

APPAREL AND TEXTILE



Ministerio de
Economía

PRONACOM
PROGRAMA NACIONAL DE COMPETITIVIDAD DE GUATEMALA



FACT SHEET ON **APPAREL AND TEXTILES**

The cluster for this sector comprises several sub-sectors that provide value to manufacturing apparel for export:



Spinning



Finishing (screen printing, dyeing, sublimation and embroidery)



Dyeing



Socks and hosiery



Weaving



Trimmings and supplies (elastics, buttons, zippers, ribbons, and labels, among others)



Industrial Laundry



Importance of the **Sector in Guatemala:**

In terms of employment, the last available data from BANGUAT for 2019 show 158,916 jobs, which were divided into 49,868 jobs in spinning and weaving and 109,048 jobs in manufacturing apparel. In terms of salaries for this year, the amount paid ascends to USD 873.7⁴ million, it was the tenth activity that paid the most in that year and the eighth if the salaries paid to the public sector are not considered.

1. Exchange rate USD 1.00 x Q 7.70

2. To obtain 2019 data, an estimate was made using the figures for the quarterly GDP in activities such as textile products, apparel, leather and footwear production, with an average weight of each one of these activities for the 2013-2018 period.

3. Estimations are based on the current production for that year.

4. Activities AE038: spinning and weaving, and AE039: apparel.



Foreign Trade:

Total trade (imports and exports) of apparel and textiles amounted to USD 3.1 billion in 2019, and an accumulated sum of USD 20.2 billion from 2014 to November 2020. Exports for the last complete year amounted to USD 1,754,014,943, while imports totaled USD 1.3 billion. Compounded growth reached 2.1% of total trade, 2.6% for exports, and 1.5% for imports.

Guatemala's Foreign Trade (figures in USD million)

Sector		2014	2015	2016	2017	2018	2019	2020	Total 14 Nov. 20
Textiles	Growth vs. PY		5.4%	-10.4%	-0.2%	14.8%	-4.2%	-12.2%	
	Base CAGR 2014	0	5.4%	-2.8%	-1.9%	2.0%	0.7%	-1.5%	0
	Value in USD	1,186,771,182	1,251,444,423	1,121,266,156	1,119,456,389	1,285,562,982	1,231,827,760	1,082,117,524	8,278,446,416
Apparel	Growth vs. PY		7.0%	-2.5%	6.5%	7.2%	-2.3%	-3.9%	
	Base CAGR 2014	0	7.0%	2.1%	3.6%	4.5%	3.1%	1.9%	0
	Value in USD	1,596,966,160	1,708,259,393	1,666,061,023	1,774,258,905	1,902,444,898	1,859,178,763	1,787,551,451	12,294,720,593
General total	Growth vs. PY		6.3%	-5.8%	3.8%	10.2%	-3.0%	-7.2%	
	Base CAGR 2014	0	6.3%	0.1%	1.3%	3.4%	2.1%	0.5%	0
	Value in USD	2,783,737,342	2,959,703,816	2,787,327,179	2,893,715,294	3,188,007,880	3,091,006,523	2,869,668,975	20,573,167,009

Source: Economic Analysis and Policy Department, Market Intelligence based on BANGUAT
CAGR=Compounded Annual Growth Rate. PY=Previous year

I. Exports: Evolution of Each of the Various Sectors

Sector		2014	2015	2016	2017	2018	2019	2020	Total
Textiles	Growth vs. PY		6.1%	-4.9%	4.7%	20.1%	5.9%	-7.5%	
	Base CAGR 2014	0.0%	6.1%	0.4%	1.8%	6.1%	6.1%	3.6%	0
	Value in USD	236,762,106	251,164,552	238,806,946	249,959,856	300,095,534	317,754,256	294,030,926	1,888,574,176
Vestuario	Growth vs. PY		3.8%	-3.8%	5.8%	7.8%	-3.7%	-8.3%	
	Base CAGR 2014	0.0%	3.8%	-0.1%	1.8%	3.3%	1.9%	0.08%	0
	Value in USD	1,310,317,041	1,360,080,907	1,307,949,873	1,384,387,335	1,492,110,145	1,436,260,687	1,316,956,487	9,608,062,475
Total general	Growth vs. PY		4.1%	-4.0%	5.7%	9.7%	-2.1%	-8.2%	
	Base CAGR 2014	0.0%	4.1%	0.0%	1.8%	3.7%	2.5%	0.7%	0
	Value in USD	1,547,079,147	1,611,245,459	1,546,756,819	1,634,347,191	1,792,205,679	1,754,014,943	1,610,987,413	11,496,636,651

** PY = Previous Year

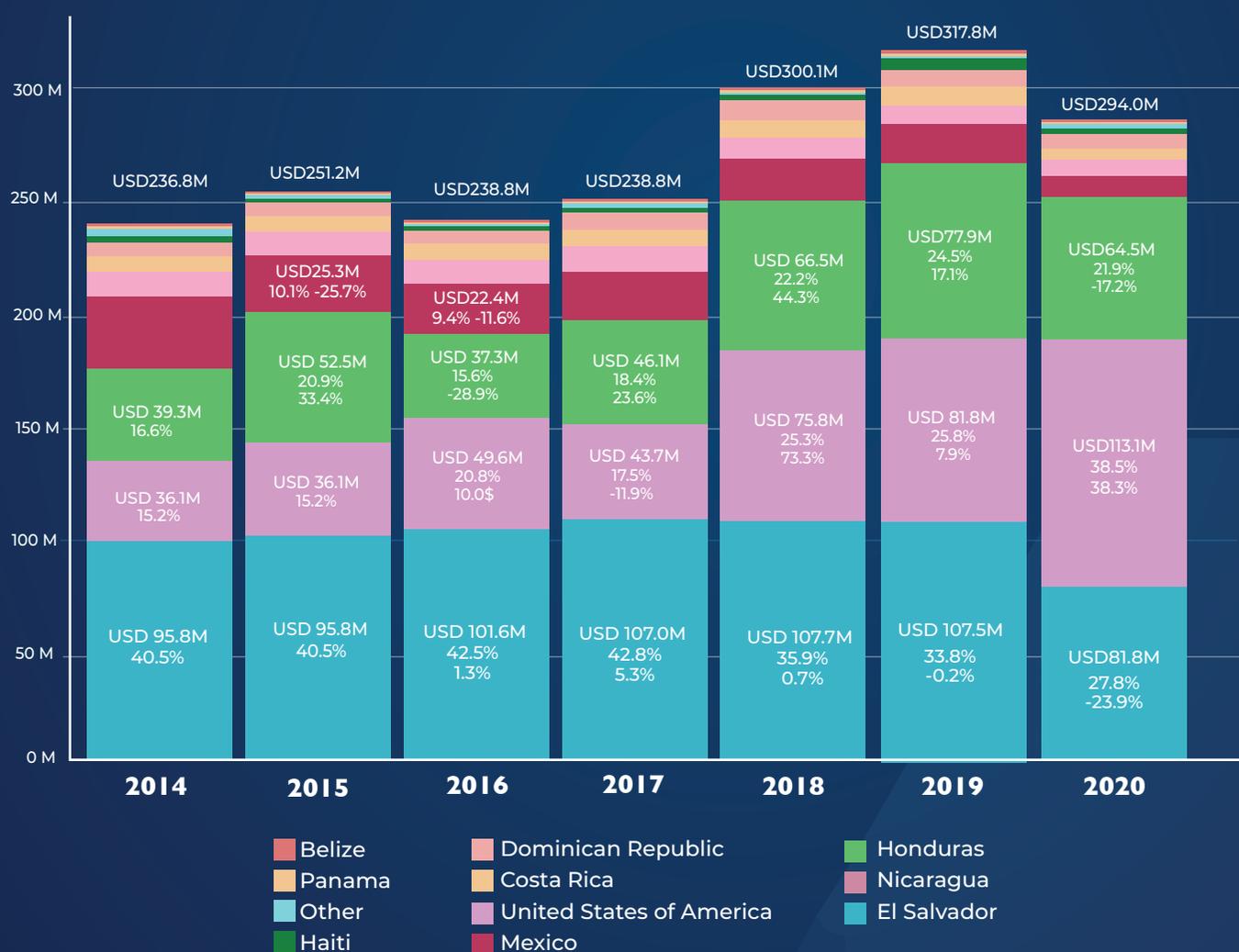
*The annex to this document contains additional information on international trade and investment opportunities elaborated by the Directorate of Analysis and Economic Policy of the Ministry of Economy.

