



The Contribution made by Beer to the European Economy

 Bulgaria - January 2016

BULGARIA

1. COUNTRY PROFILE

| | 2014 |
|--|-----------|
| Population | 7,202,200 |
| Currency | Lev |
| GDP per capita in PPS (2012, EU28 = 100) | 55 |

Source: Eurostat and National Statistical offices.

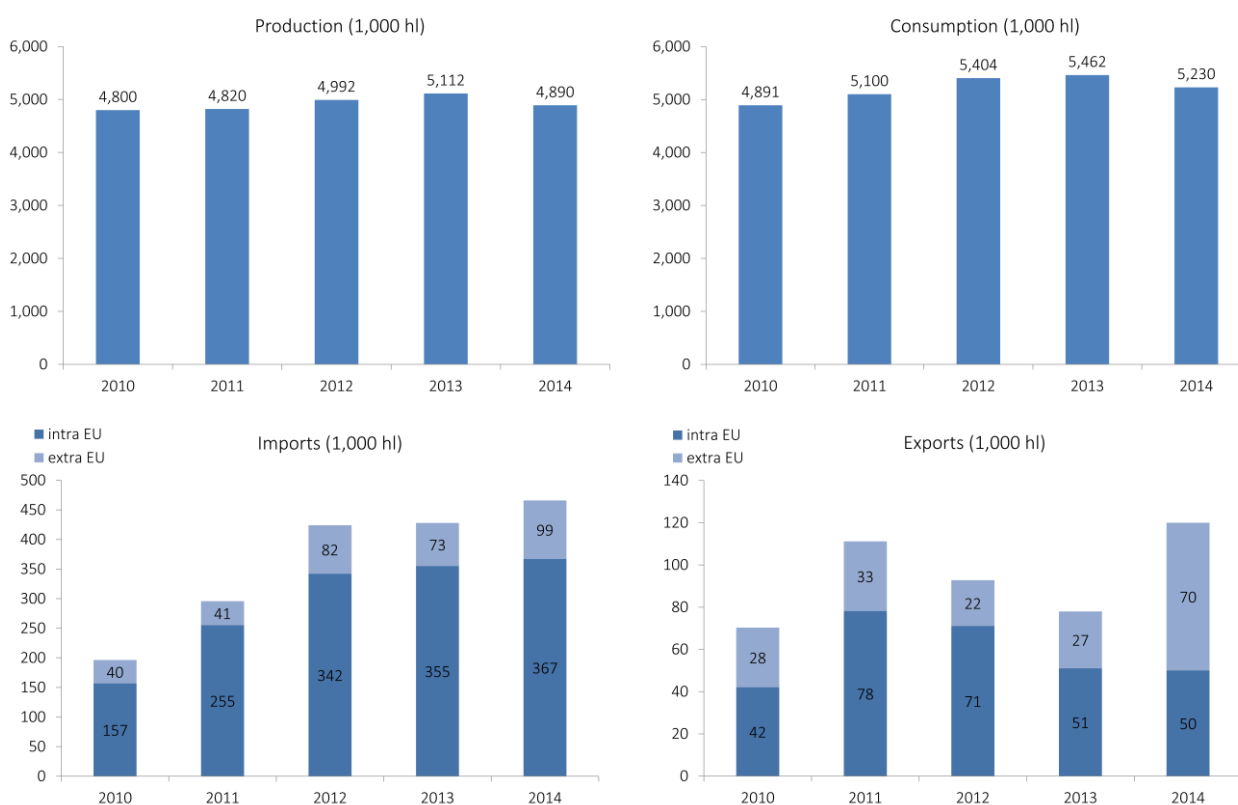
2. HIGHLIGHTS BULGARIA

Table 1: Economic impact of beer in Bulgaria (2013-2014)

| | 2013 | 2014 | % Change |
|------------------------------------|--------|--------|----------|
| Total number of jobs | 47,928 | 44,931 | -6.3 % |
| Value-added (million Euro) | 327 | 308 | -5.8 % |
| Government revenues (million Euro) | 178 | 170 | -4.8 % |

Source: Calculations - different sources.

Figure 1: Development of production, consumption, imports and exports (2008-2012)



Source: National associations.

3. BREWING SECTOR

Table 2: Basic characteristics of the Bulgaria brewing sector (2013-2014)

| | 2013 | 2014 |
|--------------------------------------|-----------|-----------|
| Total production (in hectolitres) | 5,112,000 | 4,890,000 |
| Brewing companies | 11 | 14 |
| Breweries (including microbreweries) | 13 | 16 |
| Microbreweries | 5 | 6 |

Source: National Associations.

Total production of beer has declined marginally in 2014, from around 5.1 million to around 4.9 million hectolitres. The number of brewing companies and breweries increased in 2014.

