



Economic Forecast for Outsourcing IT to Bulgaria

Whitepaper





OVERVIEW

Bulgarian IT outsourcing has been thriving for more than a decade despite any economic or political turbulence that we might have experienced. The reasons behind that are many - its IT infrastructure, internet speed, the large number of skilled professionals, moderate prices, and flat corporate taxes. As proof in 2021, the international consultancy company Kearney included Bulgaria in their Global Services Location Index report, where the country ranked 17th as one of the most attractive digital hubs in the world. Some of the criteria used in the report are business environment, skills availability, financial attractiveness, and more.

Read along and learn more about the trends and forecasts for the future of outsourcing to Bulgaria. We'll talk more about what are the benefits for US companies who choose to benefit from a partnership with Bulgarian IT services companies.

HOW IS THE ECONOMIC AND POLITICAL LANDSCAPE SHAPING IT OUTSOURCING?



Estimated at \$342.9 billion in 2020, the global IT outsourcing market is projected to reach 410.2 billion by 2027. This clearly shows that despite the COVID-19 pandemic, the economic turbulence, and the geopolitical tension, IT outsourcing is only growing as an industry. Those factors are not only slowing down the industry but are in fact stimulating it. American companies are looking for high-quality services at affordable prices, extensive knowledge, and experience in building innovative solutions with cutting-edge technologies, accelerating digitalization, and focusing in-house efforts on developing the core business. This is all made possible due to IT outsourcing. As Alphonso Jackson, Former United States Secretary of Housing and Urban Development states, has said:

"The other part of outsourcing is this: it simply says where the work can be done outside better than it can be done inside, we should do it."

Here are just some of the factors that shaped the IT outsourcing industry and the reason more and more US companies are looking at countries like Bulgaria for help when it comes to software development:

COVID-19 PANDEMIC

We hardly need a reminder of what 2020 looked like for businesses all over the United States and the world. The initial shock of the uncertainty was additionally strengthened by the decrease in revenue, the decline in the number of new projects, and of course, the number of restrictions that forced the majority of businesses to take a hit. American companies which managed to survive the fall decided to turn internally and move away from third-party vendors. That was whether to save money, put projects on hold, or due to the challenges of integrating the external team into the company culture in this challenging climate.

However, now over two years later, we can see that despite the turbulent times, the IT outsourcing industry only continued to grow even faster than before.

Many organizations saw the need to raise time-to-market speed, lower costs and increase productivity and efficiency. They saw shifting to digital as the only way of beating the pandemic. That is when the revival of IT outsourcing happened. Opting for an outsourcing partner helps deliver expertise that is lacking in-house, streamlines processes, and creates additional funds that can help the company focus on priorities such as growth and innovation. Accedia dedicated a lot of effort to making sure our clients felt safe during that time. We reduced our rates, helped prioritize the most important projects and tasks, provided free consultations, and became even more agile when it comes to adjusting the size of the team.



Being one of the most desirable outsourcing destinations, Bulgaria managed to turn the difficulties of the pandemic into opportunities. Choosing to relocate due to lockdowns and remote work many talents moved back to Bulgaria and relocated from

all parts of the world including China or other Asian countries in search of work, stability, high-quality education, and more affordable living standards. All this made the Bulgarian talent pool of skilled IT professionals even more abundant than prior to the pandemic.

Continuously growing throughout the pandemic Bulgarian outsourcing is expected to reach EUR 6.6 billion in 2024 from EUR 3.3 billion in 2020.

Source: AIBEST Annual Industry Report 2021

RUSSIA'S CYBERWAR AND THE NEED FOR BETTER SECURITY

Long gone is the time when cyberattacks were just a hypothetical threat. If we've learned something in the last few years is that all countries are at potential risk and investing in the right talent and security technologies can be crucial.

Some alarming statistics related to data breaches in the United States:

-  Attacks on corporate networks per week raised by 50% from 2020 to 2021 and continue to go up in 2022.
-  Just in the first half of 2022 over 53 million individuals got victims of cyberattacks (data exposure, data leaks, and more).
-  The average cost of a data breach raised from \$9.04 million in 2021 to \$9.44 million in 2022. Which makes the United States the costliest country for an average total cost of a data breach for the 12th year.

