BASSCOM Barometer 2018

Annual Report On The State of the Software Sector in Bulgaria

November 2018
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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 2016, 2017 and 2018 – forecast. It is based on data gathered from ~ 3700 companies whose revenues are generated mostly from software-related activities.

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

- **Record growth** by **200 EUR mln.** in 2017
- The industry is highly export-oriented – almost **80% of revenues are generated by export**
- Almost all revenue growth (nearly **180 EUR mln.**) is due to export
Share of GDP

- The software industry revenues may reach 3.0% of GDP sooner than the current 2020 forecast.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Revenue EUR mln</th>
<th>As % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 (f)</td>
<td>1,502</td>
<td>2.8%</td>
</tr>
<tr>
<td>2017</td>
<td>1,296</td>
<td>2.6%</td>
</tr>
<tr>
<td>2016</td>
<td>1,091</td>
<td>2.3%</td>
</tr>
<tr>
<td>2015</td>
<td>948</td>
<td>2.1%</td>
</tr>
<tr>
<td>2014</td>
<td>791</td>
<td>1.9%</td>
</tr>
<tr>
<td>2013</td>
<td>683</td>
<td>1.6%</td>
</tr>
<tr>
<td>2012</td>
<td>619</td>
<td>1.5%</td>
</tr>
</tbody>
</table>
### Jobs

<table>
<thead>
<tr>
<th>Year</th>
<th>New Employees</th>
<th>% New Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 (f)</td>
<td>2,855</td>
<td>10%</td>
</tr>
<tr>
<td>2017</td>
<td>3,563</td>
<td>15%</td>
</tr>
<tr>
<td>2016</td>
<td>2,138</td>
<td>10%</td>
</tr>
<tr>
<td>2015</td>
<td>2,137</td>
<td>11%</td>
</tr>
<tr>
<td>2014</td>
<td>3,483</td>
<td>22%</td>
</tr>
<tr>
<td>2013</td>
<td>1,912</td>
<td>14%</td>
</tr>
</tbody>
</table>

- **Over 30,000 employed** (including IT specialists working in other industries – e.g. banking sector, etc.);
- **A record number of new jobs** in 2017;
- The data shows that a large part of the new jobs are **entry-level**.
## Employee Compensation

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Annual Compensation, BGN</th>
<th>Net Monthly Compensation*, BGN</th>
<th>Compensation/Average for the country (times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 (f)</td>
<td>45,962</td>
<td>2,811</td>
<td>3.4</td>
</tr>
<tr>
<td>2017</td>
<td>43,850</td>
<td>2,667</td>
<td>3.5</td>
</tr>
<tr>
<td>2016</td>
<td>44,386</td>
<td>2,704</td>
<td>3.9</td>
</tr>
<tr>
<td>2015</td>
<td>36,576</td>
<td>2,171</td>
<td>3.5</td>
</tr>
<tr>
<td>2014</td>
<td>33,331</td>
<td>1,959</td>
<td>3.4</td>
</tr>
<tr>
<td>2013</td>
<td>33,517</td>
<td>1,970</td>
<td>3.6</td>
</tr>
<tr>
<td>2012</td>
<td>29,905</td>
<td>1,758</td>
<td>3.4</td>
</tr>
</tbody>
</table>

- Expected growth 2018 - 5%
- Average compensation remains more than 3 times the national average

* Calculated on the basis of Gross Annual Compensation and the assumption that 10 % of it is in the form of bonuses.
Employee Compensation

<table>
<thead>
<tr>
<th></th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average for Bulgaria</strong></td>
<td>45,962 BGN</td>
</tr>
<tr>
<td><em><em>Equivalent to Bulgaria in UK (through PPP</em>)</em>*</td>
<td>49,066 GBP</td>
</tr>
<tr>
<td><strong>Average for UK (software engineer</strong>)**</td>
<td>34,653 GBP</td>
</tr>
<tr>
<td><em><em>Equivalent to Bulgaria in Germany (through PPP</em>)</em>*</td>
<td>50,838 EUR</td>
</tr>
<tr>
<td><strong>Average for Germany (software engineer</strong>)**</td>
<td>50,556 EUR</td>
</tr>
</tbody>
</table>

- Employee compensation of software specialists in Bulgaria (adjusted through PPP) remains higher than compensation of their colleagues from the developed economies.

* Calculated through PPP coefficient using The World Bank Purchasing Power Parity (PPP) conversion factor.

** Median salary for software engineer
## Taxes

- Nearly 60 million BGN, or **17.6% more taxes** compared to the previous year

<table>
<thead>
<tr>
<th>Tax</th>
<th>Paid in 2017 BGN (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>110</td>
</tr>
<tr>
<td>Profit Tax</td>
<td>22</td>
</tr>
<tr>
<td>Social Security</td>
<td>138</td>
</tr>
<tr>
<td>Income Tax</td>
<td>122</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>391</strong></td>
</tr>
</tbody>
</table>
Forecast

Expectations for next year (% responded*)

Sales

Employees

- Decrease – 50%
- Decrease – 25%
- Decrease – 10%
- Stays the same - 0%
- Increase +10%
- Increase +25%
- Increase +50%

*Survey among BASSCOM members
External factors influence

Impact of external factors on business – expectations for next year
(% responded*)

- Government policy
- Competition
- HR Market
- National Economy
- Global Economy

*Survey among BASSCOM members before the Bulgarian government announced its plans to increase the tax burden
Conclusions

• The software industry revenues may reach 3.0 % of GDP sooner than 2020 (current forecast)

• The growth is restricted by shortage of qualified employees

• The targeted effort and investment in IT education starts to produce results as witnessed by the record number of newly hired junior employees

• The software sector is an increasingly important factor in the national economy not only as a key technology enabler, but also as a sector providing young people with perspectives for career and personal development in their own country