# Ecuador

## Full Rating Report

### Ratings

**Foreign Currency**

| | |
|---|---|
| Long-Term IDR | B |
| Short-Term IDR | B |
| Country Ceiling | B |

### Outlooks

| | |
|---|---|
| Foreign-Currency Long-Term IDR | Stable |

### Financial Data

**Ecuador**

| (USDbn) | 2013 |
|---|---|
| GDP | 89.6 |
| GDP per head (USD 000) | 5.7 |
| Population (m) | 15.8 |
| International reserves | 2.3 |
| Net external debt (% GDP) | -3 |
| Central government total debt (% GDP) | 21.8 |
| CG foreign-currency debt | 19.6 |
| CG domestically issued debt (USDbn) | 8.8 |

### Related Research

Global Economic Outlook (September 2013)

### Analysts

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## Key Rating Drivers

**Ratings Upgrade:** Fitch Ratings upgraded Ecuador's ratings on 18 October 2013. This reflected continued healthy economic growth, monetary and financial stability underpinned by dollarisation and a steady easing of external and fiscal financing risks. This was as a result of favourable international oil prices, improved prospects in the oil sector and availability of bilateral financing from China and multilaterals.

**Continued Economic Growth:** Fitch forecasts that growth could reach 3.8% in 2013 and 4.2% in 2014-2015, in line with rating peers. Public expenditure, especially investment, is likely to remain the driver of growth over the next two years.

**Improved Oil Prospects:** Oil production has recovered and is likely to increase over the next two years, underpinned by the development of mature fields through enhanced recovery. The government is expected to move forward with the development of Yasuni-ITT, which could further increase oil production in the medium term. Nevertheless, Ecuador still faces challenges to significantly increase private investment in the oil and mining sector.

**Easing of Fiscal Financing Risks:** Although the fiscal deficit could deteriorate to 2.8% of GDP during 2013-2015, Fitch does not anticipate financing problems for the country as it can access Chinese loans and multilateral funding. Ecuador has precautionary credit lines with China in the event of external shocks. The World Bank might resume funding for certain projects. The government may also explore re-tapping international capital markets although the timing is uncertain.

**Reduced Risks for Dollarisation:** Near-term risks to the sustainability of dollarisation are low because of the continued availability of US dollar liquidity, and a stable, albeit less profitable, financial system. The regime still faces risks to its long-term sustainability because of the combination of fast-paced fiscal expansion and limited sources of external financing.

**Rating Fundamentals:** Ecuador's creditworthiness balances the sovereign's strong fiscal and external solvency ratios and high GDP per capita compared with peers against key weaknesses such as a poor record of debt service, high commodity dependence and limited sources of financing for the economy. While government debt, forecast at 24.8% of GDP in 2014, is low relative to peers and below the country's constitutional debt ceiling of 40% of GDP, the local bond market is shallow and heavily reliant on intra-public sector holdings.

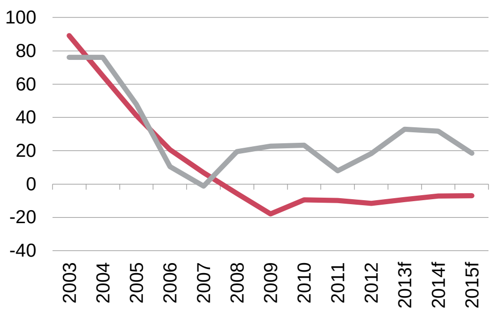
## Rating Sensitivities

**Growth and Financing Sources:** Increased growth momentum underpinned by higher levels of investment in Ecuador's commodity sectors, greater availability of external and fiscal financing sources and a longer track record of servicing external debt would be positive for creditworthiness.

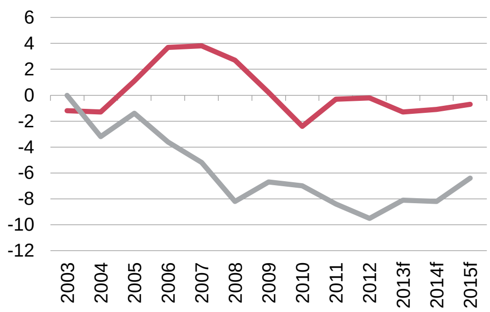
**Financing Constraints and Oil Shock:** Fiscal deterioration and a sustained reduction in international oil prices that lead to material weakening of the sovereign's external and fiscal credit metrics; emergence of financing constraints and signs of erosion in the sovereign's willingness to service debt could lead to a downgrade in Ecuador's ratings.

## Peer Comparison

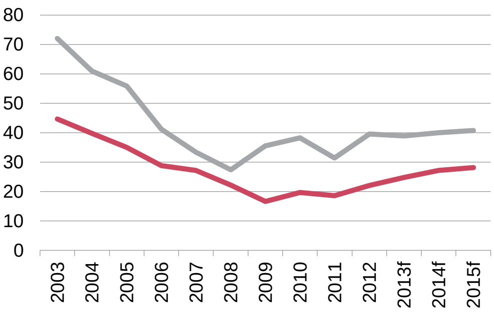
### Net External Debt
% of CXR



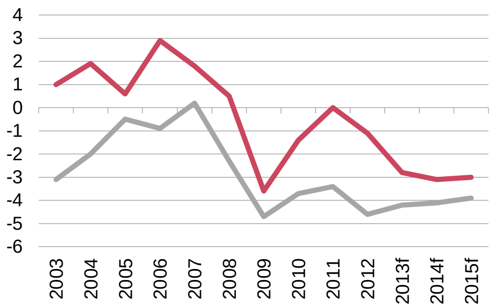

### Current Account Balance
% of GDP



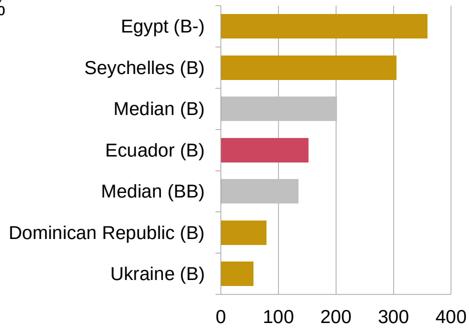

### General Government Debt
% of GDP



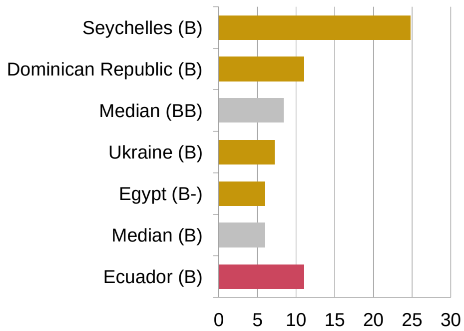

### General Government Balance
% of GDP




### International Liquidity Ratio, 2013
%




### GDP per capita Income, 2013e
At market exchange rates, USA=100




Ecuador Medians

### Related Criteria

Sovereign Rating Criteria (August 2012)

## Peer Group

| Rating | Country |
|---|---|
| B+ | Cape Verde |
| | Congo |
| | Kenya |
| | Mongolia |
| | Mozambique |
| | Venezuela |
| | Vietnam |
| | Zambia |
| | |
| B | **Ecuador** |
| | Cameroon |
| | Dominican Republic |
| | Ghana |
| | Lebanon |
| | Rwanda |
| | Seychelles |
| | Uganda |
| | Ukraine |
| | |
| B− | Cyprus |
| | Egypt |
| | Greece |

