



GOBIERNO DE
EL SALVADOR

2024

Sector Guide **Logistics**



invest in
El Salvador

INVESTMENT AND EXPORT PROMOTION AGENCY

Content

Introduction and overview	3
Location and characterization of El Salvador	4
Sector delimitation	4
Main performance indicators 2023	6
Export of logistics services	6
Foreign investment in the sector	7
Logistics infrastructure	9
Recent logistics development works	9
Availability of industrial spaces	11
Interconnectivity with the rest of the region	12
Investment opportunities in Logistics	14
Advantages of investing in El Salvador	15
Labor availability	16
Competitive operating costs	17
Low operating costs	18
International Services Law	19
Activities encouraged	19
Benefits	20
Requirements	20
Law on Industrial and Marketing Free Zones	21
Incentivized activities	21
Benefits	21
Success stories: Logistics operator Ransa	24
Wallenius Wilhelmsen logistics	25
Investor support services	26



Introduction and Overview

**Be part of this story!
Invest in a country that
opens its arms to
welcome you with
enthusiasm and
promises a return not
only financial, but also
social and human.**

The logistics sector in El Salvador has experienced exponential growth in recent years, supported by a developing economy and a strategic geographical location in the heart of Central America. With constantly improving infrastructure and a focus on modernizing its operations, El Salvador has become an attractive destination for foreign investors interested in taking advantage of the opportunities the sector offers.

In this guide, we will explore in detail the competitive advantages and investment opportunities offered by the country's logistics sector, highlighting its access to key international markets, availability of committed and skilled workforce, government incentives and support, and other key aspects that make El Salvador the most attractive for investors interested in expanding their operations into the region.

Location and characterization of El Salvador

El Salvador is located in the Central American region, bordering to the north and east with Honduras, to the west with Guatemala, and to the south with the Pacific Ocean. Its strategic location makes it a bridge between North and South America. Demographically, 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 old. The capital, San Salvador, is the cultural and economic center of the country.

Regarding logistics operations, thanks to the proximity and friendly commercial relationships with a variety of markets in the region (42 countries worldwide), the country offers high potential for distribution, consolidation, transportation companies, among others. The modern port and airport infrastructure, and road network available in the country allows for interconnection and quick response times to market needs.

Sector delimitation

For the purpose of this document, logistic services are considered to be international distribution operations, through comprehensive logistics services, from the origin of the goods to the final destination, such as: planning, inventory control and management, selection, packaging, sorting, labeling, tagging, invoicing, cargo inspection and other activities that do not substantially alter the nature of the goods.

Likewise, those services include storage, collection, consolidation, and deconsolidation of third-party goods, without altering their nature.

Logistics Market in El Salvador



Main Performance Indicators 2023

Export of logistic services

Logistics services exports in El Salvador have experienced significant growth and recovery in recent years following the global Covid-19 pandemic; driven by increased demand for transportation, storage, distribution, and supply chain management services in the region. By the end of 2023, the country exported over USD \$650 million in the transportation sector (logistics), representing a 12% contribution to total service exports and an 8% growth compared to the previous year.

+MUSD

\$650

Transport sector exports 2023.

