2022, this may have influenced the data. Treat comparison to previous waves with caution.

CLIMATE CHANGE TARGETS FOR OWN GREENHOUSE GAS (GHG) EMISSIONS



- Bulgarian firms are far less likely than those across the EU to set and monitor targets for their own GHG emissions (26% versus 41%).
- While at least three in ten of Bulgaria's manufacturing (40%) and infrastructure firms (30%) set and monitor GHG emissions targets, only around one in ten construction (11%) and services firms (8%) are taking similar action.
- Large firms are almost three times more likely than SMEs to set and monitor targets for their own GHG emissions (41% and 15% respectively).

Q. Does your company... set and monitor targets for its own Greenhouse Gas (GHG) emissions

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

Climate change and energy efficiency

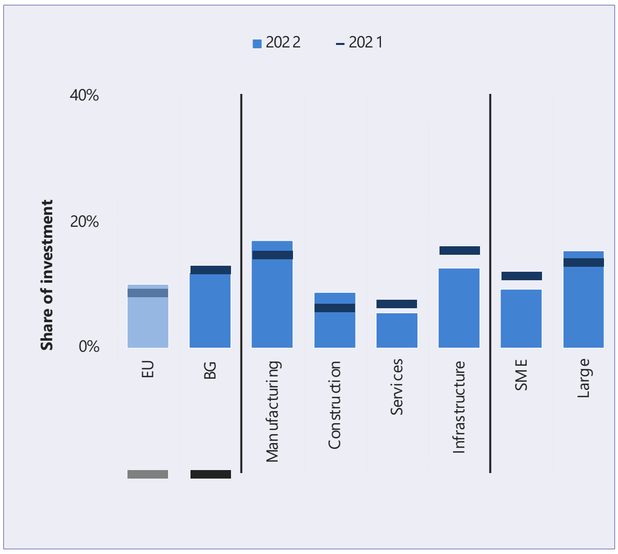
SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY

- The share of Bulgarian firms investing in measures to improve energy efficiency (31%) is consistent with EIBIS 2021 (28%) and remains below the EU average (40%).
- Compared to EIBIS 2021, the proportion of firms investing in energy efficiency has remained consistent across every sector. It is highest among manufactures (40%) and infrastructure firms (34%) and lowest in construction (25%) and services (19%).
- Bulgaria's large firms (45%) are more likely than its SMEs (22%) to be investing in energy efficiency, with both figures in line with EIBIS 2021 (43% and 19% respectively).

Q. What proportion of the 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



- On average, Bulgarian firms directed 12% of their total investment primarily towards improving energy efficiency. This is consistent with EIBIS 2021 (12%) and the current EU average (10%).
- There have been only very small changes since EIBIS 2021. Manufacturing (17%) and infrastructure firms (13%) continue to direct the largest proportion of investment towards energy efficiency. It is lowest among services firms (6%).
- Compared to SMEs, a bigger proportion of large firms' investment has been used primarily to improve their energy efficiency (15% and 9% respectively).

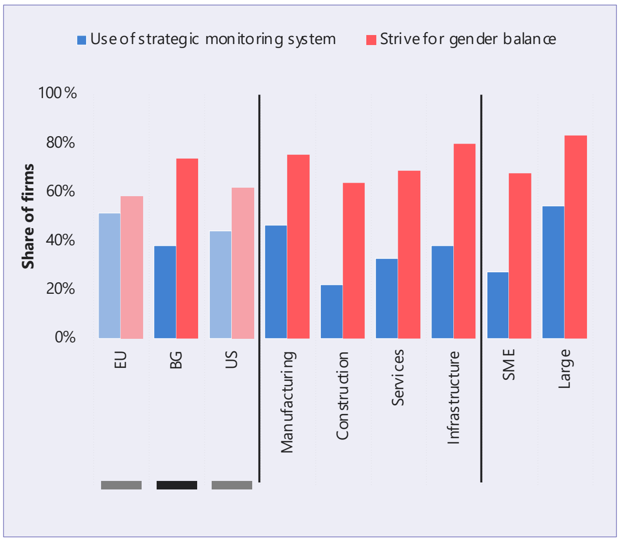
Q. What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