4. BEER MARKET

Beer consumption and total consumer spending peaked in 2013 and has declined somewhat in 2014. There has been a change in the consumption pattern, moving away from on-trade consumption in the hospitality sector towards an increased consumption in the off-trade retail sector. Average consumers prices have changed very little in either the on- or off-trades.

Table 3: Basic characteristics beer market (2013-2014)

| | 2013 | 2014 |
|--|-----------|-----------|
| Total consumption in hectolitres | 5,462,000 | 5,230,000 |
| Total consumer spending (in million Euro) | 518 | 493 |
| Consumption of beer per capita (in litres) | 74.0 | 72.0 |
| Beer consumption on-trade (hospitality) | 23% | 20% |
| Beer consumption off-trade (retail) | 77% | 80% |
| Average consumer price in on-trade (1 litre, including taxes) (in Euro) | 1.58 | 1.62 |
| Average consumer price in off-trade (1 litre, including taxes) (in Euro) | 0.76 | 0.77 |

Note: The net turnover of 93% of the Bulgarian beer market was around 228 million euros in 2014. The total consumer spending of around 500 million euros results once the contribution of the supply sector and on-off trade sectors is added up.

Source: National Associations

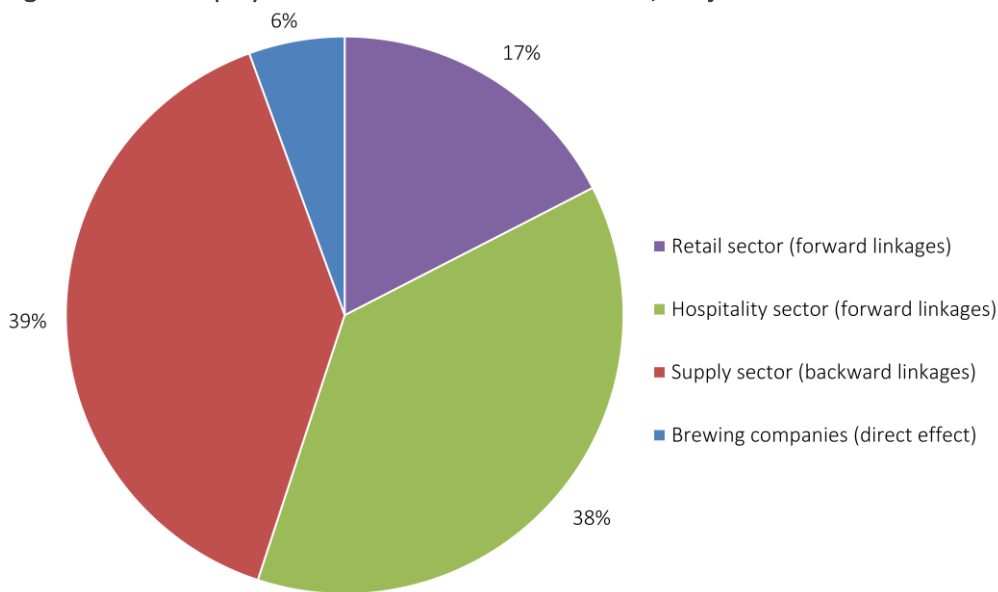
5. TRENDS AND DEVELOPMENTS

There has been an increase in the volume of imports to Bulgaria, both from within and from outside the EU. There has been also an increasing interest in consumption of craft beer and production at microbreweries as well as in home-brewing and purchases of equipment for brewing at home. Significant price competition is also present between both international and local brewers (consumers are relatively price sensitive in this market). All of those trends are generating significant pressure on the Bulgarian brewing industry and firms are responding by investing in new products, packaging and equipment, focusing on the optimisation of the production process.

