

# GUATEMALA

## THE CENTRAL AMERICA ENGINE

### CREATING ECONOMIC OPPORTUNITIES PROJECT

*“Textile and Apparel Nearshoring Investment Promotion”*



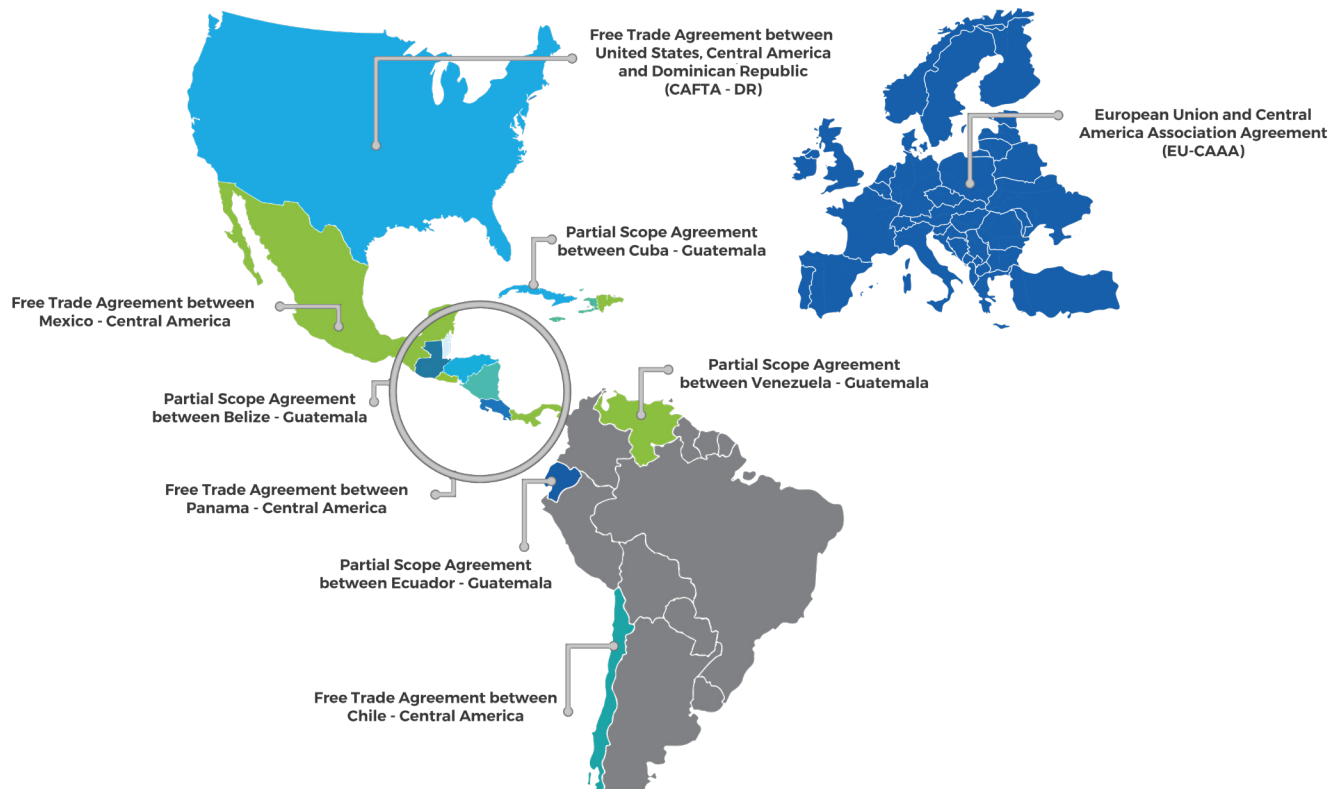
**USAID**  
FROM THE AMERICAN PEOPLE



Guatemala is the largest, most industrial country in Central America with a large pool of skilled workers and a historically stable economy and currency. Guatemala is among the top ten in Latin America and the Caribbean for its macroeconomic stability (Global Competitiveness Index).



Guatemala offers **speed to market** to the region: Mexico City and Miami are about two hours flights away, and two to four days via ocean. Three international ports – one on the Atlantic and two on the Pacific. Airtransport offers 22 international and 11 cargo carriers.