## Rating History

| Date | Long-Term Foreign Currency | Long-Term Local Currency |
|---|---|---|
| 18 10 | B− | n.a. |
| 05 Nov 10 | B− | n.a. |
| 04 Sep 09 | CCC | |
| 15 Dec 08 | RD | |
| 17 Nov 08 | CCC | |
| 30 Oct 07 | CCC | |
| 23 Jan 07 | CCC | |
| 14 Dec 05 | B− | |
| 29 Aug 05 | B− | |
| 07 Oct 04 | B− | |
| 21 Jul 04 | CCC+ | |
| 25 Sep 03 | CCC+ | |
| 24 Mar 03 | CCC+ | |
| 08 Nov 02 | CCC+ | |

## Rating Factors

### Summary: Strengths and Weaknesses

| Rating factor | Macroeconomic | Public finances | External finances | Structural issues |
|---|---|---|---|---|
| Status | Neutral | Neutral | Neutral | Weakness |
| Trend | Stable | Stable | Stable | Stable |

Note: Relative to 'B' category/sovereigns rated 'B+', 'B' and 'B−'.
Source: Fitch

### Strengths

- Favourable oil prices and continued growth underpin the strength of Ecuador's external and fiscal solvency indicators compared with peers. Government debt, relative to GDP and fiscal revenues, is among the lowest in the 'B' category.
- While posing limits to policy flexibility, dollarisation has underpinned monetary and financial stability through a variety of economic and political shocks since 2000.
- While multilateral organizations like IADB, CAF, and FLAR extend loans to the sovereign, China is Ecuador's main single creditor through budget support and infrastructure projects. The World Bank is expected to fund transport and sanitation projects.
- Ecuador is a relatively rich economy in terms of GDP per capita. Human Development indicators also compare favourably with the 'B' median.
- Risks to political stability are limited compared with other 'B' rated sovereigns. This could continue because of the re-election of President Rafael Correa in early 2013 with significant popular support and a dominant legislative majority.

### Weaknesses

- Ecuador has a weak debt repayment record with two restructurings since 2000. The sovereign has serviced its performing debt on time, but its commitment has yet to be tested under tougher conditions. The government intends to resolve the issue of holdout creditors from the 2009 coercive debt buyback.
- High commodity dependence renders Ecuador vulnerable to oil supply shocks and volatility in international energy prices. Oil receipts accounted for 58% of total exports and 31% of central government revenues in 2012.
- Growth is heavily dependent on fiscal stimulus. NFPS spending reached 42% of GDP in 2012. Reduced earmarked revenue and the emphasis on capital spending provide flexibility to adjust spending if necessary. Public investment in infrastructure could lead to higher competitiveness and growth and lower dependence on fuel imports.
- External sources of financing are limited, as FDI is low compared with regional and rating peers, and Ecuador has not tapped the international bond market since 2005. The local bond market is shallow and heavily reliant on intra-public sector holdings.
- As a dollarised economy, Ecuador has a lower level of international reserves than other commodity exporters. External financing needs have increased, especially since the current account has been in deficit since 2010, highlighting the importance of oil prices and reliable sources of external financing.

### Local Currency Rating

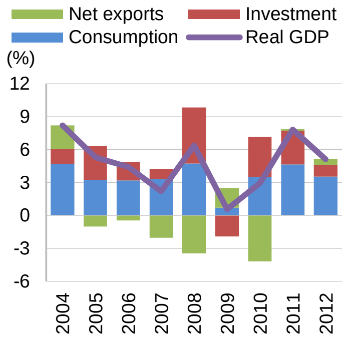
As a formally dollarised economy, Ecuador does not have a Local-Currency Long-Term IDR.

### Country Ceiling

Ecuador's Country Ceiling is the same as the Long-Term Foreign-Currency IDR due to limited international financial integration and concerns about the sustainability of dollarisation. Authorities tax capital outflows including external interest and principal debt repayments.

Figure 1

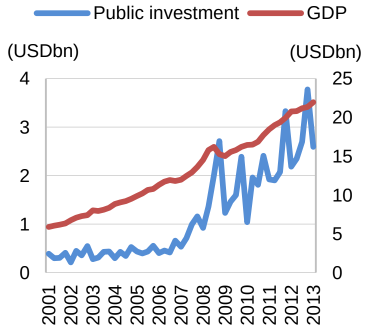
**GDP Growth Contributions**




Source: Central Bank of Ecuador

Figure 2

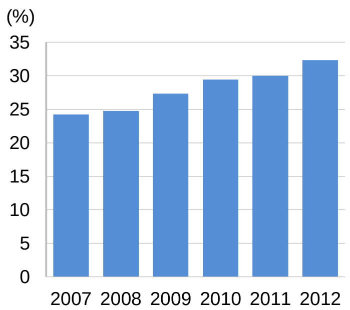
**Investment-Led Growth**




Source: Central Bank, Ministry of Finance

Figure 3

**Adequate Liquidity Levels**
(M2/GDP)




Source: IFS, Central Bank and Fitch

Figure 4

**Central Bank's Toolkit**

- Tariffs and quota limits on imports
- 5% tax on capital outflows
- 5% tax on export revenues held abroad
- 60% domestic liquidity requirement for banks
- Minimum holdings of government debt (2% of bank deposits)
- Transfers to emergency liquidity fund (up to 10% of bank deposits)

Source: Fitch

## Outlook and Key Issues

### Public Investment Key to Economic Growth

- GDP growth decelerated to 5% in 2012 from 7.8% in 2013, driven by a slowdown in public investment and private consumption. Ecuador's economic performance has become increasingly dependent on the government's capacity to provide fiscal stimulus. Public investment almost doubled to 13% of GDP in 2012 from 7% in 2007.
- As a result of a less favourable external environment and the upgrade work in the Esmeraldas refinery, Fitch forecasts that growth will reach 3.8% in 2013 and 4.2% in 2014-2015. This is above regional peers but below the expected performance of other commodity exporters in the 'B' category. Under the current oil scenario (oil averaging USD100p/b), continued fiscal stimulus to the economy will depend on the government's capacity to increase oil production and obtain financing for large infrastructure projects.
- The government has an ambitious multi-year public investment programme to upgrade the country's infrastructure (airports, roads, ports and railways) and diversify the economic base. While public investment will still play a key role, the government plans to encourage the participation of the private sector through Private Public Partnerships (PPPs).
- Credit growth decelerated in the first eight months of 2013 due to weaker demand and rising pressure on banks' profitability. Higher taxes on capital outflows and a new banking law incentivising loans to strategic sectors could deter private investment and credit growth.

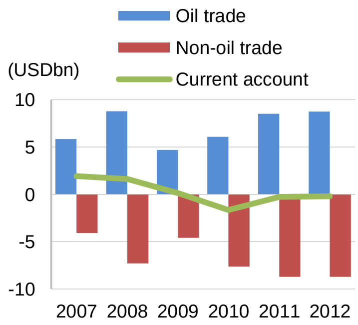
### Reduced Near-Term Risks to Dollarisation

- Immediate risks to dollarisation have abated due to continued availability of US dollar liquidity, a stable, albeit less profitable, financial system, and favourable oil prices. The Correa government publicly committed to dollarisation. Broad popular support and demonstrated stability have reduced the risk of policy reversals.
- Domestic liquidity in the economy is adequate, as the government has discouraged capital flight through taxation and tried to contain rapid import growth. The authorities raised taxes on capital outflows, toughened import controls and increased bank domestic deposit requirements to prop up liquidity in 2012.
- The financial system does not currently threaten the sustainability of dollarisation. Deposit growth has continued in 2013 despite the electoral cycle, and the financial system has a precautionary buffer of USD3bn (12% of deposits in Q313).
- Fitch considers, though, that the long-term sustainability of dollarisation depends upon increasing the availability of external sources for financing for the public and private sector, preserving financial stability and adjusting medium-term fiscal policy towards generating savings and reducing the country's external financing requirements.