6. EMPLOYMENT GENERATED BY THE BEER SECTOR

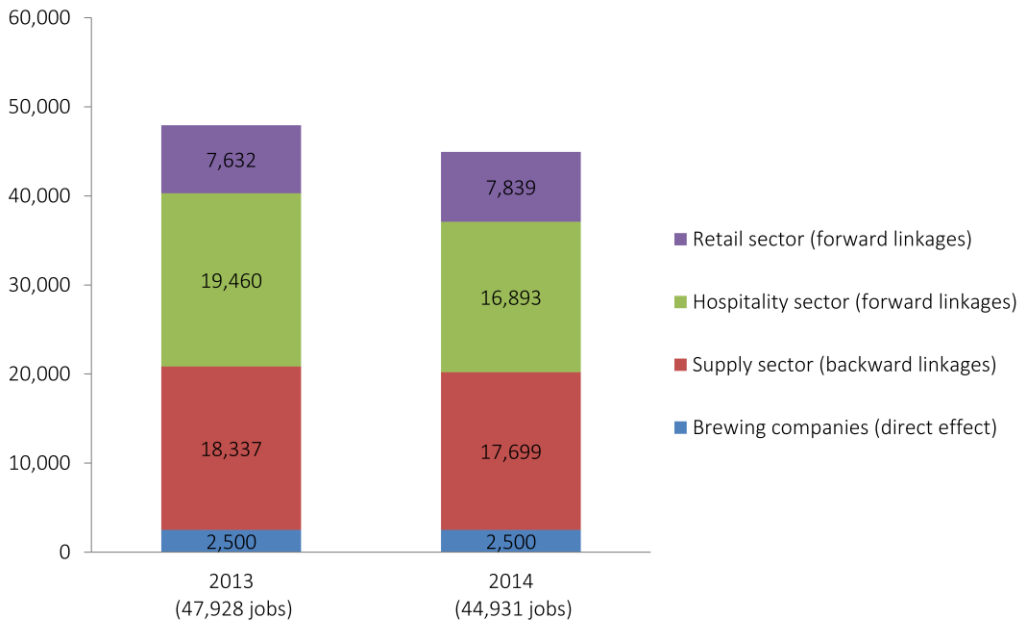
The beer sector contribution to employment in Bulgaria in 2014 was around 45,000, a decline from around 48,000 in 2013. Unlike in many other European countries, the largest share of the beer-related contribution to employment is those employed in the supply sectors. They account for nearly 40 per cent of the total employment impact in 2014. This is likely to reflect the greater labour intensity of supplying industries in Bulgaria (e.g. agriculture). The hospitality sector is responsible for a similar share of the total beer-related contribution to employment.

Figure 2: Total employment because of beer in 2014: 44,931 jobs



Source: Calculations - different sources.

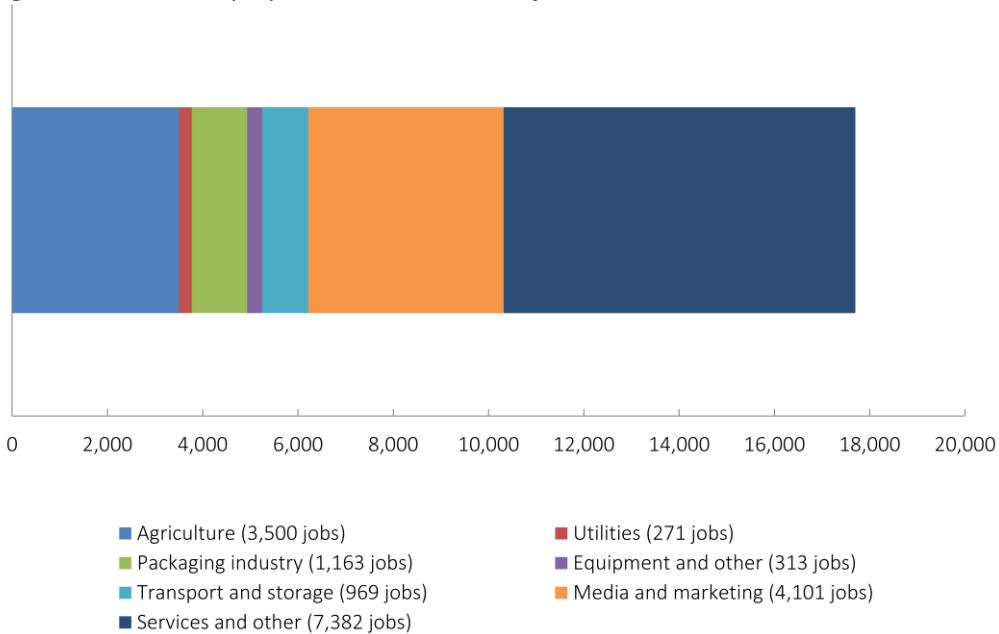
Figure 3: Change in employment (2013-2014): -6.3 %



Source: Calculations - different sources.

Employment has decreased slightly in all sectors, particularly in the on-trade, while the number of people directly employed in the brewing sector remained stable at around 2,500. Within the supply sectors the largest contribution is again provided by service industries (especially media and marketing) and agriculture (3,500).