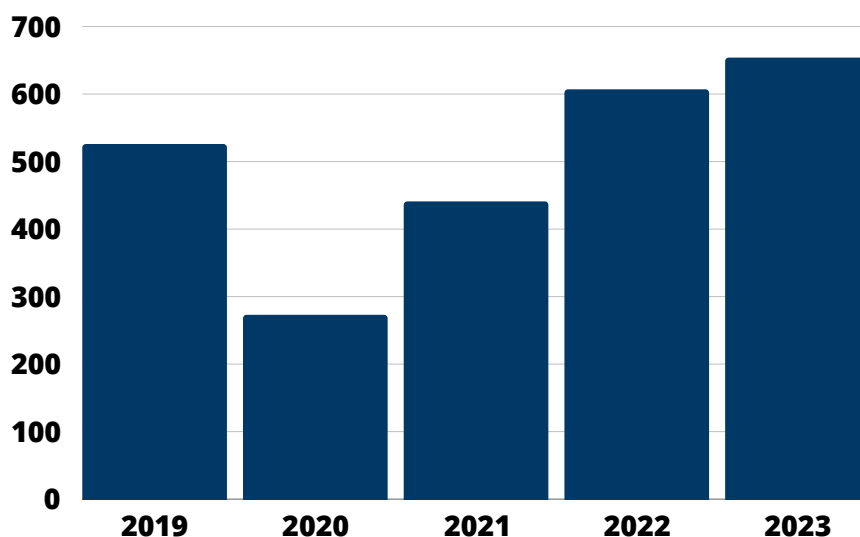
12%

Sector's share within service exports.

8%

Sector growth 2023 vs 2022.

Evolution of transport services exports



During 2023, the country exported a wide variety of goods to a range of trading partners, taking advantage of factors such as proximity and Free Trade Agreements. Among the main products exported by the country are: T-Shirts and shirts, sweaters, toilet paper, sugar, coffee, plastic bottles, tantalum capacitors, medicines, among others.

On the other hand, the main destinations for products made in the country are: the United States, which receives more than 35% of Salvadoran goods; Guatemala, which hosts 18%; Honduras, which receives 16%; and Nicaragua and Costa Rica, which receive 8% and 5% respectively.

Due to the nature of the country's topography and demographic distribution, the supply chain has developed with multiple links at the national level, from transportation companies to 5PLs in the central and western regions of the country. This makes El Salvador a strategic point in terms of supply chain in the region.

Foreign investment in the sector

During 2023, the country received a net flow of Foreign Direct Investment of over USD \$285 million, reflecting the confidence that entrepreneurs feel in El Salvador as an investment destination, given its favorable conditions for doing business. Some of the logistics companies with a presence in Salvadoran territory are:

**+MUSD
\$285**

Foreign Direct
Investment Flow 2023
in the transportation
sector.

Blue Logistics
CENTRO DE DISTRIBUCIÓN REGIONAL



KUEHNE+NAGEL

**MOBU
LOGISTICS**

W&W
WALLENIUS WILHELMSSEN
LOGISTICS

TRANSPORTES
CALPI
LIBEL

RANSAN
Pasión por la logística

CBXGlobal

RENASUR
Logística Integral

PROLOGIX
Third Party Logistics

STYBA

CROWLEY

**CONSOLIDADORES
DEL PACÍFICO**

**Copa
Airlines**

America Logistics Group
Sistemas Aéreos Group Partner

An aerial photograph of a city at sunset. The sky is a mix of blue and orange. In the foreground, there's a large, modern building with a flat roof and some rooftop equipment. To the left, a tall, dark, angular building stands out. To the right, a curved glass skyscraper reflects the sunset. In the background, a mountain range is visible under the hazy sky. The text "Infrastructure and Development" is overlaid in the center in a white, sans-serif font.

Infrastructure and **Development**

Logistics infrastructure

Recent Logistics Development Works

El Salvador has a privileged location in the heart of the Americas with developed infrastructure. According to the latest available Global Competitiveness Index from the World Economic Forum in 2019, the country ranks 1st in road connectivity and 2nd in infrastructure. In terms of air connectivity, it has 2 international airports connecting to over 34 routes and 14 countries in the Americas, the Caribbean, and Europe. Recently, investments have been made in expanding and improving roads, seaports, and airports, thus facilitating the transportation of goods and raw materials. Some of the most notable ones are:

- Remodeling of the Las Chinamas border crossing, renovation of the connecting road to it.
- Implementation of X-ray inspections for transportation means 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 Aduana El Amatillo.
- Development of mega road projects such as the Claudia Lars roundabout in San Juan Opico, Gerardo Barrios peripheral road (San Miguel Bypass), underpass between the airport highway and the Coastal Highway, among others.
- Modernization of facilities at the pre-port 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, representing significant advancements and improvements in the efficiency of procedures and operations in the flow of goods.

