



STRATEGIC BRIEF

Bulgaria as an EMS Manufacturing Location

Cost advantages, market access through EU trade agreements and the right production volume for outsourcing

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European OEMs are increasingly looking for manufacturing locations that combine cost advantages with the legal certainty of the EU. Bulgaria is one of the interesting options when it comes to outsourcing assembly and equipment manufacturing to an EMS provider. The reason is not simply low wages, but the combination of EU membership, the eurozone, the Schengen Area and a still low, albeit increasingly tight, labor cost environment.

This Strategic Brief assesses the actual advantages, identifies the limitations of the model and provides an indication of the production volumes at which outsourcing to a Bulgarian EMS partner becomes economically viable.

Cost Advantages Compared with the EU

Bulgaria continues to have the lowest average labor costs of all EU Member States. In 2025, average hourly labor costs were €12, equivalent to around 34 percent of the EU average of €34.90. In manufacturing, the average monthly wage in 2025 was €1,127, around 15 percent below the Bulgarian national average of €1,331. The statutory minimum wage increased to €620.20 gross per month in January 2026, an increase of 12.5 percent compared with the previous year and around 30 percent compared with 2024.

The tax system is also comparatively low-tax. Personal income tax is a flat 10 percent. Corporate income tax is also 10 percent, making it one of the lowest rates within the EU.

For EMS manufacturing, electricity costs are particularly relevant, as SMT lines, reflow ovens, inspection and test systems, as well as climate-control and compressed-air systems require continuous energy. Bulgaria continues to offer competitive industrial electricity prices by European standards. However, a location assessment should consider not only the energy price, but also grid charges, contract structure and the consumption profile of the individual EMS site.

EU Membership as a Structural Advantage

Since January 2026, Bulgaria has been a member of the eurozone. This eliminates currency risk against the euro. Since 2025, the country has also been fully integrated into the Schengen Area; controls at the internal land borders were abolished on 1 January 2025.

For goods flows to Germany, Austria or the Benelux countries, Bulgaria therefore offers a direct land connection within the EU Single Market. Compared with manufacturing locations in Asia, significantly shorter and more predictable transport times can be achieved, particularly for time-critical supply chains.

Market Access through EU Trade Agreements

For companies that want to supply countries with high import tariffs from a third country with a limited network of its own free trade agreements, Bulgaria can be strategically interesting as a manufacturing location. As an EU Member State, Bulgaria does not conclude its own bilateral trade agreements; common commercial policy is handled at EU level. The EU has an extensive network of trade agreements, including agreements with Japan, South Korea, Canada and Vietnam, supplemented by regional systems such as the Pan-Euro-Mediterranean system with its cumulation rules.

Goods that are sufficiently processed or worked in Bulgaria may qualify as goods of EU preferential origin under the respective agreements and therefore benefit from reduced or eliminated tariffs in the

destination country. However, this always requires compliance with the product-specific rules of origin applicable under the respective agreement.

Assessment

The decisive factor is not the production location alone, but the product-specific rule of origin under the relevant agreement. Simple final assembly using imported components is often not sufficient to obtain EU preferential origin. Depending on the agreement, requirements may include a specific value-added share, a change in tariff classification or defined processing. These rules must be checked individually for each product and destination country before relocating production to Bulgaria with the objective of obtaining a tariff advantage.

A distinction must also be made between tariff preferences and export control regulations. Product-specific export control regimes such as the US Export Administration Regulations (EAR) or ITAR may remain relevant due to US-origin components, technology, software, technical data or other controlled elements. The manufacturing location alone does not eliminate such export control obligations.

Limits of the Cost Advantage

Bulgaria's cost advantage over Western Europe remains significant, but is subject to increasing cost pressure. Average gross annual wages were around €15,972 in 2025. For 2026, the European Commission expects nominal wages to increase by a further 5.7 percent. At the same time, significant shortages of skilled workers persist, particularly in manufacturing. The Bulgarian labor market therefore remains tight and is increasing cost pressure on qualified manufacturing personnel.

There are also significant regional differences in labor costs within Bulgaria. For EMS companies, the choice of location is therefore not only a question of available manufacturing capacity, but also of long-term personnel costs and the availability of qualified employees.

Labor Market and Engineering Capacity

The shortage of skilled workers is a significant limiting factor. At the same time, Bulgaria has an established technical university landscape. The Technical University of Sofia provides education in areas including electronics, automation and electrical engineering; its Faculty of Electronics and Automation at the Plovdiv campus also covers electronics, automation, as well as computer and communication engineering. This provides a technical talent base that is particularly relevant to EMS companies in process engineering, quality and automation.

