



**REGIONAL TRADE AND INVESTMENT PROJECT
El Salvador, Honduras Guatemala**

**AAPN- Executive Summit
El Salvador, Dec 2024**

**Nearshoring and Investment Trends for the Textile
and Apparel Industry in the Northern Triangle**

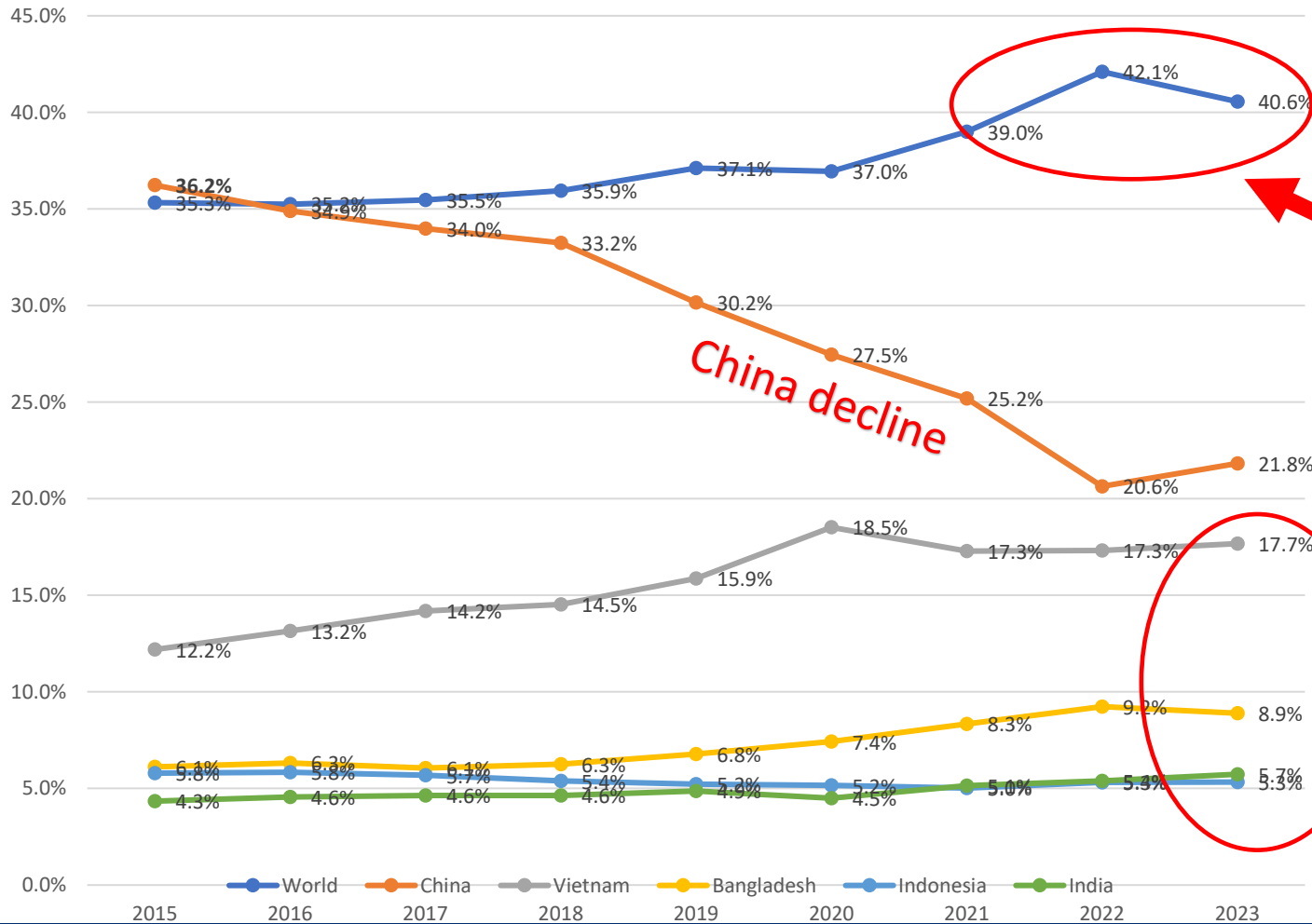
**Andres Saldias
DCOP-Investment Advisor**

