

A young man with dark, curly hair, wearing a blue polo shirt, is shown in profile, looking down at his hands in a factory setting. The background is filled with industrial machinery and bright blue lighting, creating a modern and professional atmosphere. The overall scene is a composite image used for a report cover.

 Invest in  
El Salvador



# Manufacturing Industry Guide

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## INTRODUCTION AND OVERVIEW

El Salvador has established itself as an attractive destination for manufacturing investment, offering a range of significant advantages and opportunities for potential investors. With a strategic location in the heart of Central America, preferential access to key markets through free trade agreements, and a highly skilled workforce, the country provides a favorable environment for establishing successful operations in the industry.

This sector in El Salvador is characterized by its diversification and experience in producing a wide range of products, including auto parts, electronic components, plastic and rubber products, and medical devices, among others. Furthermore, the country has a favorable legal framework for foreign investment, including tax incentives and facilities for the repatriation of profits.

In this guide, we will explore in detail the competitive advantages and investment opportunities offered by the country's manufacturing sector, highlighting its infrastructure, access to international markets, skilled workforce, government incentives, and other key aspects that make this country an attractive option for investors interested in expanding their operations in the region.



*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.*

## **UBICACIÓN Y CARACTERIZACIÓN DE EL SALVADOR**

El Salvador is located in Central America, bordered by Honduras to the north and east, Guatemala to the west, and the Pacific Ocean to the south. Its strategic location makes it a bridge between North and South America. In demographic terms, the country has a diverse population of 6.3 million inhabitants and an economically active population of approximately 3 million, of which 54% are under 40 years of age. The capital, San Salvador, is the cultural and economic center of the country.

In El Salvador's manufacturing sector, there is a notable advantage of low turnover rates in companies (<10% overall). This job stability provides investors with greater predictability and continuity in their operations, allowing for efficient human resource management and greater retention of knowledge and experience within organizations.

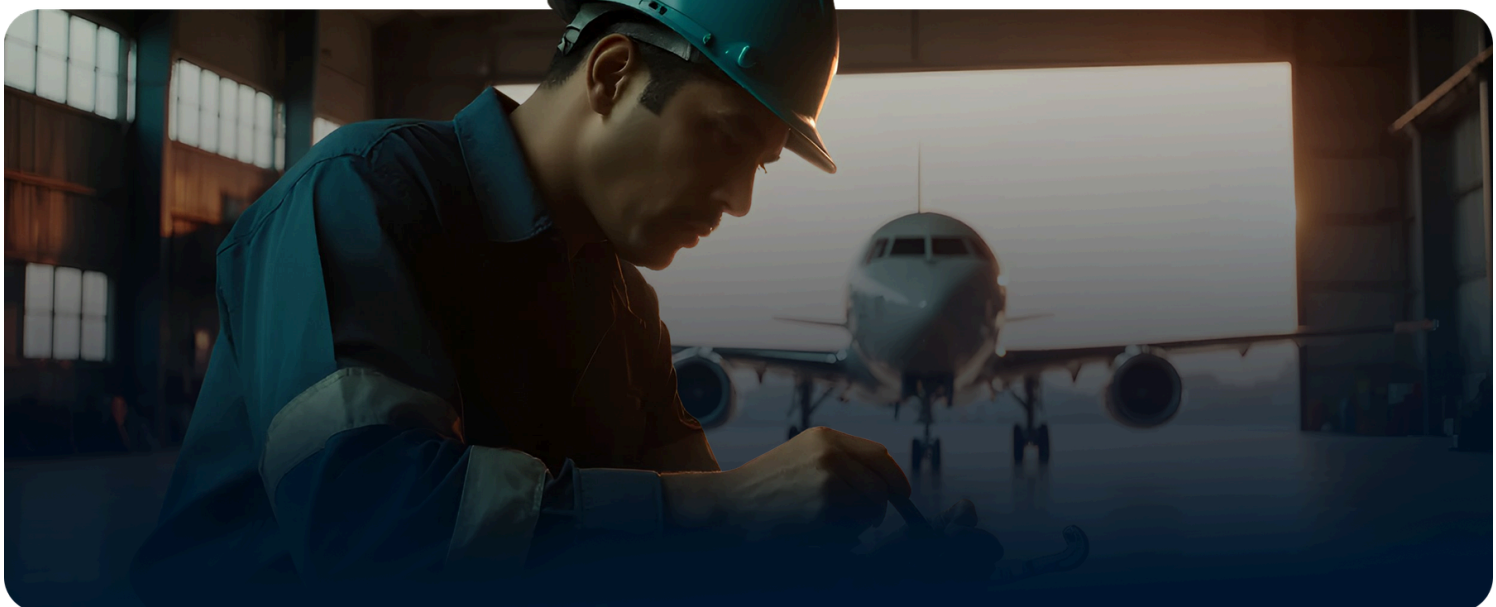
The Salvadoran workforce, recognized for its commitment and technical skills, contributes significantly to this job stability, which translates into higher productivity and quality in production, as well as a reduction in costs associated with staff turnover. This favorable work environment provides investors with a solid foundation for sustainable growth and long-term success in El Salvador's manufacturing sector.