### Containing Rising External Financing Requirements

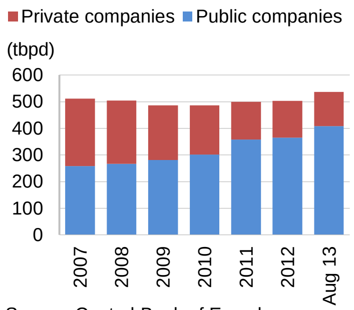
- Ecuador's external accounts have been underpinned by favourable oil prices, the government's capacity to limit capital flight and rein-in rapid import growth and continued bilateral financing from China. The country's non-oil trade balance, reaching a deficit of 9.7% of GDP in 2012, is key to maintaining adequate levels of domestic liquidity.
- The current account deficit could widen to 1.3% of GDP in 2013 due to softer oil prices, continued import growth driven by domestic demand, and deficits in the services and income accounts. Import restrictions and growth in non-oil exports since 2009 have prevented a deterioration in the country's non-oil trade balance. Workers' remittances have declined in importance as a source of FX since the financial crisis, falling from 6.5% of GDP in 2007 to 2.9% in 2012.
- As import growth is positively correlated with NFPS primary spending, the impact of lower oil prices on external accounts could be mitigated by lower fiscal spending and

Figure 5
**Current Account Balances**



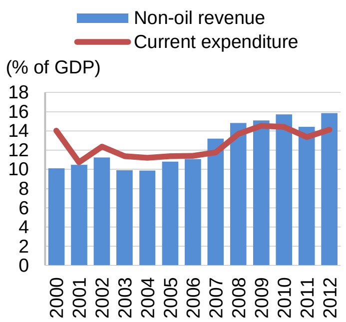

Source: Central Bank of Ecuador

Figure 6
**Recovering Oil Production**
Average thousand barrels per day




Source: Central Bank of Ecuador

Figure 7
**CG Current Fiscal Balance**




Source: Ministry of Finance and Fitch

consequently lower import demand.

- Non-debt creating flows, such as FDI, are limited in comparison to regional and rating peers. China is Ecuador's main external creditor. The country received a total of USD2.6bn in disbursements in 2013. Additional loans to meet the country's investment pipeline are likely. The World Bank has recently finalised a country strategy with Ecuador and could soon agree on loans of USD450m directed to sanitation and transport projects.
- In spite of being a dollarised economy, Ecuador's external liquidity is comparable with peers. Nearly half of the international reserves (USD4.5bn in Q313) are invested in public banks to stimulate credit, which reduces the liquidity of these assets.

## Improved Prospects for Oil Production

- Oil production has recovered from an average of 486m/bpd in 2010 to 537m/bpd in August 2013. Increased investment in mature blocks by the state-owned Petroamazonas and in enhanced recovery by private service contractors could lift oil output to 700m/bpd by 2017.
- The development of 846mm/b of oil, 20% of the country's reserves, in the Yasuni natural park could boost production in the medium-term.[1] Official estimates point to a 23% increase in oil output in four years and USD5.5bn in investment requirements. Financing constraints and opposition from indigenous dwellers and environmental groups represent risks for the timely implementation of the project.
- Unfavourable contractual covenants, a high government take and onerous barriers to entry hamper private investment in exploration.[2] Ecuador's largest international auction in 15 years to explore oil blocks in the Amazon southeast failed to attract enough bids even after the deadline for submissions was extended from May to July 2013. In addition, Kinross, a Canadian mining company left Ecuador in 2013 due to contractual differences with the government over the exploitation of the Fruta del Norte gold mine.
- Ecuador's high commodity dependence compared with peers highlights the need for sustained increases in oil production to support external and fiscal balances and offset potential declines in international energy prices. Oil extraction and mining accounted for 11% of GDP, 58% of exports and 31% of central government revenues in 2012.

## Moderate Fiscal Deficits and Increased Financing Sources

- The non-financial public sector fiscal outturn shifted to a deficit of 1.1% of GDP in 2012 from a balanced budget in 2011. Robust tax collection, social security inflows and operational surpluses at public entities offset a 2pp of GDP fall in oil income. Public investment, payroll and discretionary outlays outpaced nominal GDP, pushing spending to 42% of GDP.
- Fitch expects the fiscal deficit to widen to 2.8% of GDP in 2013-2015, half the 5.6% deficit in the 2013 budget. Although the authorities are not anticipating additional tax reforms, higher-than-budgeted oil prices and stricter tax compliance could cushion a weaker revenue performance[3]. Strategic industrialisation projects are likely to keep pressure on public investment but the rationalisation of salary adjustments and energy subsidies could contain spending at 44% of GDP by 2015. Oil-derivatives' subsidies amounted to USD3.4bn (4% of GDP) in 2012.
- Authorities have indicated that available credit lines with bilateral lenders and the flexibility to adjust capital spending provide Ecuador with enough space to absorb shocks to

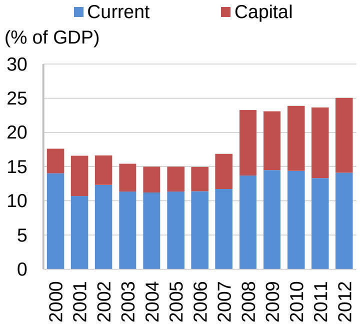
[1] In August 2013, Ecuador abandoned a conservation initiative to attract USD3.6bn in donations into a trust fund managed by the United Nations to forego the extraction of oil in the Yasuni. In October 2013, the National Assembly authorised the exploitation of two oil blocks in the national park

[2] Ecuadorian laws ban production sharing agreements for oil exploration. Ecuador's tax intake in oil contracts is 80% whereas in Argentina, Colombia and Peru averages 54%. Awarded companies have to create a USD15m fund to supply infrastructure and social services to affected communities.

[3] While the 2013 budget uses an oil price of USD85 per barrel and contemplates a deficit of 5.6% of GDP, the average price for exported crude approached USD100 in H113, resulting in extraordinary revenue.

Figure 8

### CG Expenditure Structure




Source: Ministry of Finance and Fitch

international oil prices without undermining fiscal sustainability. At the central government level, tax collection has outperformed current spending, while oil revenues and bilateral financing have funded the increase in infrastructure investment and social transfers.