Source: Economic Analysis and Policy Department, Market Intelligence based on BANGUAT
CAGR=Compounded Annual Growth Rate. PY=Previous year

a. Textiles

The textile sector has had a 6.1% CAGR for the period, increasing from USD 236.0 million to USD 317.0 million and being more dynamic than the apparel sector in the same period. The COVID-19 pandemic caused a 10.6% contraction in November 2020. The main countries of destination for the Guatemalan textiles exports in 2019 were: El Salvador, with a 33.8% share of total exports and a 2.3% CAGR for the 2014-2019 period; Nicaragua, with a 25.8% share of the total and a 17.8% CAGR (the most dynamic); Honduras with a 24.5% share and a 14.6% CAGR; and Mexico with a 5.7% share and a -11.9% CAGR.

Destination countries for Guatemala's textile exports



Source: Economic Analysis and Policy Department, Market Intelligence based on BANGUAT.

*The first percentage is the total percentage; the second one is growth with respect to the previous year.

The 5 main export tariff items are the following, shown in order as per 2020 base figures:

Textile Export Items

USD1.1M 174M

Partida (grupo) I	2014	2015	2016	2017	2018	2019	2020
6006220000 – All other knitted textiles, cotton, dyed	USD 54.6M	USD 62.2M	USD 49.1M	USD 50.2M	USD 69.1M	USD 92.9M	USD 111.1M
6006320000 - All other knitted textiles, synthetic fibers, dyed	USD 25.1M	USD 34.2M	USD 41.1M	USD 46.1M	USD 40.6M	USD 39.2M	USD 36.0M
5205120000 – Uncombed single-yarn spinning. Titer below 714.29 decitex but above or equal to 232.56 decitex (greater than metric number 14 but lower or equal to metric number 43).	USD 1.5M	USD 2.4M	USD 1.3M	USD 1.1M	USD 2.5M	USD 2.1M	USD 15.6M
5407520000 - Knitted synthetic filament yarns: Other knitted textiles with texturized polyester filament yarns above or equal to 85% in weight; dyed.	USD 8.4M	USD 10M	USD 14.2M	USD 11.5M	USD 12.3M	USD 14.0M	USD 11.8M
5806329000 – narrow fabrics consisting of warp without weft parallel or agglomerated fibers; synthetic or artificial fibers: others	USD 1.6M	USD 1.8M	USD 1.3M	USD 1.7M	USD 1.6M	USD 1.6M	USD 8.6M
Other	USD 145.6M	USD 140.5M	USD 131.7M	USD 139.3M	USD 174.0M	USD 167.9M	USD 110.9M
Total	USD 236.8M	USD 251.2M	USD 238.8M	USD 250.0M	USD 300.1M	USD 317.8M	USD 294.0M

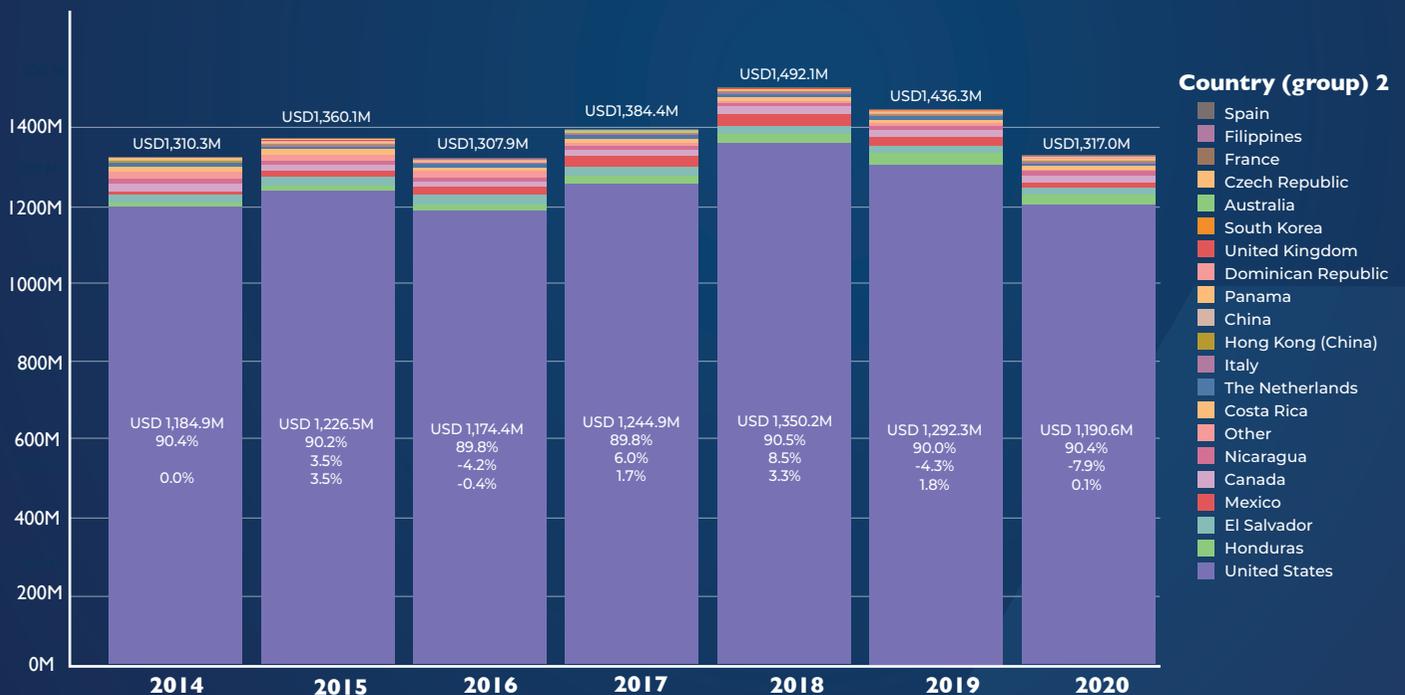
Amount of the value disaggregated by year; Year vs. Line Item (group) I. The color shows Value amount. Labels are shown for Value amount. Data are filtered by Line Item (group) and Trade. The Line Item filter (group) keeps Textiles. The Trade filter keeps Exports.

Source: Economic Analysis and Policy Department, Market Intelligence based on BANGUAT.

b. Apparel

The apparel sector showed a 1.8% CAGR for the period, increasing from USD 1.30 billion to USD 1.43 billion and being less dynamic than the textile sector in the same period. The COVID-19 pandemic caused a 9.5% contraction in November 2020; however, at the onset of the pandemic (April 2020), the sector had decreased by 16.0%. The main countries of destination for the Guatemalan apparel exports were: The United States, with a 90% share of the total and a 1.8% CAGR for the 2014-2019 period; Honduras with a 2.1% share and a 26% CAGR (the most dynamic); Mexico with a 1.6% share and a 25% CAGR, and Canada with a 1.4% share and a 1.6% CAGR.

