

# Ecuador Macroeconomic Bulletin

September 2024



EL NUEVO  
**ECUADOR**

Ministerio de Economía  
y Finanzas



# 1. Selected macroeconomic indicators



EL NUEVO  
**ECUADOR**

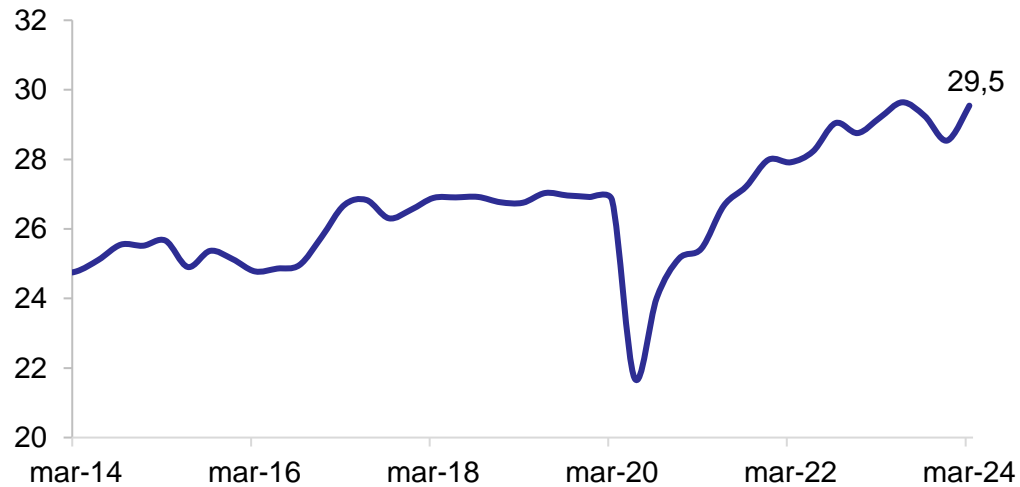
Ministerio de Economía  
y Finanzas



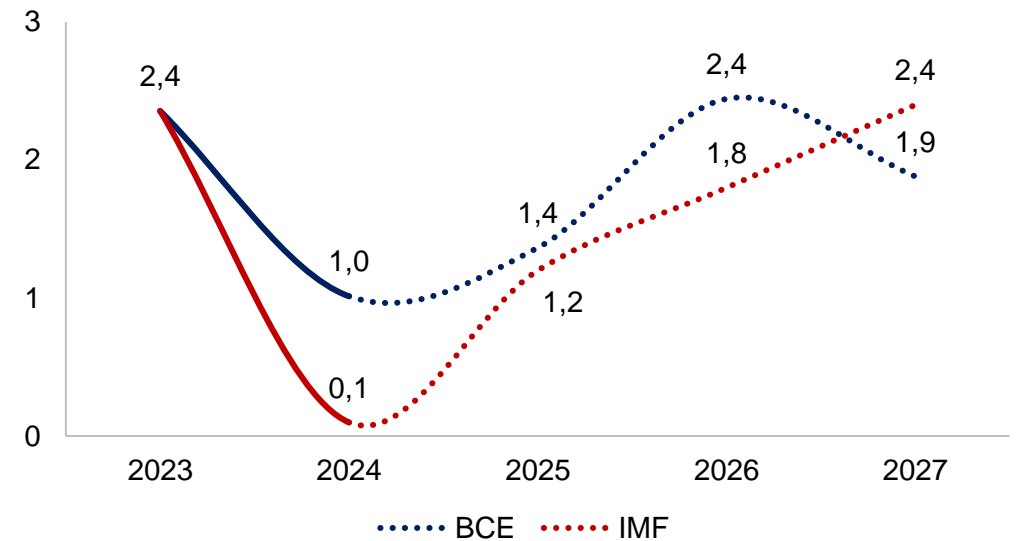
## Economic growth outlook

According to BCE, Ecuadorian economy is expected to grow by 1.0% in 2024, despite sizeable headwinds (including ITT closure process, climate related effects, and energy & security shocks) and ongoing fiscal consolidation efforts.

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



> Real annual GDP projections 2024-2027 (%)



### Key observation

- 2024 Q1 growth was three times higher than what was forecasted by the IMF (1,2% vs 0,4% QoQ)



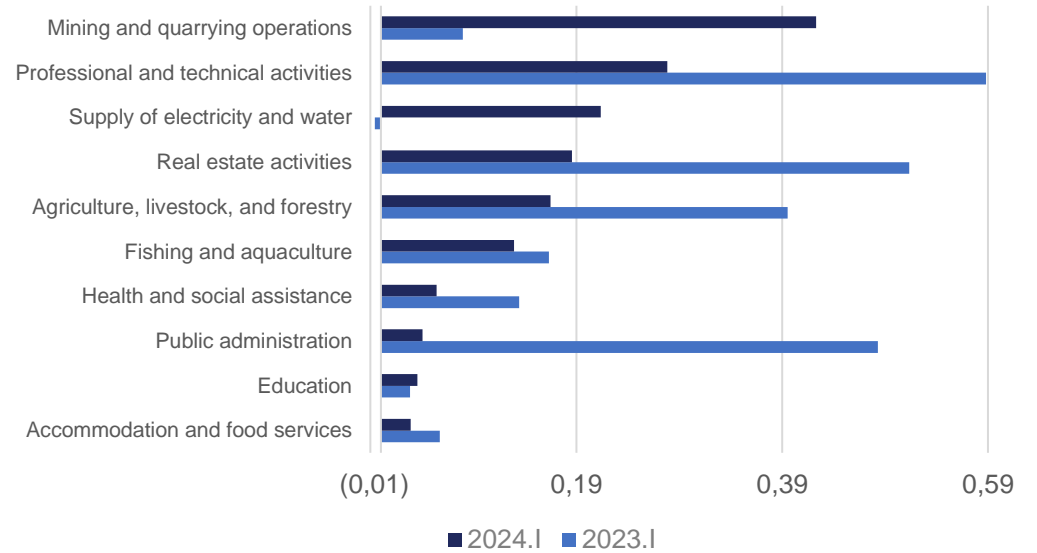
# Economic growth outlook

Household consumption (0.9%) and exports (0.7%) contributed the most to real economic growth in 2023

