



КАМАРА НА СТРОИТЕЛИТЕ В БЪЛГАРИЯ
BULGARIAN CONSTRUCTION CHAMBER



Bulgarian Construction Sector



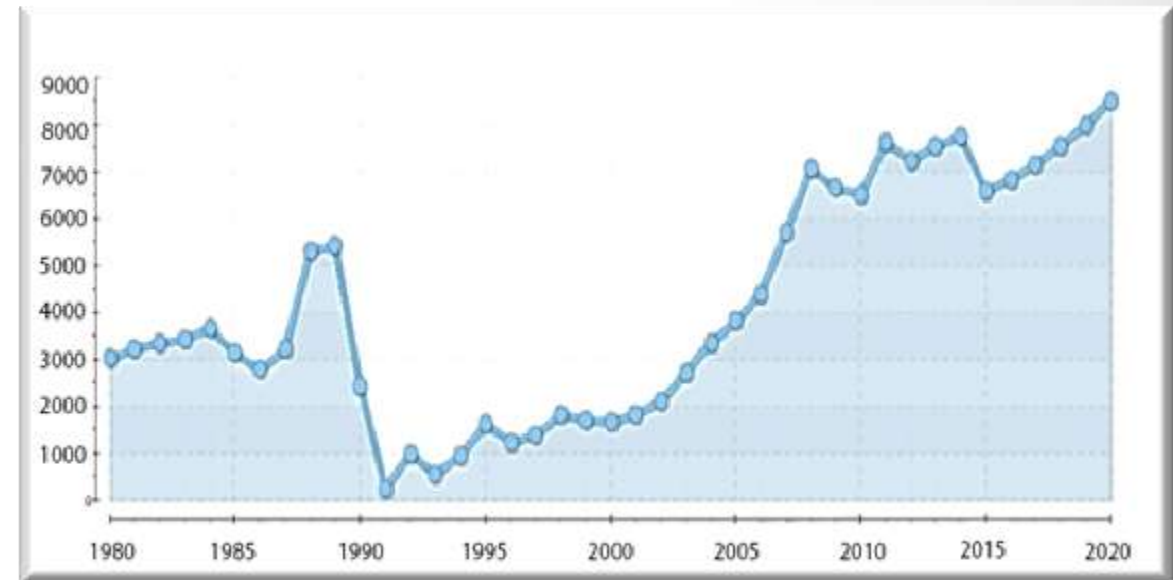
Bulgaria – Facts & Figures (1)



- **GDP** for 2016 **increased** in real terms by **3.4 %** compared to 2015. Nominal value – BGN 92 635 million (EUR 47 363 million).
- Population - **7.2 million in 2015**, projected to decrease by 10% by 2030 and by 19.7% until **2050 falling to 5.8 million people**.
- In the **first quarter of 2017 the unemployment rate was 6.9%** and the employment rate of population aged 20 - 64 was 68.6%.



Bulgaria – Gross domestic product per capita (Dollars)



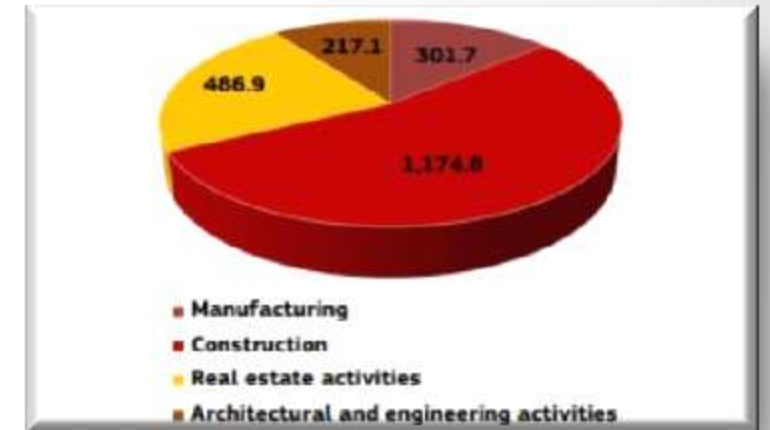
Source: IMF, 2015

Bulgaria – Facts & Figures (2)