Main apparel export destinations



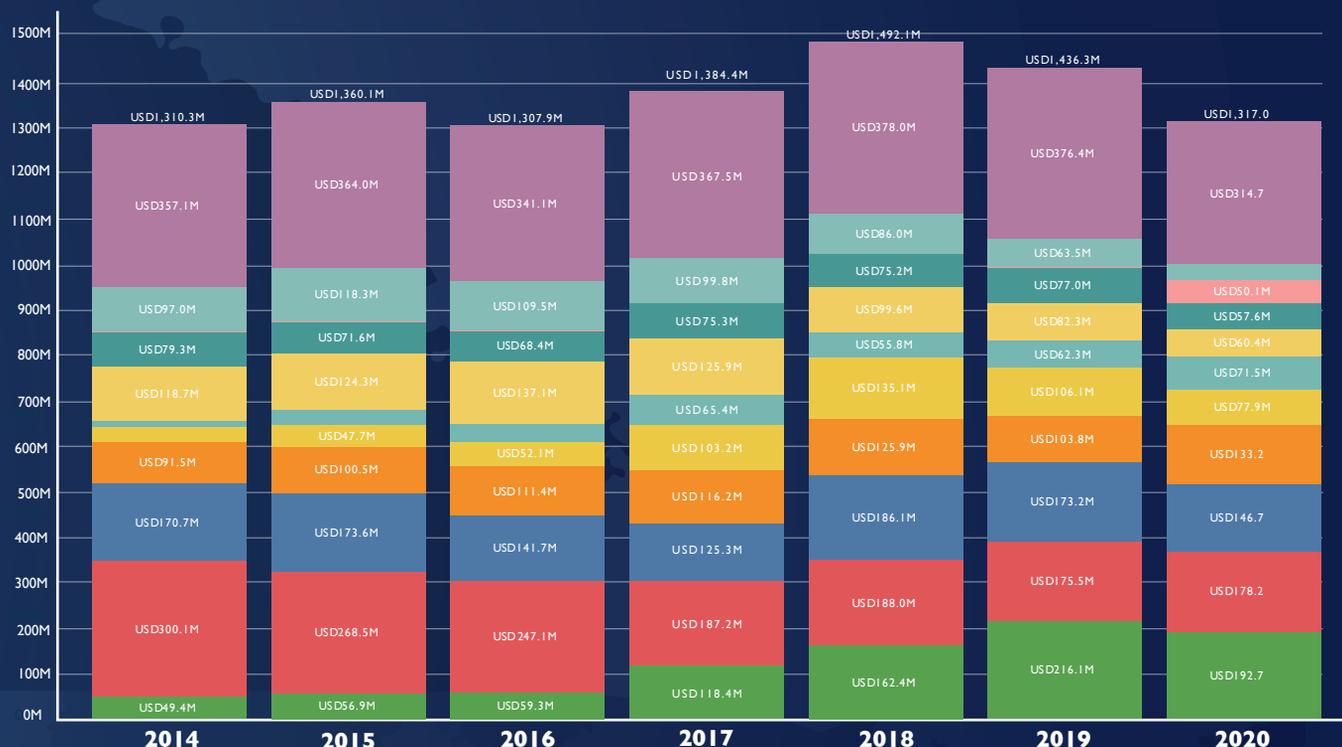
Sum of value broken down by year vs. Game (group) 1. Color shows sum of Value. Brands are tagged by sum of Value. The data is filtered on item (group) and trade. The split filter (group) preserves textiles. The trade filter preserves exports.

Source: Economic Analysis and Policy Department, Market Intelligence based on BANGUAT.

*The first percentage is the total percentage; the second one is growth with respect to the previous year, and the third one is the CAGR (Compounded Annual Growth Rate).

The following are the main export tariff classifications, shown in order as per 2020 figures, in USD.

Main apparel export tariff items



Amount of the Value for each Year. The color shows details about the Line Item (group) 2. Labels are shown by Value Amount. Data are filtered by Line Item (group) and Trade. The Line Item filter (group) keeps Apparel. The Trade filter keeps Exports.

Line item (group) 2

- Other
- 6204630000 - Long pants, bib pants, shorts (breeches) and shorts: made of synthetic fibers
- 6307902000 - Disposable masks
- 6109100000 - Shirts and t-shirts, knitted: cotton
- 6106200000 - Shirts, blouses and shirt-blouses, knitted, for women or girls: of man-made fibers
- 6109900000 - T-shirts and shirts, knitted: of other textile materials
- 6110300000 - Sweaters, pullovers, cardigans, vests and similar articles, knitted: of synthetic fibers or wool
- 6105200000 - Knitted shirts for men and boys: made of man-made fibers
- 6105100000 - Knitted shirts for men and boys: cotton
- 6106100000 - Women's or girls' cotton shirts, blouses and shirt-blouses, knitted
- 6110200000 - Sweaters, pullovers, cardigans, vests and similar articles, knitted: wool

Source: Economic Analysis and Policy Department, Market Intelligence based on BANGUAT.

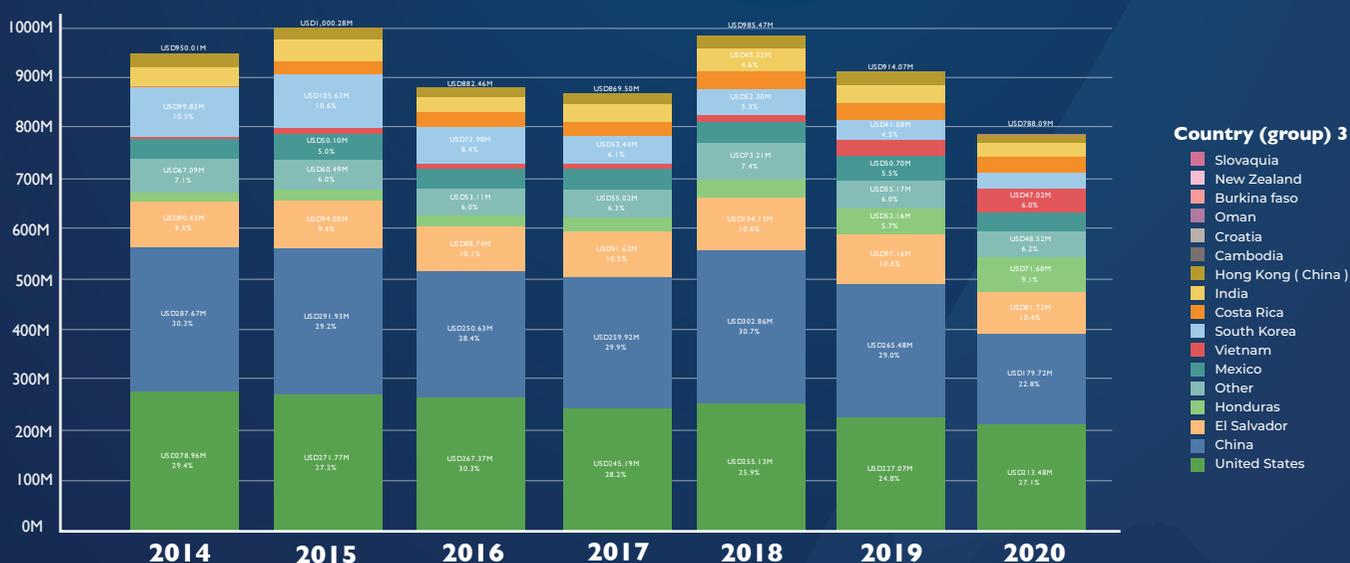
2. Imports: Evolution per Each One of the Various Sectors