## TRADE AGREEMENTS

Guatemala has signed trade agreements with access to major markets for textile and apparel

The US market is the main apparel destination due to the zero-import duty along with a well-developed vertically integrated value chain, with US\$ 1.9 billion of exports in 2021 (25.01% increase from 2020 and 13.4% from 2019). Yet, it only supplies 2% of the market share while major US brands are eager to source more due to the nearshoring and costing advantages.

## GUATEMALA TEXTILE & APPAREL CLUSTER

The government of the United States, through its United States Agency for International Development (USAID), supports Guatemala’s public-private sector initiatives. The USAID funded Creating

Economic Opportunities was designed to spur private sector-led economic growth.

The Project works with Guatemalan Government entities and key private sector stakeholders to promote a business enabling environment, and strengthen the competitiveness of the country by promoting industry verticality through investments in spinning, knitting/weaving, and dyeing, as well as cut and sew value-chains.

The Project has a complete team of experts to guide global business leaders and their teams through the process of exploring investment opportunities in Guatemala, providing ad hoc, free of charge expert advice and services to investors and facilitate a softlanding experience in the country.



## COMPETITIVE ADVANTAGES

- The apparel and textile sector is robust it has been present in the region for over 30 years. It generates 180,000 direct and indirect jobs, and engages in commercialization, manufacturing, logistics, and service operations.
- Guatemala has the most productive labor force in the region. It offers efficient and quality human talent available for manufacturing. **46% of jobs are held by women.**
- There are over **429 companies in the sector: Spinning, knitting/weaving, dyeing, cut&make, embellishment and industrial laundry** which constitute a **totally-integrated supply chain in the Central American region.**
- It is the country's major exporting sector, acknowledged nationally and internationally for its competitiveness, versatility, and flexibility. Exports are well known for their high added value by US major brands.

**The country's geographic location provides rapid access to the United States: Nearshoring and speed to market.**

- CAFTA-DR agreement has certain exceptions to the yarn forward rule allowing non-originated raw material to enter as duty free to the US such as the short supply mechanism.

## KEY COMPETITIVE COST FACTORS

### Industrial Costs: Potable Water

Services provided by the Municipality of Guatemala:

- The cost of purchasing the rights to water service may range from: **USD 779.20 to USD 6,493.50.**
- The water-consumption charges for private entities vary, depending on the range of consumption. The endpoints are from 1 to 20 m<sup>3</sup>, a fixed rate of **USD 2.08 and USD 0.29 per m<sup>3</sup> used.** For 121 m<sup>3</sup> and up, a fixed rate of **USD 2.08 and USD 1.45 per m<sup>3</sup> used.**
- Water can also be supplied by drilling a privately-owned well. Costs vary depending on the location and depth of the well.

### Industrial Costs: Electric Power

Guatemala has the most competitive electricity rates in the Central American region. The cost per kilowatt-hour (kWh) is between USD 0.085 for industrial users and USD 0.16 for commercial users.

**Production costs in terms of energy and water, are highly competitive.**



## Industrial Costs: Rentals

- **Warehouses:** A monthly rent ranging from USD 3.50 to USD 6.00 per square meter in the Municipality of Guatemala and surroundings (Villa Nueva, Amatitlán and Mixco).
- **Industrial park:** A monthly rent ranging from USD 3.50 to USD 6.00 per square meter in the Municipality of Guatemala and surroundings (Villa Nueva, Amatitlán and Mixco).

## Industrial Costs: Average Monthly Salary

- Spinning, weaving and textile-product manufacturing **USD 405.64**
- Apparel manufacturing **USD 482.29**
- Minimum daily salary for exporting and outsourcing (*maquila*) **USD 11.02** (day shift); monthly salary **USD 367.72** (including mandatory incentive bonus).

# FISCAL INCENTIVES

## Law Foreign Investment (Decree 9-98)

Equal acknowledgement of foreign and local investors. The law does not allow the State to expropriate, directly or indirectly, any investment that has been made.

