



INDUSTRY GUIDE  
**AUTO PARTS**  
2026

 Invest in  
El Salvador

  
GOBIERNO DE  
EL SALVADOR

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# INTRODUCTION AND OVERVIEW

The manufacturing sector is essential to El Salvador's economy. Its contribution to GDP, job creation, economic diversification, and crucial role in the country's exports make it a fundamental pillar for economic and social development.

In particular, auto parts manufacturing has positioned itself as a strategic industry, driven by several factors that make El Salvador an attractive destination for international investors. A strategic geographic location, a variety of trade agreements with tariff advantages, a skilled workforce, and competitive costs are factors that make the country stand out as an investment destination in a growing automotive sector.

This document offers a comprehensive guide for investors, detailing available opportunities, incentives, and government support policies, highlighting the advantages of investing in an expanding market with high long-term returns.



*Be part of this story! Invest in a country that welcomes you with open arms and promises a return that is not only financial, but also social and human.*

# KEY INDICATORS PERFORMANCE

## Key performance indicators 2025



El Salvador's manufacturing sector has historically been one of the most important pillars of its economy, playing a fundamental role in job creation, exports, and GDP growth. In 2025, the country exported a total of US\$4.022 billion in manufactured goods, primarily to the United States and its Central American neighbors.

Specifically regarding the manufacture of auto parts as a priority sector with high development for the country, during 2025, more than 163 million dollars were exported, representing a growth of 25% compared to 2024.

The following are key indicators of the sector's performance in El Salvador:



**+USD \$187.8 million**

exports in the auto parts sector, 2025



**24.6% growth**

of the auto parts sector, 2025 vs 2024



**+USD \$157.9 million**

exported in sets of spark plug wires, 2025



**26% growth**

of spark plug wire set exports, 2025 vs 2024



**9th global supplier**

Spark plug wire sets for Mexico 2024

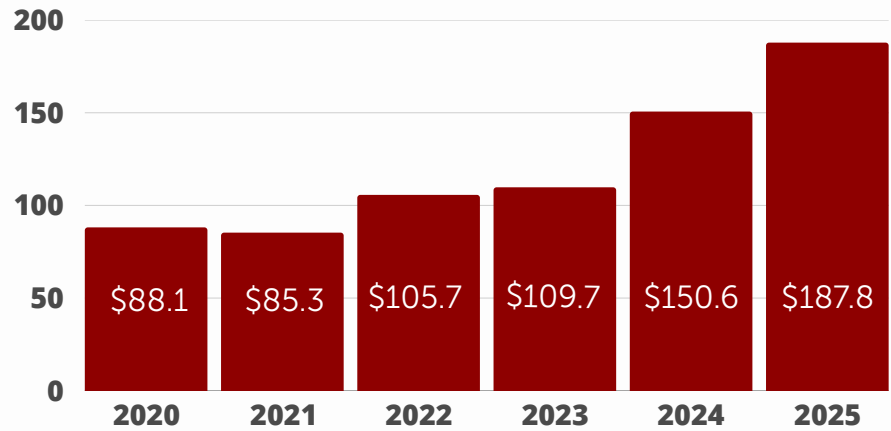


**11th global supplier**

spark plug wire sets for the USA in 2024

## Growth of auto parts exports from El Salvador (MUSD\$)

Source: INVEST in El Salvador with data from the Central Reserve Bank 2025



## Key performance indicators 2025



## Main destinations for auto parts exports 2025:

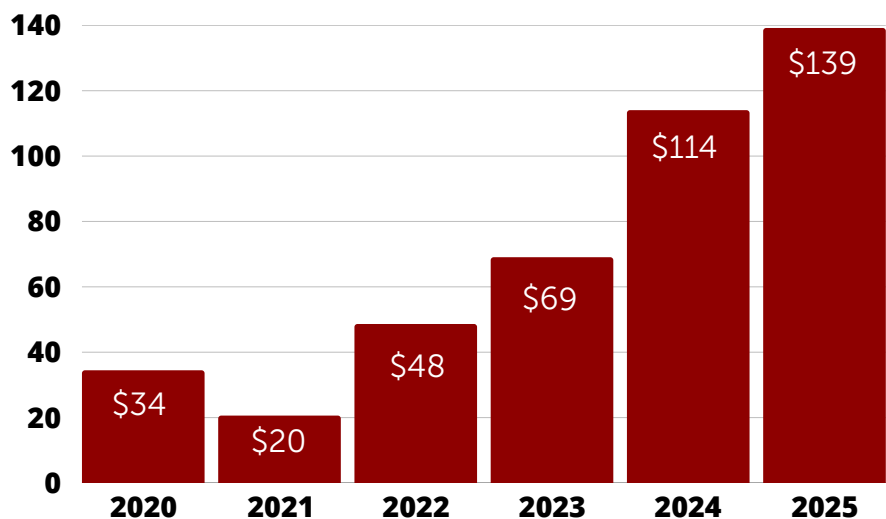


One of the products in the auto parts industry where El Salvador has a competitive advantage is the product classified under heading 854430, spark plug wire sets, of the International Harmonized System of Goods. These are essential components in the automotive industry, used in internal combustion engines to ensure the correct transmission of electrical energy to the spark plugs, thus enabling engine ignition.

The main market for these Salvadoran products is Mexico. Exports of spark plug wire sets to that country have grown at an average rate of 30% over the past five years, demonstrating that the country's manufacturing companies are well integrated into regional supply chains. The automotive industry in Mexico is of vital importance, as it is the largest manufacturer in Latin America and one of the largest producers worldwide.

The following graph shows the evolution of Salvadoran exports to Mexico:

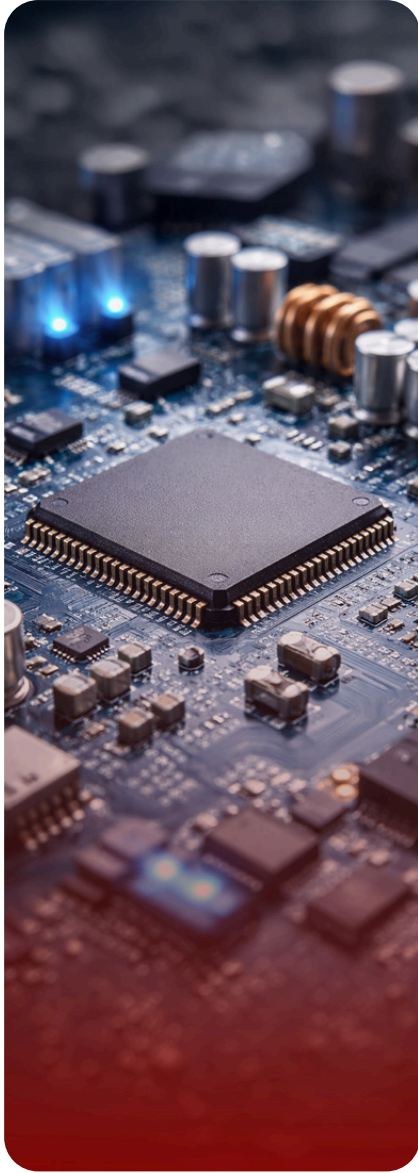
Growth in exports of spark plug wire sets El Salvador - Mexico (MUSD\$)



Source: INVEST in El Salvador with data from the Central Reserve Bank 2025

# OPPORTUNITIES AND ADVANTAGES INVESTING IN EL SALVADOR

# INVESTMENT OPPORTUNITIES



The auto parts market in Latin America has grown steadily in recent years due to increased production and expanding vehicle fleets. Central and North American countries, in particular, are major consumers of auto parts. El Salvador, with its excellent connections to these markets, offers a strategic location to supply the growing regional demand for automotive components, such as:



Airbags



Automotive harnesses



Vehicle seats



Car safety systems (airbags, seat belts) and car sensors.