Sector		2014	2015	2016	2017	2018	2019	2020
Textile	Growth vs. Previous Year		5.3%	-11.8%	-1.5%	13.3%	-7.2%	13.8%
	Base CAGR 2014	0.0%	5.3%	-3.6%	-2.9%	0.9%	-0.8%	-3.1%
	Value in USD	950,009,076	1,000,279,871	882,459,210	869,496,533	985,467,448	914,073,504	788,086,598
Apparel	Growth vs. Previous Year		21.5%	2.9%	8.9%	5.2%	3.1%	11.3%
	Base CAGR 2014	0.0%	21.5%	11.8%	10.8%	9.4%	8.1%	8.6%
	Value in USD	286,649,119	348,178,486	358,111,150	389,871,570	410,334,753	422,918,076	470,594,964
General total	Growth vs. Previous Year		9.0%	-8.0%	1.5%	10.8%	-4.2%	-5.9%
	Base CAGR 2014	0.0%	9.0%	0.2%	0.6%	3.1%	1.6%	0.3%
	Value in USD	1,236,658,195	1,348,458,357	1,240,570,360	1,259,368,103	1,395,802,201	1,336,991,580	1,258,681,562

Source: Economic Analysis and Policy Department, Market Intelligence based on BANGUAT.
*CAGR=Compounded Annual Growth Rate

a. Textiles

The textile sector has had a -0.8% CAGR for the period, decreasing from USD 950.0 million to USD 914.0 million and being less dynamic than the apparel sector in the same period. The COVID-19 pandemic caused a 16.2% contraction in November 2020. The main suppliers for the country's imports in 2019 were: China, with a 29% share of total imports and a -1.6% CAGR for the 2014-2019 period; The United States, with a 24.8% share and -4.0% CAGR; El Salvador with a 10.6% share and a 1.4% CAGR, and Honduras with a 5.7% share and a 25.6% CAGR.



Sum of Valor for each Año Year. Color shows details about País (grupo) 3. The marks are labeled by sum of Valor and % of Total Valor. The data is filtered on Partida (grupo) and Comercio. The Partida (grupo) filter keeps Textiles. The Comercio filter keeps Importaciones.

Source: Economic Analysis and Policy Department, Market Intelligence based on BANGUAT
*The % under the amount for imports is the % of the total.

The following are the five main tariff classifications, shown in order as per 2020 base figures:

Country (group) 3	2014		2015		2016		2017		2018		2019		2020	
6006220000 - Other knitted fabrics—of synthetic-fibers; dyed	USD 53.9M	57%	USD 66.9M	6.7%	USD 68.1M	7.7%	USD 67.5M	7.8%	USD 83.8M	8.5%	USD 97.2M	10.6%	USD 88.4M	11.2%
6006220000 - Other knitted fabrics – of cotton; dyed	USD 121.0M	12.7%	USD 116.8M	11.7%	USD 66.2M	7.5%	USD 52.2M	6.0%	USD 71.0M	7.2%	USD 72.6M	7.9%	USD 62.1M	7.9%
5201000000 - Cotton yarn waste	USD 48.2M	5.1%	USD 43.5M	4.3%	USD 39.7M	4.5%	USD 43.2M	5.0%	USD 67.6M	6.9%	USD 61.1M	6.7%	USD 45.8M	5.8%
5202330000 — Textured polyester yarns	USD 32.9M	3.5%	USD 38.2M	3.8%	USD 39.0M	4.4%	USD 42.3M	4.9%	USD 42.3M	4.3%	USD 41.1M	4.5%	USD 41.8M	5.3%
5206240000 - Single yarn of combed fibers – Titer below 192.31 decitex but above or equal to 125 decitex (greater than the number...	USD 2.3M	0.2%	USD 6.1M	0.6%	USD 12.2M	1.4%	USD 11.2M	1.3%	USD 16.9M	1.7%	USD 30.4M	3.3%	USD 33.9M	4.3%
	USD 0.0M	USD 1,000.0M	USD 0.0M	USD 1,000.0M	USD 0.0M	USD 1,000.0M	USD 0.0M	USD 1,000.0M	USD 0.0M	USD 1,000.0M	USD 0.0M	USD 1,000.0M	USD 0.0M	USD 1,000.0M
	Value		Value		Value		Value		Value		Value		Value	

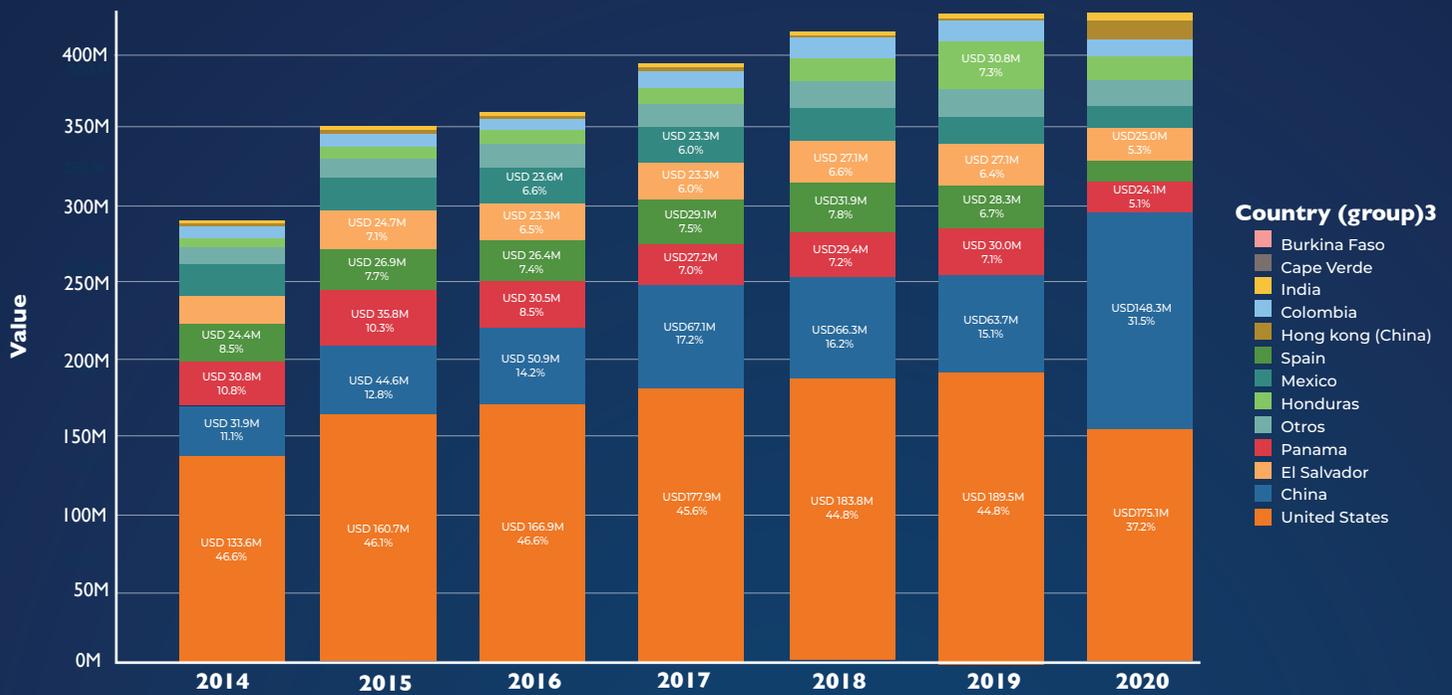
Sum of Valor for each Partida (grupo) 3 broken down by Año Year. Color shows details about Partida (grupo) 3. The marks are labeled by sum of Valor and % of Total Valor. The data is filtered on Partida (grupo) and Comercio. The Partida (grupo) filter keeps Textiles. The Comercio filter keeps Importaciones.