- Ecuador's low indebtedness and moderate borrowing requirements provide the government with sufficient space to advance its ambitious public investment programme. Government debt could reach 24.7% of GDP in 2013, below the 'B' median. The coercive buyback that followed a sovereign debt default reduced the debt burden to 17% of GDP in 2009 from 22% in 2008.
- In Fitch's baseline projections, public debt will increase to 28% of GDP by 2015. Under less benign assumptions, where lower oil prices and faster fiscal expansion lead to wider primary deficits (2.5% of GDP) and weaker economic growth (1%), debt would breach the country's constitutional ceiling of 40% of GDP only in 2019[4].
- China will remain Ecuador's main financing source in 2013-2015. Debt related to bilateral project finance, budget support and oil forward sales jumped from USD2.7bn in 2012 to USD4.5bn in August 2013. This represents 5% of GDP or 36% of public external debt. According to government figures, a total of USD11.6bn in loans has been negotiated since 2009 of which USD8.4bn has been disbursed and USD2.6 has been repaid.
- The government could scale up issuance to the public pension fund (IESS). The IESS holds 88% of domestic public debt and has absorption capacity due to its cash surpluses and strong growth of pension contributions. However, only a portion of the debt can be used for deficit financing. The government uses these placements to honour its legal obligation to advance 40% of the pension benefits to the contributors to the social security system.

Figure 9

### Public Finances[a]: Sources and Uses (%of GDP)

| | 2012 | 2013f | 2014f | 2015f |
|---|---|---|---|---|
| Uses | 3.6 | 5.2 | 6.4 | 6.3 |
| Budget balance | -1.1 | -2.8 | -3.1 | -3.0 |
| Amortisation (by place of issue) | 2.5 | 2.4 | 3.3 | 3.3 |
| Domestic | 1.2 | 1.3 | 1.8 | 1.4 |
| Foreign | 1.3 | 1.1 | 1.4 | 1.9 |
| Sources | 3.6 | 5.2 | 6.4 | 6.3 |
| Gross borrowing (by place of issue) | 3.9 | 4.8 | 5.7 | 5.5 |
| Domestic | 1.7 | 1.8 | 2.2 | 2.0 |
| Foreign | 2.3 | 3.0 | 3.5 | 3.5 |
| Change in assets ( - increase) | -0.3 | 0.4 | 0.7 | 0.8 |

[a] NFPS
Source: Fitch

Figure 10

### National Assembly

| Party | Seats | % of total |
|---|---|---|
| PAIS Alliance | 91 | 69 |
| Creating Opportunities | 12 | 9 |
| Social Christian Party | 6 | 5 |
| January 21 Patriotic Society Party | 6 | 5 |
| Multinational Union of the Left | 6 | 5 |
| Advance Party | 5 | 4 |
| Independents and Regionalists | 3 | 2 |
| Other | 2 | 2 |
| **Total** | **131** | **100** |

[4] The 2008 constitution (Article 290) also prevents the government from taking on private sector debt.

Source: National Assembly of Ecuador

## Policy Continuity and Efforts to Improve Debt Repayment Record

- Rafael Correa, in office since 2007, was re-elected with 58% of the vote in February 2013. His ruling coalition, Alianza Pais, advanced from a 45% minority to control 69% of the National Assembly. Correa's uncontested leadership, two-thirds legislative majority and tamed opposition from social movements favour political stability and policy continuity.
- High oil prices, public investment and social spending are key to accomplishing the four strategic priorities of the Correa administration in 2013-2017: transforming the energy matrix; developing new oil reserves; diversifying the economy into downstream industries (petrochemicals and metallurgy); and alleviating poverty. A new monetary and banking law and social security reform seem the most immediate priorities in the legislature.
- Ecuador intends to resolve the issue of outstanding debt with holdout investors from the 2009 buyback operation. The government also intends to appeal the arbitration ruling of the World Bank's International Centre for Settlement of Investment Disputes (ICSID) to award USD1.8bn to Occidental Petroleum as a compensation for the seizure of its assets in 2006.[5]

[5] Ecuador pulled out from the ICSID in 2009. The withdrawal does not make the country exempt from the ruling because it was filed in 2006.

## Forecast Summary

| | 2009 | 2010 | 2011 | 2012 | 2013f | 2014f | 2015f |
|---|---|---|---|---|---|---|---|
| **Macroeconomic indicators and policy** | | | | | | | |
| Real GDP growth (%) | 0.6 | 2.8 | 7.4 | 5.0 | 3.8 | 4.2 | 4.3 |
| Unemployment (%) | 8.5 | 7.6 | 6.0 | 4.9 | 5.0 | 5.1 | 5.3 |
| Consumer prices (annual average % change) | 5.2 | 3.6 | 4.5 | 5.1 | 3.1 | 3.7 | 4.0 |
| Short-term interest rate (%) | - | - | - | - | 0.0 | 0.0 | 0.0 |
| General government balance (% of GDP) | -3.6 | -1.4 | 0.0 | -1.1 | -2.8 | -3.1 | -3.0 |
| General government debt (% of GDP) | 16.6 | 19.7 | 18.6 | 22.1 | 24.8 | 27.2 | 28.1 |
| LC per USD (annual average) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Real effective exchange rate (2000 = 100) | 95.8 | 95.7 | 97.6 | 103.2 | 103.0 | 101.6 | 101.1 |
| **External finance** | | | | | | | |
| Current account balance (USDbn) | 0.1 | -1.6 | -0.2 | -0.2 | -1.1 | -1.0 | -0.7 |
| Current account balance (% of GDP) | 0.2 | -2.4 | -0.3 | -0.2 | -1.3 | -1.1 | -0.7 |
| Current account balance plus net FDI (% of GDP) | 0.7 | -2.2 | 0.5 | 0.5 | -1.0 | -0.9 | -0.5 |
| Net external debt (USDbn) | -3.4 | -2.1 | -2.7 | -3.4 | -2.7 | -2.2 | -2.1 |
| Net external debt (% of GDP) | -5.5 | -3.2 | -3.5 | -4.0 | -3.0 | -2.2 | -2.0 |
| Net external debt (% of CXR) | -18.0 | -9.5 | -9.8 | -11.6 | -9.3 | -7.2 | -6.9 |
| Official international reserves including gold (USDbn) | 3.8 | 2.6 | 3.0 | 2.5 | 2.3 | 2.1 | 2.1 |
| Official international reserves (months of CXP cover) | 2.4 | 1.3 | 1.3 | 1.0 | 0.9 | 0.8 | 0.8 |
| External interest service (% of CXR) | 4.3 | 3.0 | 2.5 | 2.6 | 2.7 | 2.8 | 2.8 |
| Gross external financing requirement (% int. reserves) | 71.8 | 125.6 | 133.7 | 130.2 | 205.1 | 226.0 | 244.7 |
| **Memo: Global forecast summary** | | | | | | | |
| **Real GDP growth (%)** | | | | | | | |
| US | -2.8 | 2.5 | 1.9 | 2.8 | 1.6 | 2.6 | 3.0 |
| Japan | -5.5 | 4.7 | -0.6 | 2.0 | 1.8 | 1.5 | 1.2 |
| Euro area | -4.4 | 2.0 | 1.6 | -0.7 | -0.4 | 0.9 | 1.3 |
| World | -2.2 | 3.9 | 3.2 | 2.6 | 2.3 | 2.9 | 3.2 |
| **Commodities** | | | | | | | |
| Oil (USD/barrel) | 61.9 | 79.6 | 111.0 | 112.0 | 105.0 | 100.0 | 100.0 |