## **DELIMITACIÓN DEL SECTOR**

The manufacturing sector in El Salvador is characterized by a wide variety of industrial activities, with a particular focus on the manufacture of auto parts (harnesses, automotive upholstery, safety systems, sensors, among others), electronic components (tantalum and ceramic electronic capacitors, transistors, resistors, etc.), manufacturing, assembly, reconditioning, and medical devices (medical and hospital supplies, orthopedic products, sanitary and hygiene products, among others).



This strategic approach reflects the specialization and strength of the Salvadoran manufacturing industry in sectors with high added value and global demand. Production capacity and technical expertise in these specific areas position El Salvador as an attractive destination for investment in the manufacture and assembly of high-tech and precision products, with a high level of quality and competitiveness in international markets.



# THE MANUFACTURING INDUSTRY IN EL SALVADOR

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# KEY PERFORMANCE INDICATORS 2025

El Salvador's manufacturing sector is diversified and dynamic, playing a crucial role in the country's economy. It comprises a wide range of industrial activities, encompassing the production of diverse goods such as pharmaceuticals, medical devices, electronics, plastics, rubber, and more. These industries are driven by a combination of domestic and foreign investment, as well as government support through industrial promotion and foreign trade policies.

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

**\$4,022** MUSD exported in Manufactured Goods

**+60%** Exports in Manufactured Goods / Total Exports

**1.2 Mill.** Tons exported in Manufactured Goods



Source: Prepared by the author using data from the BCR.

El Salvador's manufacturing sector is distinguished by its remarkable diversification, encompassing a wide range of industries from apparel to the manufacture of electronics, medical devices, plastics, and more. This diversification offers potential investors a unique opportunity to capitalize on a multifaceted market with specialized niches.

Furthermore, diversifying El Salvador's manufacturing sector also offers the opportunity to establish strategic alliances and develop integrated value chains, which can generate synergies and increase competitiveness in the global market. In short, manufacturing diversification in El Salvador offers potential investors a variety of options for entering a dynamic and constantly evolving market, with ample opportunities for long-term success and growth.

## SALVADORAN MANUFACTURES BY SUBSECTOR



**Export of Apparel Products**



**Metalworking, machinery, and mechanical devices**



**Export of Plastics and Rubber**

SECTOR	Exports 2025 (MUSD)	Exports (Tons)
Apparel	\$1,628	123,463
Metalworking, m/c, and mechanical devices	\$955	409,627
Plastics and Rubber	\$549	266,765
Chemical Industries	\$444	207,575
Paper and Cardboard	\$410	230,261
Footwear	\$36	2,962
<b>Total Manufactures</b>	<b>\$4,022</b>	<b>1,240,656</b>

Source: Prepared by the author using data from the BCR.

## DESTINATION COUNTRIES FOR SALVADORAN MANUFACTURED GOODS

El Salvador has distinguished itself through its ability to compete in international markets, leveraging its strategic location in the heart of Central America and its preferential access to various free trade agreements. The country's highly skilled and cost-competitive workforce has been a key factor in the success of El Salvador's manufacturing sector.

