

*Original Contribution***TRENDS IN TRADE AND INVESTMENT FLOWS IN STARA ZAGORA REGION****R. Raykova, E. Mutafov***

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ABSTRACT

Investments are an important part of the development of municipalities and Stara Zagora region is no exception. With its very strategic location and significant trade and investment flows in recent years, the region is characterized by a diverse economy, in which the energy sector, agriculture and industry play an important role. The purpose of this article is to examine and analyse key indicators for the region and to derive the main prospects for attracting investments. Methods, such as comparative analysis, mathematical approach, deduction and induction are used. The main trends in the field of investments are touched upon - nearshoring and friendshoring. The conclusions reach specific proposals for improving the investment climate in Stara Zagora region, which will lead to economic growth and higher living standards for the citizens.

Keywords: investments, nearshoring, friendshoring

INTRODUCTION

Today, in the world at the stage of globalization and technological armament, the role of investment flows in interpreting the combination of economic development is of great importance (1). To attract foreign investments through the recipient position, states pay attention to the investment potential created in the country, the established modern infrastructure, the socio-economic policy pursued to improve the investment environment (2, 3).

Other authors emphasize the key importance of the comparative advantages of the region and the possibility of developing this potential with proper use of resources (4, 5). Among the theories on the development is also the concept of integration of industry in the development especially in more rural areas (6, 7).

The restructuring of the global economic landscape has revealed new strategic approaches to attracting investment, leading to the emergence of new economic zones and a redefined perspective on the organization of supply chains and the consolidation of economic dominance.

Some authors argue that the COVID-19 pandemic occurred in a context where the model of productive globalization, based on international supply networks, was already showing signs of exhaustion or even reversal due to various factors (environmental concerns, protectionist measures, geopolitical crises, etc.), (8). The geopolitical landscape poses significant challenges for businesses, including trade wars, rising tariffs, and disruptions in supply chains. These factors complicate the maintenance of international production capacities and contribute to higher inflation. To boost efficiency and shorten delivery times, many companies—particularly in industry— are relocating orders to politically stable nearby regions, with Eastern Europe emerging as a key destination.

Central and Eastern Europe qualified to benefit from nearshoring (9) and friendshoring trends, as manufacturers find it financially attractive to relocate the production centres closer to consumption centres (10). The CEE proximity, relatively low labour costs, skilled workforce, and access to the EU single market enhance its attractiveness for investment. Within this context, the central geographical location of the Stara Zagora region offers additional advantages for companies looking to relocate nearer to key markets. Bulgaria's EU membership and ongoing

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infrastructure improvements further support integration into European supply chains.

Certain industries gravitate toward onshoring due to lower domestic labour costs and high logistical burdens—such as construction materials, energy, and utilities. Conversely, sectors like electrical equipment manufacturing favour offshoring, driven by high labour costs and the production of high-value, low-volume goods, where logistics represent a minor share of total costs. Industries with balanced labour and logistics expenses often pursue nearshoring, relocating operations to nearby, culturally aligned countries, such as in the production of industrial system components.

To attract investment, Stara Zagora should capitalize on its competitive advantages in labour and anticipated logistics efficiencies. Viable opportunities lie in sectors poised to enhance profitability through relocation, particularly those with lower labour and manageable logistics costs within the EU. Priority sectors include:

- Industrial equipment and machinery, leveraging cost-effective labour and strategic location to minimize logistics to European markets.
- Vehicles and mobility-related value chains, aligning with the EU's green mobility agenda and positioning Stara Zagora as a potential hub for electric vehicle manufacturing and components.
- Textiles, chemicals, and plastics, where moderate labour and logistics costs, combined with a robust industrial foundation and sustainability focus, appeal to eco-conscious investors.
- Agriculture, paper, and wood products, drawing on the region's agricultural strengths to advance agribusiness and related industries with reduced EU logistics costs.
- Pharmaceuticals and medical equipment, fostering high-skilled employment and technology transfer aligned with global sustainability goals and healthcare innovation.

