

Ecuador:

Economic Outlook for 2023-24

CONTENT

1. Introduction
2. Reduction in Taxes on Transfers Abroad
3. Subsidy Targeting
4. Macroeconomic Outlook
5. Central Government Fiscal Data
6. Non-Financial Public Sector Data
7. International Reserves

INTRODUCTION: INITIAL COMMENTS ON LATEST DEVELOPMENTS

- The outcome of the recent referendum and regional elections does not create any fiscal burden for the national government.
- Our deficit, as per the latest fiscal program, stands at USD 1,545 MM compared to USD 2,630 MM estimated in the budget.
- The government of Ecuador has made a comprehensive assessment of its financing requirements and, due to the implementation of prudent fiscal measures, there is no need for us to access international markets this year.

REDUCTION IN TAXES ON TRANSFERS ABROAD -ISD

(IN MILLIONS OF U.S. DOLLARS)

Term	New rate	ISD Collection (Million USD)	Impact on collection (Million USD)
February - June 2023	3,75 %	459,36	-30,62
July - December 2023	3,50 %	533,63	-76,23
Total 2023		992,99	-106,86
January - December 2024	2,00 %	597,11	-447,84
Total 2024		597,11	-447,84
		Total Impact	-554,69

Source: Internal Revenue Service and the Undersecretary of Fiscal Policy, Ministry of Economy and Finance.

Note: ISD Collection is an estimated value taking into account the new tax rate.

The 2023 and 2024 fiscal program already accounts for the impact on ISD tax collection

SUBSIDY TARGETING ON THE SHRIMP INDUSTRY

Additional revenue generated by targeting the subsidy

USD 221 million in 2023

USD 199 million in 2024

Subsidy targeted on shrimp farmers with up to 30 hectares
(artisans, micro and small-sized enterprises)

Note: Executive Decree No. 614 of December 1, 2022.

MACROECONOMIC OUTLOOK: HIGHER GROWTH EXPECTATIONS IN GDP AND OIL REVENUES

	2023 Budget	2023 Fiscal Program	2024 Fiscal Program
Gross Domestic Product (In millions of USD)	122,369.7	121,106.0	126,093.0
Real GDP growth (%)	3.1	2.7	2.8
Average Annual Inflation (%)	2.8	2.4	1.5
Volume of oil production (Million barrels)	187.9	182.3	186.3
Average export price of crude oil (USD/barrel)	64.8	76.0	72.6

Source: Macroeconomic Forecast 2023, Central Bank of Ecuador. Ministry of Economy and Finance

REVENUE MAIN DRIVERS IN 2023: HIGHER TAX COLLECTION AND OIL PRODUCTION

(IN MILLIONS OF U.S. DOLLARS)

	2022 (prov.)	2023	2024
Revenue	29,331	29,107	29,546
Oil revenue	11,215	9,817	9,823
Budget	3,572	3,718	3,922
CFDD	7,643	6,099	5,901
Tax revenue	15,100	16,225	16,590
Non-tax revenue	2,558	2,539	2,557
Transfers	458	526	576
Monetization	-	-	-

Source: Ministry of Economy and Finance.

Notes: The CFDD account is included in the analysis. Data as at December 2022.

EXPENDITURE: SALARIES, INTERESTS AND LAW REQUIREMENTS

(IN MILLIONS OF U.S. DOLLARS)

	2022 (prov.)	2023	2024
Expenditure	31,272	30,652	31,004
Current expenditure	26,637	25,946	26,283
Wages and salaries	9,559	9,884	9,977
Purchases of goods and services	9,492	8,139	7,930
Budget	2,085	2,040	2,029
CFDD	7,407	6,099	5,901
Interests	2,395	2,807	3,112
Current transfers	3,888	3,810	3,845
Other current expenditure	1,262	1,307	1,419
Capital expenditure	4,412	4,699	4,721
Fixed capital expenditure	603	888	904
Capital transfers and investment	3,808	3,810	3,817
Other capital expenditure	-	-	-
Treasury adjustment	224	7	-
Primary Balance	454	1,261	1,654
Overall Balance	(1,941)	(1,545)	(1,458)

Source: Ministry of Economy and Finance.

Notes: The CFDD account is included in the analysis. Data as at December 2022.

CENTRAL GOVERNMENT FINANCING

(IN MILLIONS OF U.S. DOLLARS)

	2022 (prov.)	2023	2024
Financing Needs	6,346	5,970	6,228
Overall Balance	1,941	1,545	1,458
Amortization and other obligations	4,405	4,425	4,770
Domestic	2,301	2,709	2,555
External	2,104	1,716	2,215
Financing Sources	6,576	5,495	5,905
External	4,261	2,570	2,691
Multilateral	4,099	2,177	(300)
World Bank	1,319	679	371
IDB	804	562	400
CAF	366	429	450
IFAD	(2)	7	-
FLAR	-	500	-
IMF	1,611	-	-
Bilateral	159	356	500
Banks and Global Bonds	3	36	1,000
Domestic	2,419	2,900	2,984
Bonds	2,706	3,000	2,984
Treasury Certificates (CETES)	(287)	(100)	-
Other Financing Sources*	(104)	25	230
Central Bank Change in Deposits	(229)	476	323

Source: Ministry of Economy and Finance.