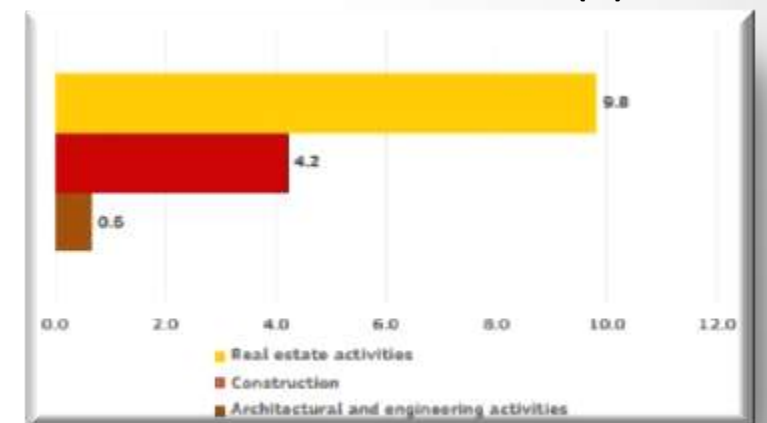


- **Total construction output 2016 – EUR 8 billion**
- 2015 marked a turning point with positive dynamics emerging in the market. **Growth in the construction sector** for the period **2016-2020** is forecast at an average rate of **2.1% per annum**. The industry to rise from a value of **EUR 9.1 billion** in 2015 to **EUR 10.2 billion** in 2020.
- In **May 2017** the **index of production** in section 'Construction' calculated on the base of seasonally adjusted data was **3.7% above the level of the previous month**.
- The **Industrial Production Index**, seasonally adjusted, **increased by 2.7% in May 2017** as compared to April 2017.

Value added in the Bulgarian construction sector
2013 (EUR m)



Gross value added as a share of Bulgarian
construction sector in 2013 (%)



Source: Eurostat, 2016

Bulgaria – Facts & Figures (3)



- Construction output in Bulgaria increased **12 percent year-on-year** in **May of 2017**.
- It is the biggest increase in construction output **since June of 2015**.

BULGARIA CONSTRUCTION OUTPUT (%)



BULGARIA INDUSTRIAL PRODUCTION (%)



Bulgaria – Facts & Figures (4)



- Bulgaria is ranked **59th out of 140 economies** in terms of financial market development, **2015-2016 Global Competitiveness Report**.
- In 2016, the **EIB and EIF** concluded an agreement with the Bulgarian Government and the European Commission for the implementation of the SME Initiative in Bulgaria to improve the access to finance for SMEs. The Programme is funded by EUR 102 million from the European Regional Development Fund.



BCC - WHO ARE WE?



Independent and voluntary professional association

- **Official representative** of construction companies in Bulgaria.
- **Protects** the interests of construction consumers.
- **Contributes** to transparent construction environment.
- **Stimulates** the effective construction process and quality of buildings.

Members:

Construction companies

Educational institutions

Associations

114 *Employees*

27 *Regional offices*



KEY ACTIVITIES



- **Social dialogue commitment;**
- **Collective agreements negotiation;**
- **Standpoints & Legislation drafting support;**
- **Professional qualification;**
- **Consultation services;**
- **Development of industry standards:**
 - VET – and Health & Safety standards
 - Code of Ethics and Branch standards
 - List of builders' professions
- **Transparency initiatives, incl.**
Register of Builders, Public Procurement
Monitoring and Sample contracts.

**Industry
Legislation
Support**

**Direct
Support to
BCC
Members**



REGISTER



Maintains the **Central Professional Register of Builders (CPRB)**.

