



Decide with Confidence

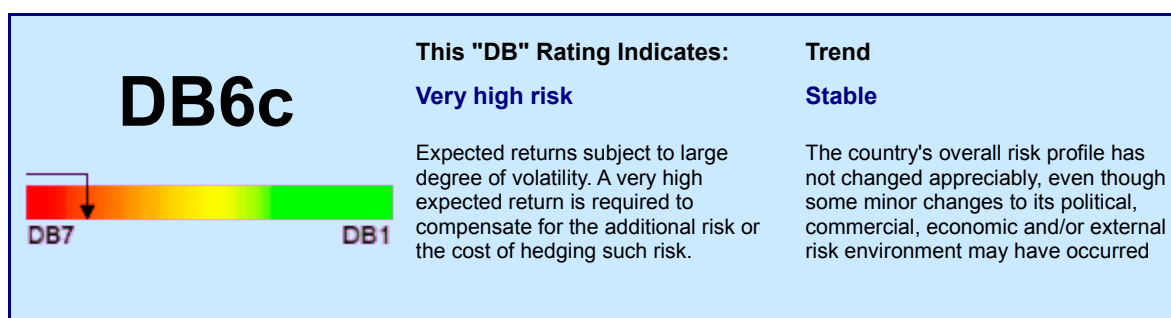
D&B Country RiskLine Report

ECUADOR

Region : The Americas

Edition : October 2012

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	14.7m
Surface area (sq km):	283,560
Capital:	Quito
Timezone:	GMT -05:00
Official language:	Spanish
Head of state:	President Rafael CORREA
GDP (USD):	66.3bn
GDP per capita (USD):	4,522
Life expectancy (years):	75
Literacy (% of adult pop.):	91.0

Country 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 ouster 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.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	CLC
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	CiA
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D&B'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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-2 months
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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
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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.

Trade & 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, the country (from raising tariff and non-tariff barriers to imports, to imposing levies on repatriated profits and other FX outflows). The risk of the government (which controls monetary policy) abandoning the US dollar as Ecuador's currency could increase if oil prices trend lower. Furthermore, credit risk remains exacerbated by the under-developed financial sector and the need to maintain high capital adequacy ratios (due to the lack of a lender of last resort). The government has imposed import quotas on some goods (including cars and mobile phones) in an effort to reduce the non-oil trade deficit.

Export Credit Agencies

US Eximbank	Limited ST/MT public sector cover available
Atradius	ST cover subject to CLC, no discretionary limits
ECGD	ST cover subject to CLC, restricted MT cover
Euler Hermes UK	Restrictions will apply

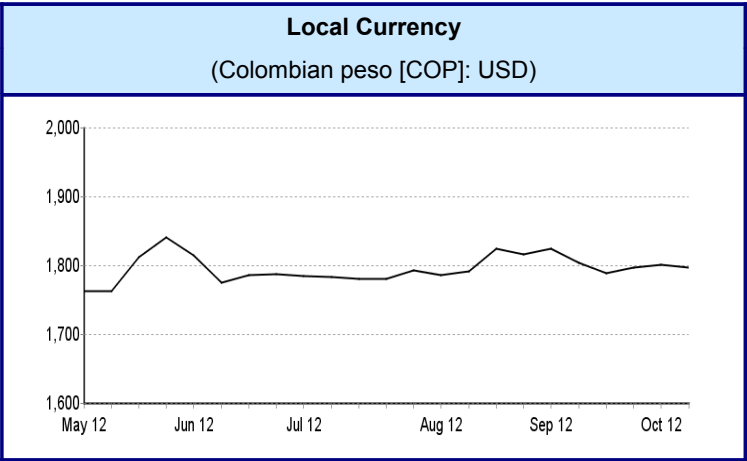
Economic Indicators

	2009	2010	2011	2012f	2013f
Real GDP growth, %	0.4	3.6	7.8	5.5	4.8
Inflation, annual ave, %	5.2	3.6	5.4	6.0	5.0
Govt balance, % GDP	-4.3	-2.1	-2.0	-5.4	-5.0
Foreign debt, % GDP	32.0	30.0	33.0	35.0	34.0
C/A balance, % GDP	-0.2	-3.1	0.5	0.8	1.0

"Local Currency" chart shows the rate of the Colombian peso against the US dollar; Ecuador dollarised in September 2000, Colombia is an important trading partner for Ecuador.