> Contributions to real annual GDP growth (%)



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



## Key observation

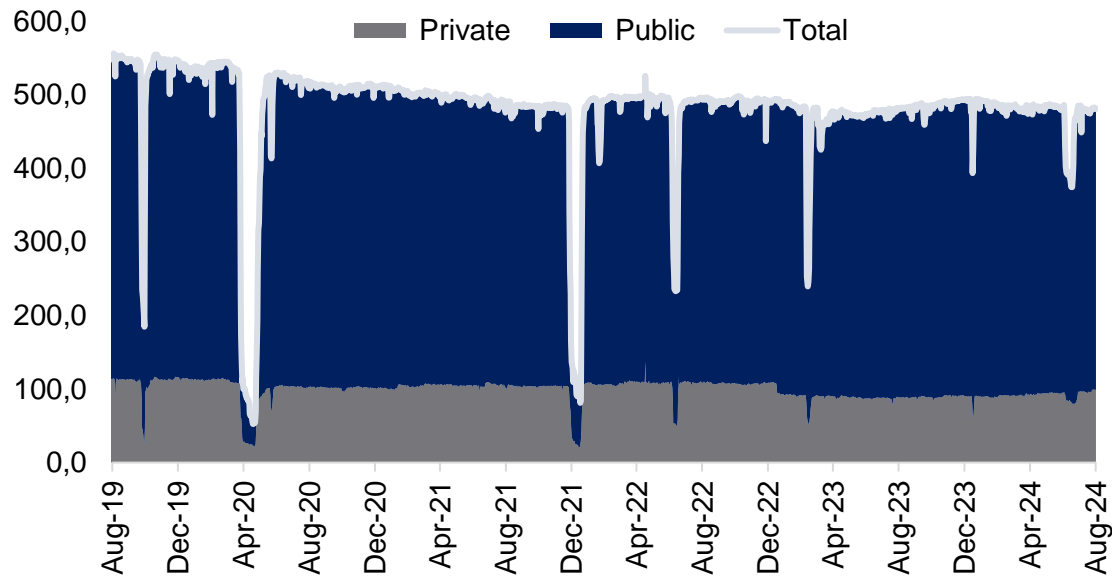
- After a slowdown in economic activity in the second semester of 2023, the administration is committed to ambitious reforms to address structural bottlenecks (security, investment and employment) and unleash the potential of the economy



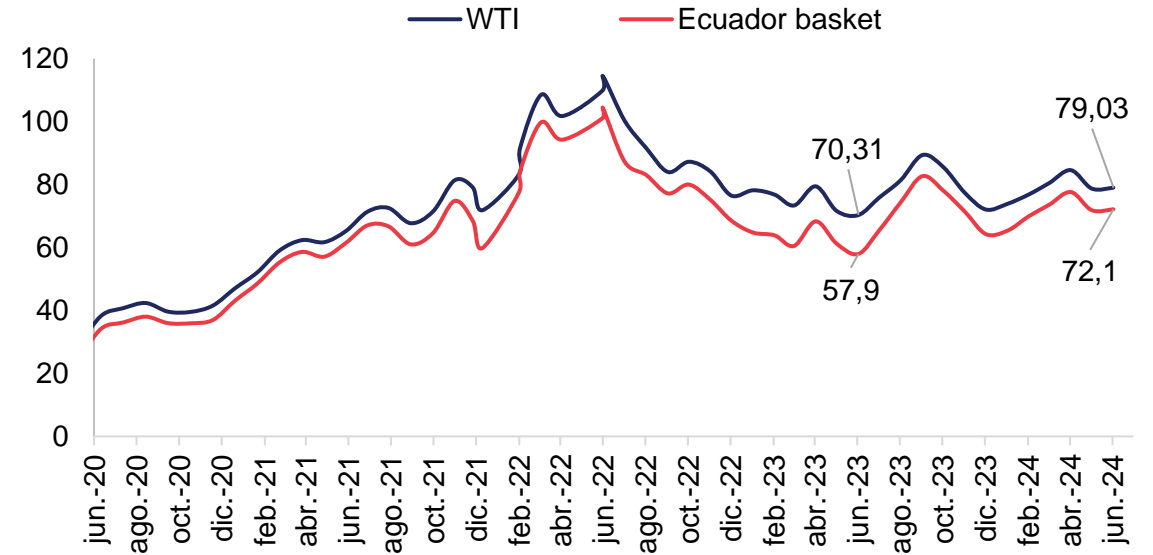
# Oil Overview

During the first semester of 2024, Ecuador's oil production has been challenged by exogenous shocks such as natural events (ex. Coca river erosion)

> Oil production (thousand barrels per day)



> Oil prices (dollars per barrel)



