Gabrovo Municipality is keeping an eye on changes in SMEs in the post-COVID era
New approaches in a dynamic situation

New socio-economic analysis with Institute for market economy

New investment economic profile

New vision for Gabrovo economy

SME’s online survey for needs assessment

Opportunities for joint projects with industry (PPPs)
Gabrovo economy on the map

The GDP per capita for 2018 in the district of Gabrovo is 13,510 BGN, which is higher compared to other economic centres in the region, such as Veliko Tarnovo and Ruse. GDP per capita in the district of Gabrovo had been gradually catching up to the national average in the past five years. In terms of local economic development, Gabrovo ranks in country’s top 3 and is a local leader in GDP per capita growth.

<table>
<thead>
<tr>
<th>District</th>
<th>GDP per capita /2018/</th>
<th>Growth in the past 5 years /2013-2018/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gabrovo</td>
<td>13,510 BGN</td>
<td>+51%</td>
</tr>
<tr>
<td>Plovdiv</td>
<td>13,141 BGN</td>
<td>+41%</td>
</tr>
<tr>
<td>Ruse</td>
<td>11,769 BGN</td>
<td>+33%</td>
</tr>
<tr>
<td>Veliko Tarnovo</td>
<td>10,434 BGN</td>
<td>+35%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>15,615 BGN</td>
<td>+38%</td>
</tr>
</tbody>
</table>

Source: NSI data
THE SHIFT TOWARDS HIGHER ADDED VALUE

The share of the processing industry in Municipality of Gabrovo is almost twice as high compared to the country average. On the other hand, one third of manufacturing is concentrated into the production of machinery, equipment and metal products, which are the sectors with the highest added value per one employed person. Even though they are small relative to the economy as a whole, the most dynamic sectors are information technology and services and professional activities. Their total added value in those fields has tripled in the last 5 years and today is comparable with the added value in construction and transport businesses combined.

SHARES OF ECONOMIC SECTORS BY OUTPUT
/2018/

Source: NSI data
ADDED VALUE PER EMPLOYEE IN MANUFACTURING /BGN/

Source: IME based on NSI data

The shift of the local economy towards economic activities with higher added value is clearly visible. For the last five years the added value per employed person has grown by 50%, reaching 25 000 BGN per employee in the local enterprises. This determines the constant increase in wages, which have an average annual growth of 10% for the 2013-2018 period, and this trend has continued in 2019.
LEADING INDUSTRIES IN GABROVO

The processing industry in Gabrovo is concentrated into five large groups. The output of the production of machinery, equipment and metal tools comprises 37% of the total production value and 40% of the employed in industry. A traditionally well-developed branch is the textile production with 31% of the total production value and 29% of the employees.

Two other leading sectors, each with about 12% share in the overall processing industry, are rubber and plastics and food production. The production of wood products and furniture comprises about 6% of the industry.

MACHINERY AND ARTICLES OF METAL
37% share
of the processing industry /2018/

44 000 BGN
VALUE ADDED PER EMPLOYEE IN MECHANICAL ENGINEERING /2018/

Over 50%
OF THE PRODUCT IN THE PROCESSING INDUSTRY IS EXPORTED /2018/
High share of people with university degree

Relative share of the population in the district of Gabrovo with university education /25-64 years, %/

28% of the population in Gabrovo district has tertiary education
Record employment in 2019 (before the coronavirus)
Wage growth (before coronavirus)

Average monthly salary growth in Municipality of Gabrovo /%/
Average monthly salary growth in processing industry in Municipality of Gabrovo /%/

2014: 6%
2015: 4%
2016: 9%
2017: 10%
2018: 13%
On-line Business Survey (June 2020)

• This survey was initiated by the Municipality of Gabrovo and executed by Institute of Market Economy (www.ime.bg)
• The Goal: To study business opinions and recommendations for Gabrovo future local economic development
• 55 companies participated in the survey - 32 manufacturing companies and 14 SMEs from ICT sector and services
• 5 companies over 250 employees, 15 have with more than 50 employees
Factors hindering the companies activities

- Uncertain economic environment (53% of the companies) and the shortage of labor (42% of the companies)

- Need of improvement of the transport infrastructure and connections - investments in the technical infrastructure and regeneration of the industrial zones

- Maintenance of common areas (38%), transport network (25%), public transport (24%) and gas network (18%)

- 73% of companies have the opportunity to grow their business in the place where they currently operate
Potential public – private partnerships

• 58% declare an interest in developing for public-private partnership

• Interest in partnerships with educational institutions - schools, high schools and universities

• 10 companies have an interest in the joint construction of infrastructure, and 7 have an interest in participating in the management of industrial zones and terrains

• Business is willing to participate in public-private partnerships, incl. in terms of infrastructure and area management
Effect of COVID-19

- 67% declared a decline in revenues in March and April 2020
- 45% expect a longer-term effect and a profound change in supply chains and relationships with external partners
- 53% introduced some form of teleworking in March and April 2020 and 51% indicated that their workers took advantage of their annual paid leave during the state of emergency
- 20% laid off workers and 75% expect to retain staff by the end of 2020
THANK YOU FOR YOUR ATTENTION

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