- **Main objectives are to facilitate regional trade, increase access to non-traditional financing, clean energy and investments in El Salvador, Honduras and Guatemala**
- **Provides a market-driven approach with B2B activities, supporting FDI and local investors in the Northern Triangle to create economic opportunities to avoid irregular migration.**
- **It works with the Governments and the private sectors in the three countries.**



Nearshoring - Demand Conditions Since 2015

US Apparel Import Market Share Percentage



Exporters	2015	2016	2017	2018	2019	2020	2021	2022	2023
World	89,088,508	83,969,155	83,556,640	86,728,335	87,522,802	71,187,345	87,347,848	105,352,812	81,591,409
China	32,277,941	29,297,047	28,393,403	28,827,575	26,396,703	19,545,369	22,002,544	21,744,133	17,803,817
Viet Nam	10,860,437	11,045,987	11,849,669	12,599,635	13,886,019	13,182,320	15,106,458	18,241,117	14,424,182
Bangladesh	5,454,494	5,308,778	5,061,399	5,429,200	5,928,627	5,284,106	7,289,141	9,730,049	7,254,177
Indonesia	5,154,244	4,902,014	4,745,426	4,676,429	4,566,242	3,668,834	4,384,745	5,600,422	4,344,362
India	3,869,431	3,822,129	3,874,759	4,025,407	4,262,386	3,202,512	4,497,258	5,681,864	4,679,463
Cambodia	2,571,972	2,214,530	2,231,163	2,524,411	2,821,768	3,056,993	3,719,334	4,346,120	3,477,545
Mexico	3,713,954	3,538,924	3,703,642	3,519,803	3,288,850	2,439,325	3,002,154	3,162,998	1,907,346
Honduras	2,816,394	2,680,529	2,595,937	2,730,246	2,981,125	1,991,527	2,858,938	3,412,037	2,601,068
Jordan	1,275,391	1,289,832	1,393,454	1,524,663	1,830,866	1,568,773	1,733,141	2,034,062	1,725,279
Sri Lanka	2,147,323	2,058,625	2,047,239	1,817,899	1,873,888	1,541,334	1,857,627	2,242,110	1,686,280
Pakistan	1,536,413	1,347,682	1,364,500	1,464,688	1,555,641	1,503,458	2,412,187	2,746,112	2,141,089
El Salvador	1,999,536	1,986,788	1,954,207	1,967,970	1,903,541	1,347,333	1,853,607	1,984,798	1,627,079
Guatemala	1,472,707	1,423,485	1,377,001	1,506,003	1,456,317	1,243,415	1,692,706	1,999,221	1,539,874
Rest of the World	31,471,961	29,593,200	29,631,984	31,170,089	32,482,825	26,304,204	34,067,702	44,355,227	33,085,408

