



THE ECONOMIC IMPACT OF HUAWEI IN BULGARIA

NOVEMBER 2020

BULGARIA

HUAWEI'S ECONOMIC IMPACT IN 2019

● Direct ● Indirect
● Induced ● Total

Totals may not sum due to rounding.

CONTRIBUTION TO GDP



€44 million

0.1% of Bulgaria's total GDP

EMPLOYMENT



1,100 jobs

0.03% of Bulgaria's total employment

TAX REVENUES



HUAWEI'S ECONOMIC IMPACT BETWEEN 2015 AND 2019

All figures are annual averages (monetary values in 2019 prices)

Contribution to GDP:



€39 million

Employment:



Tax revenues:



€28 million

Real growth in tax revenues 2015-2019:



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Huawei first established its Bulgarian operations in 2004, with headquarters located in Sofia. The company provides 'turnkey' Telekom project services, from site acquisition to equipment installation. Huawei also provide drive testing and network optimisation services. Huawei has made a positive contribution to the Bulgarian economy over the last five years, through its local operations, and its procurement from Bulgarian-based suppliers such as Coventot and Netcheck.

Huawei commissioned Oxford Economics to investigate and quantify its economic contribution to Europe in 2019. This summary report details the contribution the company made in Bulgaria.

HUAWEI'S ECONOMIC CONTRIBUTION

Huawei's contribution to the Bulgarian economy is captured through three channels:

- Huawei's **direct contribution** is generated through its own operations in Bulgaria, as well as the direct hiring of Bulgarian staff and direct tax payments to the Bulgarian government.
- In conducting its operations, Huawei purchases inputs of goods and services from Bulgarian suppliers. This procurement supports economic activity, jobs and taxation further along its local supply chain. This activity along the supply chain is known as the firm's **indirect contribution**.
- In addition, Huawei and the firms in its supply chain pay their staff wages. These wage payments are spent on goods and services at retail, leisure and other outlets, stimulating additional gross value added (GVA), employment and taxes through Huawei's **induced contribution**.

In 2019, Huawei made a direct GVA contribution to Bulgarian GDP of €31.5 million, up from €21.7 million in 2015. This is equivalent to an average yearly growth of 9.8% over the last five years.¹

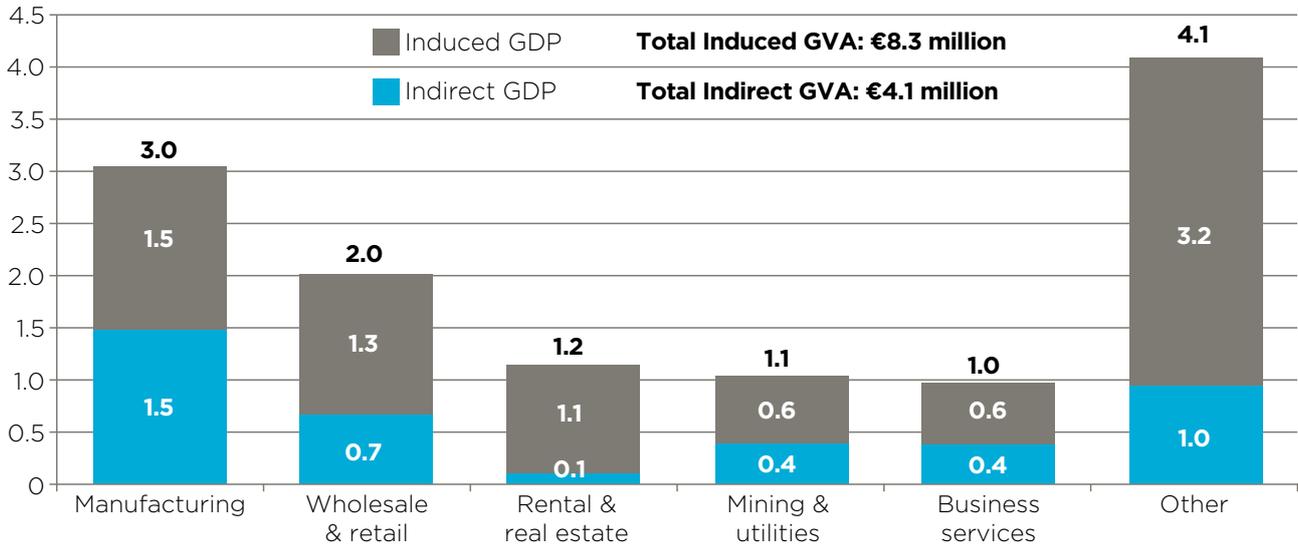
Huawei's procurement stimulated a further €4.1 million in GVA contribution along its Bulgarian supply chain (its indirect impact) in 2019, an increase from €2.5 million in 2015. This represents an annual average growth of 13.3% per year between 2015 and 2019. The majority of this contribution was stimulated in the manufacturing industry (see Fig. 1), accounting for 36.8% of total indirect GVA contribution to Bulgarian GDP.

