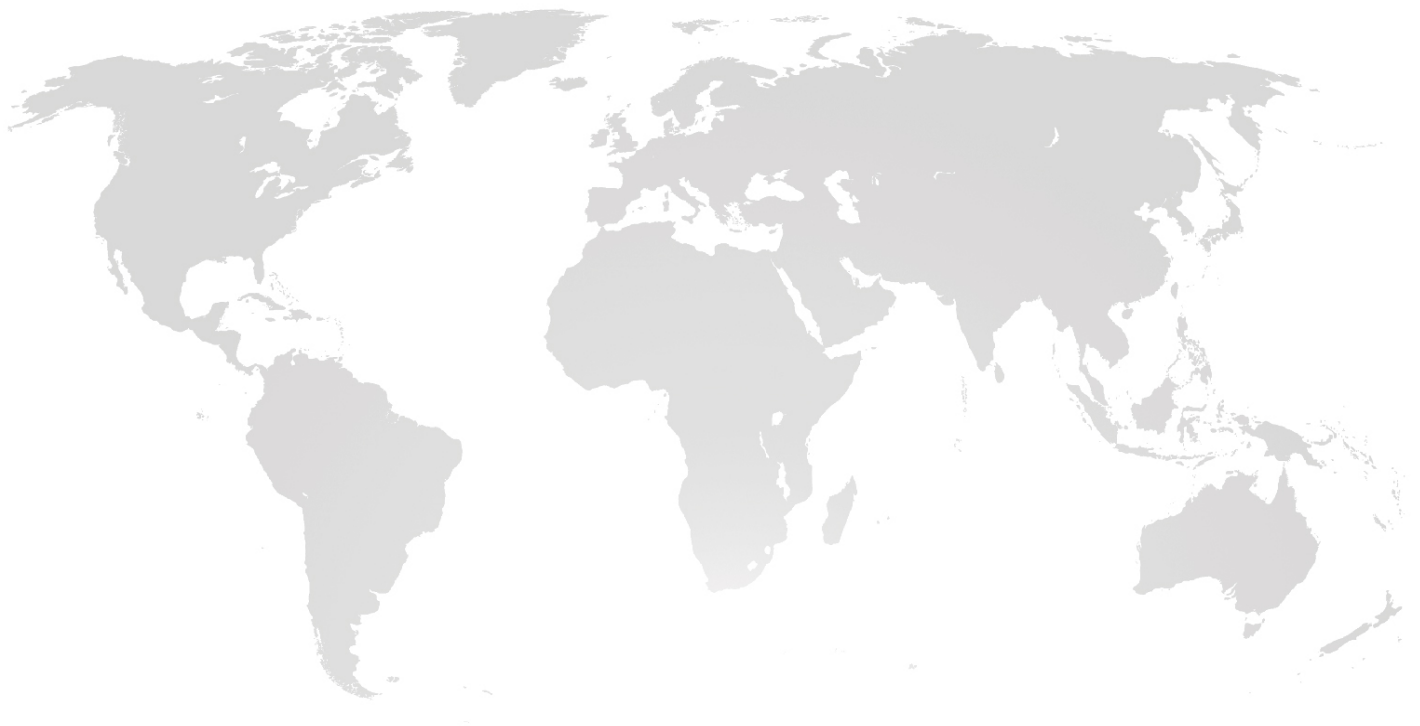


Country Insight Snapshot

Ecuador

December 2015






OVERVIEW

OVERALL COUNTRY RISK RATING: DB6D

Very high risk : Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.

R

Rating Outlook: Deteriorating 

CORE OUTLOOK

- + Long-term economic growth will be boosted by additional oil production in the Amazon rainforest, albeit at some environmental cost.
- + The relatively rapid growth of the working-age population until the late 2020s should have a positive impact on consumer and investment spending.
- Ecuador has lost the trade benefits secured with the US under the 22-year-old Andean Trade Preference Act.
- Expect fierce opposition from environmental groups relating to oil exploration in the Amazon.