Judijanto and Azizs state that regions with a rapidly growing industrial sector may experience greater benefits from international trade than regions that rely heavily on the agricultural sector. Businesses in Stara Zagora region are highly export-oriented due to the small local and national market for their products. Export levels vary depending on the sector in which they operate. Some companies have relatively low volumes, while others have the potential for greater international presence. Stara Zagora, as a prominent industrial city, stands to benefit significantly from the advantages of access to international markets, enabling local companies to

diversify their product offerings, increase sales volumes, and thereby enhance profitability and drive innovation (11). Exporters in the Stara Zagora region are actively involved in international markets but face various challenges related to bureaucracy and limited resources. Collaboration with institutions, easier access to funding, and support for innovation are crucial for their growth and success. The limited availability of raw materials presents an obstacle for some. These companies need technological integration and innovation (including cost-reducing solutions) to remain competitive with Western businesses. They lack information on how to enter new markets and often rely on consultancy services to establish partnerships. The slow pace of EU grants and program availability also hinders their development.

Stara Zagora region has established itself as a key economic and industrial centre in Bulgaria. It has demonstrated a dynamic development in trade and investment flows in recent years, and this trend is supported by the strategic efforts of the local administration and the active attraction of foreign and domestic investors.

There are various factors affecting investment activity, including the size of the domestic market, political stability, conditions for doing business, geographical location, access to personnel, etc.

METHODS

In this article we used the following methods to calculate the investments flows in the municipalities in Stara Zagora region: mathematical, comparative analysis, deduction and induction.

The research period is 5 years (2019 – 2023 incl.) and it aims to show the investments amounts in all 11 municipalities in Stara Zagora region. They are as follows: Bratya Daskalovi, Gurkovo, Galabovo, Kazanlak, Maglizh, Nikolaev, Opan, Pavel Banya, Radnevo, Stara Zagora and Chirpan. They all have different potential and characteristics, so their investments may vary.

Also, dynamics on the investments per capita is shown as a proportion between the amounts invested and population of the municipality.

RESULTS

In the municipalities of the Stara Zagora region, a positive trend of investments has been observed in recent years, with the most significant growth occurring in the regional city. The data from **Figure 1** shows that the regional city is an attractive centre for investments and has the highest results of all the municipalities under consideration. The towns of Kazanlak, Maglizh

and Chirpan follow, with the share of investments at the end of the period under review increasing compared to its beginning.

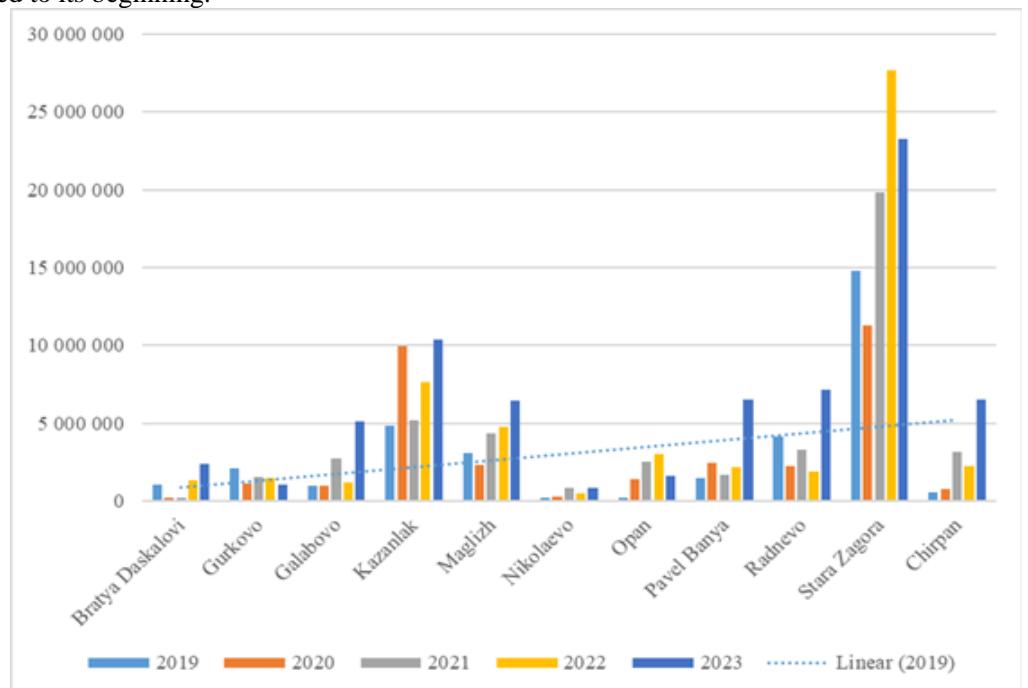


Figure 1. Investments in the municipalities of the Stara Zagora region, BGN

Source: Data from municipal budgets for the period 2019-2023, Ministry of Finance (12)