Figure 4: Indirect employment in 2014: 17,699 jobs

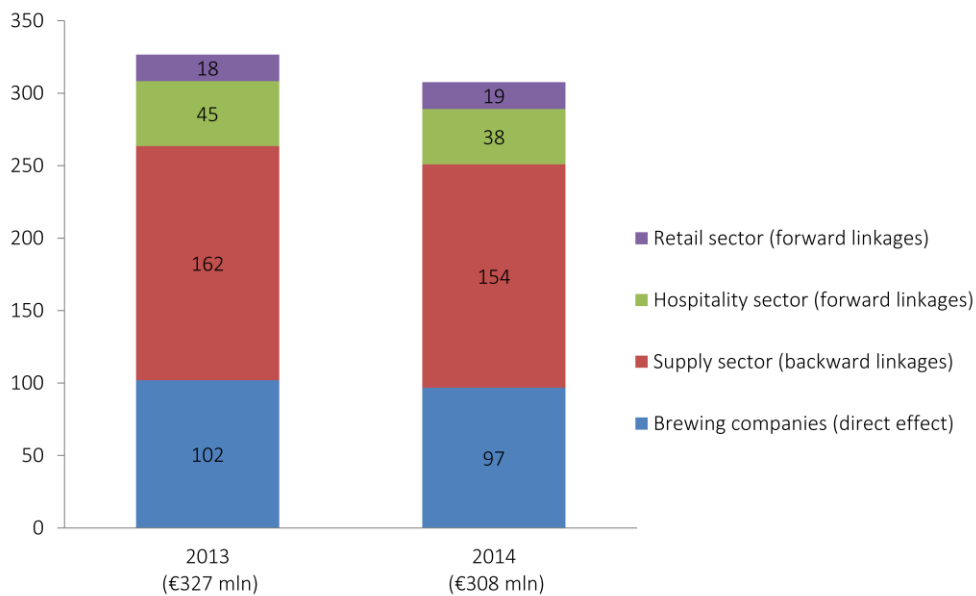


Source: Calculations - different sources.

7. VALUE ADDED GENERATED BY THE BEER SECTOR

Value added generated by the beer sector has marginally decreased from nearly €330 million in 2013 to around €310 million in 2014. The largest decrease occurred in the hospitality and supply sectors, while employment in the retail sector has remained stable.

Figure 5: Change in value added (2013-2014): -5.8 %

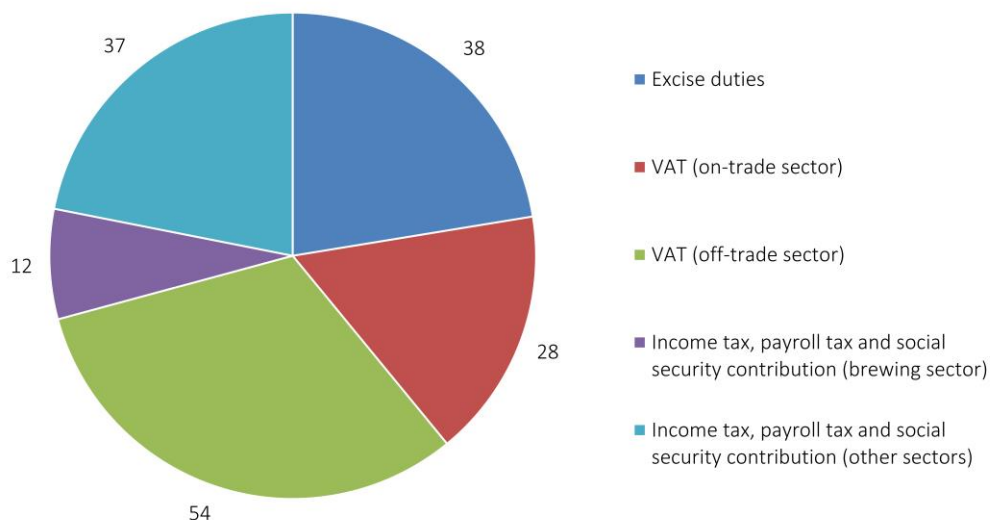


Source: Calculations - different sources.

8. GOVERNMENT REVENUES RELATED TO BEER

Total revenue related to beer production and sales was around €170 million. The largest share related to taxes on labour income in other sectors besides brewing. VAT in the off-trade sector represents the second largest share of total revenues (over €50 million), followed by excise duties (nearly €40 million).

Figure 6: Government revenues generated by beer in 2014: 170 million Euro



Source: Calculations - different sources.

Table 3: Government revenues (2013-2014)

| | 2013 | 2014 | % Change |
|---|------|------|----------|
| Excise duties (million Euro) | 40 | 38 | -5.4 % |
| VAT (on-trade) (million Euro) | 33 | 28 | -14.6 % |
| VAT (off-trade) (million Euro) | 53 | 54 | 1.1 % |
| Income tax, payroll tax and social security revenues (brewing companies) (million Euro) | 12 | 12 | 5.7 % |
| Income tax, payroll tax and social security revenues (other sectors) (million Euro) | 40 | 37 | -7.1 % |
| Total government revenues (million Euro) | 178 | 170 | -4.8 % |

Source: Calculations - different sources.

Note: Excise duty percentage is calculated on the basis of local currency converted to Euro, as used in the European Commission's (DG Taxud) database. For percentage change in local currency, please consult the same database.

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