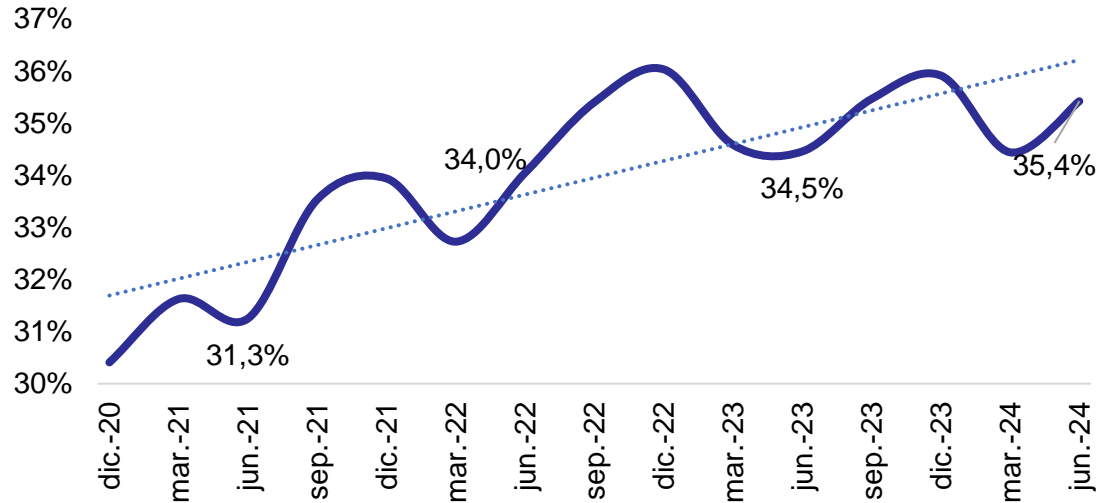
## Key observation

- Crudos Pesados Oil Pipeline (OCP) and Trans-Ecuadorian Pipeline System (SOTE) plan to execute variants to maintain their operations, expecting a short window (12-14 hours) of standstill in oil transportation

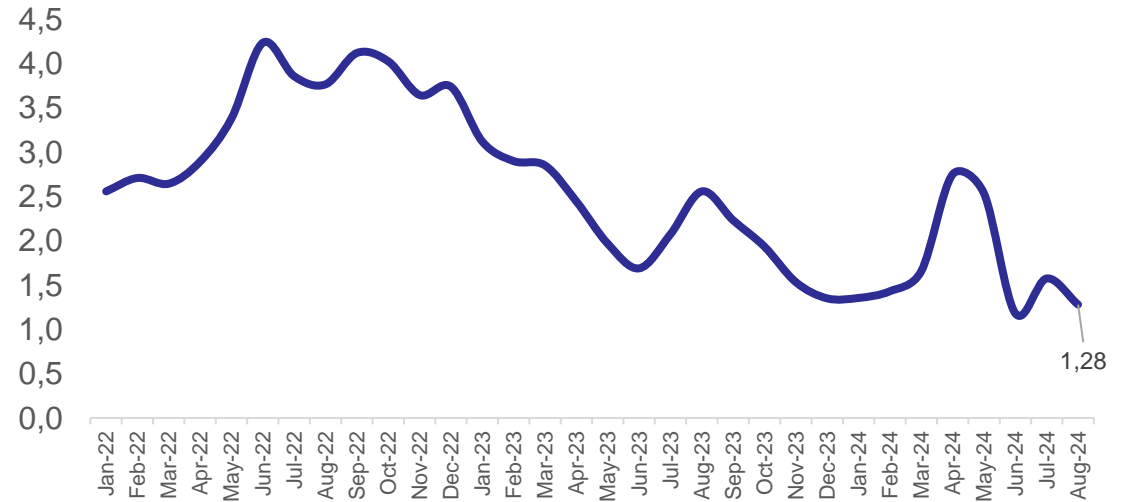
# Employment and Inflation

Employment continues to have an upward trend, while inflation remains contained at 1,28% in August 2024

## > Quarterly adequate employment rate (%)



## > Annual headline inflation (%)



## Key observation

- Inflation has remained contained, despite a rebound in employment and the recent VAT hike. It stands below the regional average.
- The impact of the Subsidies reform is limited due to the transportation compensation put in place by the government and the social protection expansion.