Source: Economic Analysis and Policy Department, Market Intelligence based on BANGUAT

*% is the percentage of the total imports for that year.

b. Apparel

The apparel sector has had a 4.5% CAGR for the period, increasing from USD 286.6 million to USD 422.9 million and being more dynamic than the textile sector in the same period. This segment was not affected by the COVID-19 pandemic since it grew 8.3% in November 2020. It suffered a contraction in the February-March quarter. The main suppliers for the country's imports in 2019 were: The United States, with a 44.8% share of the total imports and a 7.2% CAGR from 2014 to 2019; China, with a 15.1% share and a 14.8% increase; Panama, with a 7.1% share and a -0.5% growth and Spain, with a 6.7% share and 3.0% increase.



Source: Economic Analysis and Policy Department, Market Intelligence based on BANGUAT.
 *% is the percentage of total imports for that year.

The following are the five main tariff classifications, shown in order as per 2020 figures:

Line Item (group) 4	2014	2015	2016	2017	2018	2019	2020
Others	USD 202.1M 70.5%	USD 240.1M 69.0%	USD 242.5M 67.7%	USD 260.4M 66.8%	USD 265.2M 64.6%	USD 268.5M 63.5%	USD 229.0M 48.7%
6307902000—Disposable face masks	USD 1.3M 0.4%	USD 1.8M 0.5%	USD 1.7M 0.5%	USD 2.2M 0.6%	USD 2.3M 0.6%	USD 1.6M 0.4%	USD 122.2M 26.0%
6309009000—Other worn articles	USD 53.3M 18.6%	USD 73.5M 21.1%	USD 76.5M 21.4%	USD 86.3M 22.1%	USD 87.8M 21.4%	USD 96.0M 22.7%	USD 83.5M 17.8%
6309001000—Worn articles; footwear.	USD 12.6M 4.4%	USD 16.2M 4.6%	USD 22.0M 6.1%	USD 21.1M 5.4%	USD 19.7M 4.8%	USD 25.5M 6.0%	USD 14.8M 3.1%
6109100000—Cotton t-shirts	USD 15.2M 5.3%	USD 12.5M 3.6%	USD 11.4M 3.2%	USD 13.8M 3.5%	USD 24.3M 5.9%	USD 21.6M 5.1%	USD 11.9M 2.5%
6204690000—trousers, bib and brace overalls, breeches, and shorts, of the other textile materials.	USD 2.2M 0.8%	USD 4.1M 1.2%	USD 4.0M 1.1%	USD 6.0M 1.5%	USD 11.1M 2.7%	USD 9.7M 2.3%	USD 9.3M 2.0%

Source: Economic Analysis and Policy Department, Market Intelligence based on BANGUAT.
 *% is the total percentage for each year.



Investment Opportunities: **United States**⁵

The United States market is the main destination for Guatemalan exports. Therefore, an analysis of said market was made based on the following categories defined by the Office of Textiles and Apparel (OTEXA), shown with its relevant tariff classifications, which are equivalent to the United States Harmonized System:

Category	Definition
338	M&B knit shirts doz 6.00
339	W&G knit shirts & blouses doz 6.00
347	M&B trousers, breeches & shorts doz 14.90
348	W&G trousers, breeches & shorts doz 14.90
638	M&B knit shirts doz 15.00
639	W&G knit shirts & blouses doz 12.50
647	M&B trousers, breeches & shorts doz 14.90
648	W&G trousers, breeches & shorts doz 14.90

M&B = Men and Boys, W&G = Women and Girls.

a. Size of imports of the selected categories from the United States

As of 2020, total imports of all categories amounted to USD 31.0 billion, with a 3 % compounded decrease (CAGR) for the 2014-2020 period and a total decrease of 690.4 million dozen; that is a -2.1% fall. Before the impact of the COVID-19 pandemic, there had been a 1.5% growth in value and a 1.9% growth in dozens for 2019.

Unit		2014	2015	2016	2017	2018	2019	2020
Dozens	Growth vs. Previous Year		6.4%	-1.2%	1.3%	4.7%	-1.4%	-20.1%
	Base CAGR 2014	0.0%	6.4%	2.5%	2.1%	2.8%	1.9%	-2.1%
	Value in USD	785,962,269	836,073,851	826,292,329	837,126,649	876,349,657	864,123,622	690,472,822
Value	Growth vs. Previous Year		3.7%	-4.4%	2.0%	6.4%	0.4%	-22.6%
	Base CAGR 2014	0.0%	3.7%	-0.5%	0.3%	1.8%	1.5%	-3.0%
	Value in USD	37,214,434,137	38,585,255,893	36,869,454,887	37,590,976,013	39,982,497,700	40,130,309,540	31,055,647,764
	Average Price per Dozen	47.3	46.2	44.6	44.9	45.6	46.4	45.0

Source: Economic Analysis and Policy Department, Market Intelligence based on USITC.

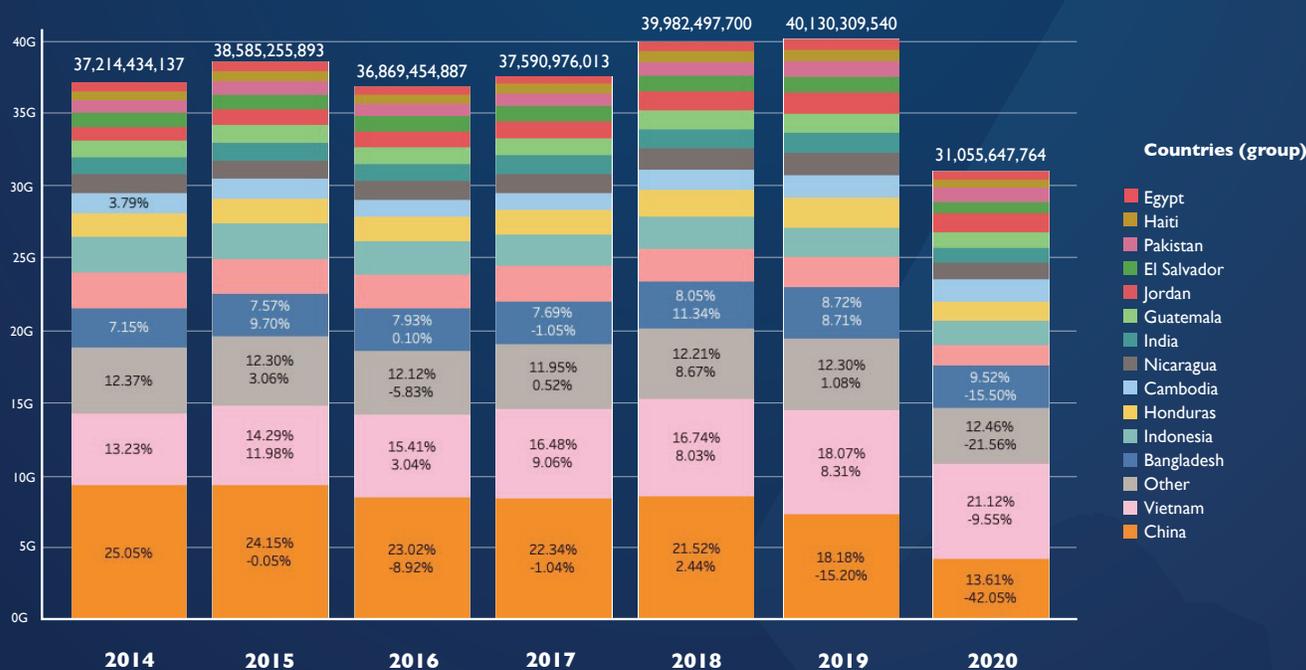
5. The analysis considered only the categories required by the Apparel and Textile Commission of the Association of the Apparel and Textile Industry of Guatemala; thus, not all import categories are included.