Responsibilities include:

- **Verification of companies'** competences and legal documents;
- **Construction quality guarantee;**
- **Obligatory registration** for all builders on the territory of Bulgaria (incl. foreign entities);
- Inscribed companies: **5 076 (August 2017)**
 - Bulgarian: **5 033**
 - International: **43**
- **Annual TOP 50+ Award.**



“STROITEL” NEWSPAPER



- **BCC Subsidiary;**
- Specialized construction news and analyses;
- **Powerful dissemination** and publicity instrument;
- Reaches **more than 5000 institutional readers:**
 - BCC members and registered companies
 - Ministries and Agencies, Municipalities
 - Media, Embassies
- Around **47 000 online** readers monthly.

Official
Journal of
BCC since
2009



<http://vestnikstroitel.bg/>



INTERNATIONAL RELATIONS



- **Full member of EIC** since 2015;
- **Full member of FIEC** since 2008;
- International support and information on the global construction market:
 - International representation of builders
 - Multinational congresses, fairs and events
 - Maintaining multi-lateral collaborations and agreements
- **Cooperation agreements** with international construction federations from South Korea, Germany, Italy, Romania, Lithuania, Jordan, Algeria, Morocco and Albania.

**Bridges
Construction
and the Rest
of the World**



Infrastructure construction (1)



Investments in infrastructure have increased considerably **between 2008 and 2013**, particularly in rail and road infrastructure, fueled by EU funds.

Strategy for the development of road infrastructure over the period 2016-2022:

- Bulgaria aims to create a **sustainable and safe road network**;
- **Integrated to EU Trans-European transport network (TEN-T)**;
- Part of two TEN-T transport axes, namely the **Orient/East Med Corridor** and the **Rhine-Danube Corridor**.

Pan – European Transport Corridors



Source: Industrial-zones.com

Infrastructure construction (2)



In terms of budget the **Strategy** foresees **3 scenarios** for 2016-2022:

1. **‘Sustainable development’**,
with a budget of BGN 19.49 billion
(EUR 9.98 billion);
2. **‘Status quo maintenance’**
with a budget of BGN 12.56 billion
(EUR 6.43 billion);
3. **‘Fiscal constraint scenario’**,
with a budget of BGN 9.19 billion
(EUR 4.7 billion).



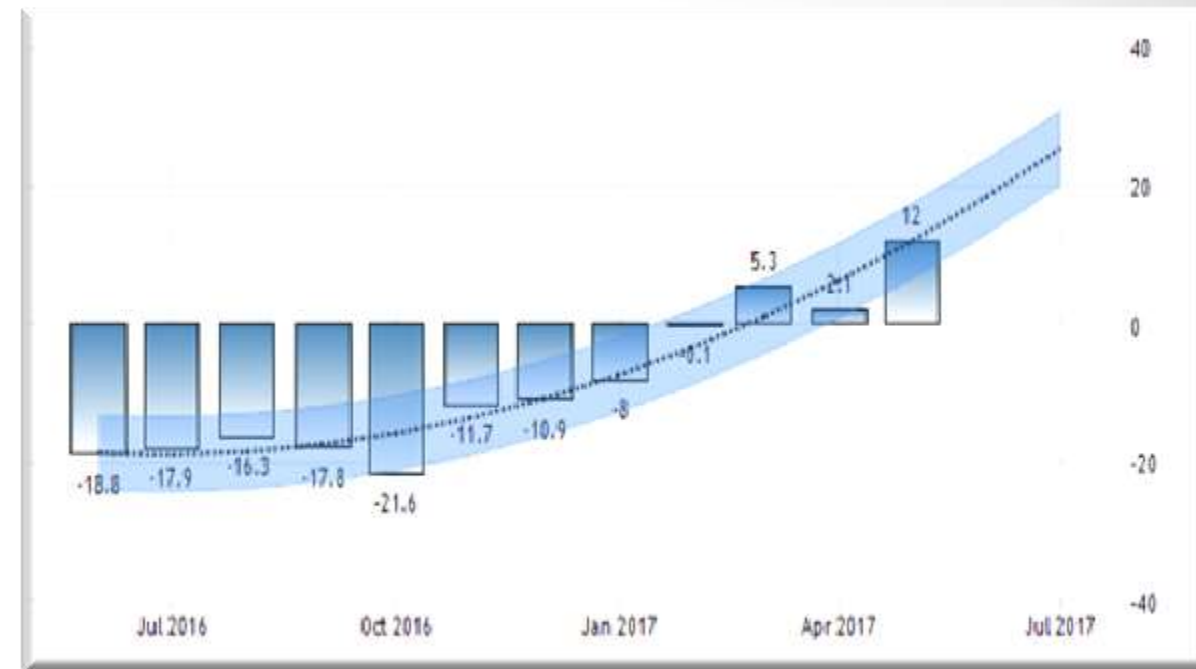
Source: [Ec.europa.eu](https://ec.europa.eu)

