

Ecuador Macroeconomic Bulletin

April 2024

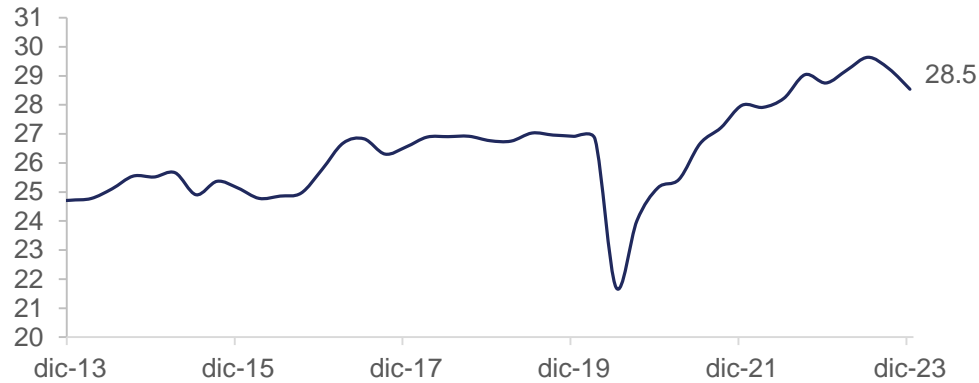


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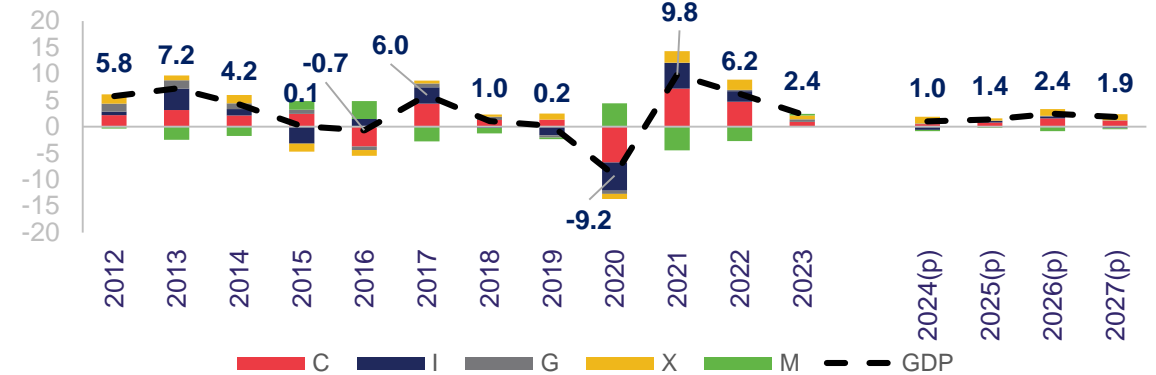
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Ecuadorian economy is targeting 1,0% growth (yoy) in 2024. The country will have to face some challenges in 2024: the ITT referendum implementation and climate related effects.

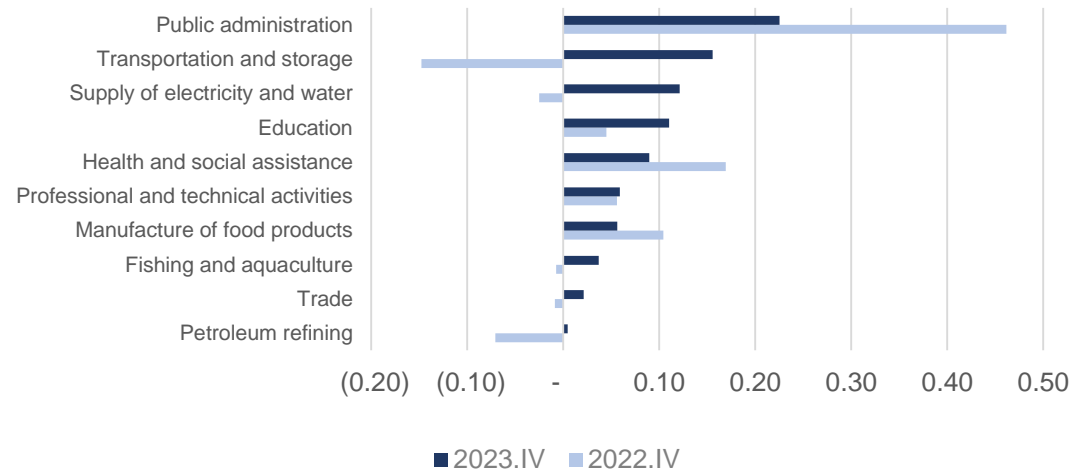
> GDP, Quarterly Chained Volume Levels, (USD billion, 2018)