In 2019, a €8.3 million GVA contribution to Bulgarian GDP was supported through the induced channel—up from €5.7 million in 2015, representing an average annual rise of 9.8%. Of this, €1.5 million or 18.5% was supported in the manufacturing industry.

¹ All figures throughout this report are presented in 2019 prices and comparisons are measured in real terms.

Fig. 1: Huawei’s indirect and induced contribution to Bulgarian GDP by industry, 2019

€ million

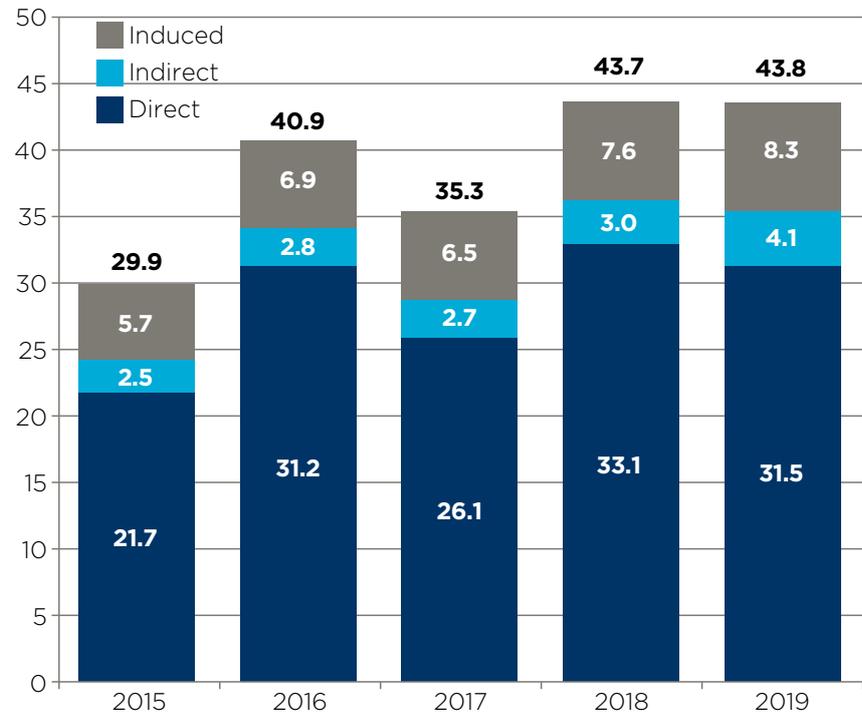


Source: Huawei, Oxford Economics

In total we estimate that Huawei’s operations around Europe supported an overall contribution to Bulgarian GDP of €43.8 million in 2019, accounting for 0.08% of Bulgaria’s total economy that year (see Fig. 2). The firm’s contribution to the Bulgarian economy has increased significantly in recent years, recording an average annual growth rate of 10.1% between 2015 and 2019.

Fig. 2: Huawei’s direct, indirect and induced contribution to Bulgarian GDP, 2015-2019

€ million (2019 prices)