KEY DEVELOPMENT

Dun & Bradstreet downgrades Ecuador's country risk rating following unfavourable constitutional reforms, the most important being the approval of unlimited presidential terms.

CREDIT ENVIRONMENT OUTLOOK

R

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

R

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

R

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

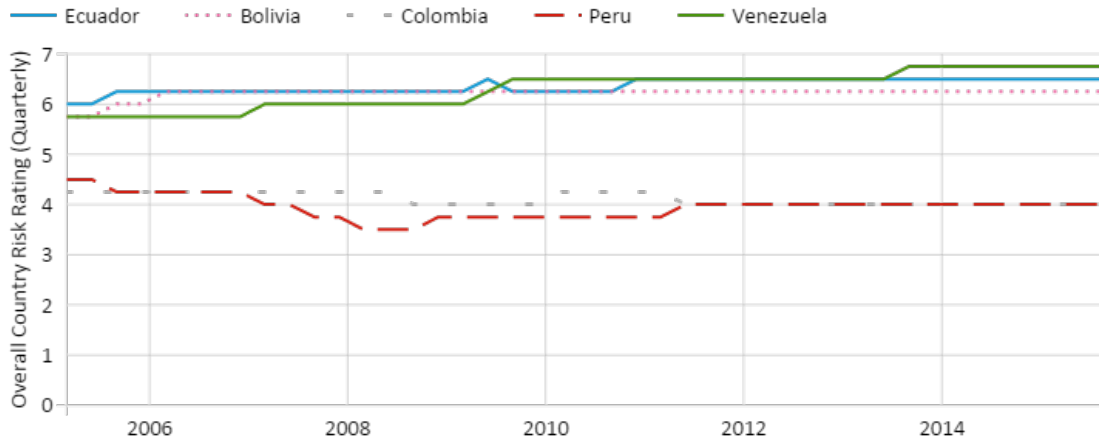
R

Key Development has had a negative impact on the outlook.