**40.2% UNITED STATES**



**16.1% GUATEMALA**



**15.9% HONDURAS**



**27.8% REST OF THE WORLD**



## EXPORT OF MANUFACTURED GOODS BY COUNTRY OF DESTINATION 2025

COUNTRY	Exports 2025 (MUSD)	Stake (%)
UNITED STATES (U.S.A.)	\$1,615	40.2%
GUATEMALA	\$647	16.1%
HONDURAS	\$640	15.9%
NICARAGUA	\$297	7.4%
MEXICO	\$212	5.3%
REST OF THE WORLD	\$609	15%
<b>Total Manufactures</b>	<b>\$4,022</b>	<b>100%</b>

Source: Prepared by the author using data from the BCR.

## EXPORTS IN PRIORITY SECTORS

El Salvador is implementing a strategy to promote long-term investment in the manufacturing sector, taking advantage of its strategic position to integrate its industries and supply chains. The adaptation and diversification of these industries allows for the exploitation of synergies between different sectors, increasing efficiency and competitiveness in production and reducing logistics costs. It also encourages specialization and economic expansion, promoting job creation and sustainable development.

Currently, the country is focusing its efforts on priority sectors such as electronic components and auto parts, metalworking, and plastics. However, the country welcomes foreign investors in a wide range of manufacturing sectors, from paper and cardboard to cleaning products, cosmetics, rubber, wood, and footwear, among others. We are committed to meeting the specific needs of each investor, providing tailor-made solutions and ensuring an exceptional experience in our country.

### TOP 5 EXPORT PRODUCTS OF ELECTRONIC COMPONENTS

**MUSD**  
**\$148**

Tantalum Capacitor Exports in 2025

PRODUCT	Exports 2025 (MUSD)	Exports 2025 (Tons)
Ignition spark plug cable sets	\$157.9	6,359
Tantalum capacitors	\$148.0	483.4
Various cable sets	\$55.3	7,611
Fixed capacitors	\$30.4	339.5
Semiconductor media	\$13.6	391.7

Source: Prepared by the author using data from the BCR.

## TOP 5 METALWORKING EXPORT PRODUCTS

PRODUCT	Exports 2025 (MUSD)	Exports 2025 (Tons)
Tubes and hollow profiles, welded	\$61.2	61,697
Flat products of alloy steel, other than stainless steel.	\$47.7	31,304
Bars of iron or non-alloy steel	\$46.4	58,718
Profiles of iron or non-alloy steel	\$36.2	37,753
Aluminum waste and scrap	\$35.6	13,076

## TOP 5 PRODUCTOS DE EXPORTACIÓN DE PAPEL Y CARTÓN

PRODUCT	Exports 2025 (MUSD)	Exports 2025 (Tons)
Paper for toilet paper and similar papers...	\$202.5	97,925.9
Bags, pouches, and cones	\$113.7	57,462.9
Labels of all kinds, made of paper or cardboard	\$12.8	1,027
Stickers of any kind	\$12.1	154
Paper for toilet paper, wipes, towels, napkins...	\$10.6	7,673.8

## TOP 5 PLASTIC EXPORT PRODUCTS

PRODUCT	Exports 2025 (MUSD)	Exports 2025 (Tons)
Articles for transport or packaging, made of plastic	\$315.3	171,851
Plates, sheets, foils, and strips, made of non-cellular plastic and without reinforcement	\$88.4	39,502
Tableware, kitchenware	\$38.7	9,762
Plastic articles and manufactures of other materials...	\$33.9	6,755
Plates, sheets, foils, and strips, made of plastic	\$16.9	2,762

Source: Prepared internally using data from the BCR.




# INFRASTRUCTURE AND DEVELOPMENT

El Salvador has a privileged location in the heart of the Americas with competitive infrastructure. According to the Inter-American Development Bank (IDB, 2025), El Salvador is the Latin American country with the fastest customs clearance, with a waiting time of less than five days. In terms of air connections, it has two international airports that connect to more than 34 routes and 14 countries in the Americas, the Caribbean, and Europe. Recently, investments have been made in the expansion and improvement of roads, seaports, and airports, thus facilitating the transport of goods and raw materials. This has contributed to reducing logistics costs and delivery times and improving the country's connectivity with international markets.