Radiators



Clutches and their parts



Pumps for ignition engines



Gaskets or seals



Manufacturing, assembly and reconditioning

The auto parts sector in El Salvador is not limited to the production of basic parts; it also offers opportunities for innovation and the development of electronic and technological components for the automotive industry. Current trends in the automotive industry include vehicle electrification and the development of autonomous vehicles.



# ADVANTAGES OF INVESTING IN EL SALVADOR

The dynamism of the automotive sector is creating an expanding market for specialized auto parts. In El Salvador, investors have the opportunity to diversify their production and develop new technological products within the sector, also benefiting from attractive tax incentives.

Located in Central America, El Salvador is bordered to the north and east by Honduras, to the west by Guatemala, and to the south by the Pacific Ocean. Its strategic location, along with access to the region's main ports and transportation corridors, facilitates the export of automotive products and components.

This connectivity makes it a key point of interconnection between North and South America, strengthening its competitiveness as an investment destination in the auto parts industry.

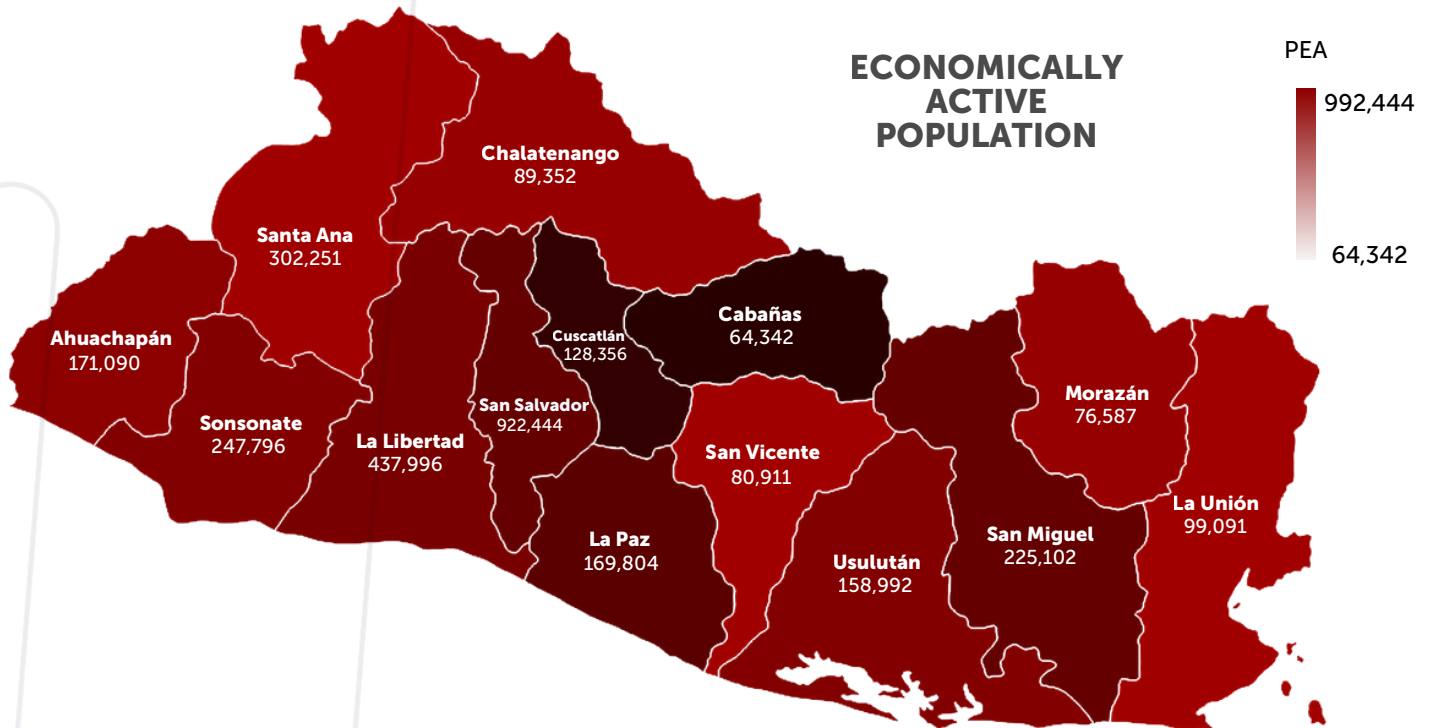
## Strategic location



## Young and skilled talent

El Salvador is developing an ecosystem of young and skilled talent in the automotive sector, driven by the growth of technical education, investment in specialized training and the attraction of international companies.