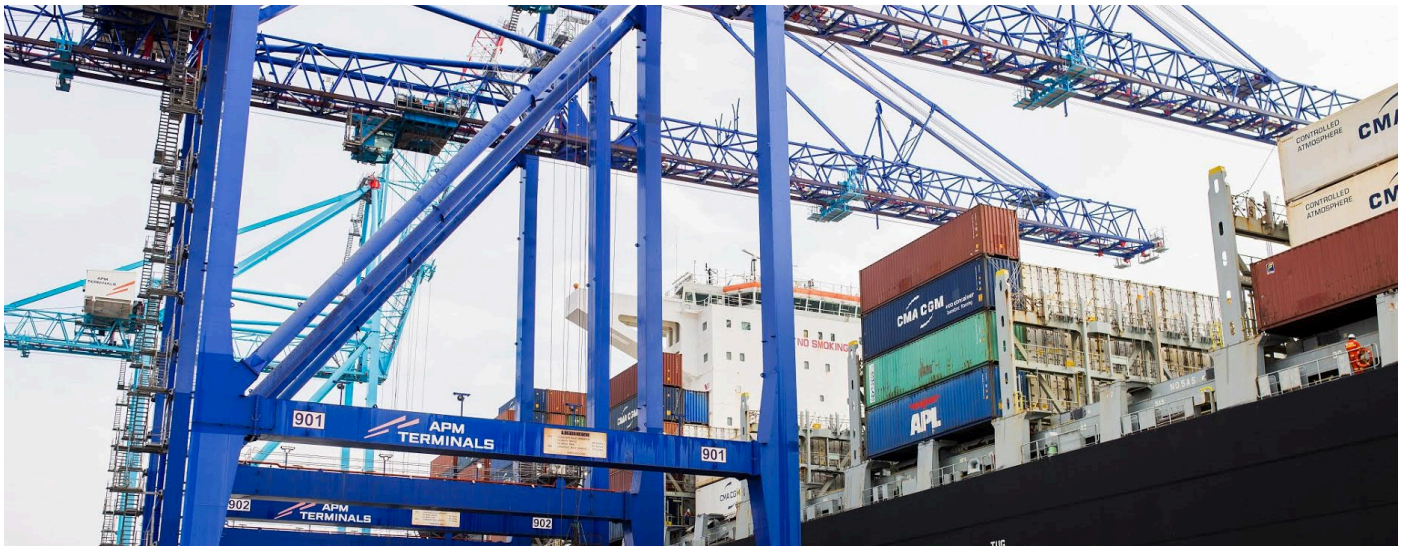
## Law Promoting and Developing Export Activities (Decree 29-89)

- **Temporary exemption** of payment of customs duties and import taxes, including Value Added Tax (VAT), on raw materials, semi-finished products, intermediate products, containers,

packaging, and labels.

- **Temporary exemption** of payment of customs duties and import taxes, including VAT, on samplers, engineering samples, instruction manuals, patterns and models that are necessary for the productive process or for research or demonstration purposes.
- **Total exoneration** of custom duties and import taxes, including VAT on machinery, equipment, parts, or components necessary for the productive process.
- **Total exoneration** of Income Tax for a period of 10 years.
- **Total exoneration** of taxes, import duties and other charges applicable to imports and use of the fuel oil, butane gas, propane gas or bunker that are strictly necessary for energy generation.
- The purchase of local production inputs to be incorporated into the final products and services used exclusively for their activity is not subject to the Valued Added Tax.
- **Other Benefits:** Those users that qualify for Decree 29-89 are not limited to a specific location, that is, they can be located anywhere in the country.





## CONNECTIVITY AND SPEED TO MARKET

### Sea transportation (Standard 40' Dry Van Container)

ORIGIN	DESTINATION	COST USD*
Puerto Santo Tomás, Guatemala	Miami, Florida, Estados Unidos	2,800-3,200
Puerto Quetzal, Guatemala	Los Angeles, California, Estados Unidos	2,900-3,100
Heroica Veracruz, México	Puerto Quetzal Guatemala	1,914
Manzanillo, Colima, México	Puerto Quetzal Guatemala	548