## RECENT LOGISTICS DEVELOPMENT PROJECTS

- Renovation of the Las Chinamas border crossing and the road connecting to it.
- Expansion of the cargo terminal at El Salvador International Airport through the country's first public-private partnership.
- Implementation of X-ray inspections for means of transport at land customs posts.
- Expansion of the cargo terminal at El Salvador International Airport through the country's first public-private partnership.
- Development of new, modern facilities at El Amatillo customs post.
- Development of major road projects such as the Claudia Lars roundabout in San Juan Opico, the Gerardo Barrios ring road (San Miguel Bypass), and the overpass between the airport highway and the Litoral highway, among others.
- Modernization of pre-port facilities and access to the port of Acajutla.
- Solid progress toward the Customs Union through the start of operations at the binational Integrated Border Post in El Amatillo, which represents significant advances and improvements in the efficiency of procedures and operations in the flow of goods.
- 


## WORKS IN PROGRESS AND PLANNING




Expansion of the Port of Acajutla



Pacific Airport



Francisco Morazán Viaduct (Los Chorros)



Complete renovation of the Troncal del Norte highway, among others.

# OPPORTUNITIES, ADVANTAGES, AND INCENTIVES FOR INVESTING IN EL SALVADOR

## INVESTMENT OPPORTUNITIES IN MANUFACTURING

- Auto parts: automotive harnesses, vehicle seats, automotive safety systems (airbags, seat belts), and automotive sensors.
- Electronic components: tantalum and ceramic capacitors, transistors, resistors, etc.
- Manufacturing, assembly, and reconditioning.



## ADVANTAGES OF INVESTING IN EL SALVADOR

- Strategic location in the center of the Americas to be used as an export platform.
- Reciprocal Trade Agreement with the United States that eliminates 10% of tariffs on El Salvador
- Free trade agreements with the main markets in the region.
- Installed capacity associated with maquilas and developed auxiliary industries (textiles and clothing, plastics, metalworking with the capacity to handle subcontracts or make joint investments).
- Low operating costs.
- Highly productive and skilled human capital.



In terms of manufacturing sector development, El Salvador has fostered the training and development of specialized human talent through educational and training programs tailored to industry needs. This has helped improve the quality and productivity of the workforce, as well as promote innovation and the adoption of advanced technologies in production processes.



### SAMPLE OF CAREERS AND ENROLLMENT OPTIONS OF INTEREST TO THE SECTOR

CAREER	Enrollment 2024	Graduates 2024
Industrial Engineering	7,657	1,102
Civil Engineering	3188	378
Mechanical Engineering	943	53
Chemical Engineering	758	75
Mechatronics Engineering	610	92

In addition to university education programs, there are shorter, more specialized educational programs that allow students to obtain specialized technical training in areas such as industrial, civil, mechanical, and electrical engineering, among others. These programs provide students with the skills necessary to perform effectively in technical roles within the manufacturing industry.

**Source:** Prepared by the author using data from the National Directorate of Higher Education, 2020 SINIEES report (latest year available)

## TAX INCENTIVES

Manufacturing companies that decide to locate in El Salvador can enjoy the incentives of the Industrial and Commercial Free Zones Law, since, among the sectors that benefit, 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.

### BENEFITS OF THE FREE TRADE ZONES LAW:

- 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:

Location of the Free Trade Zone or DPA	Percentage of exemption	Exemption period for companies established in a free trade zone	Exemption period for companies established in DPA
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.

## **REQUIREMENTS FOR FREE TRADE ZONE USERS AND DPAS:**

Individuals or legal entities applying to be classified as Free Trade Zone Users must meet at least one of the following requirements:

1. Initial investment in fixed assets equal to or greater than five hundred thousand US dollars (US\$500,000.00), achievable within the first two years of operations;
2. Operate with fifty (50) or more permanent jobs from the first year of operations;
3. Operate with five (5) or more permanent jobs from the first year of operations, in the case of marketers.