Unfortunately, a decline in population is observed in all municipalities of the Stara Zagora region, with the exception of the municipality of Maglizh, where there is an increase of nearly 3 percentage points at the end of the observed period compared

to the beginning. In the rest of the municipalities, the biggest drop was in Gurkovo with over 13%, Bratya Daskalovi, Galabovo and Radnevo with around 10%.

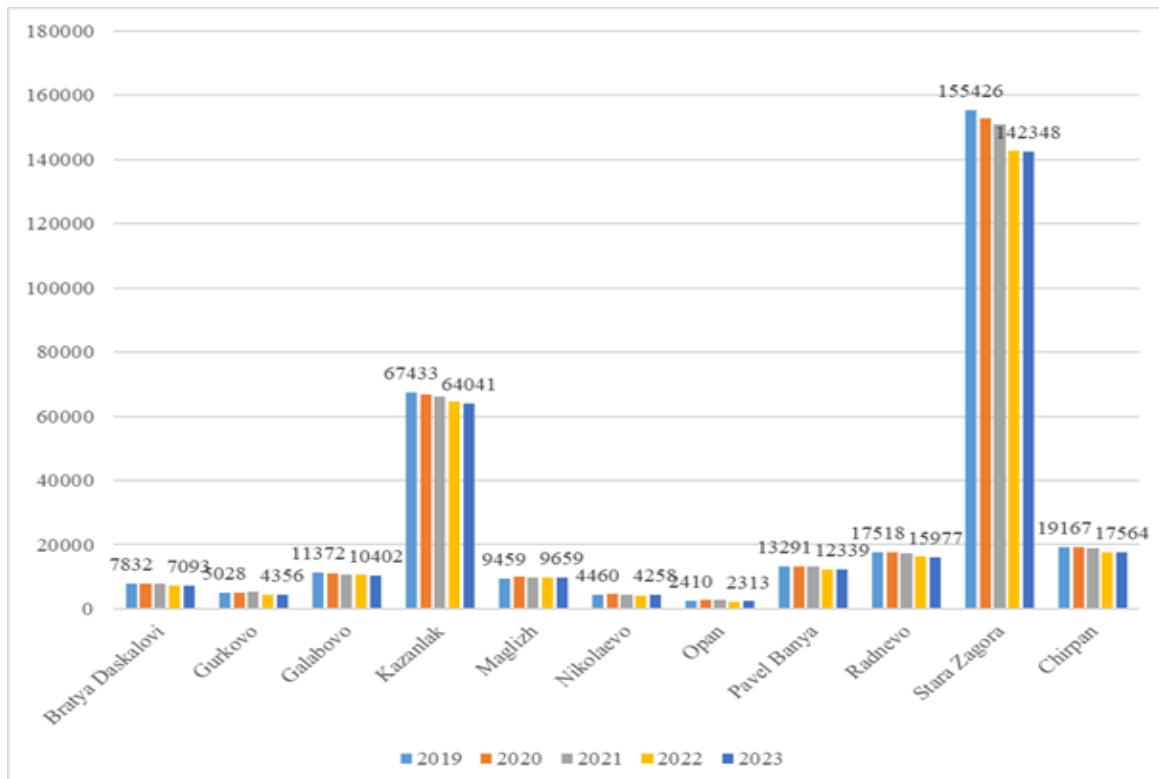


Figure 2. Population in Stara Zagora Region, by municipalities, 2019-2023, number inhabitants

Source: National Statistical Institute, Bulgaria, population 2019-2023 (13)

The presentation of investments per capita is of interest, as this would give an unbiased assessment of the activity of municipalities in search of better living conditions and improvement of infrastructure and public services in their municipality. As a nominal value, it is not possible to make a direct connection with the

population, since during the considered period the investments in the municipality of Opan are greater than those in some more populated places, such as Nikolaev, Gurkovo and Galabovo. Things appear different if we examine the dynamics of this indicator per capita.