> Contributions to real annual GDP growth (%)



> Contributions to real quarterly GDP growth of top 10 sectors (%)



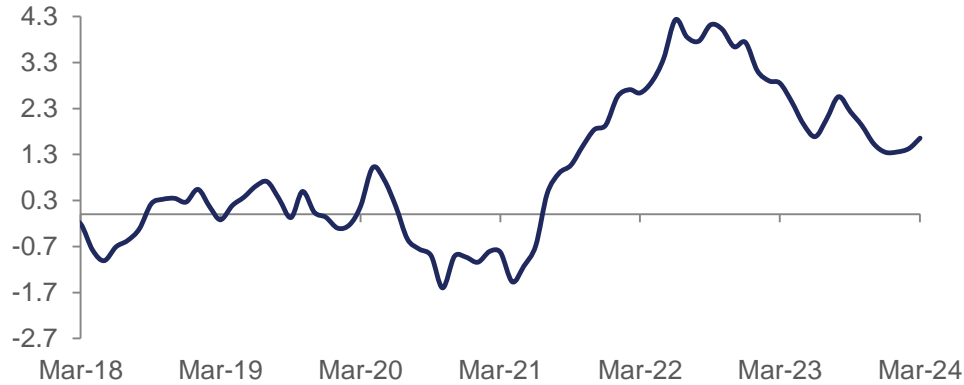
Public administration, transportation and storage contributed substantially to the GDP growth in 2023Q4.





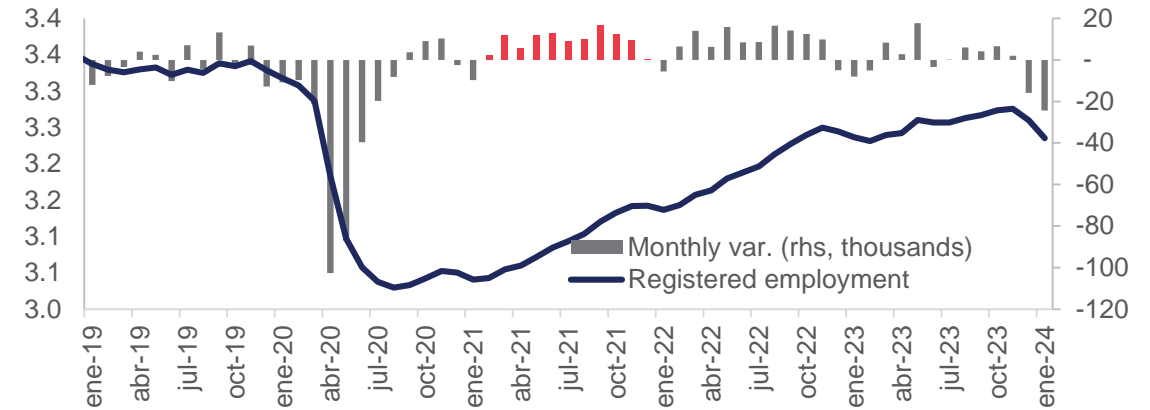
Inflation reached 1,66% in March 2024, well below the regional average.

> Annual headline inflation (%)



The number of employed people covered by social security has decreased, reflecting the downswing of the economy.