Infrastructure construction (3)



- **Positive developments since 2015**, primarily due to increased investments in infrastructure.
- The **infrastructure market** is expected to be the driving force behind the growth of the construction sector in the coming years, and is forecasted to grow at an annual rate of **4.4% until 2020**.

BULGARIA CONSTRUCTION OUTPUT (%)



Source: Tradingeconomics.com, National Statistical Institute

Infrastructure construction (4)



- **Construction output in Bulgaria averaged 6.86 percent from 2001 until 2017, reaching an all-time high of 49.80 percent in January of 2007 and a record low of -26.70 percent in February of 2010.**
- **The infrastructure construction was the largest market in the Bulgarian construction industry, accounting for 47.1% of its total value in 2015.**
- The market is expected to increase in importance over the next five years, to account for **48.7% of the industry's total value in 2020.**



Infrastructure construction (5)

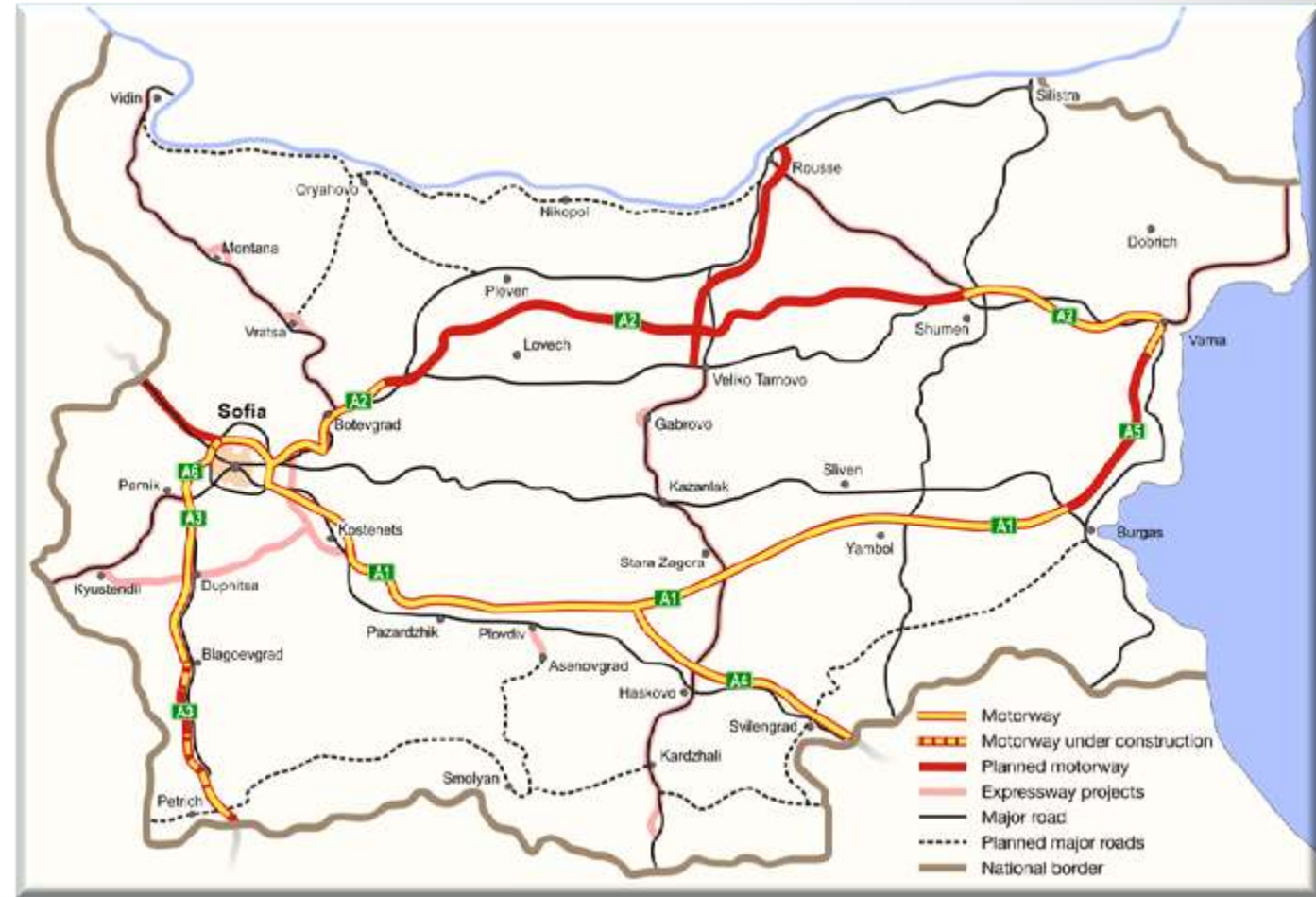


- The EU and other **International financial institutions (IFIs)** are major contributors to infrastructure investments in Bulgaria.
- Notably, the **Connecting Europe Facility** will provide EUR 140 million for the development of **TEN-T** transport projects.
- **European Structural Investment Funds (ESIF)** will provide a total of EUR 9.9 billion for 2014-2020.
- The **EIB** is also an important source of funding for infrastructure investment, as EUR 350 million of its total lending to Bulgaria (EUR 1.33 billion) is devoted to transport and telecommunication.



Future projects (1)

- Contracts concluding on announced public procurement over BGN 10 (EUR 5.11) million in 2017.
- Upcoming road projects such as the **Struma motorway connecting Sofia to the Greek border** and the **motorway between Varna and Burgas** will contribute to the substantial growth of the sub-sector in the coming years.