## 2. Financial and monetary overview



EL NUEVO  
**ECUADOR**

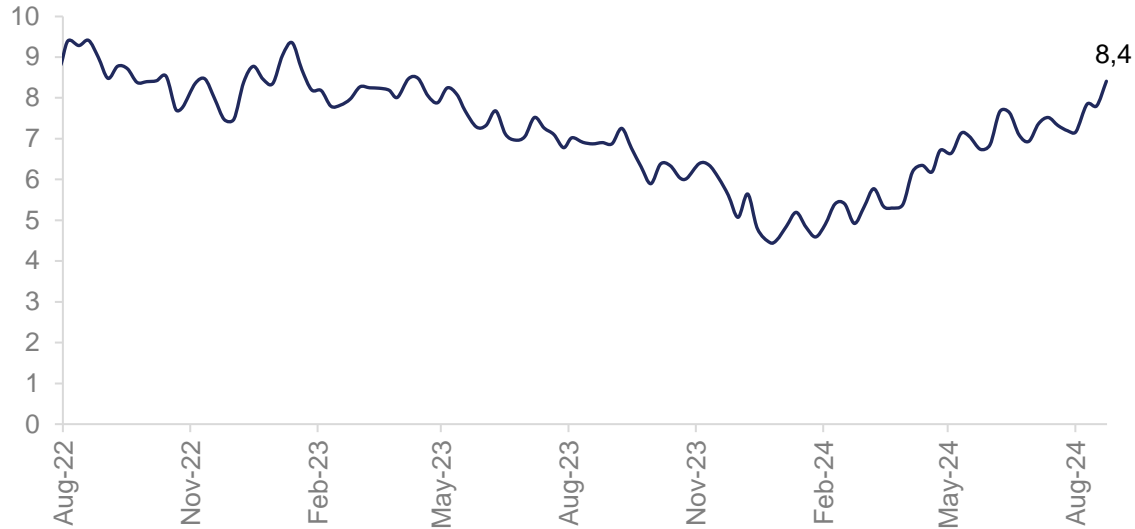
Ministerio de Economía  
y Finanzas

# International Reserves

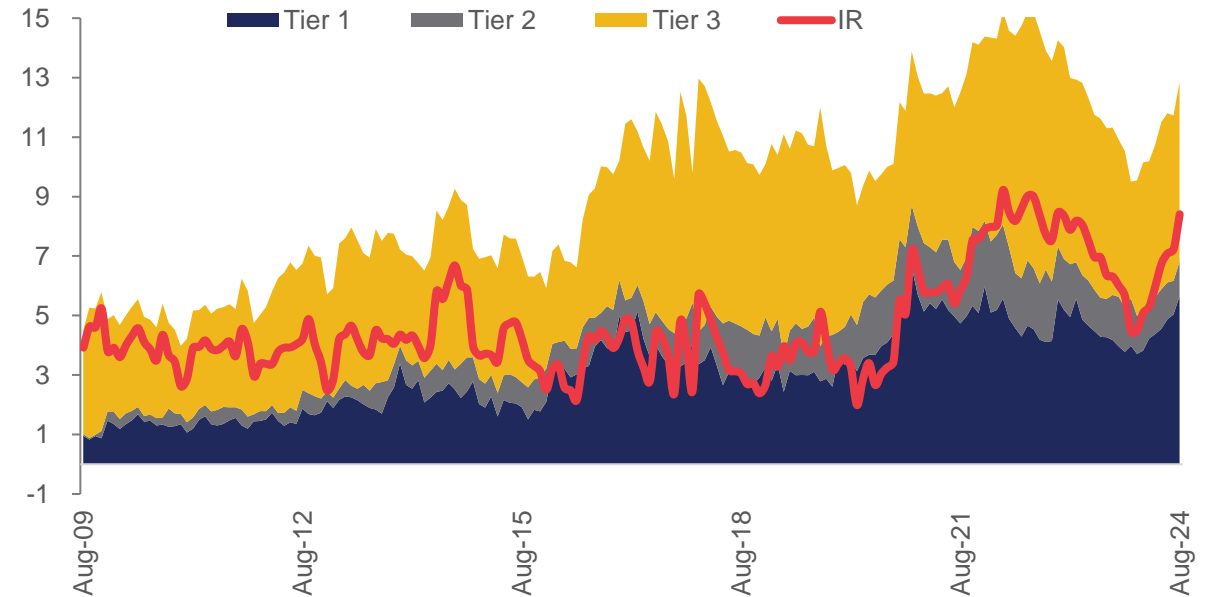
Ecuador remains strong in its endogenous capacity to sustain dollarization...

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

> International Reserves (USD bn, through August 31, 2024)



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



## Key observation

- International reserves growth in 2024 is explained by a combination of public debt disbursements and net transfers of the private sector

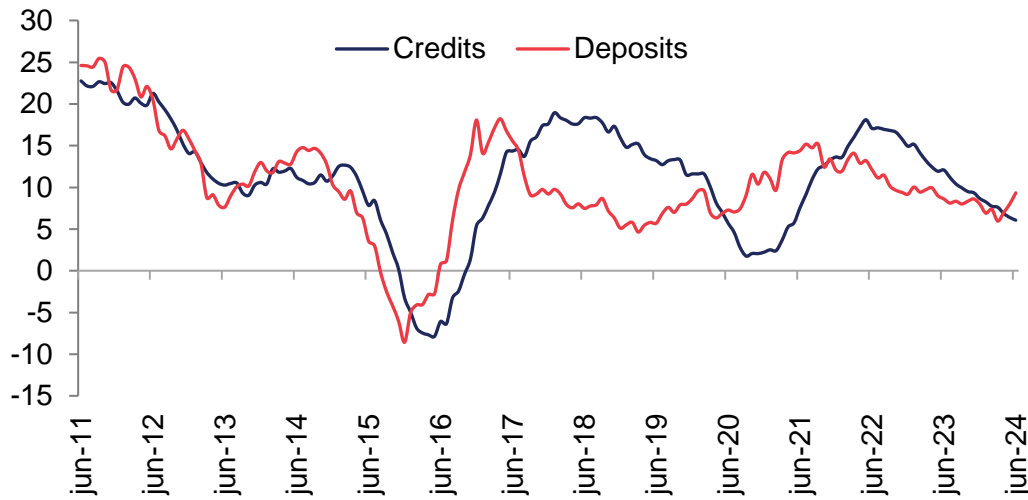
Source: BCE \*Public sector includes the hydrocarbons' sector and external debt disbursements  
 Tier 1: Deposits of Other Depository Institutions, CB titles, coin, and other private sector deposits  
 Tier 2: Deposits of Other Financial Institutions  
 Tier 3: Deposits of the non-financial public sector



# Financial sector indicators

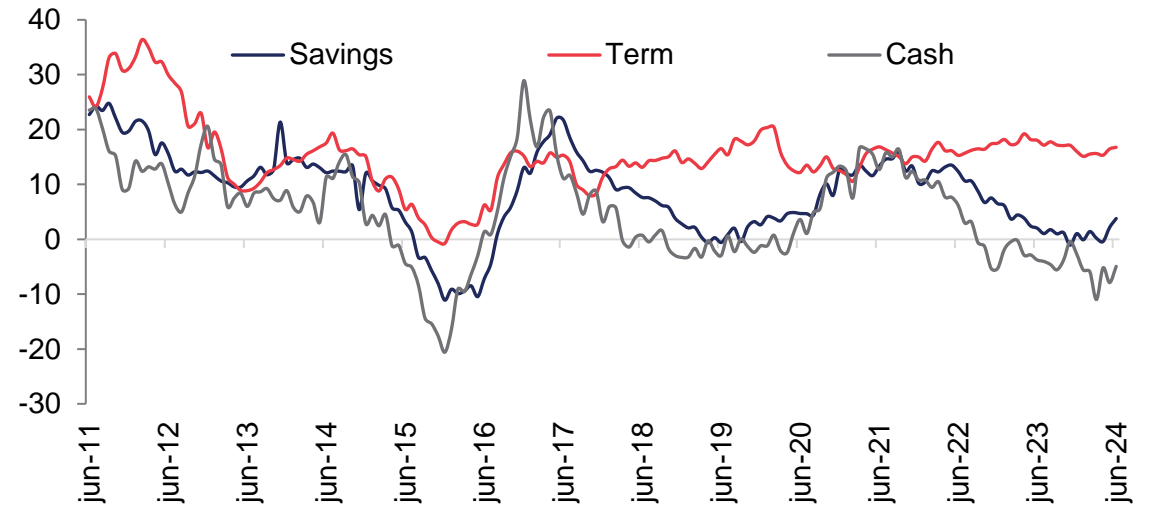
Credit remains in positive territory, while deposits initiated an upward trend trajectory