The examples of how real the threats of cyber-attacks are many. We remember the Chinese hackers' attack that stole the data of 21 million people in the US including their social security numbers. Or last year when hackers increased the levels of lye in a water treatment plant in Florida to dangerous levels.

Attacks on individuals, big and small businesses, or even the government and its institutions have been a regular occurrence for years. And only recently with the increasing threats coming from Russia, US businesses realize the vulnerable state their data is in and the need for a clear cybersecurity plan,

allocated budget, and skilled talent who can mitigate even the most sophisticated threats. Thus, Accedia created its AI Capability Center aiming to invest further in innovative technologies and solutions to help companies reach high-security standards.



GLOBAL ECONOMIC CRISIS

The United States are experiencing the highest inflation rates since the 80s. According to the U.S Bureau of Labor Statistics, the inflation rate in March 2022 was 8.5%. This along with the declines in the Gross Domestic Product (GDP) only mean that a recession may not be as far away as we once thought. Employees are quitting their job in search of a high salary and better benefits which results in staffing issues.

Many businesses have shut down in the last year due to supply chain difficulties, lower customer demand, or modernization challenges. Thus, to increase work efficiency, save costs, and let the internal team focus on stabilizing the core business, the projection is that IT outsourcing in countries like Bulgaria will only become more popular.

WHAT MAKES BULGARIA A DESIRABLE IT OUTSOURCING DESTINATION?

Population (million)	Employed population	GDP in current prices (millions, euros)	GDP per capita (euros)	GDP change 2000-2020 (%)	FDI Inflow (millions, euros)
6.917	3,121,700	60,501	8,747	225%	2,124

Source: Emerging Europe - Future of IT Report 2022

Bulgaria has become a well-known IT hub in the early 2000s and since then it's gained a reputation for both high-quality services and digital talent as well as its low costs. The country offers an attractive investment climate and an opportunity for both business and talent development.

Thus, many of the largest IT companies such as Microsoft, Google, Uber, and more have chosen Bulgaria for their offices in Eastern Europe. According to the AIBEST report for 2021, the top 4 countries looking to invest in the Bulgarian sourcing industry are the UK, USA, Germany, and the Netherlands.

EXPORTS**

	2016	2017	2018	2019	2020
Export of ICT services (millions, euros)	982.7	1,018.2	1,245.3	1,627.7	1,668.4
of which computer services (millions, euros)	661.9	651.3	848.4	1,133.1	1,139.6

** SOURCE: ITC, UNCTAD, WTO based on IMF statistics for 2016-2019 and estimated for 2020

Having the chance to work with many American enterprises IT outsourcing companies in Bulgaria have rich experience in developing solutions for various industries including E-commerce, Manufacturing, Finance, Energy, and Transportation. Thus, it's no surprise that IT services in Bulgaria have been generating about 20 percent year-on-year growth for the past several years.

And here are some of the reasons behind that:

INSTITUTE FOR COMPUTER SCIENCE, ARTIFICIAL INTELLIGENCE, AND TECHNOLOGY (INSSAIT)

INSSAIT is the first-of-its-kind institute in Eastern Europe that focuses on innovative technologies, AI, ML, and more. It is part of the biggest Bulgarian university and works hand in hand with institutions in Switzerland. With investments of \$10 million per year, the goal of the project is to continue making Bulgaria the technological center of Eastern Europe and to create skilled and experienced talent locally. Some of the investors in the institute include Bulgarian IT companies as well as tech giants such as Google and Amazon.

BREXIT

At the end of 2020, we witnessed the final steps of the United Kingdom leaving the European Union. As a result, this sparked the physical return of a large number of IT professionals, who had emigrated to the UK predominantly to study. However, this trend is now changing. Young and ambitious Bulgarians who had obtained their higher education in some of the most prestigious universities are coming back and looking for opportunities to put into practice the knowledge they've acquired. Familiar with the latest technological trends and concepts, with the international environment, and also speaking fluent English – the Bulgarian talent pool is growing quickly. As of 2022, the market for ICT professionals and engineers is 101 000 which was around 77 000 in 2020 according to the AIBEST report of 2021.