### Air Transportation

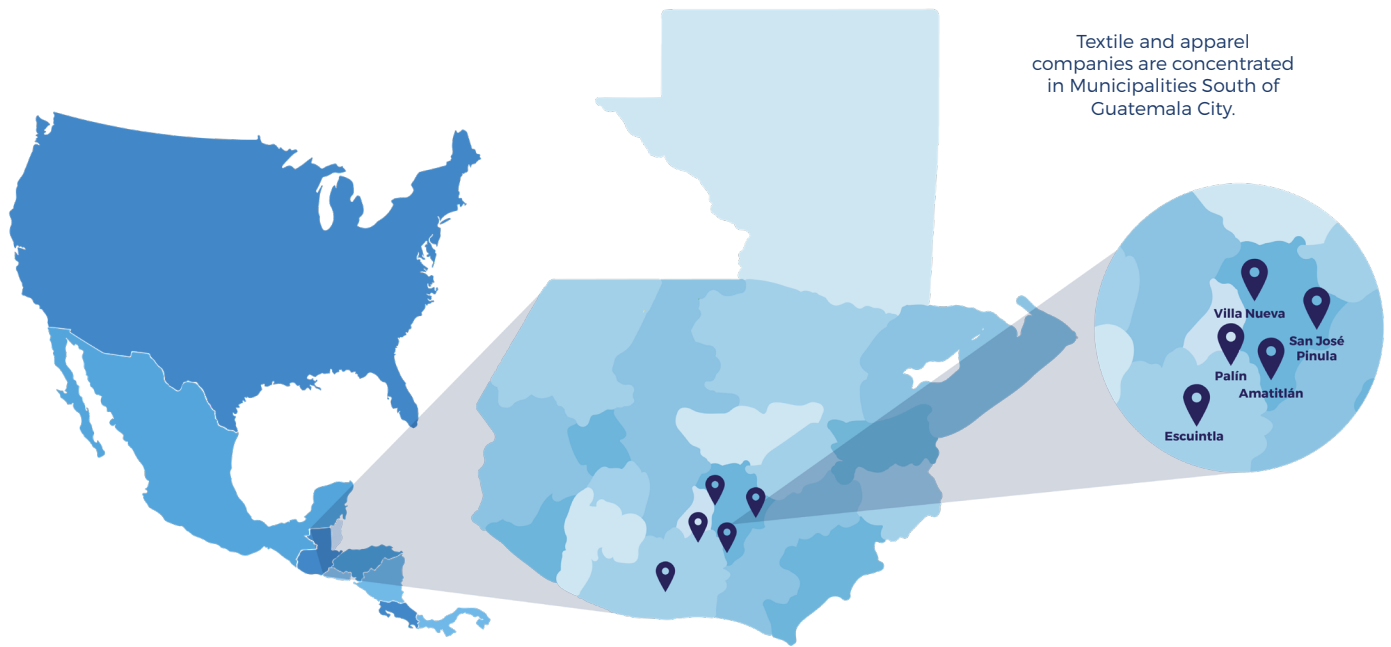
ORIGIN	DESTINATION	Airfreight USD (per kilogram)
Guatemala (GUA)	Miami (MIA)	0.80 a 1.10
Guatemala (GUA)	Los Ángeles (LAX)	1.10 a 1.20

### Land Transportation

ORIGIN	DESTINATION	Cost USD (40' container)
Ciudad de Guatemala	San Salvador, El Salvador (291 kms)	650
Ciudad de Guatemala	Los Angeles, California, Estados Unidos	1,010
Ciudad de Guatemala	Puerto Quetzal Guatemala	1,720

\* Reference February 2021, these are variable costs due to the context of the COVID-19 pandemic and the juncture





## OPERATIONS INFRASTRUCTURE

Guatemala has the infrastructure you require to operate your business.

The textile and apparel cluster is located south of Guatemala City and is Central America’s most coordinated and interconnected, with easy access to related products and services.

Threads, fabrics, embroidery, screen printing, sublimation, accessories, dyeing, and special finishes to the final product are used to create items with the highest added value in the region, from start to finish.

### Electric Power

- Installed capacity: 3,488 MW
- Maximum demand: 1,785 MW
- Energy matrix: 60% renewable; 40% non-renewable
- Average Spot Price (2019) 63.32 USD/MW.

### Sanitation Systems

- Availability of over 97 million cubic meters of water per year (7 times greater than the water-risk limits established by international standards).
- Sewage treatment plant: plant-construction costs range from USD 26,000 to USD 52,000. These costs vary depending on the volume, the type of sewage to be treated and the technology selected for treatment.



## THE IDEAL DESTINATION FOR YOUR NEARSHORING INVESTMENT



Government  
strategy



Stable  
Macroeconomics



Strategic Location  
and Robust Logistic  
Infrastructure



Strategic Alliances  
and Investment  
Incentives



Market  
Advantages

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