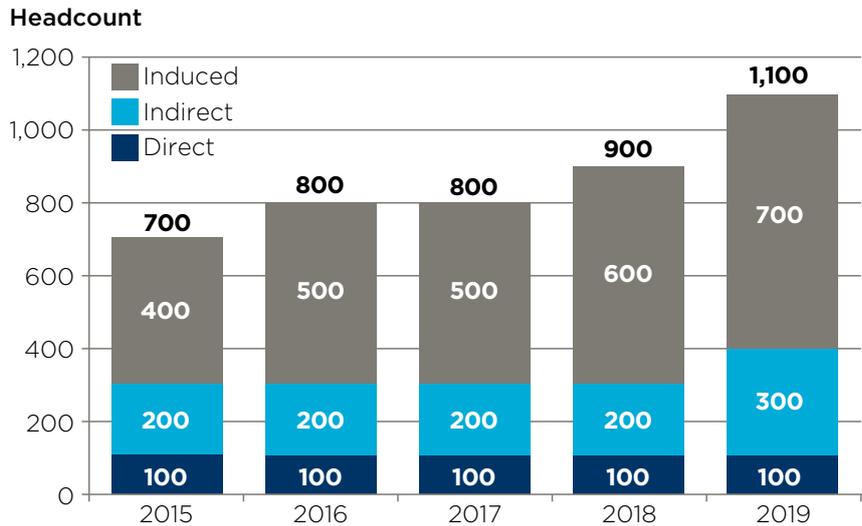
Source: Huawei, Oxford Economics

The economic activity Huawei supported in Bulgaria also sustains employment in the country. In 2019, the company employed 100 workers in Bulgaria, the same as in 2015 (see Fig. 3). Its procurement supported 300 jobs along its Bulgarian supply chain, up slightly from 200 workers in 2015—this is equivalent to an average annual rise of 10.7%. A further 700 jobs were sustained by wage-financed spending in the induced channel in 2019, having nearly doubled since 2015, averaging growth of 15.0% per year over the last five years.

Combined, Huawei supported a total of 1,100 jobs across Bulgaria in 2019. This was an increase of 400 jobs supported in 2015 (which corresponds to an average annual rise of 12.0%) and equated to 0.03% of the national employment in 2019.

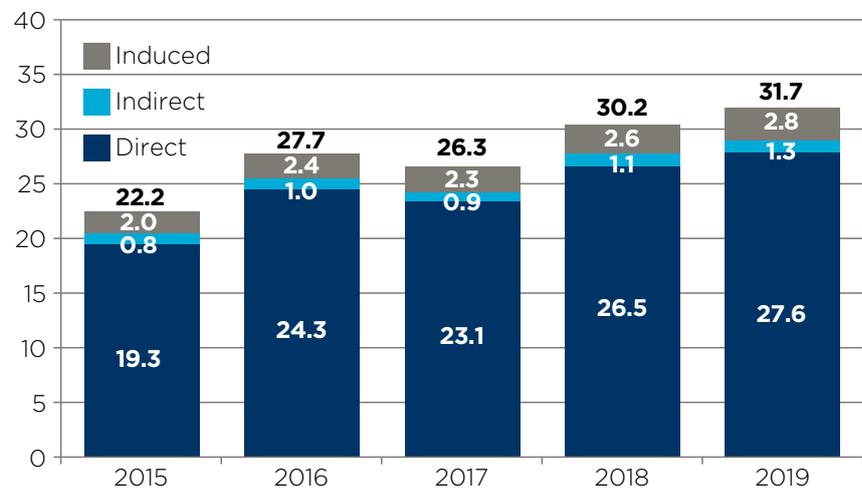
Finally, Huawei makes a positive contribution to public finances in Bulgaria, through taxes generated in the direct, indirect and induced channels. This supports essential spending on important public services. Huawei and its staff contributed €27.6 million to Bulgarian tax receipts in 2019, up from €19.3 million in 2015—see Fig. 4. Huawei’s procurement from Bulgarian suppliers stimulated a further €1.3 million in tax receipts in the indirect channel. Compared to the €0.8 million in 2015, this represented an average annual rise of 12.7%. An additional contribution to

Fig. 3: Huawei’s contribution to employment in Bulgaria, 2015-2019



Source: Huawei, Oxford Economics

Fig. 4: Huawei’s contribution to Bulgaria tax receipts, 2015-2019
€ million (2019 prices)



Source: Huawei, Oxford Economics

taxation of €2.8 million was supported in 2019 via the induced channel. This compares to €2.0 million through the same channel in 2015, an average annual rise of 8.4% over the last five years. In total, Huawei supported €31.7 million

in tax receipts in Bulgaria in 2019, equivalent to an average annual increase of 9.3% since 2015. The combined taxation of €31.7 million supported by Huawei in 2019 is roughly equal to the average salaries for 1,400 Bulgarian teachers.²

² Using OECD data. Based on an estimated annual salary of €22,638 in 2019 for lower secondary teachers. No data was available for Bulgaria, the salary was estimated using the relationship between teacher salaries and GDP per capita in other European

HUAWEI'S WIDER CONTRIBUTION

Outside of these expenditure impacts, Huawei plays an important role in R&D investment across the globe. In 2018, they were the fifth largest corporate investor in R&D in the world, making a global investment of €12.7 billion. Its role is particularly important in Europe, where it made the most patent applications to the European Patent Office in 2019.

In addition, Huawei has also made important social contributions to Bulgarian life. Similar to other countries, the company launched their flagship programme 'Seeds for the Future' in Bulgaria in 2019, with ten university students taking part. Huawei also donated a cloud-ICT classroom to the No.74 Middle School in Bulgaria in 2015.

Huawei has also partnered with and supported over fifteen local companies, including Telelink, Egnatia and Racom.

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