BULGARIAN CERAMIC INDUSTRY AND FOREIGN INVESTMENTS

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1. FOREIGN DIRECT INVESTMENTS IN BULGARIA

Foreign direct investments in Bulgaria for the period 1992-2006 are shown in table 1, and specifically investments in silicate industry (ceramics, glass, cement etc.) – in table 2. Foreign investments by contries are given in table 3, and in table 4 – key economic indicators: growth of gross domestic product (GDP); inflation; debt/GDP ratio; budget deficit; labour productivity growth; base interest rate and corruption index.

YEAR	PRIVATIZATION		GREEFIELD		TOTAL
	USD, mln	%	USD, mln	%	USD, mln
1992		0,0	34,4	100,0	34,4
1993	22,0	21,5	80,4	78,5	102,4
1994	134,2	63,6	76,7	36,4	210,9
1995	26,0	16,0	136,6	84,0	162,6
1996	76,4	29,8	180,0	70,2	256,4
1997	421,4	66,2	214,8	33,8	636,2
1998	215,6	34,8	404,4	65,2	620,0
1999	226,7	27,7	592,1	72,3	818,8
2000	366,0	36,5	635,5	63,5	1001,5
2001	19,2	2,4	793,7	97,6	812,9
2002	130,0	13,4	839,7	86,6	969,7
2003	364,1	17,4	1732,8	82,6	2096,9
2004	1216,0	35,3	2227,4	64,7	3443,4
2005	793,7	0,0	3861,9	100,0	3861,9
2006	266,7	5,2	4905,0	94,8	5171,7
Total	3484,3	17,2	16715,4	82,8	20199,7

Table 1. Foreign direct investment inflows in Bulgaria (1992-2006)[1-2]

YEAR	FDI, USD mln.	YEAR	FDI, USD mln.
1998	150,6	2003	76,8
1999	71,8	2004	97,5
2000	7,4	2005	131,6
2001	27,7	2006	71,2
2002	0,7	Total	635,4

Table 2. Foreign direct investment (FDI) inflow in Bulgaria for silicate industry (1998-2006)[2]

—	COUNTRY	FDI, USD mln.	—	COUNTRY	FDI, USD mln.
1	Austria	3 454,1	6	Italy	960,4
2	Holland	2075,3	7	Hungary	865,4
3	Greece	1819,5	8	Czech Republic	851,4
4	Great Britain	1586,3	9	Belgium and Luxembourg	823,1
5	Germany	1207,2	10	Switzerland	822,1

Table 3. Foreign direct investment (FDI) in Bulgaria by country (1992-2006)[1-2]

Foreign direct investments in Bulgaria increase after 1997 when a currency board was introduced (Table 1). Foreign investors' interest in Bulgaria should not be evaluated only by the volume of the invested capital (Table 1-2), but also its structure (Table 3). More than 70% of the main investrors for the period 1992 - 2006 come from European Union member-countries. The leader is Austria, followed by Holland, Greece, Great Britain, Germany etc. The direct foreign investments for this period are directed mainly to finance, trade, real estate, electricity etc.

YEAR	GDP GROWTH, %	INFLATION, %	DEBT/GDP RATIO, %	BUDGET DEFICIT, %	LABOUR PRODUCTIVITY GROWTH, %	BASE INTEREST RATE, %	CORRUPTION INDEX
2002	4,5	5,8	66	-0,7	3,0	2,50	4,0
2003	5,0	2,3	61	0,0	1,7	2,68	3,9
2004	6,6	4,0	64	1,7	2,4	2,61	4,1
2005	6,2	6,5	69	3,1	4,1	2,04	4,0
2006	6,7	6,5	78	3,6	2,0	2,69	4,0

Table 4. Key economic indicators (2002-2006)[3]

Key economic indicators (Table 4), as well as the bounded Lev to Euro, show the favourable investment climate in Bulgaria. For 2006 the corruption index for Bulgaria is 4,0 and it is higher than that of Romania–3,1 and lower than that of the Czech Republic– 4,8[3].

COUNTRY	CORRUPTION INDEX			FDI AS % OF GDP			GDP GROWTH, %		AVERAGE GROSS MONTHLY SALARY, EUR		
	2004	2005	2006	2004	2005	2006	2005	2006	2004	2005	2006
Bulgaria	4,1	4,0	4,0	10,1	9,8	15,5	6,2	6,7	155	167	178
Romania	2,9	3,0	3,1	5,6	8,2	9,3	4,5	6,9	251	275	420
Hungary	4,1*	5,0	5,2	3,1	6,1		4,4	4,3	476*	598	625
Czech Republic	4,1*	4,3	4,8	4,4	9,0	4,7	6,1	6,1	476*	660	647
Slovak Republic	4,1*	4,3	4,7	4,1	4,0		6,0	7,4	476*	435	486
* Includes Hungary, Czech Republic, Slovak Republic and Poland											