Investments in Africa, Central America, L.A., and Middle East

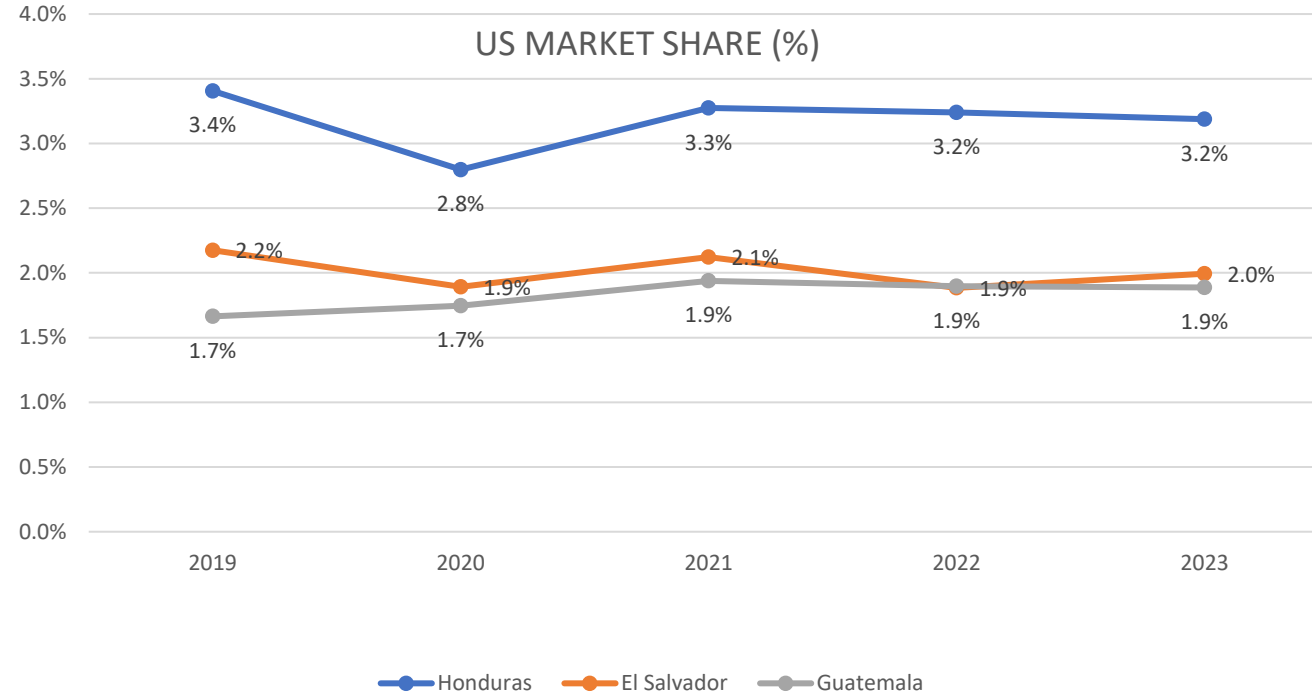
Buyers sourcing alternative suppliers outside China to avoid disruptions: Human rights violations (Xinjiang cotton ban), tariff increases "trade war 2025", online trends, transport crisis and speed to market:

Investment relocations

Real opportunity for The Northern Triangle!

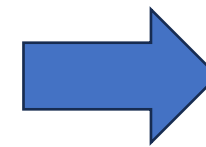
- Vietnam 7,000 factories
- Bangladesh 3rd largest Crisis 2024: New buyers swift! → FDI swift
- India 45 million workers - 5% of GDP Forecast \$65B by 2025

The Northern Triangle Market Share Distribution HS61-HS62 (% of total imports)



The Northern Triangle market share

\$5.8Billion – Top 5 suppliers!
692 Firms - textile and apparel ecosystem
526.000 Jobs



**The opportunity to
increase market share
through more
INVESTMENTS**

The Northern Triangle: A Regional Value Chain on the works...

El Salvador Synthetic Woven Fabrics HS 55 (USD Thousands - Mirror data) - Major Suppliers

Exporter	2021	2022	2023
World	160,054	169,515	106,874
United States	105,178	84,795	59,515
China	31,142	37,331	18,624
Indonesia	1,653	3,573	6,873
India	6,118	10,923	4,860
Guatemala	2,766	6,495	4,448
México	5,183	5,752	3,404
Honduras	1,835	5,755	2,328

El Salvador Knitted Fabrics HS 60 (USD Thousands - Mirror data) - Major Suppliers

Exporters	2021	2022	2023
World	292,719	332,204	216,544
Guatemala	83,646	114,737	70,719
United States	58,674	65,130	58,871
Honduras	44,367	42,517	37,033
China	58,507	54,454	36,739
México	1,913	2,197	2,662
Taipei Chino	5,429	8,736	1,849
Italy	2,147	2,992	1,402

Guatemala Synthetic Woven Fabrics HS 55 (USD Thousands) - Major Suppliers

Exporter	2021	2022	2023
World	151,544	166,473	110,237
China	54,918	74,624	43,185
El Salvador	17,675	13,086	13,757
Honduras	11,938	9,304	9,526
Nicaragua	6,671	14,432	7,143
México	7,377	7,817	6,911

Guatemala Knitted Fabric HS 60 (USD Thousands) - Major Suppliers

Exporter	2021	2022	2023
World	248,543	276,683	215,913
China	81,545	86,756	70,866
United States	42,406	60,079	65,216
El Salvador	39,299	60,115	34,642
Honduras	38,064	31,633	22,753
Viet Nam	13,602	10,286	5,554