Source: Fitch

## Comparative Analysis: Macroeconomic Performance and Policies

### Ecuador

| | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Dominican Republic B** | **Seychelles B** | **Ukraine B** | **Ecuador B** | **Egypt B−** | **B median** | **BB median** |
| Real GDP (5yr average % change) | 4.4 | 3.7 | 0.2 | 3.9 | 3.3 | 4.2 | 3.2 |
| Volatility of GDP (10yr rolling SD) | 3.1 | 4.7 | 7.1 | 2.4 | 2.0 | 2.7 | 2.3 |
| Consumer prices (5yr average) | 4.9 | 8.7 | 7.1 | 4.3 | 9.9 | 7.6 | 4.7 |
| Volatility of CPI (10yr rolling SD) | 14.6 | 13.7 | 7.1 | 1.9 | 3.6 | 3.9 | 2.8 |
| Years since double-digit inflation | 5.0 | 3.0 | 4.0 | 10.0 | 2.0 | n.a. | n.a. |
| Unemployment rate | 15.0 | 2.0 | 7.5 | 5.0 | 14.0 | 8.7 | 16.0 |
| Type of exchange rate regime | Managed float | Managed float | Managed float | Dollarised | Free float | n.a. | n.a. |
| Dollarisation ratio[a] | 21.9 | 36.7 | 43.3 | 100.0 | 17.0 | 37.8 | 66.8 |
| REER volatility (10yr rolling SD) | 10.3 | 6.0 | 7.4 | 3.6 | 7.5 | 6.5 | 5.6 |

[a] 2012 figures
Source: Fitch

### Strengths

- Ecuador's inflation record is better than peers. Inflation declined secularly since dollarisation was adopted in 2000 and has been in single digits since 2003. Annual inflation fell from 5.2% in September 2012 to 2.3% in August 2013, the lowest level since 2007.
- Dollarisation underpinned monetary and financial stability even during the global recession and periods of political instability. Macroeconomic stability has improved as shown by the lower growth, inflation and real exchange rate volatility compared with peers.
- Ecuador's unemployment rate is substantially lower than the 'B' median. However, under-employment affects 56% of the labour force.

### Weaknesses

- Dollarisation limits the tools available for policymaking. If the ability to implement counter-cyclical fiscal policies is limited, the impact of external conditions on the local economy could be considerable.
- The rising participation of the public sector in the economy strengthens the link between growth and fiscal policy, increasing exposure to external conditions, availability of finance and commodity shocks. Ecuador's five-year average growth is below the 'B' median.

### Commentary

Economic growth is increasingly dependent on expansionary fiscal policies, particularly infrastructure spending, subsidies and social transfers. Thanks to favourable terms of trade and increasing state participation in oil windfalls and oil production, the government has secured the resources needed to support higher levels of current and capital expenditure.

During the new term of President Correa, the government plans to invest nearly USD48bn (54% of 2013 estimated GDP), in the non-financial public sector including infrastructure, energy, industrialisation, knowledge and human capital and social development.

The expected completion of eight hydroelectric plants in 2016, amounting to a combined investment of USD4.2bn, is projected to increase the share of hydro-power in Ecuador's generation capacity from 49% in 2007 to 93% by 2016. This will reduce oil imports, operational costs for businesses and energy subsidies.

The long-awaited construction of the Pacific Refinery could move forward in the next two years. In June 2013, China's National Petroleum Corporation signed a framework agreement with Ecuador to take a 30% equity stake in the project, which is estimated to cost USD12bn and take four years to build. The country expects to expand its oil refining capacity from the current 500,000bd to 800,000bd upon completion of the refinery.

## Comparative Analysis: Structural Features

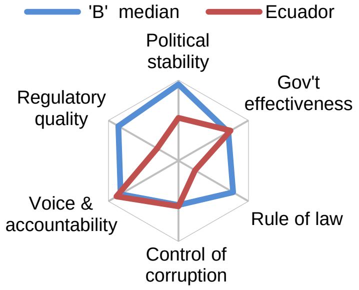
### Ecuador

| | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Dominican Republic B | Seychelles B | Ukraine B | Ecuador B | Egypt B− | B median | BB median |
| GNI per capita PPP (USD, latest) | 9,820 | 25,760 | 7,290 | 9,590 | 6,640 | 5,155 | 6,890 |
| GDP per capita (USD, mkt exchange rates) | 5,684 | 13,177 | 3,841 | 5,683 | 3,192 | 3,516 | 4,392 |
| Human Development Index (percentile, latest) | 47.3 | 75.8 | 58.0 | 52.6 | 40.3 | 40.8 | 47.0 |
| Ease of Doing Business (percentile, latest) | 37.5 | 60.4 | 26.1 | 25.0 | 41.4 | 39.8 | 52.0 |
| Trade openness (CXR and CXP % GDP) | 36.2 | 107.7 | 59.5 | 32.9 | 28.0 | 46.5 | 51.0 |
| Gross domestic savings (% GDP) | 8.4 | 17.2 | 6.8 | 23.9 | - | 12.4 | 17.1 |
| Gross national savings (% GNP) | 12.4 | 41.3 | 7.1 | 27.0 | -1.7 | 15.2 | 18.4 |
| Gross domestic investment (% GDP) | 16.4 | 60.8 | 13.2 | 28.0 | 0.0 | 26.4 | 21.1 |
| Private credit (% GDP) | 24.1 | 24.8 | 56.3 | 29.6 | 28.0 | 28.4 | 39.7 |
| BSR indicators | b1 | n.a. | b1 | b2 | b1 | n.a. | n.a. |
| Bank system CAR | 15.8 | 27.6 | 18.1 | 12.5 | 15.3 | 15.3 | 17.7 |
| Foreign bank ownership (% assets) | 10.0 | 66.0 | 31.9 | 1.9 | 30.0 | 37.4 | 71.2 |
| Public bank ownership (% assets) | 30.5 | 34.0 | 18.3 | 16.4 | 45.0 | 16.4 | 17.1 |
| Default record (year cured)[a] | 2005 | 2010 | 2000 | 2009 | - | n.a. | n.a. |

[a] Modern (ie. since 1980) rescheduling history: Default on Global bonds in 2008, Bradys and locally issued debt in 1999-2000. Extensive earlier rescheduling.
Source: Fitch and World Bank

Figure 11

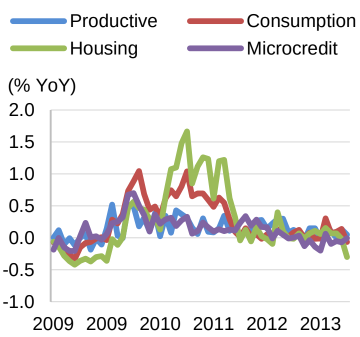
**Governance Indicators 2012**




Source: World Bank

Figure 12

**Private Credit Growth**




Source: Central Bank of Ecuador

## Strengths

- Ecuador's income per capita, measured in US dollars at market rates and in PPP terms, is higher than for peers and higher-rated sovereigns. Ecuador's United Nations Human Development Index, comfortably above the 'B' and 'BB' medians, highlights progress in education, life expectancy and poverty reduction.
- The country's investment rate recovered in recent years and stands above the 'B' median buoyed by significant increases in the public sector's capital spending.

## Weaknesses

- Ecuador's debt service record is poor having undergone two restructurings since 2000, which reflects low debt tolerance and a weak commitment to service debt.
- The World Bank's governance indicators characterise Ecuadorean institutions as significantly weaker than the 'B' median, especially in terms of rule of law, regulatory quality and political stability. Political stability, though, has improved since the latest succession of power in 2007.
- The country's business environment, as measured by the World Bank's Doing Business survey, significantly lags peers for red tape, protection of investor rights and enforcement of contracts. Nevertheless, Ecuador has made significant competitiveness gains over the past three years according to the World Economic Forum Competitiveness Index moving to the 71th ranking, up from 86th in 2012, among 148 economies.