Source: [Dragomir Keranov](#)

Future projects (2)

Engineering Infrastructure:

- **Metro Extension** of Sofia Project - Third Metro Line, Second Stage. Contracting Authority "Metropolitan Ltd." under the Operational programme 'Transport and transport infrastructure' at the total value of **BGN 95 (EUR 49) million.**
- **Metro Extension** of Sofia Project - Third Metro Line, Second Stage. Contracting Authority "Metropolitan Ltd." under the Operational programme 'Transport and transport infrastructure' at the total value of **BGN 81 (EUR 41) million.**
- **Construction, repair and expansion of Wastewater Treatment Plant Golden Sands Resort**, Contracting Authority Municipality of Varna, under the Operational programme 'Environment' at the total value of **BGN 24 (EUR 12) million.**
- **Emergency Maintenance and Works Implementation on 30% of the water supply network** in the territory of the Sofia Municipality - Contracting Authority Sofiyska Voda Ltd, total amount: **BGN 18 (EUR 9) million.**
- **Design, and construction of Design and construction of new playgrounds and sports complexes and facilities**, Contracting Authority Municipality of Burgas, Sq. Osvobojdienie, Izgrev and Zora, total amount: **BGN 12 (EUR 6) million.**
- **Design, and construction of Design and construction of new playgrounds and sports complexes and facilities**, Contracting Authority Municipality of Burgas, Sq. Vazravdane, Dolno ezerovo, total amount: **BGN 12 (EUR 6) million.**



Residential construction (1)



- The residential construction market is on **a path of recovery**, along with general improvement of the economy.
- **Residential construction** is expected to **account for 14.6%** of the industry's total value in 2020.