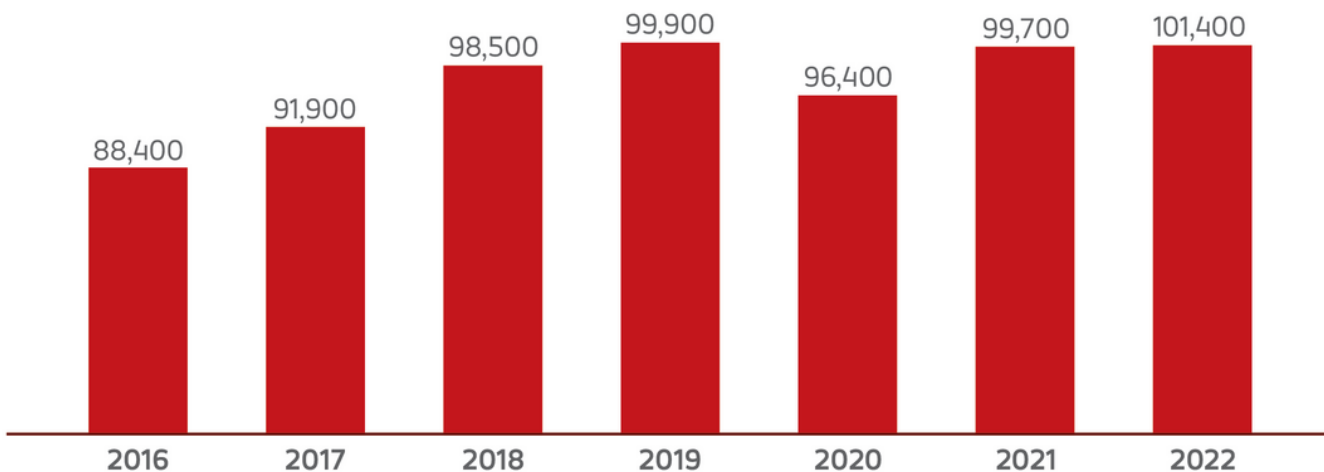


PLOVDIV TECHPARK MEMORANDUM

Last year the Bulgarian Plovdiv Tech Park signed a memorandum with an Indian tech company for an investment of \$12 million and building 100-rack tier-4 data centers (DCs) and six Edge Data centers (EDCs) in Plovdiv, and then smaller ones in Varna, Burgas, Kyustendil and more, which would help further strengthen Bulgaria's data center infrastructure. Additionally, the company is opening several IT skill development centers throughout Bulgaria teaching young talents and helping them apply their knowledge to the real software development world.

Number of ICT specialists in Bulgaria

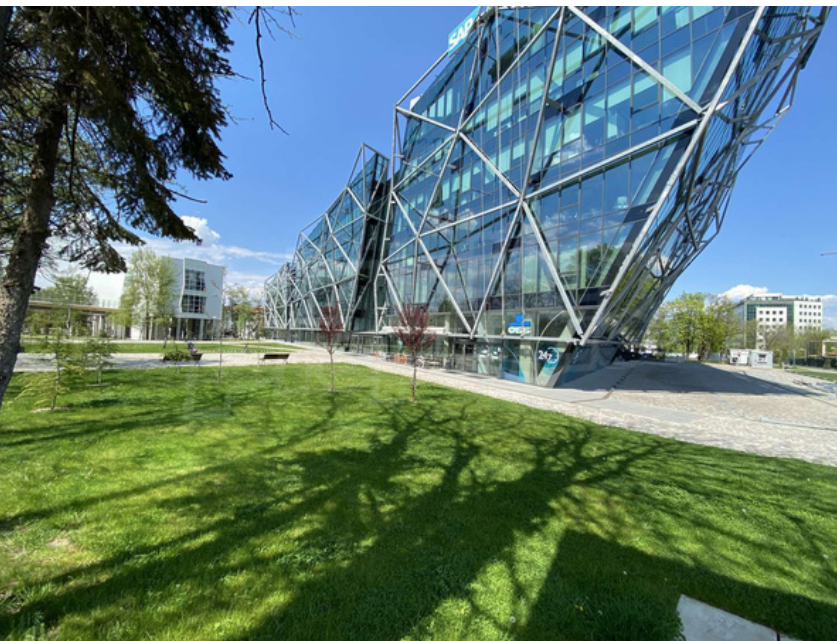
Source: Future of IT Report by Emerging Europe



SOFIA TECHPARK AND THE R&D&I CONSORTIUM

Sofia Tech Park is a project looking to support innovation, technology, education, science, and small start-ups. It has created a community including educational organizations, investors, and developing companies all in the IT industry. One of the most exciting components of Sofia Tech Park is the laboratory complex also known as the R&D&I Consortium.