## Commentary

Fitch's Banking Systemic Risk Indicator of 'b' characterised the financial system as weak. The country's Macro-Prudential Indicator is '2' (Moderate Vulnerability) in light of the rapid expansion of credit in the last three years. Credit to the private sector slowed in early 2013 due to lower economic growth and increased taxation on banks' returns. Asset quality is adequate with a non-performing loans to total loans ratio of 3.1% in mid-2013.

The limited size of public sector financial institutions understates the extent of government intervention. Banks are subject to interest rate ceilings, control on service fees, limits on the liquidity that could be held abroad, and just recently, were forced to cut their investments in non-banking businesses. A new banking law is expected to create incentives for banks to finance public sector industrialisation projects and PPPs. The stability of the financial system is key for the sustainability of the dollarisation regime.

## Comparative Analysis: External Finances

### Ecuador

| | 2013 | | | | | Last 10 years | |
|---|---|---|---|---|---|---|---|
| | Dominican Republic B | Seychelles B | Ukraine B | Ecuador B | Egypt B− | B median | BB median |
| GXD (% CXR) | 127.7 | 64.6 | 148.8 | 76.2 | 78.3 | 94.7 | 104.4 |
| GXD (% GDP) | 43.3 | 62.8 | 83.9 | 24.6 | 21.2 | 41.5 | 41.8 |
| NXD (% CXR) | 67.4 | -4.3 | 10.9 | -9.3 | 0.2 | 20.6 | 3.8 |
| NXD (% GDP) | 22.9 | -4.2 | 6.2 | -3.0 | 0.1 | 10.0 | 1.9 |
| GSXD (% GXD) | 62.6 | 69.4 | 21.1 | 39.2 | 78.2 | 62.7 | 49.1 |
| NSXD (% CXR) | 59.5 | 14.1 | 9.8 | 8.9 | 30.0 | 13.0 | 2.8 |
| NSXD (% GDP) | 20.2 | 13.7 | 5.5 | 2.9 | 8.1 | 6.5 | 1.6 |
| SNFA (USDbn) | -12.0 | -0.2 | -9.6 | -2.6 | -21.3 | -0.7 | -0.1 |
| SNFA (% GDP) | -20.2 | -13.7 | -5.5 | -2.9 | -8.1 | -6.4 | -1.4 |
| Ext. debt service ratio (% CXR) | 16.7 | 3.2 | 33.1 | 16.4 | 6.0 | 9.3 | 13.1 |
| Ext. interest service ratio (% CXR) | 4.9 | 1.9 | 6.9 | 2.7 | 0.8 | 1.9 | 3.6 |
| Liquidity ratio (latest) | 78.7 | 304.8 | 56.2 | 151.8 | 358.7 | 202.6 | 169.4 |
| Current account balance (% GDP) | -4.5 | -21.2 | -6.3 | -1.3 | -1.7 | -6.5 | -2.7 |
| CAB plus net FDI (% GDP) | -0.6 | -7.0 | -2.9 | -1.0 | -1.1 | -1.8 | 1.2 |
| Commodity dependence (% CXR, latest) | 15.7 | 40.5 | 24.2 | 76.7 | 24.7 | 33.7 | 21.9 |
| Sovereign net FX debt (% GDP) | 15.5 | 13.7 | 6.6 | 22.1 | 8.1 | 9.7 | -0.1 |

Source: Fitch

### Strengths

- In spite of increased external bilateral borrowing by the public sector, Ecuador's external solvency indicators sit comfortably below peers. The private sector has had limited access to external financing in recent years.
- Ecuador's net external debt position is stronger than peers given the sizeable assets of the Ecuadoran banks abroad. The sovereign's external solvency position is in line with peers.
- The current account deficit remains contained and lower than peers due to export growth (both in oil and non-oil exports) and import controls. Remittances have declined reflecting sluggish economic activity in Spain and the US, the main sources of current transfers.

### Weaknesses

- High commodity dependence renders Ecuador vulnerable to oil supply shocks and volatility in international commodity prices. High government intervention and weak contractual incentives hinder the development of new hydrocarbon reserves and the country's vast mining potential.
- As a dollarised economy, Ecuador has a lower level of international reserves than other commodity exporters. Policies that lead to the moderation of external imbalances and the availability of external financing are key to reducing risks to the sustainability of dollarisation.
- Absent from international bond markets, the public sector has increased bilateral borrowing from China. FDI could reduce the role of the public sector as the main provider of US dollars for the economy but has remained below 1% of GDP since 2009.

### Commentary

The government has created a Ministry for International Trade and has expressed its intention to reach a trade agreement with the EU, the destination of 11% of the country's exports in 2012. In June 2013, Ecuador unilaterally resigned to the trade preferences under the Andean Trade Promotion and Drug Eradication Act, a move that reduces the competitiveness of non-oil exports to the US.

## Comparative Analysis: Public Finances

### Ecuador

| | 2013 | | | | | Last 10 years | |
|---|---|---|---|---|---|---|---|
| | Dominican Republic B | Seychelles B | Ukraine B | Ecuador B | Egypt B− | B median | BB median |
| Budget balance (% GDP) | -3.0 | 1.8 | -6.7 | -2.8 | -14.7 | -3.0 | -2.3 |
| Primary balance (% GDP) | 0.2 | 5.1 | -3.1 | -1.9 | -7.1 | -0.5 | -0.3 |
| Revenues and grants (% GDP) | 13.9 | 40.3 | 43.8 | 40.6 | 21.5 | 25.7 | 26.5 |
| Volatility of revenues/GDP ratio | 10.5 | 4.2 | 5.0 | 7.6 | 10.2 | 9.4 | 6.2 |
| Interest payments (% revenue) | 22.6 | 8.2 | 4.8 | 2.2 | 40.8 | 5.7 | 8.6 |
| Debt (% revenue) | 239.8 | 162.8 | 81.7 | 61.0 | 410.7 | 151.1 | 158.1 |
| Debt (% GDP) | 33.4 | 65.7 | 35.8 | 24.8 | 88.1 | 38.2 | 39.5 |
| Net debt (% GDP) | 31.7 | 60.2 | 34.3 | 22.6 | 77.1 | 31.4 | 32.5 |
| FC debt (% total debt) | 67.1 | 66.4 | 52.5 | 100.0 | 18.8 | 67.5 | 61.0 |
| CG debt maturities (% GDP) | 2.9 | 19.0 | 4.9 | 2.4 | 28.5 | 3.5 | 5.1 |
| Average duration of CG debt (years) | - | - | 3.8 | - | 0.0 | 4.3 | 3.9 |

[a] GG if not otherwise specified
Source: Fitch

### Strengths

- Favourable oil prices and rising non-oil revenues have kept the non-financial public sector deficit under control, and slightly lower than peers.
- Ecuador's debt measured in terms of GDP and revenue is lower than peers due to a favourable oil price cycle and economic growth.
- Debt maturities and interest payments compare favourably with peers and are likely to be manageable in terms of GDP and fiscal revenues, respectively, in the next two years.
- Ecuador's fiscal revenue take is 1.6x larger than the 'B' median. Tax revenues, both from direct and indirect levies, have increased thanks to tax reforms and an effective tax collection administration. The Correa administration has implemented nine tax reforms and administrative changes during the first seven years in office.

