



Competitiveness of the Bulgarian Economy 2019

Press Release

According to the Global Competitiveness Yearbook 2019 of the Institute for Governance Development (IMD, Switzerland), the Bulgarian economy pulled by the EU is slowly recovering, but is not yet shining. In 2019, Bulgaria ranks 48th out of 63 countries, an improvement of seven positions compared to 2015, but a deterioration compared to 2009 (38th place, see Figure 1). The Bulgarian economy remains among the most uncompetitive in Europe. The long-term factors of competitiveness of the Bulgarian economy stay stagnant, which makes the probability of a breakthrough in the coming years low without substantial correction in the policies of the Bulgarian government and business leaders.

Main challenges and Opportunities for improving Bulgaria's Competitiveness in 2019.

- Economic institutions lack a strong judicial system and control of corruption.
- Further efforts should be made to curb the informal economy.
- Structural reforms to join ERM II and the Banking Union are slow.
- Insufficient action in reforming the energy sector.
- Access to skilled labour is a growing challenge.

Source: World Competitiveness Yearbook and Center for the Study of Democracy, 2019.

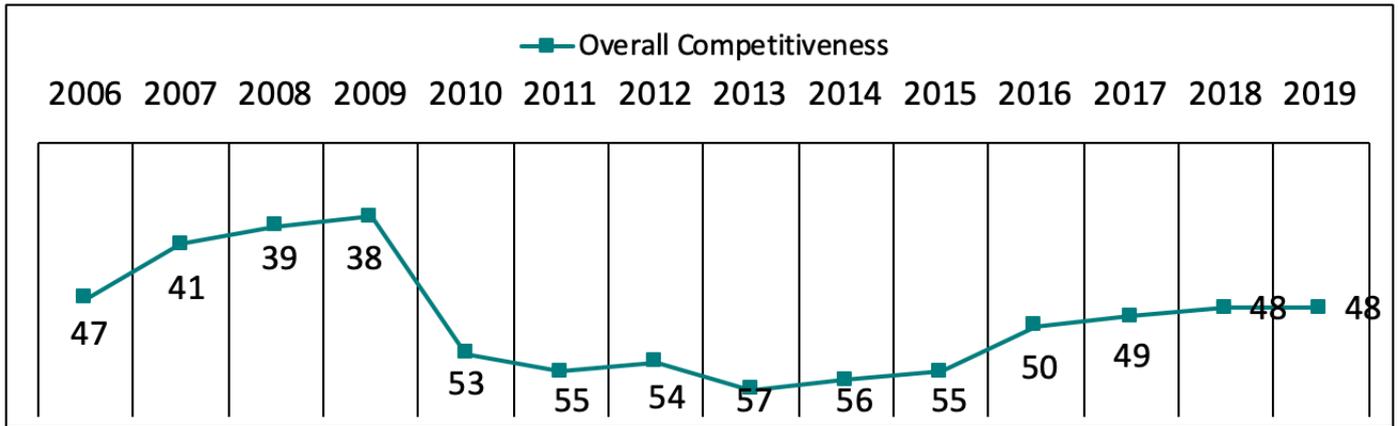
Although the improved global economic environment contributed to Bulgaria's economic growth, the continued reliance of the Bulgarian economy on narrow cost competitiveness makes it vulnerable to weaknesses in major trading partners, the EU and Turkey. Domestic demand was the main engine of growth in 2017-2018 and is expected to remain so in 2019 and 2020. The use of EU investment funding provided a boost to both private and public investments. However, it has also been associated with displacement of private investment and unsustainable R&D investments, which are unlikely to continue beyond the EU grants.

The effective delivery of infrastructure, from quality education to access to affordable health care, still presents serious challenges to the Bulgarian economy. The WCY attributes low scores to Bulgaria concerning its educational system, its financial literacy rate among adults, and highlights the inadequacy of management education in the country to meet the needs of the business community. Access to skilled labour is a growing challenge for the competitiveness and productivity of firms.