Residential construction (2)

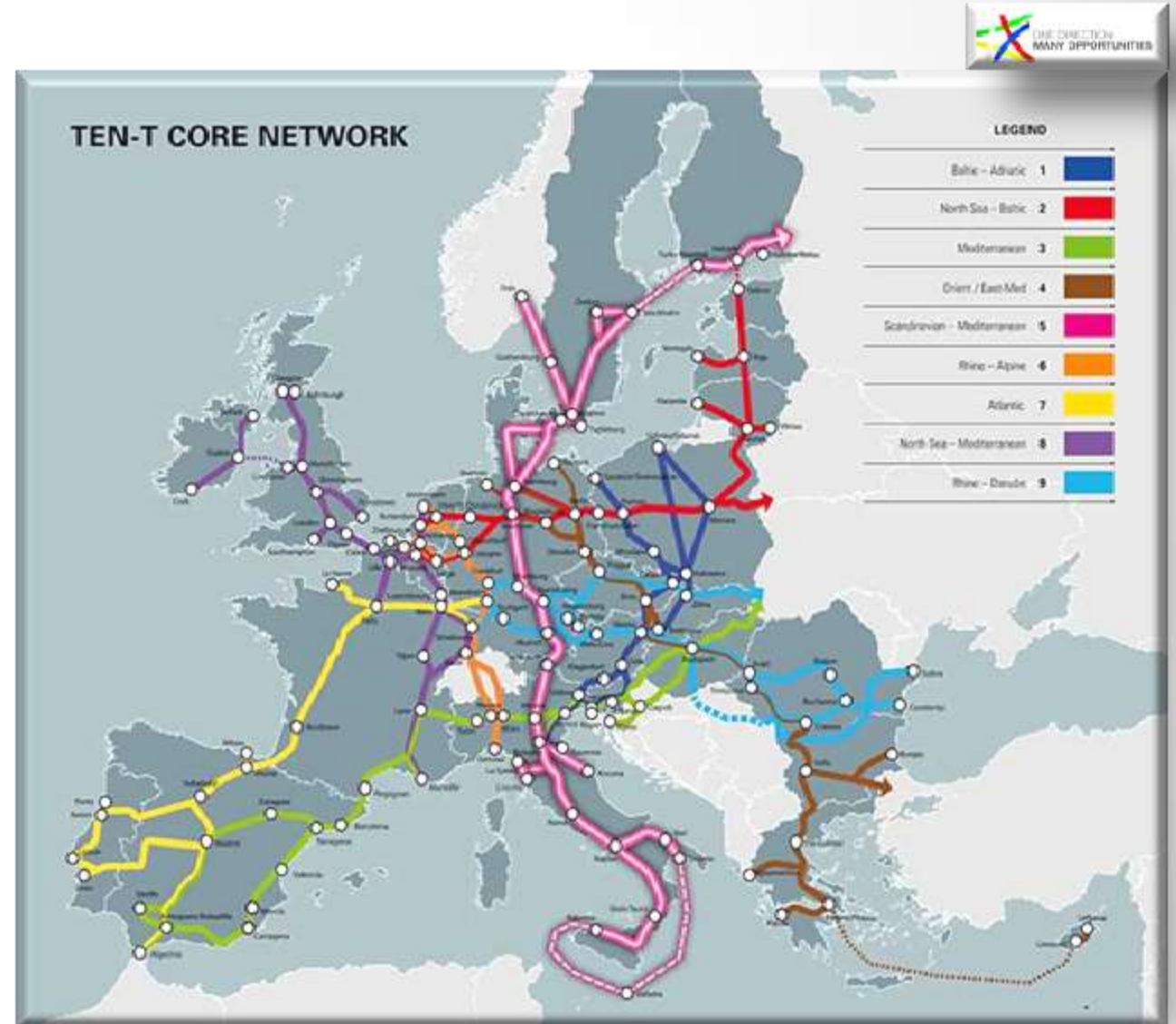


- Residential property **prices increased in 2015** - backed by growth in demand due to a decrease in unemployment, and improvements in business confidence and household income.
- **Buildings permits** - clear evidence of improvement in residential and non-residential construction.
- The total **gross building area of new building** starts grew by 38.2%, going from 2.2 million m² in 2014 to 3.1 million m² in 2015.



Railway (1)

- **Modernization and construction** of the railway network along the East–West axis.
- **Refurbishment** of important domestic and international railway lines.



Railway (2)

- Under the **Transport 2014–2020** operational program several rail infrastructure projects, such as the rehabilitation and modernization of the **Plovdiv–Burgas** and **Septemvri–Sofia** lines, will be covered.
- **Only BGN 976.8 (EUR 499.4) million** is allocated **under the Transport 2014–2020** program, less than the BGN 7.8 (EUR 4) billion required to completely upgrade and rehabilitate the country's rail network.

Bulgarian Railway Network



Source: Industrial-zones.com

Waste management



- Bulgaria lacks an efficient waste-management system, and still has **113 operational waste-dumping sites** that do not meet the terms of the EU landfill directive.
- Target to achieve 50% recycling of municipal solid waste by 2020.
- The country aims to become a **zero-waste society** by reducing landfill waste and constructing 55 waste-treatment systems.



- Bulgaria has set a target to achieve a **16.0% share of renewable energy** in the gross final energy consumption, and increase energy efficiency by 25.0% by 2020.
- Electricity oversupply, due to low domestic consumption and increasing solar and wind capacity.
- **Government reduced its feed-in-tariff by 20.0%** for solar and wind producers.



European Union (1)



Europe 2020 Strategy