The country has a diverse population of over 6 million inhabitants and an economically active population of approximately 3.2 million, of which 62% are under 40 years old, according to the latest available census from 2024, conducted by the Central Reserve Bank (BCR). Furthermore, according to the latest INCAF study, "Characterization of the Profile of the Population Entering the Labor Market: Analysis of Expectations, Interests, and Skills," the economically active population (EAP) is divided into 56.8% men and 43.2% women. Of this figure, 29.6% corresponds to people aged 16-29.



Source: INVEST in El Salvador with data from the Central Reserve Bank 2024 and INCAF 2024

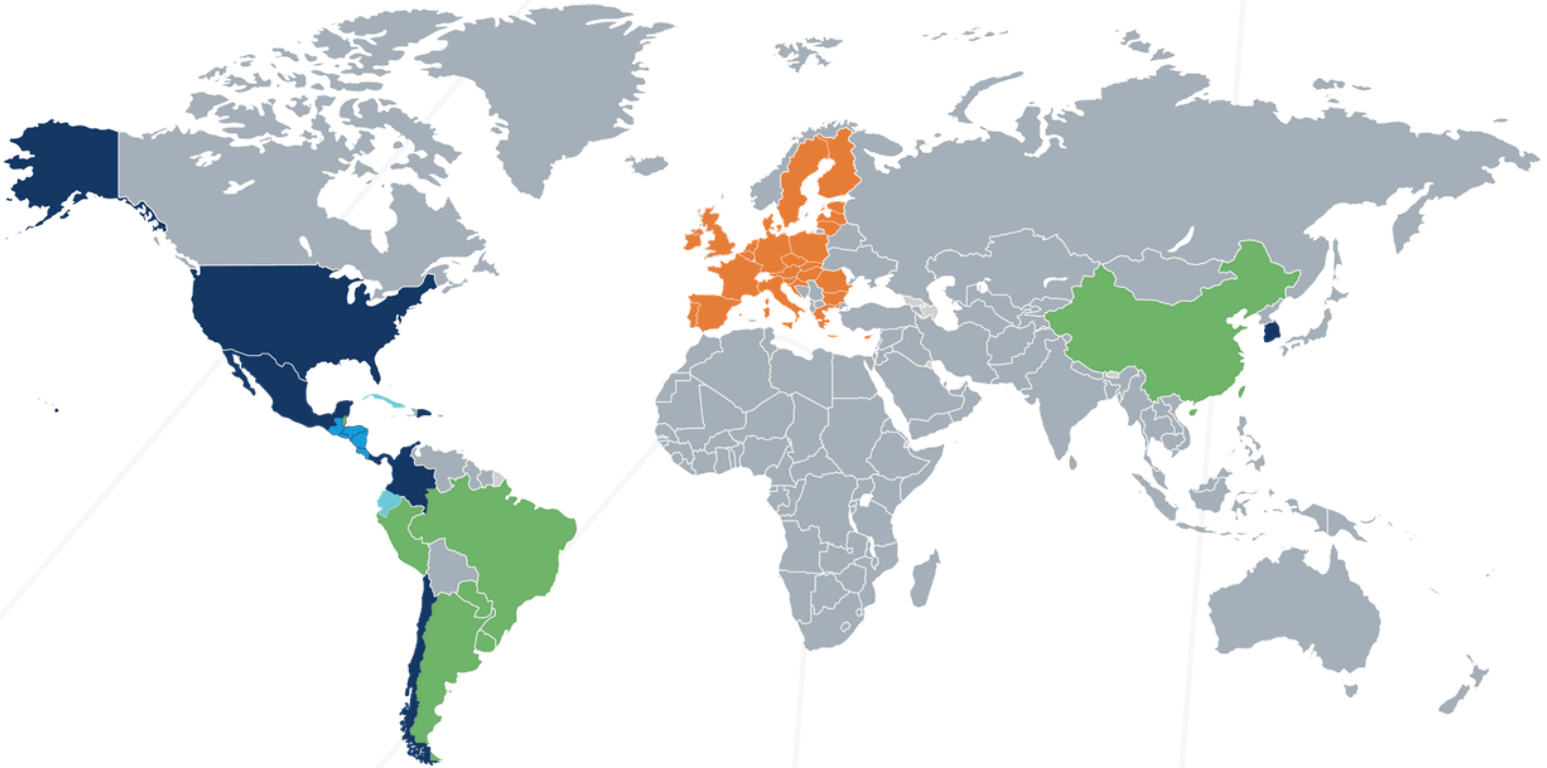
**Preferential access to 1.2 billion consumers in 41 countries**