Local EMS and Supplier Ecosystem

Bulgaria now has a relevant industrial environment for electronics manufacturing. In addition to EMS providers with SMT, THT, testing and box-build capabilities, there are companies specializing in cable assembly, plastic injection molding, metalworking and, in some cases, PCB manufacturing. This provides an industrial supplier ecosystem alongside the actual EMS capacities, supporting local value creation and sourcing within the European environment.

The ecosystem is therefore broader than a pure assembly base. At the same time, many electronic components continue to be sourced internationally. Bulgaria's location advantage therefore does not

automatically result from local sourcing, but primarily from the combination of EU production, EMS capacity and short European supply routes.

Logistics and International Supply Chains

Bulgaria has several relevant transport corridors as well as the Black Sea ports of Varna and Burgas. These provide additional options for importing components and exporting finished products. At the same time, infrastructure bottlenecks remain, particularly in road and rail connections. The Bulgarian Ministry of Transport itself identifies further development of road, rail and port infrastructure as a prerequisite for strengthening Bulgaria's position as a regional logistics location.

For EMS supply chains, this means that geographical proximity to Western Europe is an advantage, but does not replace a specific assessment of transport routes, frequencies and lead times for the individual manufacturing location.

At What Volume Does Outsourcing Make Sense?

The economic viability of relocating production to Bulgaria depends less on a fixed minimum volume than on the combination of unit volume, product variety and target market.

- **Small series and prototypes up to approximately 1,000 to 2,000 units per year** generally do not justify outsourcing to Bulgaria. Start-up costs, minimum order quantities for components and the coordination effort over the distance can exceed the savings in labor costs; local manufacturing or an EMS partner in close proximity is usually the more economical option.
- **Medium series of approximately 5,000 to 100,000 units per year**, particularly with medium to high product variety, represent the main target range for Bulgaria. The labor cost advantage takes effect, short delivery times to the EU market become relevant, and Bulgaria's electronics and industrial sector provides corresponding manufacturing capabilities.
- **Very large, highly standardized series above approximately 250,000 to 500,000 units per year**, particularly in price-sensitive consumer goods, often shift the cost advantage back towards Asia. At this volume, relocating to Bulgaria usually makes sense only if strategic factors such as tariff preferences, European local-content requirements or resilience requirements are added to the pure cost calculation.

Assessment

Companies planning a relocation to Bulgaria should amortize tooling and start-up costs over the planned production volume before allowing the pure hourly labor cost comparison to drive the decision. An EMS partner with experience in the medium-volume segment and proven references in the target industry is more important than the lowest quoted hourly rate.

Conclusion

Bulgaria has developed from a pure low-wage location into a serious manufacturing option for the EU market. The combination of eurozone membership, the Schengen Area, low labor costs,

technical education and a growing EMS and supplier ecosystem creates attractive conditions for European OEMs.

The location advantage is not based on labor costs alone. The decisive factor is the interaction of manufacturing costs, energy prices, local supplier structure, logistics and access to the EU Single Market. The additional benefit of EU trade agreements can be relevant for exports to certain third countries, provided the applicable rules of origin are fulfilled.

Bulgaria is particularly attractive for medium-volume production with a corresponding level of product variety and a European sales market. Very small production volumes and highly standardized mass production, by contrast, require separate assessment. The right decision therefore does not result from comparing individual hourly labor rates, but from evaluating the overall production and supply chain structure.

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About the Author

Dirk Kaussen is Founder and Managing Director of EMS Strategy Group. With around 40 years of experience in the electronics industry — including founding and managing his own electronics manufacturing company in Germany — he brings deep expertise in manufacturing processes, EMS partner selection, supply chain stability, relocation projects, and risk management. His approach combines practical solutions with a direct connection to industrial reality.

About the EMS Strategy Group

EMS Strategy Group supports industrial enterprises in the strategic and operational advancement of their electronics manufacturing. Our core expertise lies in the strategic relocation of manufacturing volumes, the selection of qualified EMS partners, the establishment of new production capacities, and the expansion of existing manufacturing structures.

Furthermore, we design resilient supply chain frameworks, conduct comprehensive risk assessments, and guide dual-sourcing strategies, with operational support through to a successful series production ramp-up.

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