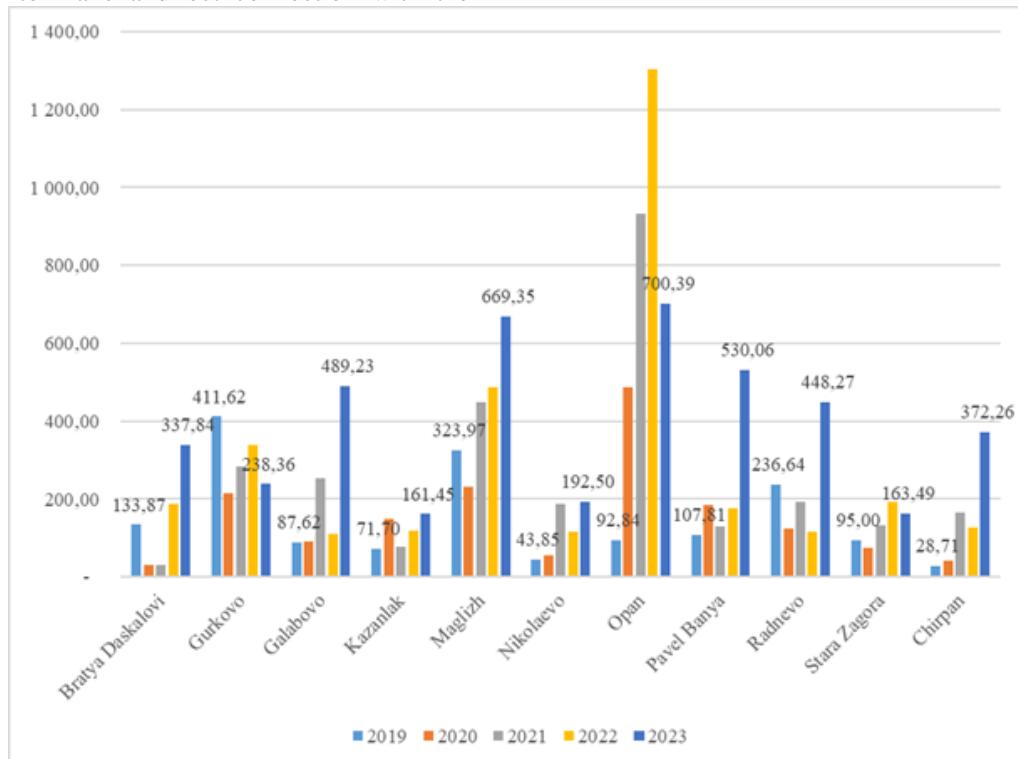


Figure 3. Investments per capita, all municipalities in Stara Zagora Region, BGN

Source: Own calculations, based on data by Ministry of Finance and National Statistical Institute, 2019-2023

According to the data from **Figure 3**, it can be seen that the municipality of Opan has a large share of investments per capita, which even shows a decrease for 2023 compared to 2022, but for the entire period under consideration, this indicator shows more than a 7-fold increase. The absolute leader in the area in terms of investments per person of the population for the period under

review is the municipality of Chirpan with a nearly 13-fold increase at the end of the period compared to its beginning. In most municipalities, this increase is several times, but the positive trend is preserved in the entire area, and it can be concluded that investments are increasing everywhere.