El Salvador has successfully established a series of trade agreements that offer significant advantages to both local companies and foreign investors. These agreements allow companies to access international markets under preferential terms, which is a key factor in the competitiveness and profitability of industries, including the auto parts sector.

**0%**

Import Tariffs on Products in the Sector for Mexico and the United States

El Salvador's Network of Trade Agreements



**General Treaty on Central American Economic Integration**

- Guatemala
- Honduras
- Nicaragua
- Costa Rica

**Partial Agreements**

- Cuba
- Ecuador

**Association Agreements**

- European Union
- United Kingdom of Great Britain and Northern Ireland

**Free Trade Agreement**

- Dominican Republic
- Chile
- United States
- Mexico
- Republic of Korea
- Panama
- Colombia

**Agreement Under Negotiation**

- China
- Belize
- Peru
- Brazil
- Argentina
- Paraguay
- Uruguay



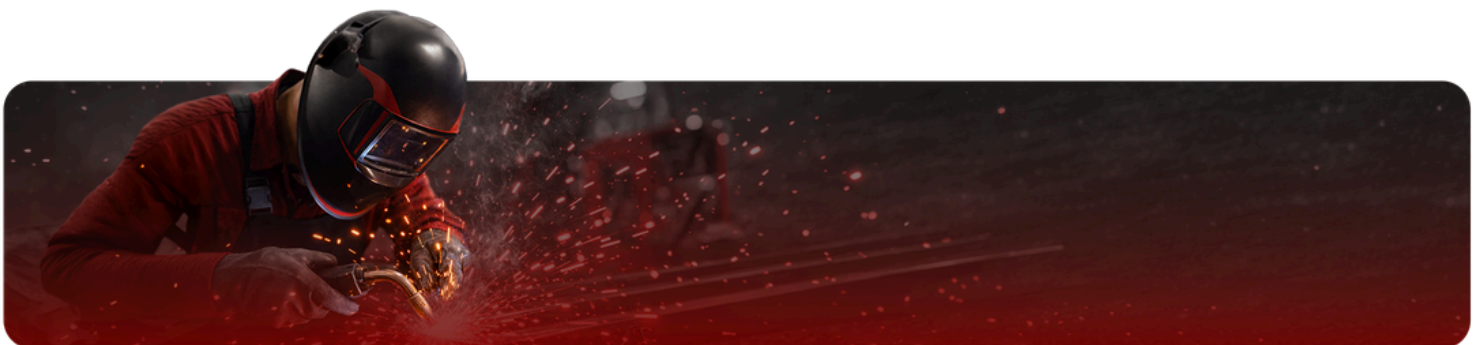
## QUALITY INFRASTRUCTURE

El Salvador is strategically located in Central America, with advanced infrastructure. According to the World Economic Forum's most recent Global Competitiveness Index from 2019, the country ranks first in road connectivity and second in infrastructure in Central America.