These projects have helped reduce logistical costs, delivery times, and improve the country's connectivity with international markets. On the other hand, the government of El Salvador has a wide portfolio of projects to continue improving infrastructure that contributes to boosting economic and productive activities within the territory. Some of the projects currently in planning/development stage include the following:

- Expansion of Acajutla Port.
- Pacific Train.
- Francisco Morazán Viaduct (Los Chorros)
- Pacific Airport
- Total renovation of the Northern Trunk Road, among others.



Availability of
industrial spaces

- Freezone located in Area Metropolitan of san salvador
- Free zone located outside the area metropolitan of san salvador

Symbology

Northern Longitudinal Highway

Panamerican highway

Litoral Highway

Border

Capital

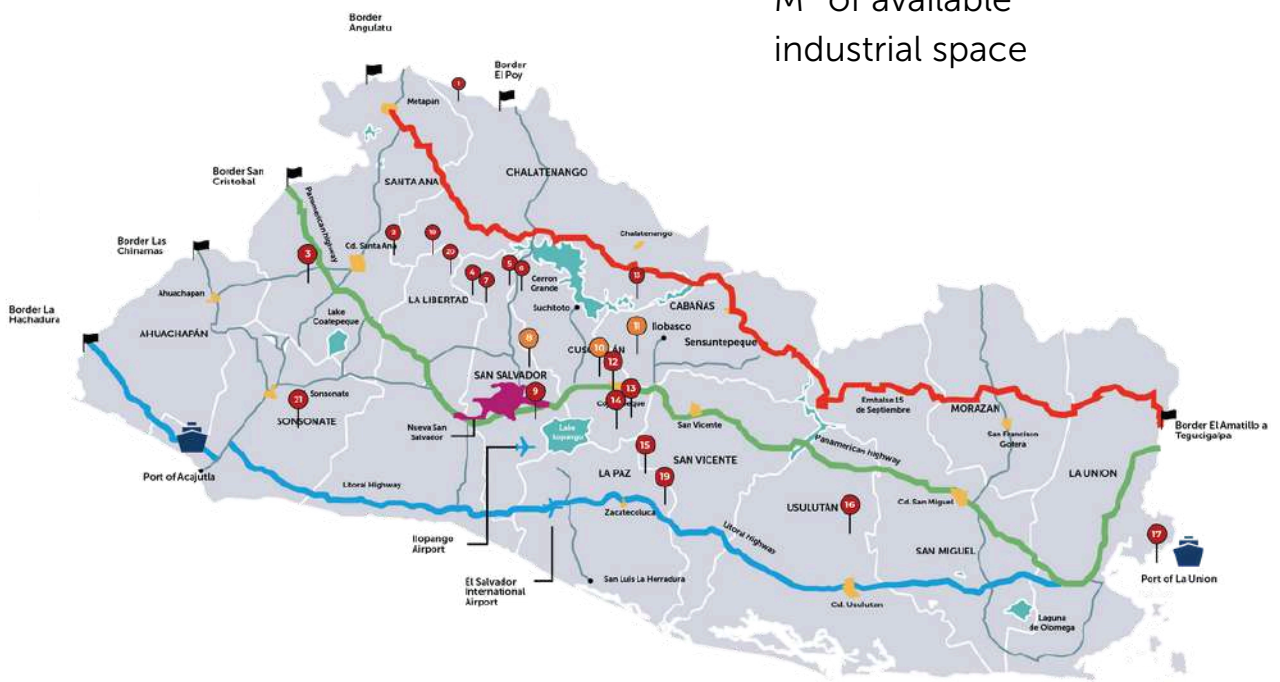
Main cities

Ports

Airports

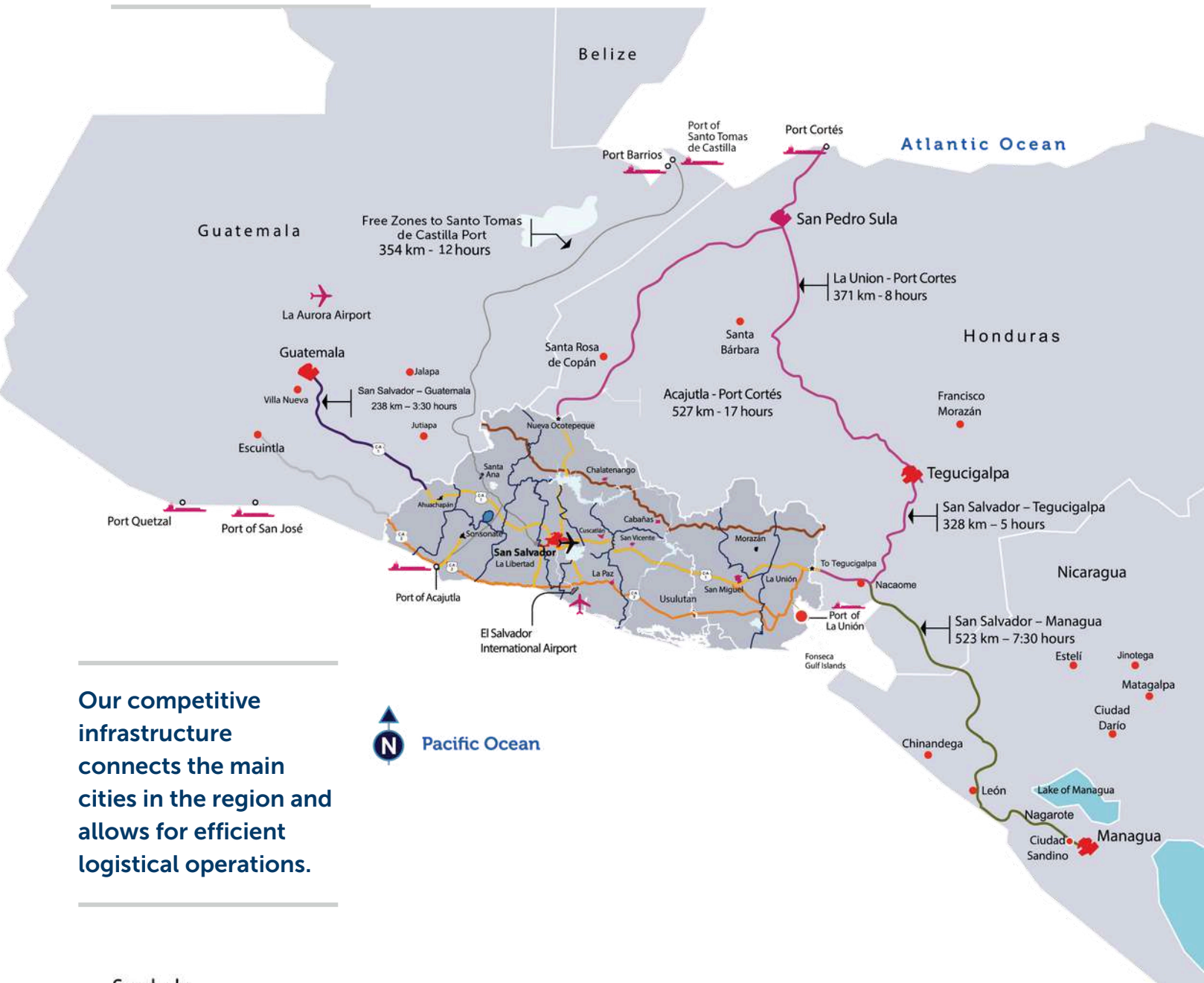
339,554

M² of available
industrial space



- | | | |
|----------------------------|--|--|
| 1 Santa Ana Free Zone | 8 Santa Tecla Free Zone | 15 El Pedregal Free trade Zone |
| 2 Las Mercedes Free Zone | 9 Free Zone San Jose | 16 Con Cordia Industria Park and Free Zone |
| 3 Free zone 10 | 10 San Marcos Free Zone | 17 Calvo Conservas Free Zone |
| 4 Exportsalva Free Zone | 11 San Bartolo Free Zone | 18 Orion Industrial Park |
| 5 Pipil Free Zone | 12 Santo Tomás Free Zone | 19 AirCity |
| 6 Sam Li Free Zone | 13 International park industrial and Free Zone | 20 Altius Tech Park |
| 7 American Industrial Park | 14 Miramar Free Zone | 21 Montforth Free Zone |

Interconnectivity with the rest of the region