Honduras Synthetic Woven Fabrics HS 55 (USD Thousands - Mirror data) - Major Suppliers

Exporter	2021	2022	2023
World	566,725	703,031	481,939
United States	439,477	571,972	407,865
Nicaragua	9,539	25,385	19,933
Guatemala	13,779	15,415	12,502
El Salvador	11,363	15,645	9,698

Honduras Knitted Fabrics HS 60 (USD Thousands - Mirror data) - Major Suppliers

Exportadores	2021	2022	2023
World	224,884	222,876	122,256
Estados Unidos	88,418	98,549	56,578
El Salvador	69,736	69,406	28,786
Guatemala	22,932	26,030	16,667
China	11,354	10,451	8,403

**A Textile & Apparel
Regional HUB**
↓
Investment Opportunities!

WHY NEARSHORING?

MAJOR BUYER'S CHALLENGES IN 2025...

The industry has faced a global slowdown since 2023 as macroeconomic tensions: Inflation, geopolitical conditions, supply chain costs, over inventory and declining consumer confidence.



Forecast recovery Q4 2024 to Q2 of 2025

Major NEW disruption: June 2022 – September 2024 CBP has flagged 1.936 apparel shipments due to forced labor legislation (UFLPA)

1.202 shipments were denied entry to the US (57%), 587 were released (26%), 147 shipments are pending final decision. Vietnam (51%) China (26%), Philippines (8%) and others (15.4%).

CBP to continue enforcement to thousands of containers worldwide

Brands are working with manufacturing partners to hone their supply chain strategies: Adapt to rapidly changing consumer demand: Speed to market, inventory control, cash protection, higher added value garments, fabrics flexibility and short cycles are key

WHY NEARSHORING? WHY CENTRAL AMERICA?

- What are the buyer's perception? What global investors are envisioning?
- Survey 2024 results - United States Fashion Industry Association.



Region	Sourcing destination	Speed to market	Sourcing cost	Flexibility and agility	Minimum order quantity (MOQ)	Vertical integration	Risk of labor and social compliance	Risk of environmental compliance	Geopolitical risk
Western Hemisphere	USA	● 4.0	◆ 1.5	▲ 3.0	● 4.0	◆ 2.5	● 4.0	● 4.0	● 4.0
	Mexico	● 4.0	▲ 3.0	▲ 3.5	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.0
	CAFTA-DR	● 4.0	▲ 3.5	▲ 3.0	◆ 2.5	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.5
	Colombia	▲ 3.5	▲ 3.0	▲ 3.0	▲ 3.5	▲ 3.5	▲ 3.0	▲ 3.0	▲ 3.5
Asia	China	▲ 3.5	● 4.0	● 4.0	▲ 3.5	● 4.5	◆ 2.0	◆ 2.0	◆ 1.5
	Vietnam	▲ 3.0	▲ 3.5	▲ 3.5	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.0
	Bangladesh	◆ 2.0	● 4.0	▲ 3.0	◆ 2.5	▲ 3.0	◆ 2.5	◆ 2.5	▲ 3.0
	Indonesia	◆ 2.5	▲ 3.5	▲ 3.5	▲ 3.0	◆ 2.5	▲ 3.0	◆ 2.5	▲ 3.5
	India	◆ 2.5	▲ 3.5	▲ 3.5	▲ 3.0	● 4.0	◆ 2.5	◆ 2.5	▲ 3.5
	Sri Lanka	◆ 2.0	▲ 3.5	▲ 3.5	▲ 3.0	◆ 2.5	▲ 3.0	▲ 3.0	▲ 3.5
	Cambodia	◆ 2.5	▲ 3.5	▲ 3.0	◆ 2.5	◆ 2.5	◆ 2.5	◆ 2.5	▲ 3.0
Rest of the world	Europe	▲ 3.5	◆ 2.0	▲ 3.0	▲ 3.5	▲ 3.0	● 4.0	● 4.0	● 4.0
	Türkiye	▲ 3.0	▲ 3.0	▲ 3.5	▲ 3.0	● 4.0	▲ 3.0	▲ 3.0	▲ 3.0
	AGOA	◆ 1.5	● 4.0	◆ 2.5	◆ 2.5	◆ 1.5	▲ 3.0	◆ 2.5	▲ 3.0
	Egypt	▲ 3.0	● 4.0	▲ 3.0	◆ 2.5	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.0