In terms of air connections, it has two international airports offering more than 34 routes and linking to 14 countries in the Americas, the Caribbean, and Europe. Furthermore, significant investments have been made in expanding and improving roads, seaports, and airports, facilitating the transport of goods and raw materials. This has helped reduce logistics costs, shorten delivery times, and improve the country's connectivity with international markets.

### **Recent logistics development projects**

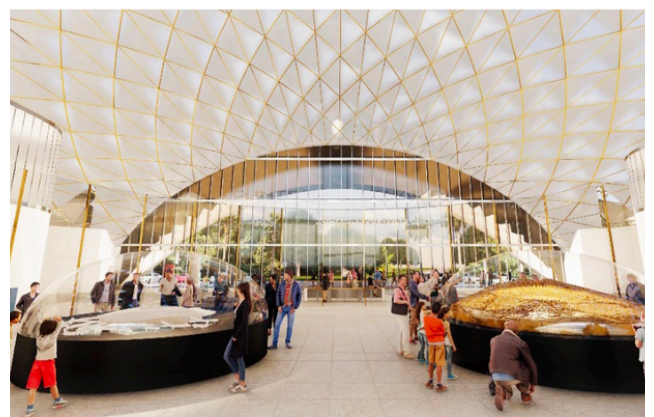
- Remodeling of the Las Chinamas border crossing, renovation of the connecting road to it.
- Implementation of X-ray inspections for means of transport at Land Customs.
- Expansion of the Cargo Terminal at El Salvador International Airport through the country's first Public-Private Partnership.
- Development of new and modern facilities at El Amatillo Customs.
- Development of mega road projects such as the Claudia Lars roundabout in San Juan Opico, the Gerardo Barrios ring road (San Miguel Bypass), the grade separation between the airport highway and the coastal highway, among others.
- Modernization of pre-port facilities and access one to the port of Acajutla.



- Solid progress towards the Customs Union through the start of operations of the binational Integrated Border Post in El Amatillo, which represents significant progress and improvements in the efficiency of procedures and operations in the flow of goods.

### **Mega-infrastructure projects:**

- Pacific Airport: whose objective will be to strengthen the eastern part of the country as a development hub.
- Pacific Train: It will connect the capital, San Salvador, with the port of Acajutla.
- Shipyard in the Port of La Unión.
- Recovery and modernization of the Port of Acajutla.
- Mobility projects such as the Francisco Morazán viaduct.
- AirCity.
- Viaduct and expansion of the Los Chorros road.



# INCENTIVES TO INVEST IN EL SALVADOR

## BENEFITS



## LAW ON INDUSTRIAL AND COMMERCIAL FREE ZONES

Companies in the auto parts manufacturing sector that decide to locate in El Salvador can enjoy the incentives of the Law of Industrial and Commercial Free Zones, since, among the sectors benefited, there is the production, assembly or maquila, manufacturing, processing, transformation or marketing of industrial goods, included in Chapters 25 and above of the Harmonized System.

- Exemption from customs duties and other taxes on the importation of machinery and equipment necessary for exportable production during the period in which they carry out their operations.
- Exemption from customs duties and other taxes on the importation of raw materials and other supplies necessary for the execution of the incentivized activity during the period in which they carry out their operations.
- Exemption from customs duties and other taxes on lubricants, fuels and other substances necessary for productive activity during the period in which they carry out their operations.
- Total exemption from the real estate transfer tax for the acquisition of properties that will be used in the promoted activity.
- Income tax exemption according to the following table:

<b>Location of the Free Trade Zone or DPA</b>	<b>Percentage of exemption</b>	<b>Exemption period for companies established in a free trade zone</b>	<b>Exemption period for companies established in DPA</b>
San Salvador Metropolitan Area	100% 60% 40%	For 15 years. For the next 10 years. For the next 10 years.	For 10 years. For the next 5 years. For the next 10 years.
Outside the San Salvador metropolitan area	100% 60% 40%	For 20 years. For the next 15 years. For the next 10 years.	For 15 years. For the next 10 years. For the next 10 years.