Category 338 is the most important. It includes M&B knit shirts, with 17.7% of the total for 2020, followed by Category 348 – W&G trousers, breeches & shorts, with 15.8%, and by Category 339, W&G knit shirts and blouses, with 14.3%.



Source: Economic Analysis and Policy Department, Market Intelligence based on USITC.

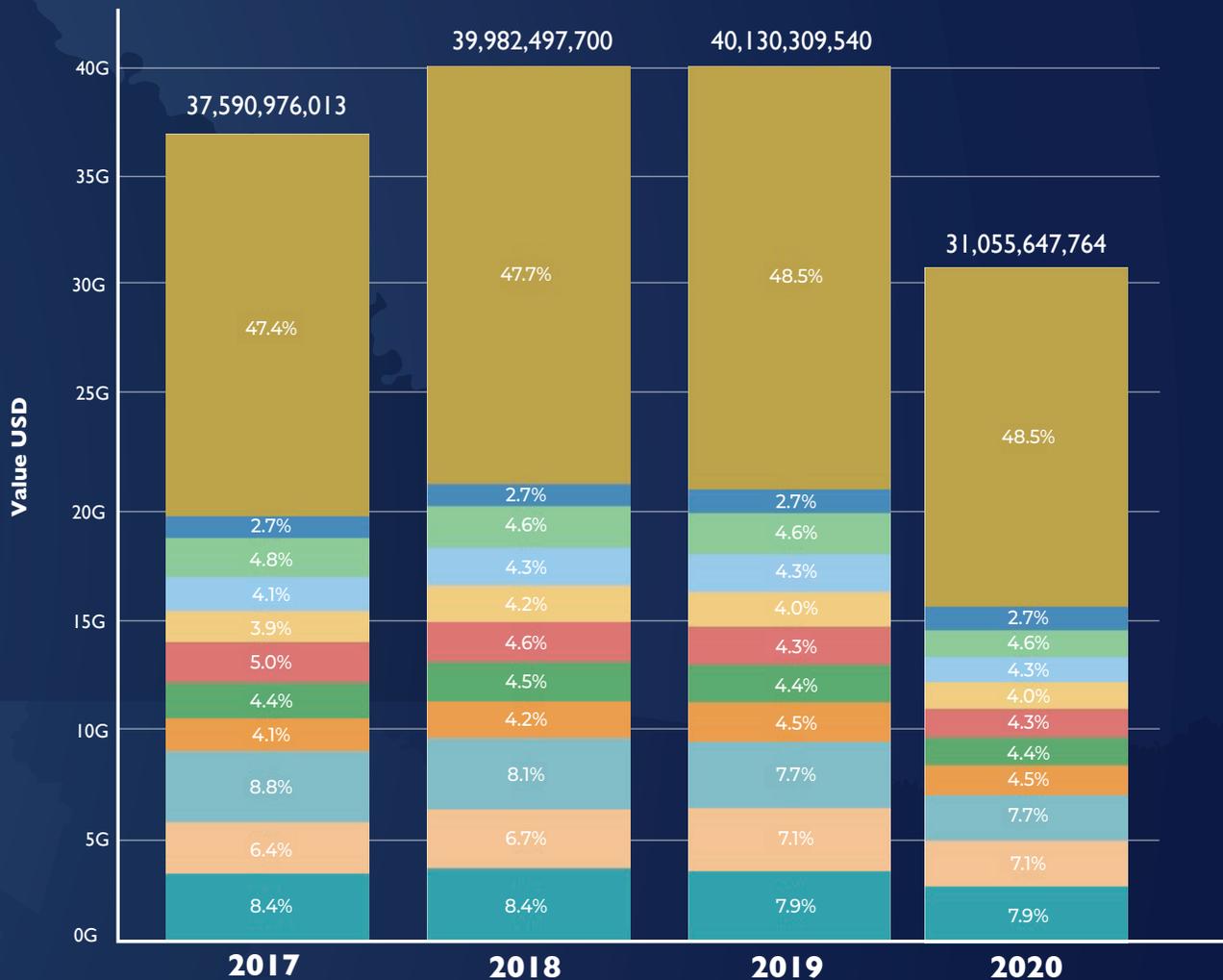
Insofar as the major countries exporting to the United States, overall, the impact of the COVID-19 pandemic caused a shift in the supply from China, which changed over to other countries. Vietnam was the main supplier in 2020, displacing China for the first time. However, even before the pandemic, imports from China showed a decrease. Bangladesh is another country that has increased its participation in total imports.



Source: Economic Analysis and Policy Department, Market Intelligence based on USITC.

At the Central American level, CARG increased in Honduras by 4.5%; in Nicaragua by 3.1%; in Guatemala by 2.0% and in El Salvador by 1.9% before the COVID-19 pandemic. Except for the latter, they all increased above the general 2.0% average. The countries with significant growth during this period were: Jordan with 10.5%; Vietnam, with 8.0%, and Haiti, with 5.9%. The countries with decreases were China, with -4.7%; Mexico with -3.8%, and Indonesia with -3.1%.

The top 10 tariff items purchased by the U.S. from Central America are:



- Other
- Knitted womens syn trous, GT=5% Elastomeric Yarn or rubber thread
- Men's Trousers and breeches of cotton, not knitted or crocheted, nesoi
- Men's blue denim trousers and breeches of cotton, not knitted or crocheted nesoi
- Women's blue denim trousers and breeches of cotton, not knitted or crocheted nesoi
- Women's Trousers and breeches of cotton, not knitted or crocheted, nesoi
- Men's or boy's pullovers and similar articles of man-made fibers knitted or crocheted, but not knit to shape, nesoi
- Men's cotton other t-shirts, knitted or crocheted, except underwear
- Women's of girl's pullovers and similar articles of man-made fibers knitted or crocheted, but not knit to shape, nesoi
- Men's or boy's pullovers and sim. art. of cotton containing less than 36 percent by weight of flax fibers knitted or crocheted, but not knit to shape
- Women's of girl's pullovers and sim. art. of cotton containing less than 36 percent by weight of flax fibers knitted or crocheted, but not knit to shape

Source: Economic Analysis and Policy Department, Market Intelligence based on USITC.

Identifying Opportunities

To find opportunities, we used a self-developed methodology based on the one by BCG (Boston Consulting Group), which cross-references the weight of each tariff line item and its growth. The results show which weighs the most and which have better growth.

To be considered an opportunity, a line item must comply with the following:

A. Having growth that is greater than 10%, considering all values above USD 1 million for the 2017-2019 period.

B. Having a monthly evolution during the period being analyzed (2017-2020), considering the effect of the COVID-19 pandemic and eliminating those that appear to be an opportunity, but are mere sporadic imports.

A total of 35 potential opportunities were found (46 in the first filter). The category with the most opportunities was number 647, with 9, followed by category 338 with 6 and category 347 with the same number. Following is a summary table:

Category	Number
647 - M&B trousers, breeches	9
338 - M&B knit shirts	6
347 - M&B trousers, breeches & shorts	6
648 - W&G trousers, breeches & shorts	5
339- W&G knit shirts & blouses	4
638 - M&B knit shirts	3
348 - W&G trousers, breeches & shorts	2
General total	35

Source: Economic Analysis and Policy Department, Market Intelligence based on USITC.



Trade Agreements **in Force**

Guatemala has signed trade agreements that streamline trade and access to the following markets:

% participation per trade agreement:



Under DR-CAFTA, the apparel and textile industry benefits from the preferential treatment of the short supply clause, which allows the importation of non-originating raw materials and specific origin regimes.