Our competitive infrastructure connects the main cities in the region and allows for efficient logistical operations.

Symbols

Interconnection Route El Salvador - Honduras	Interconnection Route El Salvador - Guatemala	Interconnection Route El Salvador - Nicaragua	Panamerican Highway	Litoral Highway	North Longitudinal Highway	Frontiers	Capital City	Main cities	Ports	Airports

Opportunities, advantages
and incentives to invest in
El Salvador



Investment Opportunities in Logistics

The logistics sector in El Salvador offers various investment opportunities for local and foreign companies looking to expand their operations in the Central American region.

Some of the key opportunities include:



Logistics center for intraregional and domestic trade supply.



Cold and frozen storage warehouses for the local market.



Logistics center for cargo in transit (storage, consolidation, deconsolidation, repackaging, picking, transshipment, and cross-docking for goods with origins and destinations other than El Salvador).



Last-mile distribution companies.



Development of a Free Trade Zone

Advantages of investing in El Salvador

El Salvador has a privileged location and convenient infrastructure to provide a quick response to markets, ideal attributes to be the logistics hub for international companies.

Some of the opportunities to invest and do business in El Salvador are shown below:



Strategic location for a regional logistics center.



El Salvador is making progress on its path to becoming a regional leader in trade facilitation.



Tax benefits that can be obtained by being benefited by one of the two available laws that are attached to economic activity:

- Free Trade Zone Law. Marketing of industrial goods produced in free trade zones or active improvement warehouses of products that have not undergone a transformation process by the marketer.
- International Services Law. National distribution operations and international logistics to third parties or indirect users. One of the main advantages is that the logistics company is authorized to break down, select, and pack goods for third parties.

Availability of labor

Human talent in El Salvador is one of the country's most important resources, characterized by its talent, skills, and dedication.

El Salvador's workforce is composed of 3 million people, of which 54% are 40 years old or younger. This demographic indicates a highly productive and adaptive workforce, capable of quickly acquiring new skills.

The country offers a variety of careers directly related to logistics and transportation, such as logistics and customs engineering, customs economics degree, global logistics technician, among others. However, there are also careers and degrees related to the operation and activities of companies in this sector with high enrollment rates, such as master's in business administration, master's in business management, master's in strategic management of international business, business administration degree, business economics degree, among others.

Currently, the logistics sector employs more than 30,000 people in activities such as transportation, storage, warehousing, cargo handling, and others; this represents a growth of around 4% in 2023 compared to the previous year.