> Private financial system credit and deposits (% yoy)



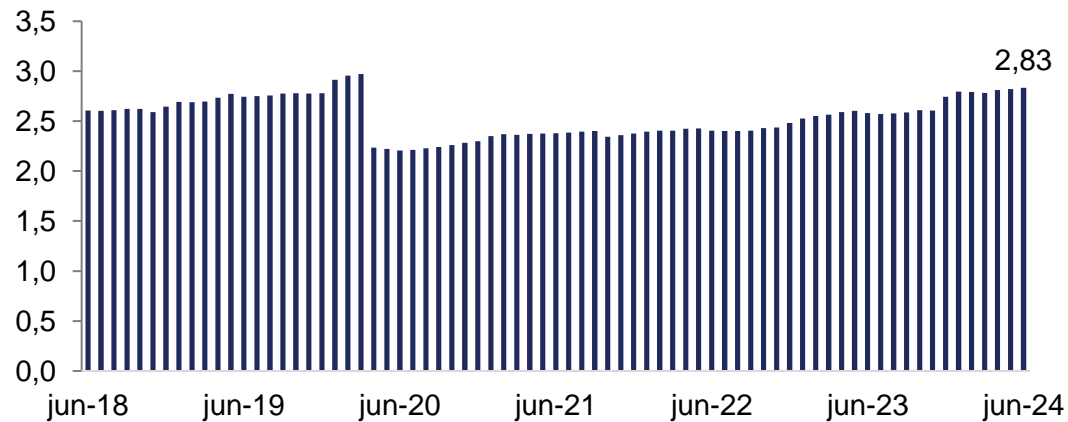
Term deposits growth continues to ensure a healthy source of funding.

> Evolution of private financial system deposits (USD bn)



> Liquidity Fund (USD bn)

The financial system keeps healthy liquidity buffers.



# 3. Public Finances

177.50	178.00	175.00	176.00	-1.00	-0.56	175.50	176.00
59.75	60.50	59.50	60.00	+0.25	+0.42	59.75	60.00
4.70	4.70	4.58	4.62	-0.06	-1.28	4.62	4.64
21.10	21.30	21.00	21.10	0.00	0.00	21.10	21.20
121.50	122.00	119.00	120.50	-1.50	-1.23	120.00	120.50
21.20	21.60	21.20	21.60	+0.50	+2.37	21.50	21.60
8.25	8.30	8.15	8.20	-0.05	-0.61	8.15	8.20
51.25	52.00	50.75	52.00	+0.25	+0.48	51.75	52.00
126.00	127.50	125.00	127.00	+2.00	+1.60	127.00	127.50



EL NUEVO  
**ECUADOR**

Ministerio de Economía  
y Finanzas

# Key pillars of the Economic Plan

The ongoing IMF program has been carefully crafted to reflect the key pillars of the government's Economic Plan

1

## FISCAL SUSTAINABILITY

- Medium-Term Fiscal Framework
- Medium-Term Debt Management Strategy
- Plan to clear/prevent public/private domestic arrears
- Plan to mobilize non-oil fiscal revenues, streamlining inefficient tax expenditures

2

## SOCIAL PROTECTION

- Enhance the social safety net.



## PROTECTION OF DOLLARIZATION

- Law to prevent Money Laundry
- Financial Stability Committee
- New platform for the BCE's central securities depository (DCV) to ensure real time payments in the financial national system

3

## GOVERNANCE AND TRANSPARENCY

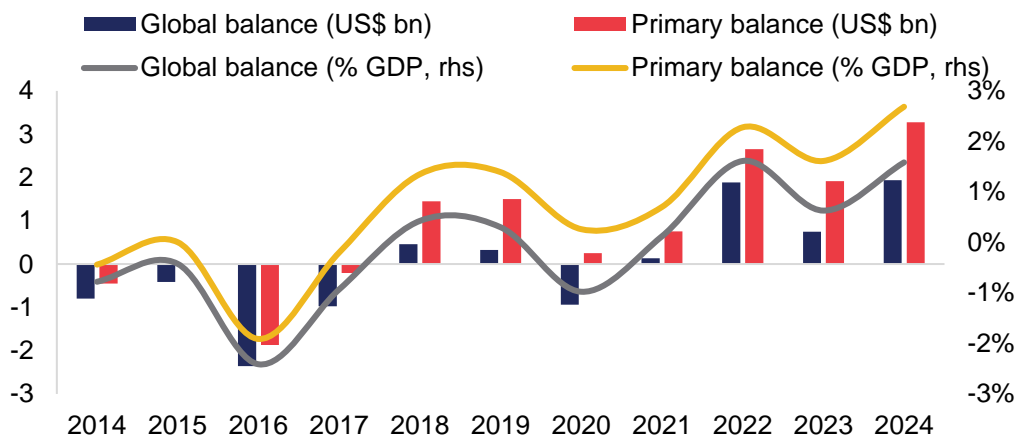
- Increase transparency in Public procurement
- Financial Audits of Petroecuador

