



# Assessment Report on the Impact of COVID-19 on Sofia's Economy





Digitalisation, Innovation and  
Economic Development department  
of Sofia Municipality

[www.innovativesofia.bg](http://www.innovativesofia.bg)

Innovative Sofia supports Sofia's development as a smart, digital, innovative, and technologically advanced city. The Department consolidates and guides Sofia's digital and smart city projects and supports high-tech and R&D investors in Sofia.



Sofia Investment Agency, part of  
Sofia Municipality

[www.investsofia.com](http://www.investsofia.com)

Invest Sofia is the investment promotion and business development agency of Sofia Municipality.  
Our mission is to support local and foreign businesses in building their success story in Sofia.  
Our services are free of charge.

**Special thanks to the Institute for Market Economics (IME), Sofia**

**23.03.2020**

## **EXECUTIVE SUMMARY**

COVID-19 is expected to have a strong negative impact on the global economy. However, making an exact assessment of this impact is an extremely complex task.

During a dynamic crisis like the current one, the various forecasts for the global economy and the development of different countries and cities are constantly changing. International and local businesses are already experiencing difficulties, and the feeling of insecurity is increasingly present in the daily business life.

The prompt and coordinated response, the joint evidence based decision-making and the development of innovation and digitisation both locally and globally are becoming increasingly important.

*The Assessment Report on the Impact of COVID-19 on Sofia's Economy* was developed by the Digitisation, Innovation and Economic Development Department of Sofia Municipality (Innovative Sofia) and the Sofia Municipal Privatisation and Investment Agency (Invest Sofia) with the support of the Institute for Market Economics (IME), Sofia Tourism Administration, the Bulgarian Convention Bureau, Automotive Cluster Bulgaria, the Bulgarian E-Commerce Association, the Culture Directorate of Sofia Municipality, the Association for Innovation, Business Excellence, Services and Technology (AIBEST) and representatives of the business ecosystem in the city.

### **The aim of the Report is to:**

- Provide the representatives of the local business ecosystem and a wider range of stakeholders with accessible information and preliminary assessment of the expected impact of COVID-19 across various industries at a global, national and city level
- Identify potential threats and opportunities to the local ecosystem
- Start a dialogue and a collaboration between the city, the local businesses, various associations and a wider network of stakeholders in order to define measures to support the economic recovery of the city
- Serve as a first step towards the creation of a real-time mechanism to monitor the COVID-19 crisis and its impact on the local economy

Without claiming to be exhaustive, the proposed preliminary assessment is based on information available as of March 19, 2020. The report will be updated regularly to reflect recent developments, the availability of more up-to-date data and the valuable feedback of the local stakeholders.

### **Here are some of the key findings from the report:**

- At this stage, an economic recession seems imminent, and its effect will largely depend on the spread of the virus and the duration of the pandemic. Depending on the different scenarios, the World Economic Forum predicts a decline of the global GDP of \$1-2 trillion in 2020. Sofia's GDP is expected to shrink by 1-3%.
- Sofia's economy is strongly linked to the European market. Thus, the expected recession in Western Europe may slow down the economic recovery in the city. However,

recessions caused by epidemics often tend to be followed by a rapid recovery after a period of initial economic stabilisation.

- Due to the large share of its service sector, Sofia's economy is relatively flexible and has the potential to adapt quickly to crisis situations. The ICT, outsourcing and trade sectors are likely to remain relatively less directly affected by the crisis in the short term.
- COVID-19 is expected to have a strong negative impact on the tourism and travel sector, as well as its related industries such as logistics and transport, entertainment and some cultural and creative industries subsectors.
- Sofia has the best demography and the most developed labour market in Bulgaria. According to the Institute for Market Economics (IME), the city is most likely to be able to adequately respond to the increased unemployment levels.
- There are over 650 000 people employed in Sofia. The IME team estimates that over 86 000 employees will be immediately affected by the crisis. The impact of COVID-19 on their incomes will depend on the sector they work in. Most affected will be those working in the tourism and travel sector (over 35 000 people), culture and sports (over 10 000 employees).
- Employment in the industrial sector will be moderately affected. Least directly affected in the short term will be those employed in ICT, outsourcing, utilities, and professional activities.
- In the context of social distancing, quarantine and self-isolation, the role of digitalisation and the development and implementation of new solutions and e-services by the local administration will become even more crucial.

You can find the full version of the Assessment Report on the Impact of COVID-19 on Sofia's Economy (in Bulgarian) [here](#).