> Registered employment at the Social Security (millions)



> Quality of employment (quarterly data)



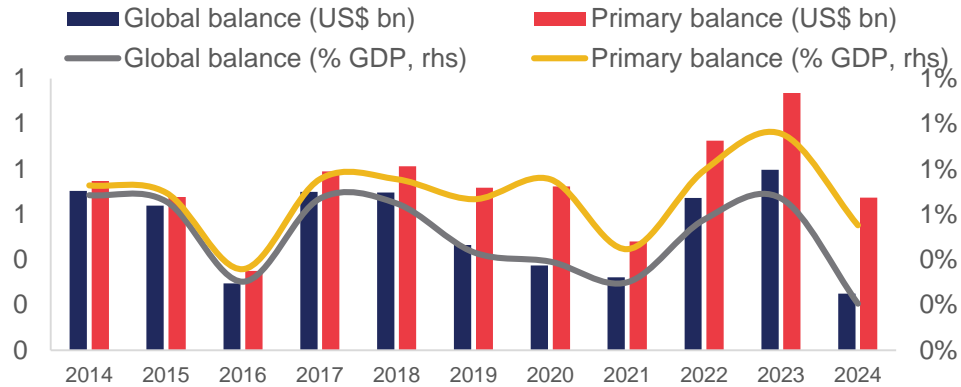
The quality of employment increased marginally, remaining a challenge and opportunity for investment.



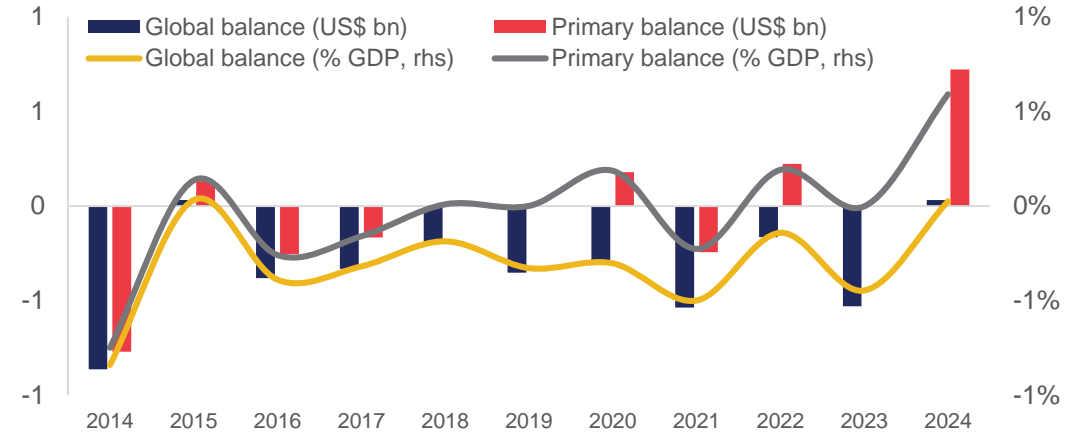
The General State Budget shows a resurgence of the fiscal balance similar to 2020

...due to reduced income from oil and taxes at the Central Government level.

> Non-financial public sector balances (Jan each year)

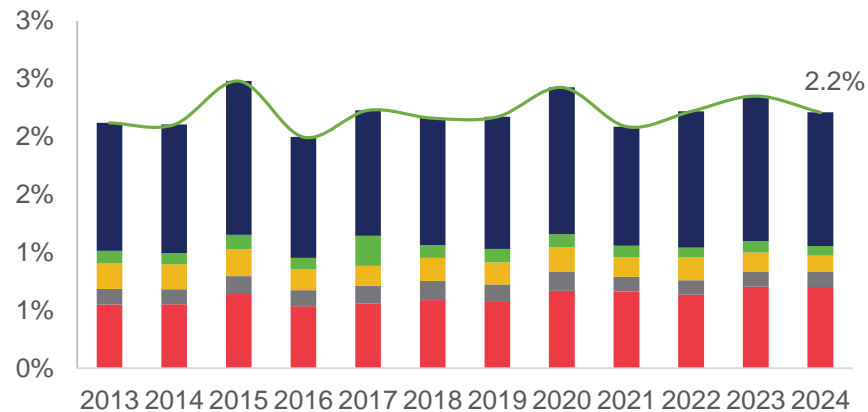


> Central government's budget balances (Jan-Feb)