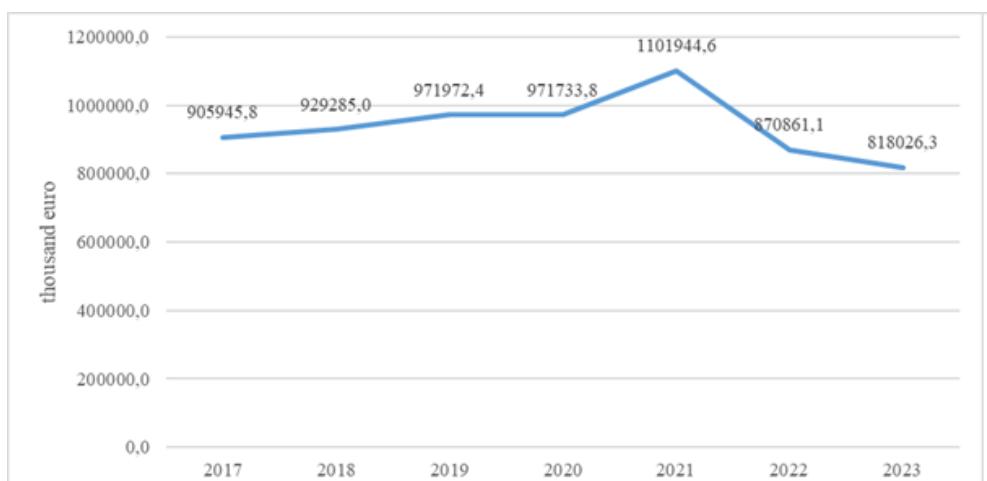


Figure 4. Foreign direct investment in non-financial enterprises, Stara Zagora region

Source: Author's visualization of data from NSI

The data shows that investment slowly increased from 2017 (€905,946 thousand) to 2019 and 2020, staying around €972,000 thousand. In 2021, there was a clear peak, with investment reaching €1,101,945 thousand, which suggests that this was a very strong year for attracting foreign investors. However, after 2021, investment started to fall and in 2022, it dropped to €870,861 thousand and then fell further to €818,026 thousand in 2023. These fluctuations can be explained by changes in the global supply chain, caused by several events that led to new production strategies such as nearshoring and friendshoring, which have benefited regions like Stara Zagora. The COVID-19 pandemic started in 2020 and continued to affect economies in the following years, causing uncertainty and delays in investment plans. Although the first impact in 2020 was not very strong—because foreign investments are usually long-term—the longer the pandemic lasted, the more it added pressure on businesses. The war in Ukraine, which began in 2022, made the situation worse. It brought political and security concerns to the region and led to higher energy costs and inflation, making foreign investors more cautious. In addition, political instability further threatened the investment landscape and led to delayed or frozen investment decisions. In conclusion, the combined effects of the COVID-19 pandemic and the war in Ukraine have strongly influenced foreign investment in the Stara Zagora region. While the pandemic alone had a limited early impact, its continuation, together with the new risks and economic pressures caused by the war, have deepened the decline in investments.

CONCLUSION

The recommendations for future development emphasize the need for proactive promotion of Stara Zagora's market potential by shifting perceptions away from it being merely a low-cost destination and highlighting its capacity for value-added production and cost efficiency. A targeted marketing campaign, alongside strategic relationship-building with investors, is considered essential. Strengthening and further developing the region's technical talent is also crucial, with a focus on showcasing the available skilled workforce and supporting initiatives that enhance ICT capabilities and cross-sector skill integration. Improving the investment climate requires the establishment of a coordinated framework for investor relations, featuring clear procedures and institutional commitment across the region. It is proposed that a central online portal be developed to provide key investment information.

Infrastructure development is identified as a priority, particularly in digital infrastructure,

industrial zones, and critical assets such as the Maritsa East complex and Stara Zagora airport. Post-investment support is also underscored, with an emphasis on reducing decision-making times, offering consultation services, and ensuring competitive local rates for training and advisory support. Furthermore, the recommendations call for expanding trade opportunities by analysing exporters' needs, simplifying processes to promote exports, and removing administrative barriers. Finally, access to information regarding raw materials, opportunities for technological integration, and innovation incentives are seen as vital, with particular attention to measures that can reduce operational costs.

Stara Zagora region demonstrates dynamic development in trade and investment flows, thanks to the strategic efforts of the local administration, the presence of industrial zones with ready infrastructure and the attractiveness of the region for foreign investors. With its industrial capacities, strategic location and active support for business, Stara Zagora has established itself as a key economic and industrial hub in Bulgaria.

These trends highlight the region's potential for sustainable growth and its increasing role in national and international supply chains. Continued investment in innovation, workforce development, and infrastructure will be crucial for strengthening Stara Zagora's competitiveness and ensuring long-term economic prosperity.

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