Until the end of 2020, BGN 19.5 (EUR 10) billion is expected to be invested, of which BGN 14.8 (EUR 7.6) billion will be allocated through **Cohesion Policy Funds**.



Seven Operational Programs:

- Transport infrastructure
- Science and education
- Innovation and competitiveness
- Environment
- Human resource development
- Good governance
-



European Union (2)



Europe 2020 Strategy

In total:

- BGN 4.5 (EUR 2.3) billion will be invested in **rural development**;
- BGN 171.9 (EUR 87.9) million in the **fisheries and maritime sector**.



Trends & Challenges



Companies focus on the following **key issues**:

- Increasing efficiency
- Risk management
- Investment in people
- Growth



Priorities for the construction sector development in the future:

- Investment in **„green economy“**;
- More funds in the state budget for public investment – **public procurement**;
- Development of **small and medium businesses**;
- Creating conditions by the government for **attracting foreign investment**;
- **Progress** in absorption of funds under EU programs.



Conclusion

- The Bulgarian construction market is expected to be driven primarily by the civil engineering segment in the coming years. Forecast to grow at a **compound annual growth rate (CAGR) of 4.39% until 2020.**
- The **residential market is expected to remain weak.** The segment was hard-hit by the crisis, with investment in dwellings collapsing by 68.7% compared to peak of 2008. Thus, market output is predicted to grow at a compound **annual growth rate (CAGR) of 2.68% until 2020.**
- **Non-residential segment is considered stable.**
- Overall investors expect **favorable developments**, although the buoyant **pre-crisis growth** rates of **17-18% per year** will not be replicated in the near future.





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Thank you for your attention!

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