> Gross Tax collection (% of GDP) Jan – Feb

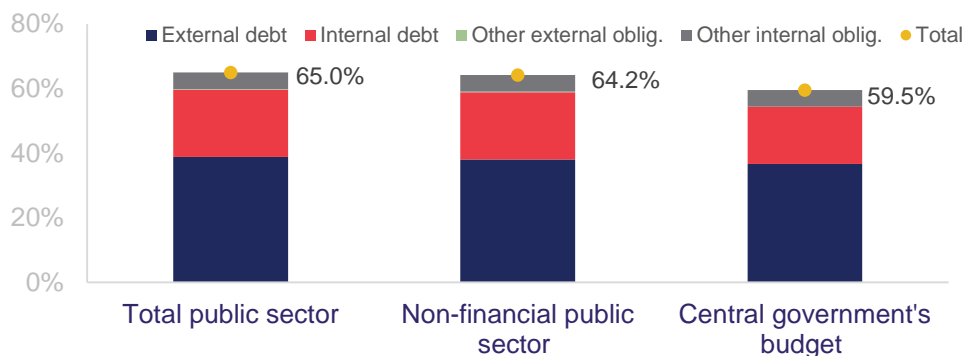
Income Excise ISD
Other VAT Total Revenues



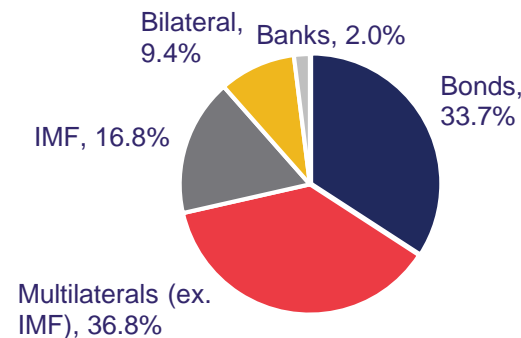
Temporary contributions from 2021 faded away in 2023.

Ecuador's largest creditor is the multilateral sector. Ecuador's debt profile improved after the 2020 restructuring and has strengthened further as multilaterals remain the main funding source

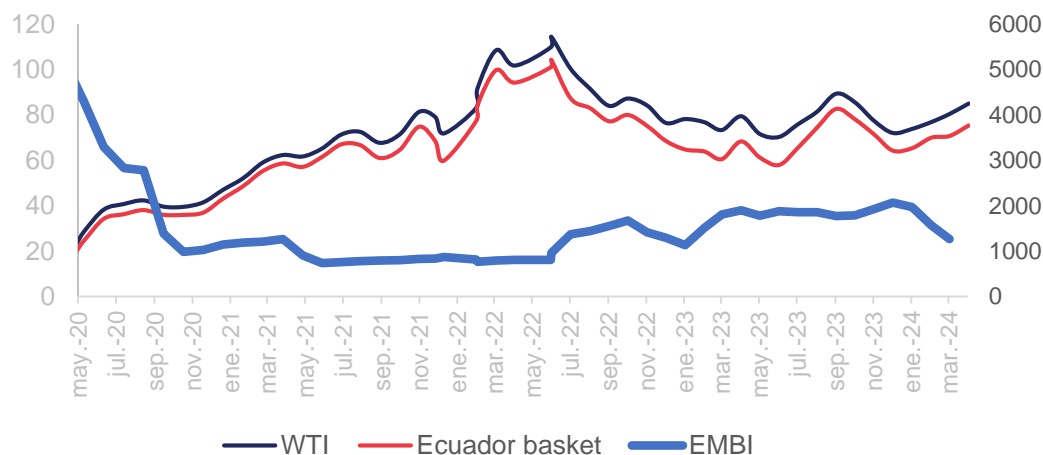
> Consolidated gross public debt (Jan 2024, % GDP)



> Composition of external debt (Jan 2024, % of total)



> Oil prices (dollars per barrel)