4

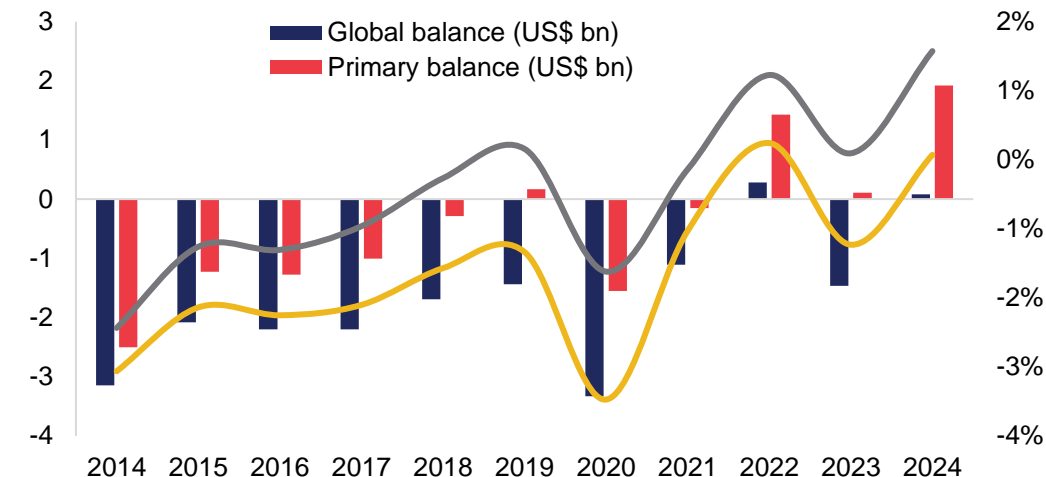
## Recent Fiscal Performance

The fiscal balance has improved, on the back of stronger tax revenues at the Central Government level as well as higher income from transfers from other entities of the public sector.

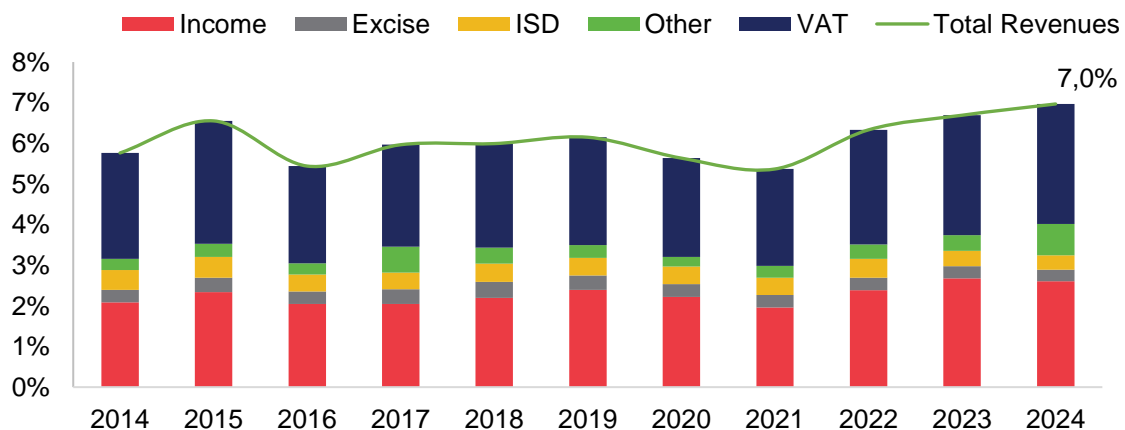
### > Non-financial public sector balances (Jan - May)



### > Central Government's budget balances (Jan - Jun)



### > Tax Revenues as percentage of GDP (Jan-Jun)



## Key observation

- Although there is a positive global balance as of Jun 2024, a deficit is expected at the end of the year.

## Medium-Term Fiscal Consolidation Plan

The ongoing fiscal consolidation plan relies on a mix of (i) revenue enhancement initiatives and (ii) expenditure rationalization, with a targeted total adjustment of 5.5ppts of GDP over 2024-28

**>> Fiscal Consolidation Plan** (as per the IMF program)  
 - changes in the non-oil primary balance, including fuel subsidies, in % of GDP

	2024	2025	2026	2027	2028	2024-28
<b>Revenue</b>	<b>2.5</b>	<b>(0.1)</b>	<b>1.0</b>	<b>0.1</b>	<b>0.2</b>	<b>3.7</b>
Tax revenue	1.8	(0.2)	0.2	0.1	0.1	1.9
Other	0.7	0.1	0.8	0.0	0.2	1.7
<b>Expenditure</b>	<b>(0.2)</b>	<b>0.8</b>	<b>0.3</b>	<b>0.5</b>	<b>0.5</b>	<b>1.8</b>
Wages and salaries	0.1	0.2	0.3	0.3	0.3	1.2
Goods and services	0.1	0.2	0.2	0.2	0.1	0.8
Social and capital	(0.3)	0.2	(0.1)	(0.1)	(0.1)	(0.4)
Other	0.0	0.1	0.0	0.0	0.1	0.2
<b>Total</b>	<b>2.2</b>	<b>0.6</b>	<b>1.4</b>	<b>0.6</b>	<b>0.7</b>	<b>5.5</b>

➤ The implementation of the fiscal plan relies on a gradual approach, to support economic activity while enhancing fiscal sustainability

# Government's 2023-2024 Budget<sup>1</sup>

The 2024 budget relies on a responsible fiscal adjustment trajectory, notably geared towards non-oil revenue mobilization

## >> Statement of government budget<sup>1</sup> – in US\$ m (or YoY % change)

	2023	2024	Delta (2024 vs. 2023)	
<b>Revenue</b>	<b>26,220</b>	<b>29,707</b>	<b>+3,487</b>	<b>+13.3%</b>
<b>Oil revenue</b>	<b>8,412</b>	<b>8,545</b>	<b>+133</b>	<b>+1.6%</b>
<b>Non-oil revenue</b>	<b>17,809</b>	<b>21,162</b>	<b>+3,353</b>	<b>+18.8%</b>
Taxes	14,351	16,884		
Non-taxes	2,680	2,807		
Transfers	778	1,471		
<b>Expenditure</b>	<b>32,676</b>	<b>33,920</b>	<b>+1,244</b>	<b>+3.8%</b>
<b>Permanent expenditure</b>	<b>27,487</b>	<b>28,202</b>	<b>+715</b>	<b>+2.6%</b>
Wages and salaries	9,739	9,893		
Purchases of goods and services	8,917	8,920		
Interest	3,218	3,652		
Current transfers	5,614	5,737		
<b>Non permanent expenditure</b>	<b>5,188</b>	<b>5,718</b>	<b>+530</b>	<b>+10.2%</b>
Transactions in non-financial assets	451	876		
Capital transfers	3,755	3,870		
Other capital	546	572		
Account 99	437	400		
<b>Overall balance</b>	<b>(6,455)</b>	<b>(4,213)</b>	<b>+2,242</b>	<b>+34.7%</b>