Competitive operating costs

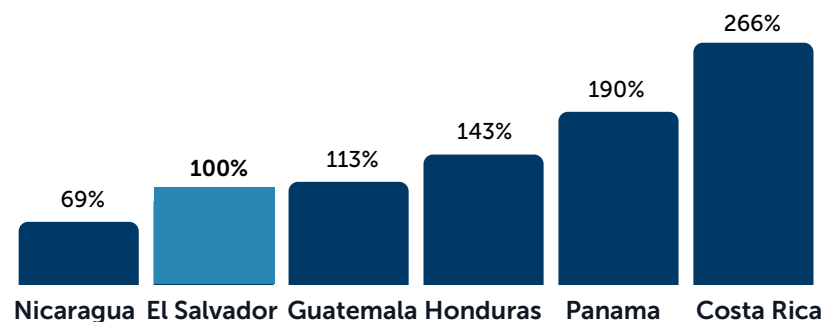
The minimum wage in El Salvador is relatively low compared to other countries in Latin America and the world, which can significantly reduce labor costs compared to other regions.

Human resources in El Salvador are one of the country's most important assets, characterized by their talent, skills and dedication. Among the most notable attributes of the Salvadoran workforce are: young and dynamic workers, education and training, attitude of dedication and commitment, high development potential and competitive labor costs. Below are comparative graphs of the salary level and percentage of benefits in Central American countries.

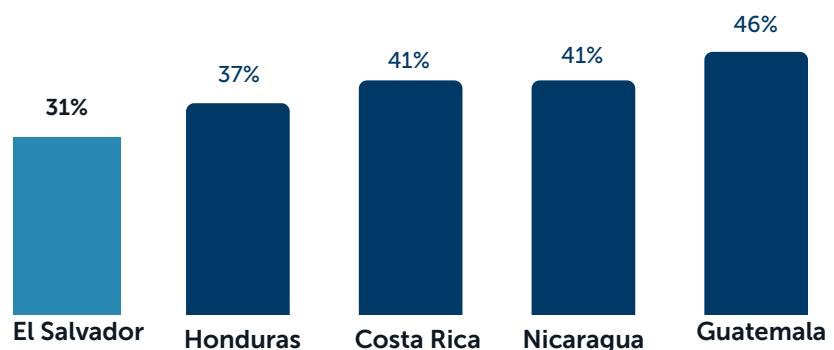
El Salvador ranks second in terms of lowest wages in the region, after Nicaragua. Likewise, it has the lowest percentage of labor benefits with respect to remuneration.

Salary comparison

Minimum wage companies in the industrial sector (El Salvador base = 100)



Performance comparison (% of nominal salary)



Low operating costs

Opening a logistics center in El Salvador can offer a series of advantages in terms of operating costs. Some of the factors that contribute to this include: low labor costs, attractive tax incentives, strategic location, developed infrastructure and access to trade agreements.

As shown in the comparative graph below, El Salvador is the second country with the lowest operating costs of a logistics center in Central America, in terms of labor, being less expensive than neighboring countries such as Guatemala and Honduras and also by below Mexico according to fDi Benchmark, a service of the Financial Times Limited 2023.

Comparison of operating costs of a logistics center



Source: fDi Benchmark



International Services Law

Incentivized
Activities

International Distribution

Understanding those storage, collection, consolidation, and deconsolidation services of third-party goods, carried out by a beneficiary of this Law, without transforming their nature, in order to allocate them for export and re-export, without prejudice that part of it is destined for national import.

Logistics companies engaged in international distribution or international logistics operations that decide to establish themselves in El Salvador can benefit from the International Services Law incentives.

International Logistics Operations

Understanding those complementary services to international distribution operations, provided by an authorized direct user to operate within a service park, to third parties or indirect users, with the purpose of making the processes of physical distribution more effective, through comprehensive logistics services, from the origin of the goods to the final destination, such as: planning, inventory control and management, selection, packaging, packing, fractionation, classification, labeling, tagging, invoicing, cargo inspection, and other activities that do not substantially alter the nature of the goods.

Both activities may allocate up to 50% of their total services to the domestic market.

Benefits



Exemption from customs duties and other taxes on the importation of machinery, equipment, tools, spare parts, accessories, furniture, and other goods necessary for the execution of the incentivized activity.