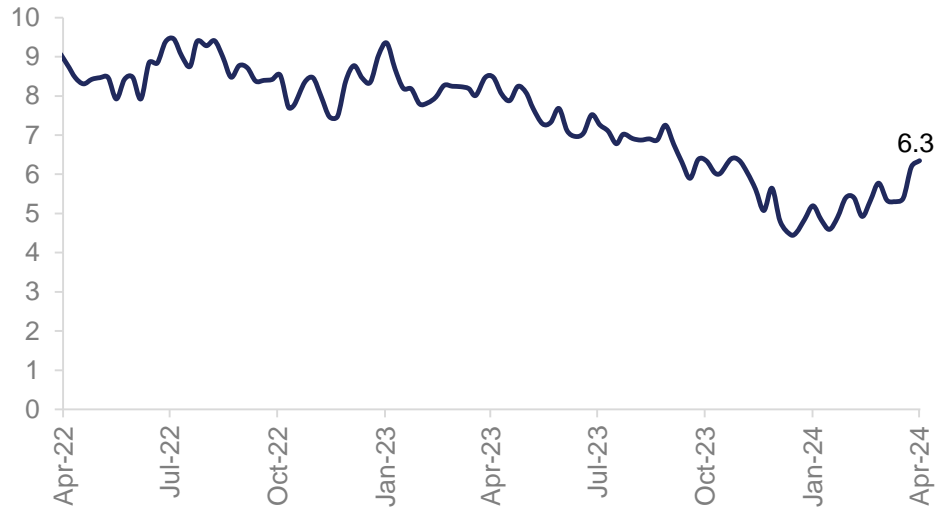
External and domestic events have significant effects on spreads, specially oil price fluctuations. Currently, spreads are decreasing due to measures adopted to improve public finances.





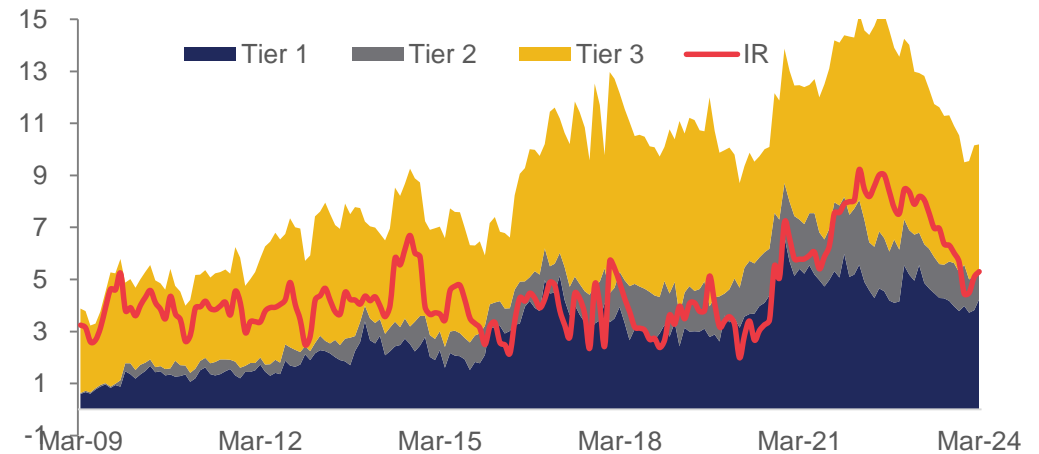
Ecuador remains strong in its endogenous capacity to sustain dollarization.

> **International Reserves (USD bn, through Apr 19, 2024)**



... since the coverage of the different levels of central bank liabilities by international reserves has been maintained.

> **International reserves and central bank liabilities** (USD bn, through Mar 31, 2024)**



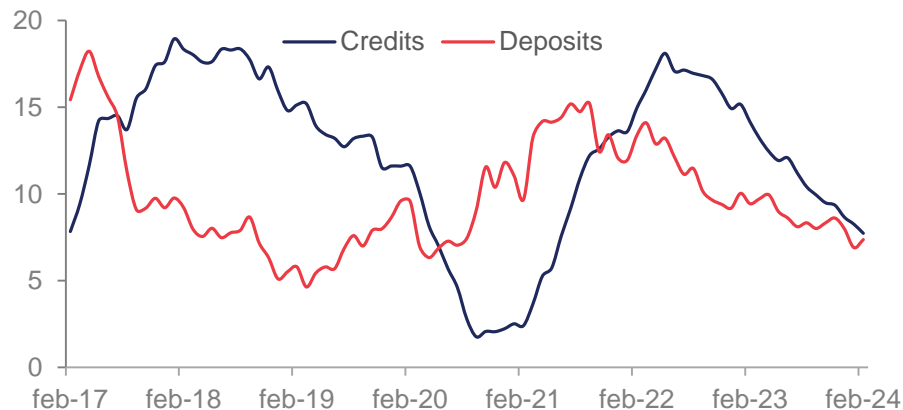
Source: BCE *Public sector includes the hydrocarbons' sector and external debt disbursements
**Tier 1: Deposits of Other Depository Institutions, CB titles, coin, and other private sector deposits
Tier 2: Deposits of Other Financial Institutions
Tier 3: Deposits of the non-financial public sector