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 0.10 for industrial users and USD 0.16 for commercial users. Users with electricity demands above 100 kW may register as large users and negotiate their electric-power contracts.

Source: Global Petrol Prices, 2020



Potable Water

In the Municipality of Guatemala⁶ (if the service is provided by the municipal government):

- 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 m³, a fixed rate of **USD 2.08 and USD 0.29 per m³ used**. For 121 m³ and up, a fixed rate of **USD 2.08 and USD 1.45 per m³ used**.

Water can also be supplied by drilling a privately-owned well. Costs vary depending on the location and depth of the well.

Reference information.



Average Monthly Salary⁷

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



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).
- Special Public Economic Development Zones: a monthly rent within a range of **USD 6.50** per square meter in the departments of Escuintla and San Marcos.

6. According to Municipal Council Agreement No. COM-036-03 and its amendments COM-002-06 and COM017-07, Guatemala's Municipal Government.

7. Banco de Guatemala, employment matrix and earnings by economic activity (2018).

8. Classification AE038, according to the Nomenclature of Economic Activities for Guatemala, BANGUAT 2018.

9. Classification AE039, according to the Nomenclature of Economic Activities for Guatemala, BANGUAT 2018.

10. In accordance with Government Agreement 320-2019 of the Ministry of Labor and Social Security. Daily fee (day-shift Q. 84.88 – the exchange rate used is Q.7.70 x 1 USD)



Environmental Licensing

- The approximate cost for medium-sized companies is **USD 3,975¹¹**.
- The approximate cost for large companies is **USD 6,470**.
- These costs include: Developing an environmental instrument, a wastewater technical study, a wastewater analysis, and an environmental license (5 years).



Routes and Estimated Logistic Costs

Sea Transportation (Standard 40' Dry Van Container):

Origin	Destination	Cost USD ¹²
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

Source: AGEXPORT

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

Source: AGEXPORT

Land Transportation

Origin	Destination	Cost USD (40' container)
Ciudad de Guatemala	San Salvador, El Salvador (291 kms)	650
Ciudad de Guatemala	San Pedro Sula, Honduras (526 kms)	1,010
Ciudad de Guatemala	Managua, Nicaragua (840 kms)	1,720

Source: AGEXPORT

11. These are estimated costs; they can vary depending on the specific industrial activity and the size of the project.

12. 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.



Road Network, Seaports and Airports:

- Seaport commercial operations in the Pacific coast (Puerto Quetzal) and the Atlantic coast (Puerto Santo Tomás de Castilla)
- 249 miles of roads connecting the Pacific and Atlantic coasts
- 2 international airports, 9 local airfields, 22 commercial airlines, and 11 air-cargo carriers operating.



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

Source: Statistical Reports 2019, Administrador del Mercado Mayorista (Wholesale Market Administrator)



Potable-Water and 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).

Source: SEGEPLAN

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.

Source: VESTEX-AGEXPORT.



Companies are concentrated in Municipalities South of Guatemala City.



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



Competitive **Advantages**



The apparel and textile sector is robust. It has been present in the region (Central America and the Caribbean) **for over 30 years**. It generates almost **80,000 direct jobs and another 80,000 indirect jobs**, and engages in commercialization, manufacturing, logistics and service operations.



There are over **380 companies in the sector**, which constitute a **totally-integrated supply chain in the Central American region** allowing the production of value-added apparel. The country specializes in knit production.



Guatemala has the most productive labor force in the region. It offers efficient and quality human talent available for the operations area. **46% of jobs are held by women**.

Source: Clothing and Textiles Commission -Vestex- of Agexport



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, considered **the highest in the region**.



Guatemala is the only Central American country with an association that belongs to the **Sustainable Apparel Coalition (SAC)**, which supports companies with environmental issues.



The country holds **the only annual international event to gather the complete supply chain** of the textile and apparel industry in the region.



The country's geographic location provides rapid access to the **United States**, one of the most important markets for the sector and to Central America, an important supplier for the industry.



Production costs, in terms of energy, are highly competitive.



CAFTA-DR agreement has certain exceptions to the rule allowing non-originated raw material to enter as duty free to the US such as the short supply list mechanism, cumulation with Mexico (woven fabric), single transformation rule (some apparel products), among others.



The industry has the **capability of rapidly adapting to the market** by means of the **entire package**. Producers work to achieve continuous production quality improvement and quickly adapt to new trends. The country produces uniforms for the NFL, MLB, NHL, and US universities and also producer for the major retailers and brands in the USA.



There is a **conglomerate of foreign-investment companies** that have been established and are operating successfully in the country with capital from various countries, among them: South Korea, Spain, the United Kingdom, the United States, Mexico, El Salvador, and Honduras.



Doing **business:**



Opening a business

- Guatemala placed first among Latin American and Caribbean countries insofar as improving its competitiveness to open a business.
- Six is the average number of steps required to open a business in Guatemala and the estimated time to do so is 15 days.



Accessing Electric Power

Second place among the countries of the region with regard to its rating for energy supply reliability and the transparency of its rates.



Securing Credit

Guatemala is first in the region in terms of credit details scope and second in the region in terms of the index of legal rights to debtors and creditors.



Paying taxes

The country has the lowest rate of taxes and contributions levied as a percentage of earnings in the Central American region.



Cross-Border Trade

The country ranks second among Central America countries for having the lowest export and import costs (border and documentary compliance).



Construction Permit Management

Less number of procedures and competitive costs.



Regulatory **Framework:**

1

Labor Code (Decree 14-41): [DOWNLOAD](#)

The Labor Code (Decree 14-41) is the main regulatory framework for worker-employer relationships. It creates the institutions that ensure compliance and mediate controversies. Other legislation pertaining to labor issues includes: The Political Constitution of the Republic of Guatemala; International Labor Organization's Convention 175; the Labor Code; Decree 19 – 2018, and Government Agreement 320 – 2019.

2

Law on Protection and Improvement of the Environment, Decree No. 68-89: [DOWNLOAD](#)

Framework legislation on the environment and natural resources.

3

Health Code, Decree No. 90-97: [DOWNLOAD](#)

General observance law that addresses everything pertaining to health.

4

Set of Regulations on Wastewater Discharge and Reuse and Sludge Disposal, Government Agreement No. 236-2006 [DOWNLOAD](#)

It establishes the criteria and requirements that must be met for wastewater discharge and reuse, as well as for sludge disposal. The aim of this is to establish a process that allows: a) protecting receiving water bodies from the impacts of human activity; b) recovering those receiving water bodies that are in the process of eutrophication, and c) promoting the development of water resources with an integrated management approach.

5

Set of Regulations for Health and Occupational Safety, Government Agreement No. 229-2014 [DOWNLOAD](#)

It regulates the general health and occupational-safety conditions for employees working for private entities and private employers, the State, municipal governments, and autonomous, semi-autonomous and decentralized entities, with the aim of protecting their life, health, and integrity while they provide their services.

6

National Policy for the Comprehensive Management of Solid Waste and Residues, Governmental Agreement No. 281-2015 [DOWNLOAD](#)

By means of programs and policies, it establishes actions to minimize the risks to human beings and the environment, especially targeting the amount and danger of solid waste destined to final disposal sites, by implementing a comprehensive management that contributes to the wellbeing of the environment and health.

7

List of Restricted Projects, Works, Industries or Activities, Ministerial Agreement No. 204-2019. [DOWNLOAD](#)

This instrument allows the Ministry of the Environment and Natural Resources –MARN in Spanish– to list and classify projects, works, industries or activities in regard to their potential to cause high, moderate, and low environmental impact.