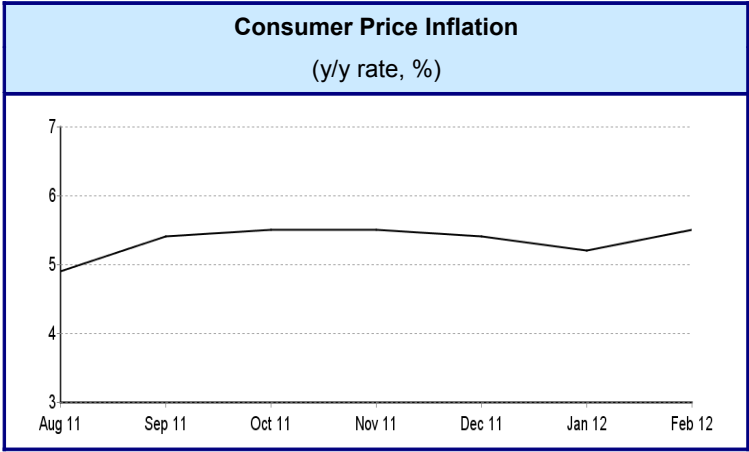
Currency Information

Exchange Rates (London, 08 Oct 12)	
EUR	2346.07
GBP	2908.87
JPY*	2282.71
USD	1796.38
*(x 100)	



Local Currency (Colombian peso [COP]: USD)						
	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12
Week 1	1762.600	1814.400	1784.800	1785.900	1824.000	1800.900
Week 2	1762.900	1774.650	1783.450	1791.000	1803.250	1796.380
Week 3	1811.650	1785.000	1780.550	1823.600	1788.330	
Week 4	1840.600	1787.150	1780.400	1815.550	1796.400	
Week 5			1791.880			

Consumer Price Inflation



Data Table						
Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12
4.9	5.4	5.5	5.5	5.4	5.2	5.5

Risk Factor

The short-term outlook for Ecuador's country risk environment remains stable this month on the back of generally good economic news. To begin with, latest official figures show that receipts generated by the important crude oil export sector stood at USD7.64bn between January and July, an increase of nearly 10% over the corresponding period in 2011. Both volume and value effects contributed to this improvement, with the amount of exported barrels of oil up by 4% year on year (y/y) over the first seven months, accompanied by a 5% y/y rise in the average price per barrel realised for oil sold abroad. With oil prices projected to remain buoyant over the rest of the forecast period, we expect the current account surplus to climb to the equivalent of 0.8% of GDP this year from 0.5% of GDP in 2011, with a further strengthening to 1.0% of GDP next year. With the government using oil revenues to help increase fiscal spending (against the backdrop of the forthcoming presidential election) we are maintaining our real GDP growth forecast for this year at 5.5%. Strong growth also appears to be underpinning healthy tax revenues: net tax collections rose by an impressive 31% y/y between January and August to USD7.5bn, bolstered both by value-added and income tax receipts.

One downside risk of the government's spending programme is higher inflation. Some evidence for this may already be emerging, with consumer price inflation recorded at 1.12% month on month in September, its highest monthly increase since early 2010. Although some of this uplift was driven by higher food prices, the government will have to be careful not to significantly add to inflationary pressures through higher spending especially given the impotency of monetary policy (the use of the US dollar as the official currency effectively means that monetary policy is made in Washington).

More positively, the benign economic outlook means that any concerns about inflation do not appear to be undermining business sentiment. Thus, according to a monthly survey conducted by Deloitte & Touche, commercial confidence was up by around 4% in August to stand at 75.1 points. Despite this positive outcome, it remains the case that the private sector is concerned about the potential economic and commercial fallout from the Assange affair. In particular, there are fears that the decision by the Ecuadorean government to grant asylum to Julian Assange (even though he remains holed up in Ecuador's embassy in London) could jeopardise the chances of the country being given an extension by the US to the trade preferences it currently enjoys. Ecuadorean exports to the US, currently worth approximately USD10bn per annum, would almost certainly decline.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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Usual Terms:

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

Local Delays:

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

F/X Bank Delays:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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D&B Country Risk Services

For information relating to D&B's Country Risk Services.

UK

Telephone: 01628 492700

Fax: 01628 492929

Email: CountryRisk@dnb.com

USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CountryRiskServices@dnb.com

Rest of World

Telephone: +44 1628 492700

Email: CountryRisk@dnb.com

D&B Customer Services

For all other information or queries relating to D&B products and services.

UK

Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)

Email: CustomerHelp@dnb.com

USA

Telephone: 1-800 234-3867 option 1, 1 and then 2

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