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

Firm management, gender balance and employment

FIRM MANAGEMENT AND GENDER BALANCE

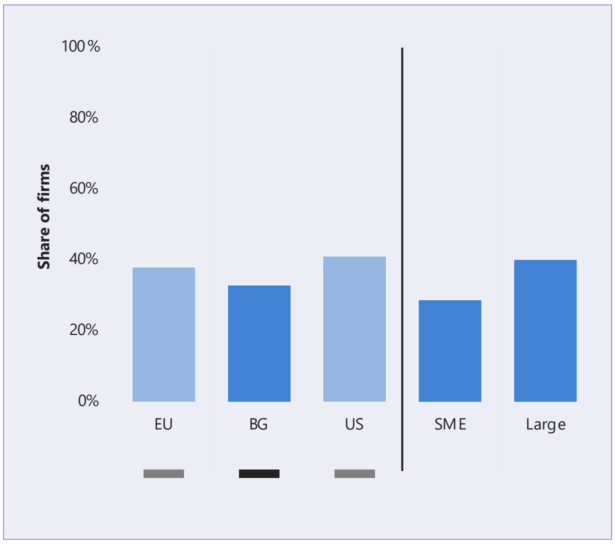
- Fewer than four in ten Bulgarian firms (38%) use a strategic monitoring system. This is lower than the EU average (51%) but similar to the US (44%).
- The proportion of Bulgarian firms striving for gender balance within their business (74%) is higher than either the EU average (58%) or the US (62%).
- In no sector does a majority of Bulgarian firms use strategic monitoring systems. It ranges from 22% of construction firms to 47% of manufacturers. A minimum of 64% in every sector is working to achieve gender balance, rising to at least three-quarters of manufacturers (75%) and infrastructures firms (80%).
- Large firms are far more likely than SMEs to be utilising strategic monitoring systems (54% versus 27%) while at least two-thirds in both groups is working towards gender balance (83% versus 68%).



Q Does your company...?

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

FIRMS WHO HAVE INCREASED EMPLOYEE NUMBERS SINCE 2019



- A third of Bulgarian firms (33%) have increased their employee numbers since 2019. This is slightly below the EU average (38%) and the US (41%).
- A higher proportion of large firms (40%) than SMEs (29%) have increased employee numbers since 2019.

Q. How many people does your company employ either full or part time at all its locations, including yourself?

Q. How many people did your company employ either full or part time at all its locations at the beginning of 2019, before the COVID-19 pandemic?

Base: All firms (excluding don't know/refused/did not exist in 2019 responses)

EIBIS 2022 – 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
	(12021)	(800)	(483)	(144)	(108)	(107)	(118)	(405)	(78)	(12021 vs 483)	(144 vs 108)	(405 vs 78)
10% or 90%	1.1%	4.1%	2.9%	4.7%	5.5%	6.0%	5.6%	2.9%	5.8%	3.1%	7.2%	6.5%
30% or 70%	1.7%	6.2%	4.4%	7.2%	8.3%	9.2%	8.6%	4.5%	8.9%	4.7%	11.0%	9.9%
50%	1.8%	6.8%	4.8%	7.9%	9.1%	10.0%	9.4%	4.9%	9.7%	5.1%	12.0%	10.8%

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.

Note: the EIBIS 2022 country overview refers interchangeably to 'the past/last financial year' or to '2021'. Both refer to results collected in EIBIS 2022, where the question is referring to the past financial year, with the majority of the financial year in 2021 in case the financial year is not overlapping with the calendar year 2021.

EIBIS 2022 – Country technical details

The country overview presents selected findings based on telephone interviews with 483 firms in Bulgaria (carried out between April and July 2022).