### Weaknesses

- Public spending has expanded at a vertiginous pace since 2007 reaching 42% of GDP in 2012. While revenues have kept pace with expenditure growth, the continuation of the fiscal stance will be dependent on oil production dynamics and financing availability. The increased share of capital investment in total expenditure provides some flexibility for the government to adjust spending in the event of an oil revenue shock.
- Financing sources are limited, and mostly tied to specific projects, except for China, which also provides budget support funding. Domestic financing is restricted to the public social security system due to the narrowness of the local bond market.
- Similar to other dollarised economies, such as El Salvador, Fitch considers Ecuador to have 100% FC debt because of the limited history of dollarisation and the risks to the long-term sustainability of the regime. This is due to the combination of the fast pace of fiscal expansion combined with rising external financing needs and limited sources of financing.

### Commentary

In December 2012, Ecuador subscribed to the latest USD2bn loan with China Development Bank. The eight-year loan has an average coupon of 7% and a grace period of two years. USD1.4bn of the proceeds is for budgetary support and the remaining USD600m is to finance electricity and health projects in the 2013 budget.

The Public Finance Code does not require authorities to report short-term debt denominated CETES as part of government debt. In August 2013 there were approximately USD450m in outstanding CETES (0.5% of GDP).

Figure 13

## Fiscal Accounts Summary

| (% of GDP) | 2010 | 2011 | 2012 | 2013f | 2014f | 2015f |
|---|---|---|---|---|---|---|
| **General government** | | | | | | |
| **Revenue** | **34.2** | **39.9** | **40.8** | **40.6** | **40.6** | **39.9** |
| **Expenditure** | **35.5** | **39.9** | **42.0** | **43.4** | **43.7** | **42.9** |
| O/w interest payments | 0.6 | 0.6 | 0.8 | 0.9 | 1.0 | 1.0 |
| | | | | | | |
| Primary balance | -0.8 | 0.6 | -0.4 | -1.9 | -2.1 | -2.0 |
| **Overall balance** | **-1.4** | **0.0** | **-1.1** | **-2.8** | **-3.1** | **-3.0** |
| | | | | | | |
| **General government debt** | **19.7** | **18.6** | **22.1** | **24.8** | **27.2** | **28.1** |
| % of general government revenue | 57.5 | 46.7 | 54.0 | 61.0 | 66.9 | 70.4 |
| | | | | | | |
| General government deposits | 4.0 | 4.4 | 2.5 | 2.2 | 1.8 | 1.5 |
| Net general government debt | 15.7 | 14.2 | 19.5 | 22.6 | 25.3 | 26.6 |
| | | | | | | |
| **Central government** | | | | | | |
| **Revenue** | **22.2** | **22.0** | **23.1** | **22.9** | **23.0** | **22.5** |
| O/w grants | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Expenditure and net lending** | **23.9** | **23.6** | **25.1** | **25.9** | **26.5** | **26.3** |
| O/w current expenditure and transfers | 14.4 | 13.3 | 14.2 | 14.6 | 14.4 | 13.9 |
| - Interest | 0.8 | 0.9 | 1.0 | 1.1 | 1.2 | 1.2 |
| O/w capital expenditure | 9.5 | 10.3 | 11.0 | 11.4 | 12.2 | 12.3 |
| | | | | | | |
| Current balance | 7.8 | 8.7 | 8.9 | 8.3 | 8.6 | 8.6 |
| Primary balance | -0.9 | -0.7 | -1.0 | -1.9 | -2.3 | -2.6 |
| **Overall balance** | **-1.7** | **-1.6** | **-2.0** | **-3.0** | **-3.5** | **-3.8** |
| | | | | | | |
| Central government debt | 18.3 | 17.5 | 20.9 | 21.8 | 22.5 | 23.0 |
| % of central government revenues | 82.2 | 79.6 | 90.5 | 92.1 | 93.9 | 95.7 |
| | | | | | | |
| **Central government debt (USDbn)** | **12.4** | **13.7** | **17.7** | **19.6** | **21.7** | **24.0** |
| By residency of holder | | | | | | |
| Domestic | - | - | - | - | - | - |
| Foreign | - | - | - | - | - | - |
| By place of issue | | | | | | |
| Domestic | 3.7 | 3.7 | 7.0 | - | - | - |
| Foreign | 0.9 | 0.9 | 0.9 | - | - | - |
| By currency denomination | | | | | | |
| Local currency | 0.0 | 0.0 | 0.0 | - | - | - |
| Foreign currency | 12.4 | 13.7 | 17.7 | - | - | - |
| In USD equivalent (eop exchange rate) | 12.4 | 13.7 | 17.7 | - | - | - |
| By maturity | | | | | | |
| Less than 12 months (residual maturity) | 2.2 | 1.5 | 2.1 | - | - | - |
| Average maturity (years) | 9.1 | 9.1 | - | - | - | - |
| Average duration (years) | - | - | - | - | - | - |
| **Memo** | | | | | | |
| Non-financial public-sector balance (% GDP) | - | - | - | - | - | - |
| Net non-financial public-sector debt (% GDP) | - | - | - | - | - | - |
| Nominal GDP (USDbn) | 67.9 | 78.2 | 84.5 | 89.6 | 96.3 | 104.3 |