RATING PER SOURCING COUNTRY

Weakness (red): 1-3

Average performance (yellow): 3-4

Strength (green): 4 - 5

75% of respondents would like to source more from C.A. but... need of fabric diversification

Note: The figures in the table reflect respondents' average rating for each country on a scale of 1 (much lower performance than the average) to 5 (much higher performance than the average). In the table, ● means strength as a sourcing base (rating score between 5.0-4.0); ▲ means average performance (rating score between 3.0-3.9); ◆ means weakness as a sourcing base (rating score between 1.0-2.9). However, the results do NOT reflect the author's evaluation of each country's competitiveness.

The Strategy: How to get investors to explore the region as an investment destination?

The **BRANDS** desire to generate greater production capacities

Global Supplier Factories opportunity to Relocate or Expand



Existing factories: expansions, joint ventures, capital access, product diversification

The Northern Triangle as a destination: Proximity, competitive costs, Trade War 2025, Traceability - UFLPA, CAFTA benefits

MAIN DRIVING FACTOR....
“Brand’s strategies to move production to the Western Hemisphere and searching for solutions!”



What is in the investor's mind?

PRODUCTION COST ANALYSIS!

Main production cost	Guatemala	El Salvador	Honduras	Tanzania	Ethiopia	Kenya	Bangladesh	Sri Lanka	India	Lesotho
Electricity cost (US\$ kwh)	US\$0.14 - US\$0.1612	US\$0.15- US\$0.223	0.17-0.19	0.06-0.09	0.03	0.15	0.06-0.07	0.09-0.12	0.1-0.12	2.2
Water Cost (US\$ cubic meter)	US\$0.40 - US\$2.102	US\$1.22 - US\$1.824	US\$0.83 - US\$3.346	0.47	0.27	0.62-2	0.42	0.42	0.17	1.02
Factory rent (US\$/square meter/month)	4.0 - 5.5	2.25-4.80	4.5-12	3-5	2.75-4	2.25-3	1.6-2.75	3-3.5	2.5-3	0.70-1.30
Corporate Tax*	25%	30%	25%	30%	30%	30%	35%	28%	25%-34%	10%
Monthly Salary US\$	390 (maquila)	468 (359 maquila)	465 - 663 (manufactura)	100-110	120	160-240	110	250	254	162
(Square Meter Equivalent - SME) US\$ price per unit (2022)	4.84	3.06	3.53	n/a	2.4	n/a	3.1	4.21	3.52	n/a
US Import Duty (CAFTA, AGOA)	0%	0%	0%	0%	16%-32%	0%	16%-32%	16%-32%	16%-32%	0%
Ocean transport time to US port (days)	4 - 6 access to both oceans and US costs!	4 to 6	4 to 6	31	27	30	30	30	28	31
* 10 - 20 years exoneration in the Northern Triangle						Sources: MSINGI Africa. OTEXA. USAID/CEO 2024				

INVESTORS EXPLORING AND LANDING IN THE NORTHERN TRIANGLE ALREADY (GUATEMALA)

Firms exploring the región from :
India, Sri Lanka, Indonesia, Taiwan,
Bangladesh, Korea, Vietnam, Turkey, Spain,
Brazil, Colombia, Egypt, Ethiopia, UAE.

Textile (70%) Apparel (30%)



Strengths from the investors perspective

EL SALVADOR

Competitive
manufacturing
alternative



Full Package as buyers'
preference
" T&A Regional HUB"



Speed to market



Competitive costs and
production efficiencies
SME!



Country stability,
FDI and CAFTA



Transparency
Traceability
ESG principles



- ✓ **B2B Capital mobilization: DFIs, FIs, non-traditional Private Equity Funds for clean energy projects**
- ✓ **Promotes a Regional Value Chain integration**

“THE OPPORTUNITY IS NOW!” (Invest in El Salvador)





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