Reforms in the energy sector have continued, with the launch and expansion of an independent energy exchange for intraday trading (IBEX) and the strengthening of the authority of the energy regulatory. However, the

government's continued interference in regulation, electricity generation and transmission inhibits the development of open price competition and represents a major obstacle for manufacturing firms.

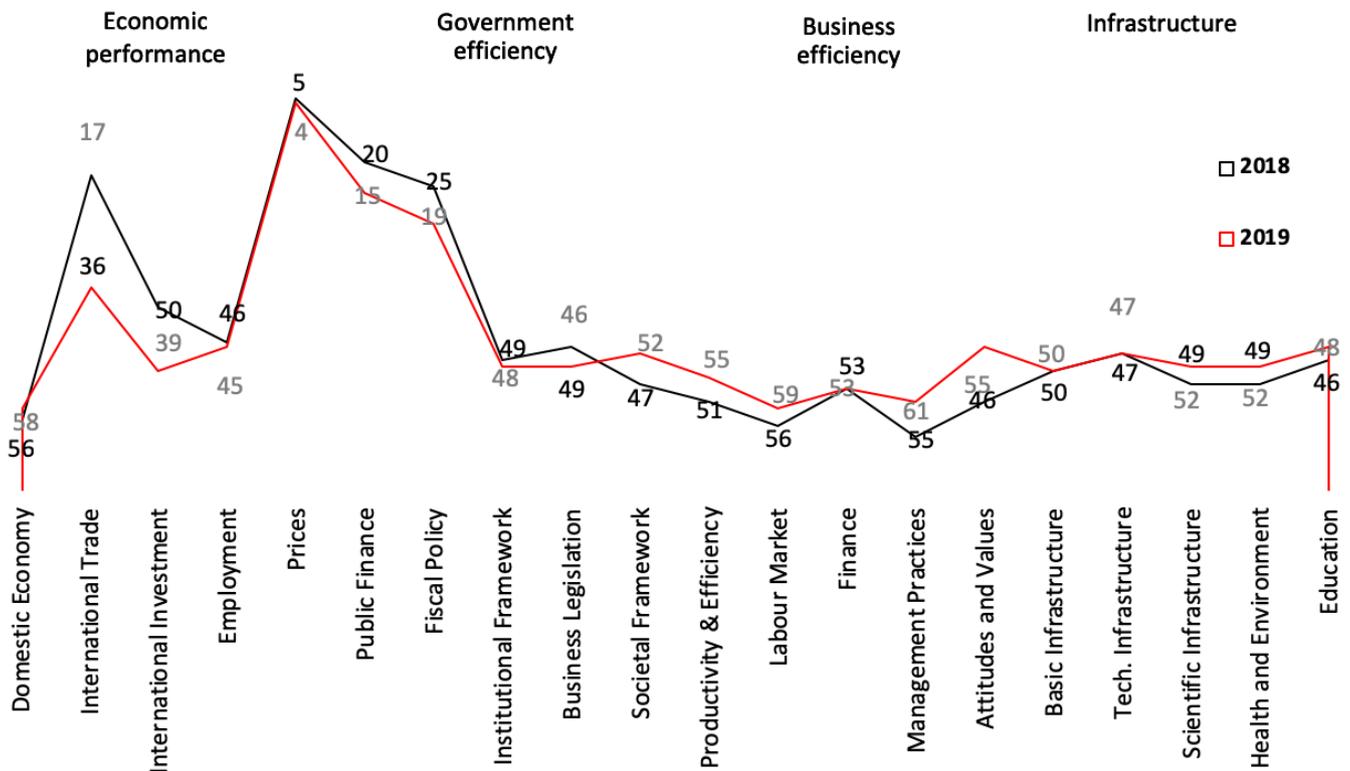
Figure 1. Overall ranking of Bulgaria 2006 - 2019



Source: World Competitiveness Yearbook, 2019.

Bulgaria has started to perform relatively well in certain aspects of judicial capacity and public communication but still lags behind in terms of control of corruption, judicial independence and the rate of resolving cases, according to the IMD perception survey among the Bulgarian business representatives.

Figure 2. Profile of Competitiveness of the Bulgarian Economy 2018 - 2019.



Source: World Competitiveness Yearbook, 2019.

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