Total exemption from income tax on income from incentivized activity, during the period in which it carries out its operations in the country.



Total exemption from municipal taxes on the company's assets, during the period in which it operates in the country.

Requirements



Having a minimum of 500 square meters owned or leased; in exceptional cases, the Ministries of Economy and Finance may authorize, at the request of direct users, a smaller amount of square meters, according to the nature of the activity.



Register with the General Customs Directorate in order to receive the access code to the customs service computer systems.



Maintain an electronic inventory record and an online system available to the Customs Service, in accordance with the provisions established by it, for the purpose of issuing the documents for the entry and exit of warehouse goods.

Industrial and Commercial Free Zones Law

Incentivized Activities

Traders can benefit from this law, understood as those entities that are dedicated to the sale of goods to retailers or wholesalers or to final consumers and that have been authorized by the Ministry of Economy.

When selling to the national customs territory, traders must enter the goods by paying import duties and taxes on the customs value.

Benefits



Total exemption from customs duties and other import taxes on raw materials, machinery, equipment, and other goods used for production.



Total tax exemption on real estate transfer.



Exemption from income tax and municipal taxes as shown below:

Income tax exemption:

Location of the Free Trade Zone or DPA	Exemption percentage	Exemption period for companies established in FZ	Exemption period for companies established in DPA
San Salvador Metropolitan Area	100%	For 15 years	For 10 years
	60%	For the next 10 years	For the next 5 years
	40%	For the next 10 years	For the next 10 years
Outside the Metropolitan Area of San Salvador	100%	For 20 years	For 15 years
	60%	For the next 15 years	For the next 10 years
	40%	For the next 10 years	For the next 10 years

Municipal tax exemption:

Location of the Free Trade Zone or DPA	Exemption percentage	Exemption period for companies established in FZ	Exemption period for companies established in DPA
San Salvador Metropolitan Area	100%	For 15 years	For 10 years
	90%	For the next 10 years	For the next 5 years
	75%	Hereafter	Hereafter
Outside the Metropolitan Area of San Salvador	100%	For 20 years	For 15 years
	90%	For the next 15 years	For the next 10 years
	40%	Hereafter	Hereafter

Once the deadline for total exemptions has expired, free zone companies will have an additional 5-year period of total exemption if it is proven that they have increased their investment by 100% over the initial investment.

Some strategic industries may benefit from an additional 5 to 10 years of total exemption.

Success stories and support for **investors**





Logistics operator Ransa

Ransa began its expansion to Central America in 2005, and El Salvador was the first country we reached in the region. We chose El Salvador for its strategic geographical location, top-notch road infrastructure connecting to other countries, and specialized human talent.

Our services allow us to seamlessly integrate our clients' logistics chain in our 4 locations nationwide. Today we can say that we are a consolidated company and a reference in the logistics sector, being recognized for the third consecutive year by ASAC, Salvadoran Association of Freight Forwarders, as the 'Best Logistics Operator in El Salvador'.

This growth and development has only been possible thanks to our more than 1,500 male and female workers, and to our customers who allow us to fulfill our purpose: to bring well-being.

- Sergio Torrico, Vice President of Ransa Andean and Central America Region.



Wallenius Wilhelmsen logistics

The company Wallenius Wilhelmsen Logistics (WWL) has its headquarters in Oslo, Norway. Company with more than 150 years of experience in the maritime transportation industry and more than 9,400 employees worldwide.

WWL specializes in offering transportation and logistics services to the automotive, agricultural equipment and heavy construction equipment industries around the world. Within supply chain management, its service allows user individuals or companies to locate, manage and monitor shipments throughout the entire distribution process. It operates through 15 trade routes on 6 continents, 120 processing centers and 11 marine terminals.

WWL has been present in El Salvador since 2009 through its Data Processing Center for cargo consolidation and inventory management, supporting the various embarkation, disembarkation and distribution points in Latin America.

Investor Support Services

Contact us!

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