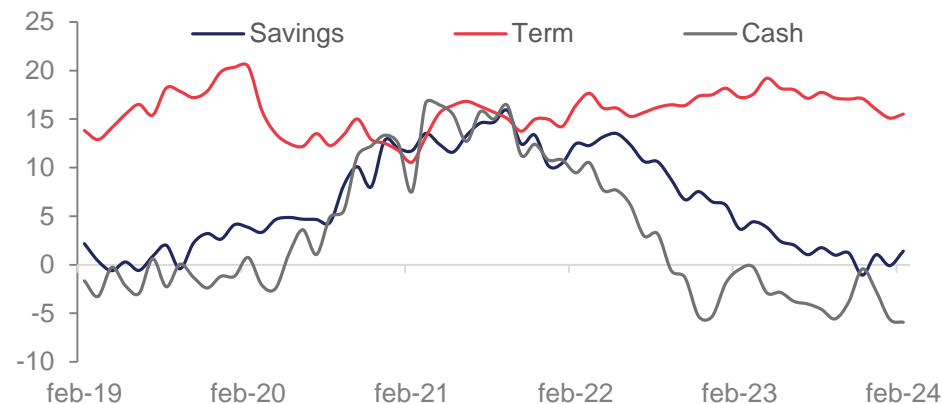
Credit remains in positive territory, but flagging

> Private financial system credit and deposits (% yoy)



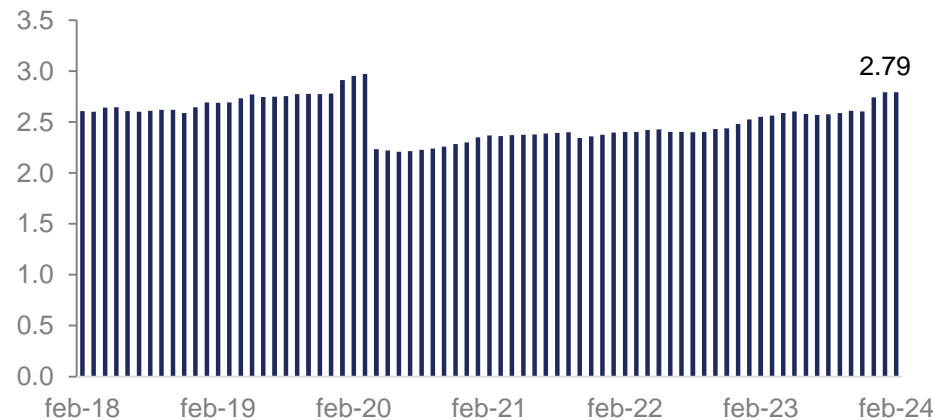
...while deposit growth continues to ensure a healthy source of funding.

> Evolution of private financial system deposits (USD bn)



The financial system keeps healthy liquidity buffers.

> Liquidity Fund (USD bn)



Measures already in place

- *Permanently increase the VAT rate to 13%, with possibility to raise it to 15% by executive decree.*
- *Increase of withholdings to large companies and banks.*
- *Tax remission of interests to increase capital collection.*



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Opportunities

- **People: Highly qualified labor force (1 over 5 workers with advanced education)**
- **Incentives: Reduction of the VAT rate for construction to 5% for real state projects approved by the Ministry of Housing.**
- **Ecosystem: Strengthened normative and institutional framework for public-private investments (Regulations formulated by Executive decree in June 2023).**
- **Resources: Strategic sectors such as mining, electricity, infrastructure with substantial room for new investment.**



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