Fiscal **Incentives**

[Decree 16-2003](#)

Law on Valued Added Tax

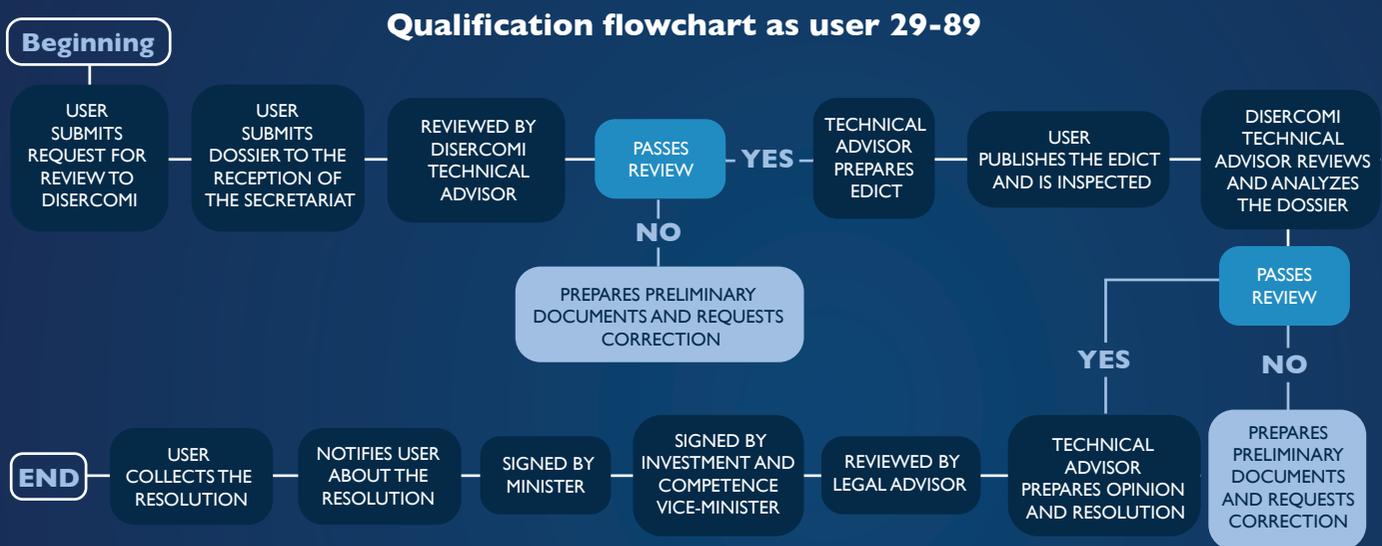
Law on Foreign Investment (Decree 9-98):

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 and Maquila (Outsourcing) Activities (Decree 29-89) – Amended by the Emerging Law for Job Preservation (Decree 19-2016):

- **Temporary exemption of payment** of customs duties and import taxes, including 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 Value Added Tax –VAT– on machinery, equipment, parts, or components necessary for the productive process.
- **Total exoneration** of Income Tax –ISR in Spanish– 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.



Set of Regulations to Authorize and Implement the Special Public Economic Development Zones (Decree No. 30-2018):

- Income Tax (ISR) exemption for 10 years.
- Temporary cessation of VAT, customs duties, and other charges on imports of raw materials, inputs, materials, machinery, equipment, accessories, etc.
- Exemption of fiscal stamps on documents containing acts or contracts on goods and business in the Special Public Economic Development Zones.

Law on Free Zones (Decree 65-89)

- Exemption of taxes, customs duties, and charges applicable to importing goods that are used to produce goods and provide services.
- 100% Internal Revenue Service? Si no se refiere a ese impuesto, sugiero que se aclare (IRS) exemption during a 10-year period
- VAT exemption when transferring goods within and between free zones.
- Exemption from Fiscal-Stamp Tax and Special Protocol Paper Tax on real-state purchases, exchanges, or transfers.
- VAT exemption on the purchase of locally-produced inputs to be incorporated into final products and services.



Success **STORIES**¹³:

EL ZEPPELLIN

About the company: El Zepellin started its operations in Guatemala in 1946, established by Rodolfo Richter, a German textile engineer, who was able to grow the brand and expand it internationally.

Plant location: It operates in the department of Quetzaltenango, in the Western part of the country.

Number of workers: Has 380 workers, out of whom 115 belong to the commercial area, especially in Central America.

Main products: knitted cotton, underwear, towels, shirts, divided into circular, straight, swimwear and hosiery.

TEXTILES GRAN FE (Young Shin Guatemala)

About the company: Textiles Gran Fe (Young Shin Guatemala) established with Korean capital, started its textile operations in 2003 in Guatemala. It specializes in dyed and finished knitted fabrics to satisfy the demand of the national and international market. Through its affiliated companies JS Print and Centrotex Guatemala, S.A., it achieved the implementation of advances in bulk fabric screen printing, as well as yarn dyeing and winding.

Plant location: Km. 44.5 on the road to the Pacific coast, Warehouse C, Palín, Escuintla, Guatemala.

Number of workers: It has 350 direct labor positions held by 350 employees.

Main products: The main fabrics produced by Textiles Gran Fe are the following: jersey knit, interlock, mesh, fleece, French terry, cotton — cotton / modal, CVC, tri-blend, rayon, T/C polycotton and Supima cotton.

CORPORACIÓN LIZTEX

About the company: Corporación LIZTEX was established in Guatemala with United States capital in 1960. It was known previously as INTEXA. The success of the company allowed diversifying its products and exporting them mainly to the United States.

Number of workers: It has 3000 workers, both in Central America and the United States, ensuring the opening of the extra-regional export operations.

Plant location: It is located in Parques del Lago, Km. 30.5 on the road to the Pacific coast, Amatitlán, which is part of Guatemala City's metropolitan area.

Main products: Spinning (American and PIMA cotton); organic and BCI cotton; LOS (long staple cotton fibers) cotton; polyester (textured, short-staple fiber, T-400, CoolMax, Thermolite, CoolCore); regenerated fibers: rayon / viscose, modal, micro-modal, Tencel). Flat fabric (shirting, corduroy, drapery, blanket, gabardine, denim, tablecloth, oxford, poplin, ripstop, sheet, satin, spandex, terry, and jacquard fabrics). Knitted fabrics (wool, interlock, jersey, mini-jacquard, pique, fleece, rib, velour). Home and hotel textiles (towels and sheets). Dyeing and finishing (yarn dyed, piece dyed and printed) including chemical finishes such as: stain resistant, oil and water repellent, antimicrobial, hygroscopic finish, moisture control, anti-wrinkle, silk-type finish, UV protection, FR flame retardant, mercerized and Teflon finish.

STARTEX S.A.

About the company: In 2004 STARTEX, S.A., a Korean-capital company, was established with the name ALCATEXTIL, S.A. to supply the markets with finished fabrics. In 2006, a weaving factory was established in Guatemala, installing German 'Mayer & Cie' high-speed computer programmable weaving machines, which provide a high level of production capacity with consistent quality. In 2018 it was selected by INTECAP for a prize as one of the 12 best Guatemalan companies for its productivity, competitiveness, and innovation.

Plant location: KM. 37.2 on the road to San Vicente Pacaya, Parque Industrial Michatoya, Palín Escuintla, Guatemala.

Number of workers: At present, it has 1,569 employees.

Main products: Polo Ralph Lauren, Club Monaco, The North Face, Timberland, Nautica, Talbots, Disney, Express, New Era, We Fit Your Life, Li & Fung, Spirit.

¹³The information was downloaded from each company's webpage.



Ministerio de
**Relaciones
Exteriores**



USAID
DEL PUEBLO DE LOS ESTADOS
UNIDOS DE AMERICA



Cámara de
Industria de
Guatemala



AGEXPORT
GUATEMALA



**Muni
Guate**