KEY INDICATORS

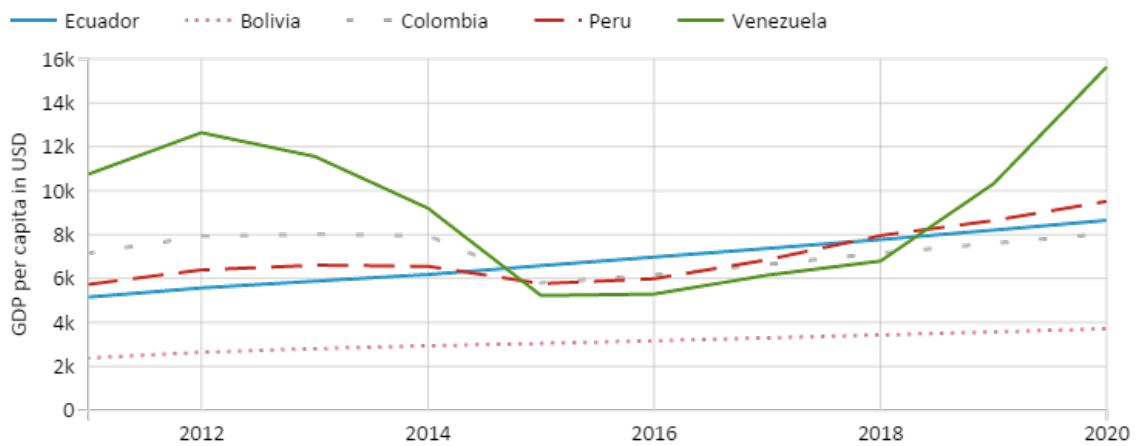
Rating History and Comparison



Source : Dun & Bradstreet

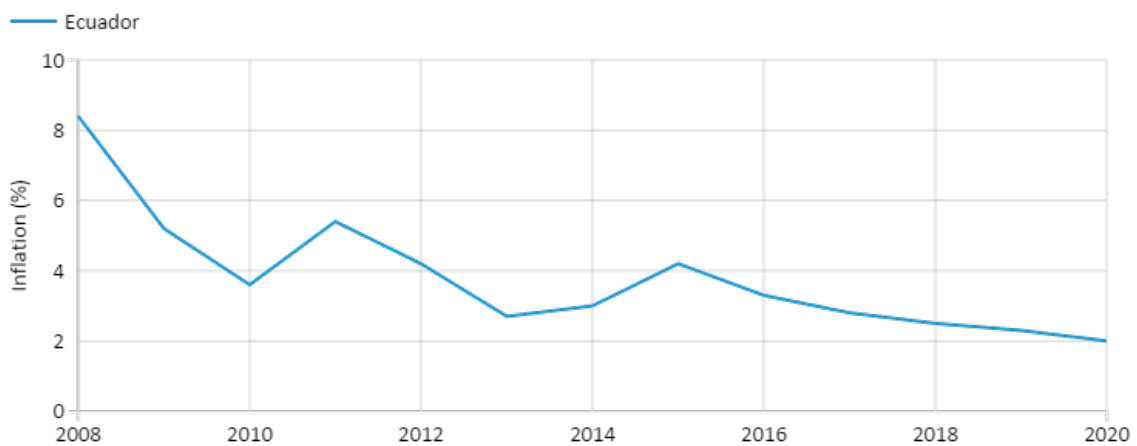
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Inflation (%)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	-0.5	0.2	0.3	0.3	0.3	0.3	0.4	0.4
External Debt, % GDP	22.9	25.0	29.0	31.0	29.0	27.0	25.0	23.0
Govt balance, % GDP	-5.5	-4.8	-4.0	-3.5	-3.2	-3.0	-2.8	-2.6
Inflation, annual avge %	2.7	3.0	4.2	3.3	2.8	2.5	2.3	2.0
Real GDP Growth, %	4.5	4.0	-0.4	0.2	1.8	2.5	2.9	3.1

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Commercial risk is heightened by the government's willingness to impose new regulations that affect every aspect of trade with and investment in Ecuador, from raising tariff and non-tariff barriers on imports, to imposing levies on repatriated profits and other FX outflows. For example, in March 2015, the authorities changed tariffs on around 38% of all imports in an effort to counter lower oil prices and a strong US dollar. The new tariff rates ranged from 5% to 45%, depending on the product. Foreign currency reserves stood at USD3.31bn in October compared to USD3.51bn in September. Reserves have been steadily declining over the last few months from a recent high of USD4.77bn recorded in July, this partly driven by the ongoing weakness in international oil prices. With oil prices expected to edge down again in 2016, FX reserves will see further declines, this in turn feeding into a dangerously low level of import cover of around 1.3 months.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: CLC

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CiA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 15-45 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-2 months

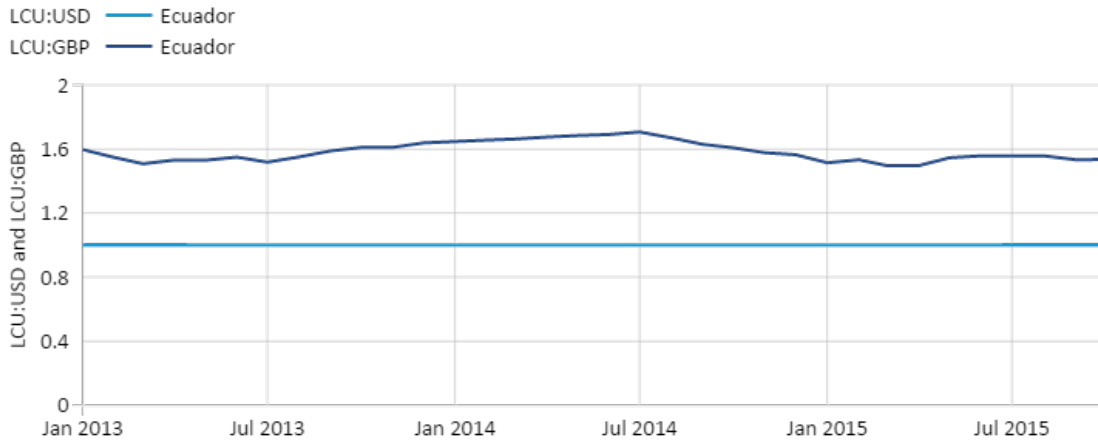
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 1-3 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