Individuals or legal entities applying to be classified as DPAs, in accordance with the provisions of the Law, must meet at least one of the following requirements:

1. Initial investment in fixed assets of eight hundred thousand US dollars (US\$800,000) or more, achievable within the first two years of operations. The acquisition of existing infrastructure will not be counted as an initial investment.
2. Operate with a number equal to or greater than seventy-five (75) permanent jobs, from the first year of operations.
3. Operate with no fewer than fifteen (15) permanent jobs from the first year of operations in the case of marketers.

Likewise, for your establishment to be declared a Processing Warehouse, other requirements must be met in terms of facilities, location, structure, and area, which are detailed in Article 18 of the ZF Law.

## LAW FOR THE PROMOTION OF INVESTMENT EXPANSION

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

### BENEFITS OF THE EXPANSION ACT

- The first bracket 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 20% credit.
- Investments exceeding \$20,000,000 will be eligible for a 30% tax credit.



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# SUCCESS STORIES AND INVESTOR SUPPORT

**Manufactura**  
Guía Sectorial

VX Kyocera has been operating in El Salvador for more than 30 years, providing the country with expertise in the manufacture of ceramic and tantalum electronic capacitors that meet international standards. This company began operations with 900 employees and currently has more than 3,600. It has concentrated a large part of its volume business in the production of electronic capacitors in the country and has transferred production lines from Mexico, England, and the Czech Republic. AVX Kyocera in the country went from assembly to chemical processes, molding, testing, and packaging. The implementation of the new production lines took 10 months, a short time compared to the two years it has taken in other countries. One of the main reasons AVX is in El Salvador is the high production efficiency, which is over 97%.



**AVX**<sup>®</sup>  
A KYOCERA GROUP COMPANY



Yazaki is a Japanese company that is a global leader in automotive wiring systems and harnesses. It has plants in 46 countries around the world, employing a total of 241,484 people. The company began operations in El Salvador in 2006 in Santa Ana. It currently generates more than 2,500 direct jobs. Approximately 72% of these are women, producing between 300 and 400 harnesses per day, with an annual turnover rate of 0.48%. It broke installation records, and its first export to the United States was made only nine months after construction began, achieving 80% efficiency and quality in its operations to date, exceeding the standards of other Yazaki plants worldwide. In El Salvador, harnesses have been manufactured 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



Indufoam began in 1982 with North American and Central American capital. In 1984, Salvadoran investors bought the shares, making Indufoam a 100 percent Salvadoran company. Then in 1993, the Toruño family acquired the company.

Currently, Indufoam produces 1,200 beds (2,400 pieces) and 4,000 accessories (pillows, sheet sets, mattress protectors, comforters, among others) daily. Fifty percent of production is sold in the local market, and the rest is exported. The company also manufactures 400 pieces of living room furniture per month, a product line that serves the local market but for which it already has export plans.

The company produces the Indufoam brand of beds, as well as private lines such as Sueña (local), Simmons (from the United States), Pikolín (from Spain), and some exclusive lines for La Curacao, such as Smart Support. The manufacturer has a 60% share of the Salvadoran market.

The Indufoam brand has reached the United States to gain more ground in that market. The company's first export went to a hotel chain in Florida, which is executing expansion plans in several markets in the Americas.

An aerial photograph of the Indufoam industrial facility, showing several large, interconnected warehouse-like buildings with grey roofs. The facility is surrounded by greenery and some smaller structures. A large, blue, rounded rectangular logo with the word "indufoam" in white lowercase letters and a registered trademark symbol is superimposed over the top center of the image. The background image is slightly dimmed and has a dark blue tint.

indufoam®

# Servicios de apoyo a Inversionistas

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INVEST in El Salvador, como agencia de promoción de inversiones, ofrece una amplia gama de servicios diseñados para facilitar la entrada de capitales al sector Textil y confección del país. Nuestra labor incluye acompañamiento y orientación en cuanto a trámites, permisos, provisión de contactos e información estratégica y la asesoría sobre los beneficios fiscales y los incentivos gubernamentales disponibles para los inversionistas. Esto, para garantizar un proceso de inversión ágil, transparente y exitoso.

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### Agendas a la medida



Ofrecemos un programa cuidadosamente seleccionado de reuniones y citas adaptadas a sus objetivos.

# 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 investment in the country's textile and apparel 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 an efficient, 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.

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El Salvador**



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