➤ With recent VAT rate, the government has already taken a major step towards the sustainable increase in permanent revenues



## Central Government Financing 2023-2024

*In 2024, the external funding needs will be largely covered through the strong support from the development partners. Besides, the government is committed to reducing the stock of domestic arrears<sup>1</sup>*

### >> Statement of central government financing requirements – in US\$ m

	2023	2024
<b>Financing requirements</b>	<b>11.553</b>	<b>9.859</b>
<b>Global balance</b>	<b>6.455</b>	<b>4.213</b>
<b>Amortization and other obligations</b>	<b>5.097</b>	<b>5.646</b>
Internal	2.708	2.678
External	2.389	2.968
<b>Gross financing sources</b>	<b>6.922</b>	<b>10.368</b>
External financing	2.567	5.962
Internal financing	2.884	4.345
Other financing sources (financial assets)	1.471	61
<b>Accounts payable and net statistical discr.</b>	<b>4.632</b>	<b>(508)</b>

### >> Statement of internal and external financing – in US\$ m

	2023	2024
<b>External financing</b>	<b>1.911</b>	<b>5.962</b>
<b>Multilateral</b>	<b>1.545</b>	<b>4.952</b>
World bank	688	400
IDB	590	1.300
CAF	265	1.250
FIDA	2	5
FLAR	-	500
IMF	-	1.496
<b>Bilateral</b>	<b>260</b>	<b>406</b>
<b>Banks</b>	<b>106</b>	<b>4</b>
<b>Others</b>	<b>-</b>	<b>600</b>
<b>Internal financing</b>	<b>2.884</b>	<b>4.345</b>
Bonds	3.125	4.345
CETES (net)	(241)	-

- The authorities has identified a mix of both international and domestic financing sources, so as to meet their financing needs at sustainable conditions



## Estimated Gross Financing Needs and Sources

The authorities have developed a medium-term funding plan, so as to sustainably cover the financing requirements

>> Statement of the gross financing needs and sources, as per the IMF program – in US\$ m

	2024	2025	2026	2027	2028
<b>Gross financing needs</b>	<b>8,036</b>	<b>7,848</b>	<b>7,704</b>	<b>7,640</b>	<b>6,796</b>
NFPS deficit	2,442	1,473	314	118	(832)
<b>Amortization</b>	<b>5,594</b>	<b>6,375</b>	<b>7,390</b>	<b>7,522</b>	<b>7,628</b>
Domestic	3,269	3,221	3,404	3,080	3,341
External	2,325	3,154	3,986	4,442	4,287
<b>Gross financing sources</b>	<b>8,035</b>	<b>7,848</b>	<b>7,704</b>	<b>7,640</b>	<b>6,795</b>
<b>Domestic</b>	<b>2,830</b>	<b>2,208</b>	<b>2,504</b>	<b>2,490</b>	<b>2,645</b>
NFPS deposits (- = accumulation)	(360)	(954)	(939)	(927)	(1,031)
T-bills	2,166	2,166	2,166	2,166	2,166
Bonds	1,024	996	1,277	1,251	1,510
<b>External</b>	<b>5,205</b>	<b>5,640</b>	<b>5,200</b>	<b>5,150</b>	<b>4,150</b>
IMF	1,500	1,250	500	500	250
Multilateral (excl. IMF)	3,295	1,900	1,900	1,900	1,400
Bilateral	410	990	800	750	500
Bonds	-	1,500	2,000	2,000	2,000