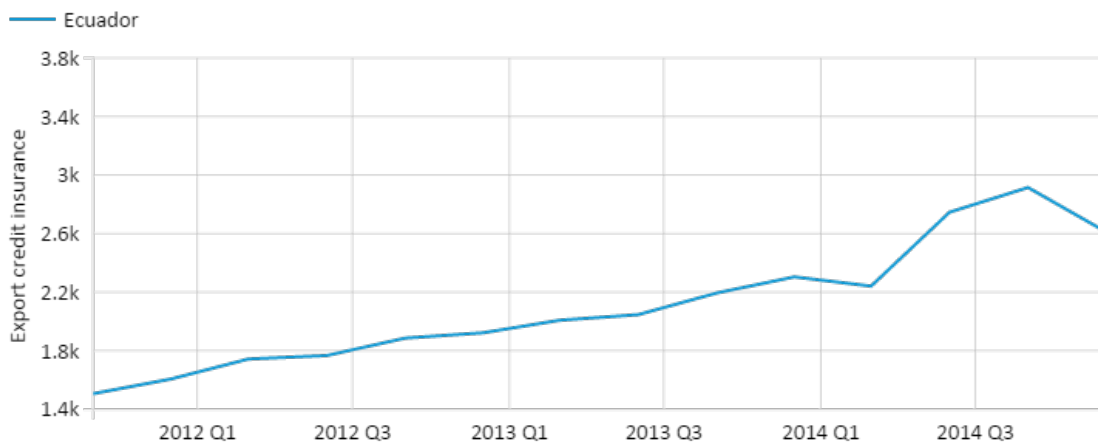
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU = Local Currency Unit

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Insecurity/Civil Disorder Risk

Rating downgrade amid lean to authoritarianism

Following negative recent developments in the political sphere, Dun & Bradstreet has decided to downgrade Ecuador's country risk rating from DB6c to DB6d, with a negative outlook. The main reason behind this downgrade was an early December decision by parliament to make various amendments to the constitution. The most important of these was the approval of unlimited presidential terms, which passed by a comfortable margin of 100 votes in favour and just eight votes against. This now means that increasingly authoritarian President Rafael Correa will be able to run for as many terms as he wishes, an echo of the constitutional changes that have been implemented in other parts of South America in recent years, notably Venezuela. There is one caveat in the Ecuadorean case, namely that the right to stand indefinitely will only come into force in 2021. Correa has already stated that he does not intend to run in the presidential election scheduled for 2017. However, it seems that he is simply biding his time until 2021 while in the interim he unofficially runs the country through a puppet president. It should be noted that Correa is still relatively young and will be only 57 come 2021. If he is re-elected then and further tightens his grip on power, he could be in power for many more years, even decades, to come.

It was not only the revision to presidential terms that has concerned observers. Two other 'reforms' could also mean a more authoritarian political climate going forward. First, there were changes to the status of the media, which is now defined as a 'public service', the implication being that journalists will probably now have to toe the government line more closely. For his part, Correa has argued that the revision of the media law is aimed at cutting the power of private media groups as they have not represented the interests of the poorer sections of society. However, this argument is not viewed as being a credible one. Second, the government now has the right to order the army on to the streets even in the absence of a state of emergency. This has raised concerns about the possible militarisation of Ecuadorean society and the suppression that this is likely to entail.

Transfer Risk

Banking sector performance under pressure

Elsewhere, a mid-November report by rating agency Fitch found that Ecuador's banking system is subject to accumulating downside risks, this the result of the political environment, weakened US dollar liquidity, low oil prices, and fragile consumer confidence. One outcome of this deterioration was a hit to loan growth in the first half of 2015 and a worsening of asset quality (although non-performing loans remain manageable). A key concern going forward is that the interventionist government will become more involved in the banking sector, thereby intensifying existing problems.