Additionally, partners or shareholders benefit, since the profits or dividends distributed from the favored activity are exempt from income tax for the first 12 years.

Exemption from municipal taxes, according to the following table:

<b>Location of the Free Trade Zone or DPA</b>	<b>Percentage of exemption</b>	<b>Exemption period for companies established in a free trade zone</b>	<b>Exemption period for companies established in DPA</b>
San Salvador Metropolitan Area	100% 90% 75%	For 15 years. For the next 10 years. Onwards.	For 10 years. For the next 5 years. Onwards.
Outside the San Salvador metropolitan area	100% 90% 75%	For 20 years. For the next 15 years. Onwards.	For 15 years. For the next 10 years. Onwards.

Municipal councils, within their legal powers, may grant additional benefits in order to promote the development of their respective municipalities.

Once the period of total exemptions has expired, free zone users will be entitled to an additional period of five years if it is proven that during the last five years of the total exemption they have increased their investment by 100% in relation to their initial investment.

# LAW FOR THE PROMOTION OF INNOVATION AND MANUFACTURING OF TECHNOLOGIES

The Law for the Promotion of Innovation and Manufacturing Technologies, approved in El Salvador in 2023, seeks to attract investment in technology and advanced manufacturing sectors. An auto parts company can benefit from this law in several ways:

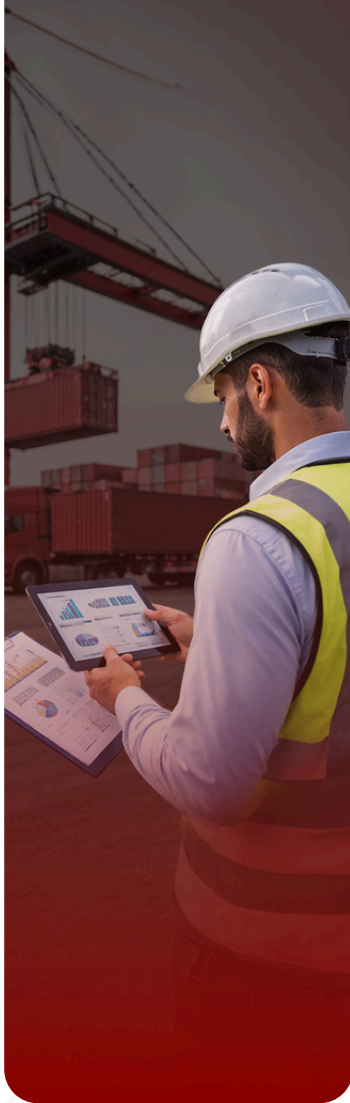
## **BENEFITS**

- Exemption from all types of Income Tax (ISR) withholdings regarding the incentivized activities.
- Full exemption from municipal taxes on the net assets declared by the beneficiaries.
- Exemption from capital gains tax.
- Total exemption from the payment of import duties and taxes on goods, supplies, machinery, equipment and tools necessary for the development of the incentivized activities.

Natural or legal persons, national or foreign, that carry out commercial activities in productive sectors related, at least, to one of the following categories:

## **BENEFICIARIES AND ACTIVITIES THAT CAN BE COVERED BY THIS LAW**

- Technologies based on the manufacture of parts, materials and equipment or facilities, assembly, including manufacturing plants for technological equipment or hardware, semiconductors, communications technology, robotics, nanotechnology, aircraft and unmanned vehicles.



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## **IMPORTANT CONSIDERATIONS**

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- Programming, management, maintenance, consulting and analysis of computer systems or software.
- Development and marketing of cloud computing and data flow services; artificial intelligence, big data analytics; distributed ledger technology; cybersecurity solutions; quantum computing.
- Engineering and systems technologies needed to integrate basic industrial technologies into global production chains.
- New sources of energy generation and storage, which do not currently exist within the national energy matrix, will be subject to the corresponding authorizations and concessions as the case may be.
- Research and development of new technologies.