It consists of 11 laboratories used for the research and development of new concepts and business projects in various areas. Some of the main goals of the consortium are to conduct technological development, promote a culture of innovation, organize international seminars and workshops, exchange ideas and knowledge, and nurture interest and curiosity in technology.



“The Sofia Tech Park will be the missing link in Bulgaria’s innovation ecosystem – it will create a bridge between business, academia, government, NGOs and society.”

Elitsa Panayotova, Executive Director of Sofia Tech Park

IT ACADEMIES

The rising number of companies worldwide that choose Bulgaria as an outsourcing partner, increases the need to nurture local talent and provide opportunities for them to grow and advance. Hence, the number of academies that offer education in computer science and related majors increases yearly, as traditional education may not always cope with the speed of technology trends and innovation. New programs offer classes targeting everyone from young children to adults who wish to shift careers or polish and advance knowledge in various technologies and concepts.

The academies focus not only on software development but on providing end-to-end knowledge for developing high-quality solutions. Therefore, courses may vary from design, quality assurance, data science, project management, and more.

To help with the training of young professionals Accedia created its new career kick-starter program [GROW@Accedia](#), which allows graduates to get mentored by experienced professionals, jump right into real-world development projects, and receive a salary throughout their program.

CONCLUSION

With the US being one of the countries with the highest investments in IT in Bulgaria, the country has become a strategic partner when it comes to building high-quality technological solutions. This collaboration is predicted to grow as more and more US companies are choosing Bulgaria as an outsourcing partner due to the language proficiency of its talent, lack of political tension in the country, the good cultural fit, and the high ranking in terms of innovation, competitiveness, and globalization. And last but not least, in 2024 Bulgaria is scheduled to enter the Eurozone which will ensure a stable business environment eliminating the exposure to foreign exchange risk.

WHAT CLIENTS SAY

"We believe that we have found the right software services partner in Accedia and will bring them on board for upcoming projects. Having experienced firsthand the collaboration with their team, I can honestly point to agility, dedication, and solution-oriented approach as strengths they have."

- Hayli Craig, LeapGroup

"Through our partnership, I got to witness their technology expertise, professionalism, and goal-oriented approach firsthand. They are proficient in offering flexible software development services and niche expertise in digital modernization strategies."

- Daniel Arnold, MRI Online


"Accedia helped us elevate our inherently data-driven business by analyzing investors' diverse requirements regarding data visualization and customization capabilities. With this knowledge in hand, they set to redesign our analytics platform, and improve the experience in accordance with users' information needs."

- Scott Sottile, Titan Advisors

READY TO BUILD A STRATEGIC OUTSOURCING PARTNERSHIP?

Get in touch with us today and discover [the benefits of working with a strategic software development partner!](#)

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ABOUT ACCEDIA



Accedia is a professional IT services company, specializing in Technology Consulting, Software Development and IT Operations Management. Founded in 2012 in Sofia, Bulgaria, Accedia has become one of the fastest growing technology companies in EMEA, according to Deloitte and Financial Times.

Accedia works with clients in more than 20 countries on 5 continents – from America to Japan, from Finland to South Africa and Australia. The company is a partner of choice for software engineering and consultancy for startups, SMEs and large enterprises in Finance, Manufacturing and Energy.

The team helps solve technology challenges and maximize digital opportunities by delivering:

- Engaging customer experiences for Web and Mobile,
- Sustainable transformation with Cloud applications,
- Increased effectiveness with Intelligent Automation and Data Analytics,
- New products and services leveraging Machine Learning and AI.

What makes Accedia stand out is the dedication to quality software that delivers practical business value. By endorsing agility and collaboration, learning continuously, and nurturing a growth mindset, the team crafts solutions with true professionalism.