Notes: Other Financing Sources include accounts payable, change in assets in financial institutions and Central Bank. Data as at December 2022.

NFPS OVERALL BALANCE

(IN MILLIONS OF U.S. DOLLARS)

	2022 (prov.)	2023	2024
Revenue	42,030	42,801	43,606
Oil revenue	13,250	11,612	11,541
Non-oil Revenue	26,871	28,327	29,323
Tax revenue	15,100	16,225	16,590
Social security contributions	5,827	5,990	6,283
Other	5,944	6,112	6,450
Operating surplus of public enterprises	1,909	2,862	2,743
Profits of oil companies	1,554	2,525	2,388
Expenditure	41,945	41,350	42,227
Current expenditure	34,895	34,531	35,085
Interest	1,788	2,171	2,416
Wages and salaries	11,383	11,605	11,660
Purchases of goods and services	2,750	2,739	2,760
Social security benefits	7,501	7,941	8,162
Other	11,472	10,076	10,087
Capital expenditure	6,826	6,811	7,142
Treasury adjustment	224	7	-
Primary Balance	1,873	3,622	3,795
Overall Balance	85	1,451	1,379

Source: Ministry of Economy and Finance.

Notes: The CFDD account is included in the analysis. Data as at December 2022.

NFPS FINANCING

(IN MILLIONS OF U.S. DOLLARS)

	2022 (prov.)	2023	2024
Financing Needs	2,946	1,596	2,226
Overall Balance	(85)	(1,451)	(1,379)
Amortization and other obligations	3,031	3,047	3,605
Domestic	662	1,064	1,137
External	2,369	1,982	2,468
Financing Sources	3,344	2,849	3,806
External	4,398	2,649	2,741
Multilateral	4,199	2,257	1,291
World Bank	1,328	720	391
IDB	847	601	450
CAF	414	429	450
IFAD	(2)	7	-
FLAR	-	500	-
IMF	1,611	-	-
Bilateral	196	356	500
Banks and Global Bonds	3	36	-
Domestic	78	569	1,000
Bonds	670	669	1,000
Treasury Certificates (CETES)	(591)	(100)	-
Other Financing Sources*	(1,132)	(369)	15
Central Bank Change in Deposits	(398)	(1,254)	(1,580)

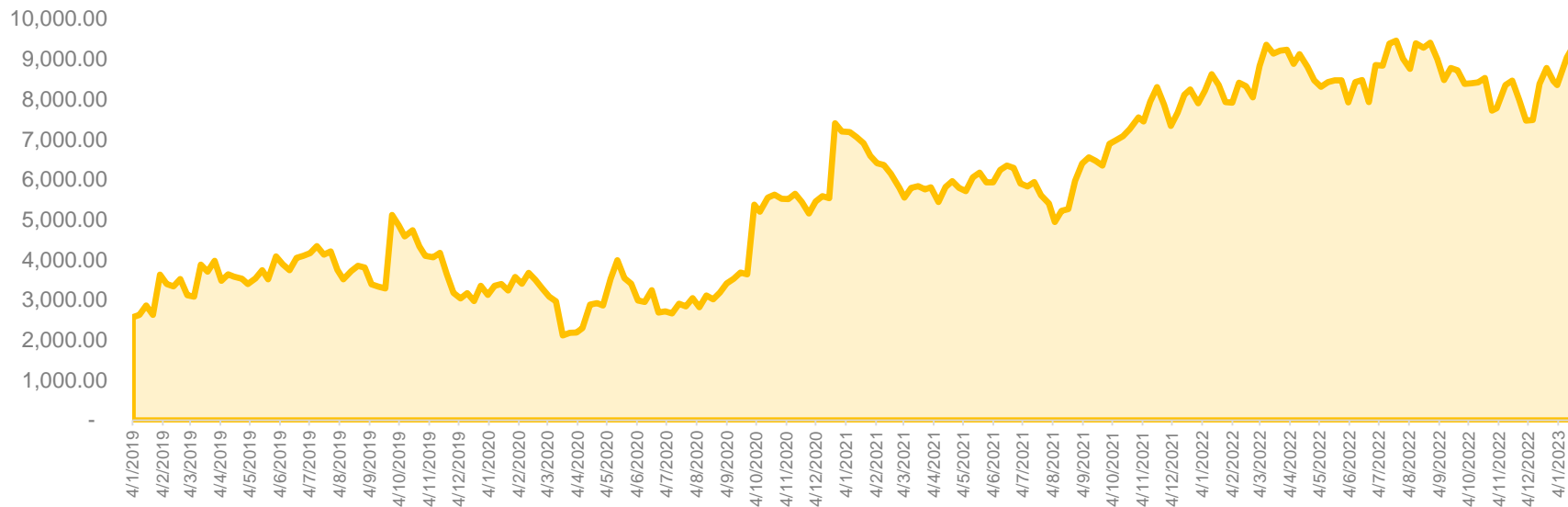
Source: Ministry of Economy and Finance.

Notes: Other Financing Sources include accounts payable, change in assets in financial institutions and Central Bank. Data as at December 2022.

INTERNATIONAL RESERVES SHOWS FISCAL POLICY EFFORTS AND HEALTH IN FINANCIAL SYSTEM

(IN MILLIONS OF U.S. DOLLARS)

International Reserves – Weekly Data



Source: Central Bank of Ecuador.