Table 5. Corruption index, FDI in % of GDP, growth of GDP and average gross monthly salary for several countries in Central and Eastern Europe[3]

In Bulgaria the average monthly salary is the lowest among the member countries of the European Union. A comparison of FDI in Bulgaria and Romania for the period 2000-2004 shows that there is much in common concerning their investment attractiveness (Table 6). The leader among the foreign investors for Romania is Holland (2 273 mln USD or 15,8 %), next is Austria (1733 mln USD or 12,1 %), France (1 514 mln USD or 10,6 %), Germany (1151 mln USD or 8 %), Italy (905 mln USD or 6,3 %) etc.[4]

Austria (3454 mln USD) and Holland (2075 mln USD) are in the first and the second place for FDI in Bulgaria.

COUNTRY	FDI, MLN. USD					TOTAL 1992-2004,MLN. USD
	2000	2001	2002	2003	2004	
Bulgaria	1002	813	970	2097	3443	11166
Romania[4]	838	1540	1080	1946	3035	12523

Table 6. Comparative FDI inflows in Bulgaria and Romania in the period 2000-2004

Irrespective of the economic growth of the countries in Central and Eastern Europe their part in the transboundary movement of investments is negligible. The largest world importer of FDI is USA, and in Europe – Germany and England. These two countries together with France are the main exporters of FDI.

Real growth of the gross domestic product (GDP) by countries for 2006 for Bulgaria is 6,7%, it is lower than that of Romania – 6,9 % and higher than that of the Czech Republic – 6,1%; FDI/GDP ratio in 2006 for Bulgaria is 15,5% and it is higher compared to that of Romania – 9,3 % and the Czech Republic – 4,7%.

2. FOREIGN DIRECT INVESTMENTS IN BULGARIAN FINE CERAMIC INDUSTRY

"Shamot" AD – Elin Pelin has a contemporary installation imported from Italy, for the production of 0,5 milion m^2 ceramic tiles annually. The plant's production has markets in the country and abroad.

"Podova ceramica" – Montana produces 1,4 mln m^2 floor, wall and tiling tiles annually using Italian equipment. Up to now in this enterprise 1 mln Euro foreign investments have been introduced.

"Mont-pigment" – Montana is a Bulgarian-Italian company, specialising in the production of inorganic pigments for ceramic, glass, enamel and cement mixtures. The year capacity of the company is above 0,5 mln.t. Balcan Color Ltd together with the Italian company Color Trading Ltd do the export for the whole of Europe.

"Bononia" – Vidin produces high quality bon_ china. The enterprise has ceramic equipment of famous companies from Germany, Italy and Great Britain. Its high quality production is exported to Great Britain, France, Spain, Italy, Norway etc.

"Ideal standard Bulgaria" AD – Sevlievo is an enterprise for sanitary ware, and **"Ideal standard Vidima"** also in the town of Sevlievo – for sanitary fittings. The multifunctional company "American standard" (USA) has invested 125 mln. USD in both factories in the town of Sevlievo. Since its establishment in 1996 until today "Ideal standard Bulgaria" produced 20 mln. pieces of goods. The factory is an example of a successive greenfield investment in Bulgaria. It is the biggest producer of high quality kitchen and sanitary ware, well known in Europe.

KAI Group unifies the factories **"Khan Asparuh" AD – Isperih** and **"Khan Omurtag" AD Shumen**. The total capacity of the group companies is above 15 mln. m^2 floor, wall and fine stoneware tiles per year. Frit and pigments are imported from well known west firms, while design companies from Spain and Italy ensure the design of production, exported to 17 countries.

"Roca Bulgaria' AD – Kaspichan produces sanitary ware and floor tiles. Main shareholder in the corporation is the Spanish company "Roca".

"Keros Bulgaria" – Russe (ceramic tile factory) is being built by "Keros ceramika," a Spanish company. The Spanish company is going to invest in its Bulgarian enterprise more than 42 mln. Lv.(more than 21 mln. Euro) for the period 2006-2007. During the first year production is going to be 2,3 mln m^2 and after the building finalization - 5 mln. m^2 ceramic tiles per year.

3. CONCLUSION

The positive effect of foreign direct investments in Bulgarian fine ceramic industry shows that only foreign companies with proved technologies and experience can ensure trade mark production, competitive on the international market. The evident conclusion is that in the future Bulgaria has to continue the policy of encouraging export by drawing foreign investors in export oriented productions and goods.

REFERENCES

[1] Ministry of Finance (1992 – 1998).

[2] Bulgarian National Bank (1992 - 2006).

[3] Invest Bulgaria Agency (2004 – 2007).

[4] Romania Larive, Foreign Direct Investment in Romania, Romanian Business Digest, 36-42 (2005), www.doingbusiness.ro