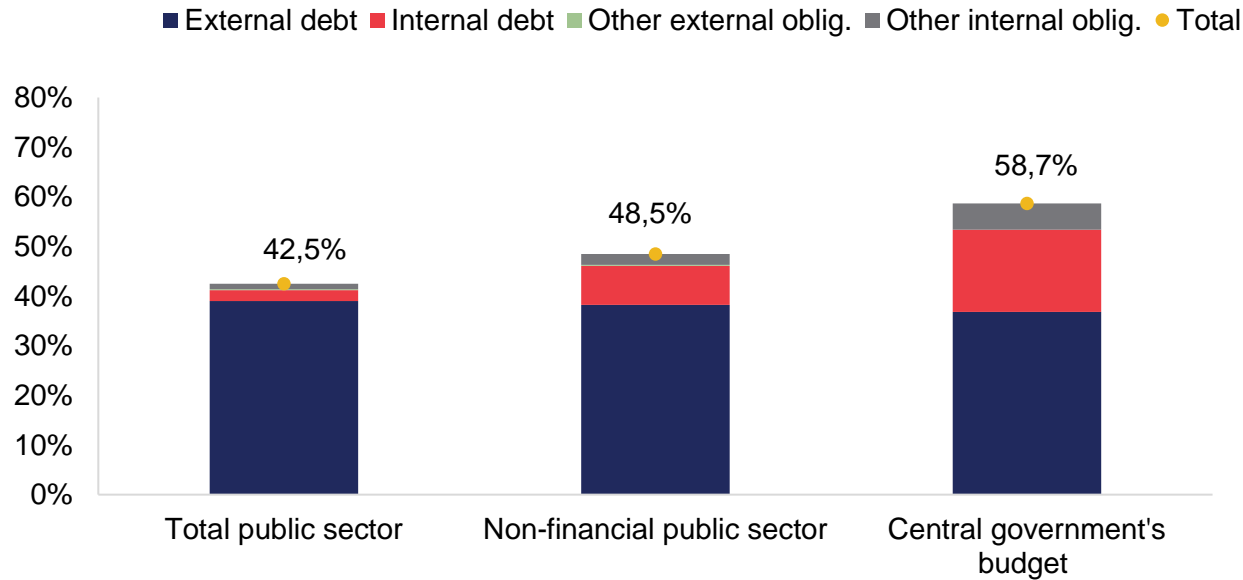




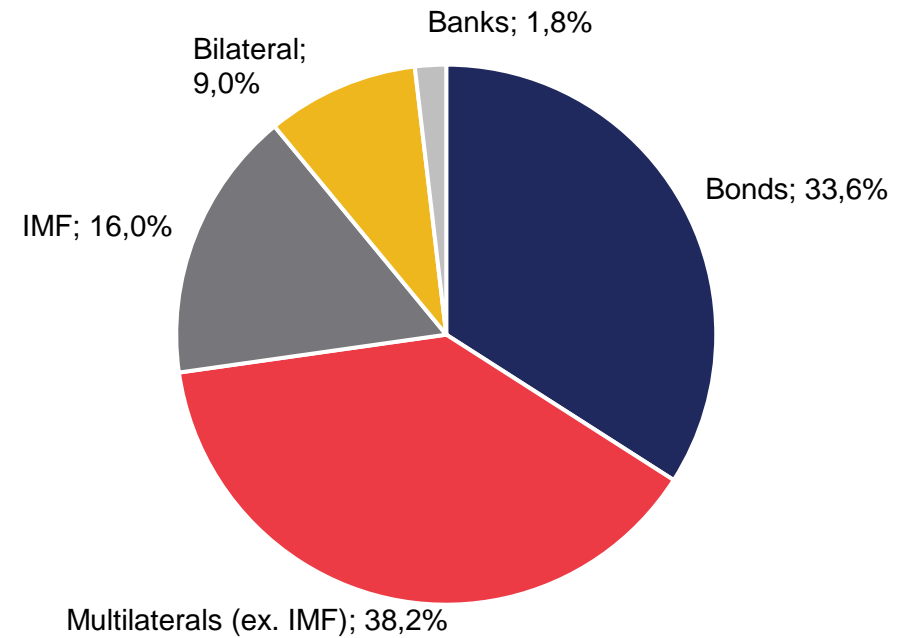
# Public Debt

Ecuador's public debt structure was significantly strengthened following the 2020 debt restructuring, and is primarily composed of multilateral and bilateral debt lines

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



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



## Key observation

- As per the Ecuadorian legal framework (COPLAFIP), public debt should not exceed 57% of GDP by 2025; 45% by 2030 and converge to 40% by 2032

Source: MEF

## 4. Government measures



EL NUEVO  
**ECUADOR**

Ministerio de Economía  
y Finanzas



## Implemented Measures

Tax collections measures<sup>1</sup> 2024 and 2025 would ensure Ecuador to meet its security and defense sectors obligations as well as partially cover the estimated deficit for the fiscal year

### >> Breakdown of the expected financial impact of the tax collection measures<sup>1</sup>

- USD Millions -

Period	Temporary contribution to companies of 3.25%	Temporary contribution from banks & cooperatives	VAT from 12% to 13%	Differentiated VAT rate of 5% on local transfers of construction materials	Increase in the ISD rate from 3.5% to 5%.	Modification of the general VAT rate from 13% to 15% <sup>1</sup>	Total <sup>2</sup>
2024	234	150	321	-251	191	642	1,287
2025	234		481	-376	285	898	1,523

➤ **Value added tax (VAT) rate modification:**

1. A change from 13% to 15% would generate additional revenues that would contribute to reduce the fiscal deficit and cover obligations in defense, security and other priority sectors

➤ **Tax collection measures:**

2. Would generate USD 1,287m in 2024 and USD 1,523m 2025



## Implemented Measures (cont.)

The Gasoline price stabilization scheme of June 24th, 2024 will provide additional income of approximately US\$ 900m from July 2024 through December 2025

### Breakdown of the expected financial impact of the Gasoline price stabilization scheme

Policy Measure	Policy Objective	Period	Financial Impact (in USD millions)
Price stabilization mechanism for extra gasoline and extra with ethanol.	To ensure the efficient allocation of state resources, guarantee social investment and safeguard the country's economic stability.	2024	227
		2025	686
Mechanism for the protection of transportation users through the application of the price stabilization mechanism.	To ensure the maintenance of the transportation tariffs to the population.	2024	(35)
		2025	(41)

- While these estimates will vary depending on the international prices of derivatives and local gasoline demand, the expected additional resources will reduce the Deficit Derivatives Financing Account (CFDD) needs, while subsequently increasing income to the General State Budget

# Opportunities for investors

- **People: Highly qualified labor force (1 over 5 workers with advanced education)**
- **Incentives: Differentiated VAT rate of 5% for construction materials 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.**



EL NUEVO  
**ECUADOR**

Ministerio de Economía  
y Finanzas

# *Main government economic achievements*

- **Historical removal of gasoline subsidies** which demonstrates technical, institutional and political capacity.
- **Dollarization has been strengthened since international reserves have almost doubled** (USD 8,4 billion as of August 2024 vs USD 4,4 billion as of December 2023) due to increased net private inflows and public debt disbursements.
- **The government has facilitated more than USD 15,5 billion of private investments** in strategic sectors aiming to boost inclusive employment and unlock Ecuador's potential for economic growth: infrastructure, renewable energy, mining, agroindustry, construction, hydrocarbons, aquaculture and manufacturing.



EL NUEVO  
**ECUADOR**

Ministerio de Economía  
y Finanzas

# Main government economic achievements

- **Local development is a priority for the national government as a catalytic way to directly benefit its citizens.** USD 687 millions in sovereign guarantees have been signed by the national government to contribute local governments to foster local infrastructure projects.
- **Ecuador's economic program includes the financial support of more than USD 5,1 billion from international organizations** in 2024. USD 2,5 billion have been delivered as of August 2024.
- **The chain of payments has been reestablished with the private and public sector** owing to the increased public certainty of financing sources. The government has paid more than USD 8,6 billion from which USD 2,7 billion were obligations not paid by previous governments.



EL NUEVO  
**ECUADOR**

Ministerio de Economía  
y Finanzas



*EL NUEVO*  
**ECUADOR** 

**Ministerio de  
Economía y Finanzas**