COUNTRY PROFILE AND STATISTICS

Overview

Located on the equator, Ecuador is bounded by the Pacific Ocean in the west, Colombia in the north, and Peru in the west and south. Featuring Amazon rainforest, Andean highlands, coastal plains and the Galapagos Islands, it is one of the most bio-diverse countries in the world, despite its comparatively limited size.

Ecuador gained independence from Spain (as part of Greater Colombia) in 1822 and became an independent state in 1830. The country lost territories to its neighbours in a series of conflicts between 1904 and 1942, and was embroiled in a border war with Peru in 1995-99. Following seven years of military rule, Ecuador returned to democracy in 1979. Political instability has been rife, with protests leading to the ousting of three presidents since 1997.

Traditionally a farming country, Ecuador relies heavily on crude oil exports (substantial reserves were discovered in the 1970s). Ecuador remains the world's major banana exporter.

Key Facts

Key Fact	Detail
Head of state	President Rafael CORREA
Capital	Quito
Timezone	GMT -05-00
Official language	Spanish
Population (millions)	17.3
GDP (USD billions)	150
GDP per capita (USD)	8,649
Life expectancy (years)	81
Literacy (% of adult pop.)	93.3
Surface area (sq km)	283,560

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	7.87	5.1	4.5	4	-0.4
Nominal GDP in USDbn	78.19	85.88	92.11	98.26	106.32
Nominal GDP in local currency (bn)	78	86	92	98	106
GDP per Capita in USD	5,152	5,570	5,882	6,179	6,586
Population (year-end, m)	15.18	15.42	15.66	15.9	16.14
Exchange rate (yr avge, USD-LCU)	1	1	1	1	1
Current Account in USDbn	-0.21	-0.19	-0.48	0.23	0.28
Current Account (% of GDP)	-0.27	-0.22	-0.52	0.23	0.26
FX reserves (year-end, USDbn)	1.66	1.08	3.33	3.48	3.68
Import Cover (months)	0.75	0.47	1.34	1.39	1.37
Inflation (annual avge, %)	5.4	4.2	2.7	3	4.2
Govt Balance (% GDP)	-2.2	-4.8	-5.5	-4.8	-4

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	0.2	1.8	2.5	2.9	3.1
Nominal GDP in USDbn	114.3	122.5	131.1	140.3	150
Nominal GDP in local currency (bn)	114.29	122.52	131.1	140.28	149.96
GDP per Capita in USD	6,976	7,369	7,773	8,202	8,649
Population (year-end, m)	16.4	16.6	16.9	17.1	17.3
Exchange rate (yr avge, USD-LCU)	1	1	1	1	1
Current Account in USDbn	0.4	0.4	0.5	0.5	0.6
Current Account (% of GDP)	0.34	0.35	0.34	0.36	0.4
FX reserves (year-end, USDbn)	3.9	4.1	4.3	4.5	4.7
Import Cover (months)	1.41	1.45	1.48	1.52	1.57
Inflation (annual avge, %)	3.3	2.8	2.5	2.3	2
Govt Balance (% GDP)	-3.5	-3.2	-3	-2.8	-2.6

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Ecuador	Bolivia	Colombia	Peru	Venezuela
Income per Capita (USD)	6,586	3,042	5,802	5,769	5,224
Country Population (m)	16.1	10.7	48.2	31.2	31.1
Internet users (% of population)	43	39	52.6	40.2	57
Real GDP Growth (% p.a., 2016 - 2025)	2.1 - 5.2	2 - 5.8	4.2 - 6.7	3.9 - 8.5	2.9 - 6.8

Source : Various sources/Dun & Bradstreet



LINKS

User Guide

Please [click here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

Dun & Bradstreet provides information relating to more than 240m companies worldwide. Visit www.dnb.com for details. Additional information relevant to country risk can be found in the: *International Risk & Payment Review* : Provides timely and concise economic, political and commercial information and analysis on 132 countries. Available as a subscription-based internet service (www.dnbcountryrisk.com) and monthly update journal, the IRPR carries essential information on payment terms and delays. It also includes the unique D&B Country Risk Indicator to help monitor changing market conditions.

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.