- The tax exemptions will have a total duration of 15 years.
- The law does not require a minimum investment amount or number of jobs to apply for benefits.
- Beneficiaries must allocate, within the company's operating budget, at least 5% to the area of research, development and innovation.

# LAW FOR THE PROMOTION OF INVESTMENT EXPANSION

## Benefits

The legal framework will apply to individuals or legal entities, whether Salvadoran or foreign, with at least 10 years of verifiable operation in El Salvador who expand their investment in sectors such as textiles and apparel, agribusiness, food and beverages, auto parts, electronics, plastics, footwear, pharmaceuticals, construction products, paper, and related products. The tax benefits provided by the law range from 10% to 30%, depending on the level of growth and compliance with the established requirements.

- The first range establishes investments between \$1,000,000 and \$10,000,000, to which a 10% tax credit would apply.
- The second range corresponds to investments between \$10,000,000 and \$20,000,000, with a credit of 20%.
- For investments exceeding \$20,000,000, a 30% tax credit will be available.

SUCCESS STORIES AND  
**INVESTOR**  
SUPPORT

AVX Kyocera has been in El Salvador for over 30 years, giving the country experience in manufacturing ceramic and tantalum electronic capacitors that meet international standards.

The company has concentrated a large part of its high-volume business in the country, producing electronic capacitors, and has also transferred production lines from Mexico, England, and the Czech Republic. AVX Kyocera in the country has transitioned from assembly to chemical processing, molding, testing, and packaging.

One of the main reasons why AVX is in El Salvador is the high efficiency in production, which is over 97%.





ZF LIFETEC is a global leader in passive safety system solutions and is dedicated to improving the protection of vehicle occupants. Its presence extends across 22 countries, with 51 locations and three global R&D centers, supported by approximately 36,000 employees (as of December 31, 2024).

ZF LIFETEC, in turn, is part of the ZF Group, a company with more than 110 years of history, and is projected to be the world's fourth largest automotive supplier in 2024, according to its revenue (Statista).

The company began operations in El Salvador in 2006 in Santa Ana. It currently generates more than 2,500 direct jobs, approximately 72% of which are held by women. The plant produces between 300 and 400 wiring harnesses daily, with an annual turnover rate of 0.48%. It broke installation records, and its first export to the United States was made just nine months after construction began. To date, it has achieved 80% efficiency and quality in its operations, surpassing the standards of other Yazaki plants worldwide. Wiring harnesses have been manufactured in El Salvador for brands such as Subaru, Jeep (chassis harnesses), and Chrysler (door harnesses).

“After conducting the necessary studies to determine the location of our new international operation, YAZAKI decided to establish operations in El Salvador, as it offers the necessary conditions to be competitive globally.”

Luis Carlos Silveyra, General Manager of Yazaki



# INVESTOR SUPPORT SERVICES

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INVEST in El Salvador, as an investment promotion agency, offers a wide range of services designed to facilitate capital inflows into the country's manufacturing sector. Our work includes support and guidance regarding procedures and permits, providing contacts and strategic information, and advising on tax benefits and government incentives available to investors. This ensures a streamlined, transparent, and successful investment process.

#### **Personalized assistance**



We provide a service tailored to your needs with the goal of delivering valuable solutions.

#### **Strategic information**



Up-to-date information on the investment climate, sectors of interest, and opportunities.

#### **Facilitating contacts**



Network of contacts with government representatives, local businesses, chambers of commerce and business associations.

#### **Consulting**



Technical advice and investment case evaluations.

#### **Customized agendas**



We offer a carefully selected program of meetings and appointments tailored to your objectives.



Se exhorta a todos los funcionarios, empleados, proveedores, socios de negocios y demás partes interesadas a abstenerse, negarse o participar de manera activa o pasiva en cualquier actividad que pueda constituir un acto de soborno, contribuyendo así a una gestión íntegra y libre de corrupción. Pueden hacer uso de los canales de denuncia que se encuentran en el sitio web: <https://investinelsalvador.gob.sv/es/>