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

Base definition and page reference	EU 2022/2021	US 2022	BG 2022/2021	Manufacturing	Construction	Services	Infrastructure	SME	Large
All firms, p. 3, p.12, p.13, p. 21 (top)	12021/11920	800	483/480	144	108	107	118	405	78
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4 (top)	9704/9670	668	382/360	113	89	79	97	307	75
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4 (bottom)	9501/9523	668	382/360	112	90	79	97	308	74
All firms (excluding 'Company didn't exist three years ago' responses), p. 5 (top)	11735/11648	778	480/477	144	107	106	117	402	78
All firms (excluding don't know/refused responses), p. 5 (bottom)	11814/11765	780	472/475	140	103	106	118	397	75
All firms (excluding don't know/refused responses), p. 6 (top)	11810/NA	795	472/NA	141	107	103	115	394	78
All firms (excluding don't know/refused responses), p. 6 (bottom)	11725/NA	784	467/NA	139	105	103	114	390	77
All firms (excluding don't know/refused responses), p. 7 (top)	11945/11857	762	482/480	144	108	107	117	404	78
All firms (excluding don't know/refused responses), p. 7 (bottom)	11989/11891	796	482/480	144	108	106	118	404	78
All firms (excluding don't know/refused responses), p. 8 (top)	11735/11648	778	480/477	144	107	106	117	402	78
All firms (excluding not applicable/don't know/refused responses to all 3 questions), p. 8 (bottom)	8728/8780	615	376/349	112	88	77	95	302	74
All firms (excluding don't know/refused responses), p. 9	11980/NA	800	483/NA	144	108	107	118	405	78
All firms (excluding don't know/refused responses), p. 10 (top)	11975/NA	798	481/NA	144	107	107	117	403	78
All firms (excluding those who said don't know/refused/not applicable responses to all three international trade obstacles) p. 10 (bottom)	11382/NA	790	454/NA	139	100	101	109	378	76
All firms (excluding don't know/refused responses), p. 11 (top)	9339/NA	680	323/NA	115	68	67	72	260	63
All firms facing trade disruptions (excluding don't know/refused responses), p. 11 (bottom)	9265/NA	707	320/NA	114	68	65	72	258	62
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 14	10051/8675	665	383/323	113	90	79	97	308	75
All firms who used external finance (excluding don't know/ refused responses), p. 15 (top)	4107/4059	275	168/133	57	36	27	48	137	31
All firms who used external finance (excluding don't know and refused) p. 15 (bottom)	4155/4100	280	169/134	58	36	27	48	137	32
All firms who used external finance in the last financial year (excluding don't know/refused responses) , p. 16	3988/3964	270	165/132	57	36	27	45	133	31
All firms (excluding don't know/refused responses), p. 17	11504/11518	715	482/465	144	108	107	117	405	77
All firms (excluding don't know/refused responses), p. 18 (top)	11911/11849	790	478/473	144	106	105	117	400	78
All firms (excluding don't know/refused responses), p. 18 (bottom)	11909/NA	784	481/NA	143	107	107	118	404	77
All firms (excluding don't know/refused responses), p. 19 (top)	11172/11384	759	448/457	134	99	96	113	373	75
All firms (excluding don't know/refused responses), p. 19 (bottom)	11964/NA	794	483/NA	144	108	107	118	405	78
All firms (excluding don't know/refused responses), p. 20 (top)	11685/NA	763	474/NA	141	104	106	117	399	75
All firms (excluding don't know/refused responses), p. 20 (bottom)	11712/NA	783	472/NA	144	101	107	115	395	77
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 21 (bottom)*	9752/9617	677	376/356	113	86	78	95	302	74
All firms (excluding don't know/refused responses) p. 22 (top)	11696/11616	785	460/470	142	101	100	111	383	77
All firms (excluding don't know/refused/did not exist in 2019 responses) p. 22 (bottom)	11662/11718	783	457/471	132	101	105	113	389	68

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Bulgaria

Overview

EIB INVESTMENT SURVEY

2022