



Location Spotlight – El Salvador

June 2024: Complimentary Abstract / Table of Contents

Market Report
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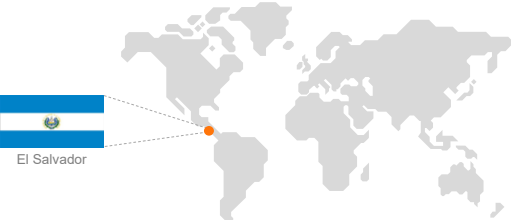
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This report provides perspectives on key aspects of the global sourcing market in El Salvador

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El Salvador | executive summary



Emerging location in Central America leveraged as a spoke for bilingual voice delivery to the Americas offering attractive

Key factoids

- 17,000-19,000 annual tertiary graduates
- Cost of living 70-75% of US
- Unemployment 40-45%

Current overview

- Highly leveraged by service providers, to support the Northern American market, primarily to support voice-based Business Processes Services (BPS)
- El Salvador is predominantly leveraged for bilingual service delivery in English and Spanish, similar to its peer locations in Latin America
- The capital, El Salvador, hosts >90% of market activity


Key drivers

- Shared time zones, geographical proximity, and a dollarized economy significantly streamline the process for US-based firms to establish operations
- Significant cost arbitrage over tier-2 locations in the US such as Dallas (70-75%) and Mexico City (40-45%)
- Government has launched multiple initiatives to promote infrastructure development, tax benefits, and other business regulations

Key challenges

- Predominantly a service-based economy with a limited population
- Some concerns around drug-related issues, such as hurricanes and corruption
- Lack of reliable infrastructure beyond El Salvador
- Limited scalability

KEY PLAYERS:



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El Salvador | operating and business environment risk profile (page 1 of 2)

Some concerns around corruption and the macroeconomic environment of the country

■ Low maturity ■ Medium maturity ■ High maturity

Parameter	Everest Group rating	Comments
<p>Geopolitical</p>	■	<ul style="list-style-type: none"> President Nayib Bukele remains a central figure. He recently won re-election in 2024 (though under controversial circumstances) and holds significant power El Salvador ranked 126th out of 180 on the 2023 Corruption Perceptions Index, indicating a high level of corruption in the country
<p>Macroeconomic</p>	■	<ul style="list-style-type: none"> The International Monetary Fund (IMF) predicts a muted GDP growth rate of 1.9% in 2024 for the country, and the burden of high inflation and rising interest rates is also expected to continue hindering economic activity Although in recent years the country's debt level has declined, it is still above pre-pandemic levels. As a result, a large chunk of government spending now goes toward paying off this debt El Salvador is heavily influenced by economic conditions in the US because it relies on remittances, which help support domestic demand. A slowdown in the US economy is resulting in lower remittance inflows, negatively impacting El Salvador's economy Although El Salvador became the first country to adopt Bitcoin, it is facing economic challenges, due to the recent Bitcoin price drop
<p>Infrastructure</p>	■	<ul style="list-style-type: none"> El Salvador offers moderate-quality rail, air, sea, and road connectivity across cities. The government plans to improve the quality of infrastructure with multiple projects in the pipeline <ul style="list-style-type: none"> The government is prioritizing infrastructure development, particularly transportation networks, which includes projects such as road expansion (the Los Chorrros highway) and improvements in the port The government of El Salvador started constructing a technology park and Bitcoin city near San Salvador in 2021 to counter unemployment and boost its digital economy

Source: Everest Group (2024); EIU; Transparency International; World Bank; WEF; investment agencies; interviews with market participants

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Locations Insider™

	Published	Current release	Planned
Reports title	Release date		
Location Spotlight – Argentina			January 2024
Service Provider Compass™ – Global Services Delivery from Mexico			January 2024
Location Spotlight – Shenzhen, China			February 2024
Talent Demand Trends India IT Services – H2 2023			February 2024
Location Spotlight – Riga, Latvia			March 2024
Harnessing Potential – Growth in Southeast Asia's Service Delivery Sector			March 2024
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Risk Watch 2024: Potential Repercussions of an Unpredictable World on Global Services Delivery			April 2024
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Location Spotlight – El Salvador			June 2024
Location Spotlight – Coimbatore, India			Q2 2024
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