BASSCOM Barometer 2015

Annual Report On The State of the Software Sector in Bulgaria

November 2014
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About BASSCOM Barometer

• BASSCOM
  • Professional association of the software companies in Bulgaria

• BASSCOM Barometer
  • An annual report on the Software sector in Bulgaria
  • Published since 2009
Sources

Unless expressly stated otherwise, the data is from a study of the software industry by CBN - Pannoff, Stoytcheff & Co. contracted by BASSCOM.

The study covers 2013, 2014 and 2015 – forecast. It is based on data gathered from ~ 2 300 companies whose revenues are generated mostly from software-related activities.

Data from a survey conducted by BASSCOM among its members is also used.
### Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues EUR (M)</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 (f)</td>
<td>1,601</td>
<td>11%</td>
</tr>
<tr>
<td>2014</td>
<td>1,449</td>
<td>13%</td>
</tr>
<tr>
<td>2013</td>
<td>1,287</td>
<td>13%</td>
</tr>
<tr>
<td>2012</td>
<td>1,139</td>
<td>28%</td>
</tr>
<tr>
<td>2011</td>
<td>889</td>
<td>*</td>
</tr>
</tbody>
</table>

- Double-digit growth for a 4\textsuperscript{th} consecutive year
- 65% of revenues are generated by export-oriented software business
### Share of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues BGN (M)</th>
<th>Revenues % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 (f)</td>
<td>1,601</td>
<td>1.86%</td>
</tr>
<tr>
<td>2014</td>
<td>1,449</td>
<td>1.76%</td>
</tr>
<tr>
<td>2013</td>
<td>1,287</td>
<td>1.65%</td>
</tr>
</tbody>
</table>

- Sustainable growth outpacing considerably the growth of GDP
Jobs

<table>
<thead>
<tr>
<th>Year</th>
<th>New Employees</th>
<th>% New Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 (f)</td>
<td>1,250</td>
<td>7.8%</td>
</tr>
<tr>
<td>2014</td>
<td>1,048</td>
<td>7.0%</td>
</tr>
<tr>
<td>2013</td>
<td>847</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

- Over 3,000 new jobs for the last 3 years
- Approximately 100 new companies in 2014
- The growth of new jobs is restricted by number of qualified specialists available
### Employee Compensation

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Monthly Compensations per Employee, BGN</th>
<th>Increase</th>
<th>Compensation/Average for the country (times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 (f)</td>
<td>3,358</td>
<td>8%</td>
<td>3.83</td>
</tr>
<tr>
<td>2014</td>
<td>3,108</td>
<td>7%</td>
<td>3.80</td>
</tr>
<tr>
<td>2013</td>
<td>2,916</td>
<td>16%</td>
<td>3.76</td>
</tr>
</tbody>
</table>

- The increase in compensation is slowing down mainly because of the increase of the minimum social security tax thresholds
- Nevertheless, salaries continue to grow faster than the average for the country, exceeding them by ~ 4 times
Employee Compensation

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Compensation, Bulgaria</th>
<th>Annual Compensation through PPP* United kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 (f)</td>
<td>40,290 BGN</td>
<td>40,524 GBP</td>
</tr>
<tr>
<td>2014</td>
<td>37,300 BGN</td>
<td>37,517 GBP</td>
</tr>
<tr>
<td>2013</td>
<td>34,990 BGN</td>
<td>35,193 GBP</td>
</tr>
</tbody>
</table>

- In terms of quality of life calculated through PPP, a developer in Bulgaria is approaching that of a developer in the United Kingdom.

* Calculated through the PPP coefficient of the World Bank in February 2015. Answers the question: How much money do I need in Sofia in order to buy the same things I can buy in London.

** The average annual compensation of a developer in the United Kingdom according to one of the largest job websites there is a little over 40,000 GBP
Taxes

- 25m BGN more taxes paid compared to 2013
- 8-fold difference in the increase of taxes paid by the software industry compared to increase of budget revenues - 12.0 % more taxes compared to 1.5 % increase of budget revenues
- These are predictable and easily collectable taxes
Forecast

Expectations for next year (% responded*)

Sales

Employees

*Survey among BASSCOM members
External factors influence

Impact of External Factors (% responded*)

Government policy
Intensified Competition
HR Market
National Economic situation
Global Economic situation

*Survey among BASSCOM members
Conclusion

• The software sector is an increasingly important factor in the national economy and is growing significantly faster than the business in the country as a whole

• It is high value added and provides a high quality of life to the people it employs

• Its growth could be higher provided more qualified specialists are available

• Investing in education is beneficial to all parties – business, employees, budget