Source: Ministry of Finance and Fitch estimates and forecasts

Figure 14

## External Debt and Assets

| (USDbn) | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013f |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross external debt** | **15.7** | **16.3** | **16.6** | **17.9** | **17.7** | **16.6** | **17.3** | **19.5** | **20.6** | **22.0** |
| % of GDP | 42.9 | 39.2 | 35.5 | 35.1 | 28.6 | 26.9 | 25.5 | 24.9 | 24.4 | 24.6 |
| % of CXR | 141.1 | 112.3 | 93.6 | 89.5 | 72.2 | 88.1 | 76.5 | 70.2 | 70.4 | 76.2 |
| | | | | | | | | | | |
| **By maturity** | | | | | | | | | | |
| Medium- and long-term | 14.9 | 15.5 | 15.8 | 17.0 | 16.7 | 15.7 | 16.4 | 18.6 | 19.8 | 21.2 |
| Short -term | 0.8 | 0.8 | 0.8 | 0.9 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| % of total debt | 5.2 | 4.7 | 5.1 | 5.0 | 5.4 | 5.4 | 5.0 | 4.4 | 4.2 | 3.9 |
| | | | | | | | | | | |
| **By debtor** | | | | | | | | | | |
| **Monetary authorities** | **0.0** | **0.1** | **0.1** | **0.1** | **0.1** | **0.5** | **0.4** | **0.4** | **-** | **-** |
| **General government** | **4.1** | **4.8** | **8.6** | **8.9** | **8.3** | **6.4** | **6.4** | **6.4** | **7.6** | **8.6** |
| O/w central government | - | - | - | - | - | - | - | - | - | - |
| **Banks** | **0.0** | **0.0** | **1.1** | **1.2** | **1.2** | **1.2** | **1.2** | **1.2** | **1.1** | **1.1** |
| **Other sectors** | **11.6** | **11.4** | **6.9** | **7.9** | **8.2** | **9.0** | **9.6** | **11.9** | **11.9** | **12.3** |
| | | | | | | | | | | |
| **Gross external assets (non-equity)** | **8.5** | **10.3** | **13.0** | **16.5** | **19.0** | **20.0** | **19.4** | **22.2** | **24.0** | **24.7** |
| International reserves, incl. gold | 1.4 | 2.1 | 2.0 | 3.5 | 4.5 | 3.8 | 2.6 | 3.0 | 2.5 | 2.3 |
| Other sovereign assets nes | 0.0 | 0.0 | 0.0 | 0.0 | 1.7 | 1.9 | 2.6 | 2.5 | - | - |
| Deposit money banks' foreign assets | 6.1 | 7.0 | 9.1 | 11.1 | 12.9 | 14.3 | 14.2 | 16.7 | 16.8 | 16.9 |
| Other sector foreign assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.2 | 1.8 |
| | | | | | | | | | | |
| **Net external debt** | **7.2** | **6.0** | **3.6** | **1.4** | **-1.4** | **-3.4** | **-2.1** | **-2.7** | **-3.4** | **-2.7** |
| % of GDP | 19.8 | 14.4 | 7.8 | 2.7 | -2.2 | -5.5 | -3.2 | -3.5 | -4.0 | -3.0 |
| % of CXR | 65.0 | 41.2 | 20.6 | 6.9 | -5.6 | -18.0 | -9.5 | -9.8 | -11.6 | -9.3 |
| Net sovereign external debt | 1.7 | 1.5 | 4.7 | 3.4 | 2.1 | 0.7 | 1.2 | 0.9 | 1.6 | 2.6 |
| % of GDP | 4.7 | 3.7 | 10.1 | 6.7 | 3.4 | 1.2 | 1.8 | 1.2 | 1.8 | 2.9 |
| Net bank external debt | -6.1 | -7.0 | -8.0 | -9.9 | -11.6 | -13.2 | -13.0 | -15.6 | -15.6 | -15.8 |
| Net other external debt | 11.6 | 11.4 | 6.9 | 7.9 | 8.2 | 9.0 | 9.6 | 11.9 | 10.7 | 10.5 |
| | | | | | | | | | | |
| **Net international investment position** | **-16.7** | **-15.9** | **-13.8** | **-11.8** | **-11.6** | **-11.0** | **-12.2** | **-14.1** | **0.0** | **0.0** |
| % of GDP | -45.6 | -38.3 | -29.6 | -23.1 | -18.7 | -17.9 | -17.9 | -18.0 | 0.0 | 0.0 |
| | | | | | | | | | | |
| **Sovereign net foreign assets** | **-1.7** | **-1.5** | **-4.7** | **-3.4** | **-2.1** | **-0.7** | **-1.2** | **-0.9** | **-1.6** | **-2.6** |
| % of GDP | -4.7 | -3.7 | -10.1 | -6.7 | -3.4 | -1.2 | -1.8 | -1.2 | -1.8 | -2.9 |
| | | | | | | | | | | |
| **Debt service (principal & interest)** | **4.1** | **4.2** | **4.4** | **4.5** | **4.5** | **4.1** | **3.8** | **4.0** | **4.5** | **4.7** |
| Debt service (% of CXR) | 37.1 | 29.2 | 24.9 | 22.7 | 18.5 | 22.0 | 16.9 | 14.3 | 15.3 | 16.4 |
| Interest (% of CXR) | 11.1 | 8.7 | 7.5 | 6.9 | 4.6 | 4.3 | 3.0 | 2.5 | 2.6 | 2.7 |
| | | | | | | | | | | |
| Liquidity ratio (%) | 64.4 | 80.1 | 101.1 | 101.5 | 144.3 | 175.7 | 189.9 | 175.3 | 168.2 | 151.8 |
| Net sovereign FX debt (% of GDP) | 35.8 | 29.8 | 24.5 | 20.3 | 15.0 | 10.5 | 15.8 | 14.8 | 19.1 | 22.1 |
| **Memo** | | | | | | | | | | |
| Nominal GDP | 36.6 | 41.5 | 46.8 | 51.0 | 61.8 | 61.6 | 67.9 | 78.2 | 84.5 | 89.6 |
| Gross sovereign external debt | | | | | | | | | | |
| Inter-company loans | - | - | - | - | - | - | - | - | - | - |

Source: NBP, IMF, World Bank and Fitch estimates and forecasts

Figure 15

## Government Debt  Amortization Schedule on Medium- and Long-Term Debt at August 2013

| (USDbn) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| **External** | | | | | | | |
| Official bilateral | 0.6 | 0.7 | 0.7 | 0.8 | 1.3 | 1.2 | 0.8 |
| O/w Paris Club | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Multilateral | 0.5 | 0.7 | 0.6 | 0.4 | 0.4 | 0.4 | 0.4 |
| O/w IMF | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Bonds placed in foreign markets | 0.0 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | |
| **Domestic** | | | | | | | |
| Bonds | 0.9 | 1.0 | 1.0 | 0.3 | 0.4 | 1.0 | 0.5 |
| State Entities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| | | | | | | | |
| **TOTAL** | 2.0 | 2.4 | 3.0 | 1.6 | 2.2 | 2.8 | 1.9 |

Source: Ministry of Finance, Central Bank and Fitch

Figure 16

## Balance of Payments

| (USDbn) | 2010 | 2011 | 2012 | 2013f | 2014f | 2015f |
|---|---|---|---|---|---|---|
| **Current account balance** | **-1.6** | **-0.2** | **-0.2** | **-1.1** | **-1.0** | **-0.7** |
| % of GDP | -2.4 | -0.3 | -0.2 | -1.3 | -1.1 | -0.7 |
| % of CXR | -7.2 | -0.9 | -0.6 | -3.9 | -3.5 | -2.3 |
| | | | | | | |
| **Trade balance** | **-1.5** | **-0.2** | **0.1** | **-1.2** | **-1.0** | **-0.8** |
| Exports, fob | 18.1 | 23.1 | 24.7 | 24.3 | 25.1 | 25.9 |
| Imports, fob | 19.6 | 23.2 | 24.6 | 25.5 | 26.1 | 26.7 |
| | | | | | | |
| **Services, net** | **-1.5** | **-1.6** | **-1.4** | **-1.1** | **-1.3** | **-1.0** |
| Services, credit | 1.5 | 1.6 | 1.8 | 1.9 | 2.1 | 2.2 |
| Services, debit | 3.0 | 3.2 | 3.2 | 3.1 | 3.3 | 3.3 |
| | | | | | | |
| **Income, net** | **-1.0** | **-1.2** | **-1.3** | **-1.1** | **-1.0** | **-1.0** |
| Income, credit | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Income, debit | 1.1 | 1.3 | 1.4 | 1.2 | 1.1 | 1.1 |
| O/w: Interest payments | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 |
| | | | | | | |
| **Current transfers, net** | **2.4** | **2.7** | **2.5** | **2.3** | **2.3** | **2.2** |
| | | | | | | |
| **Memo** | | | | | | |
| Non-debt-creating inflows (net) | -0.1 | 0.4 | 0.6 | 0.3 | 0.4 | 0.5 |
| O/w equity FDI | 0.5 | 0.6 | 0.5 | 0.4 | 0.5 | 0.7 |
| O/w portfolio equity | -0.5 | -0.1 | 0.1 | -0.1 | -0.1 | -0.2 |
| O/w other | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 |
| Change in reserves (- = increase) | 1.2 | -0.3 | -0.5 | 0.0 | 0.2 | 0.0 |
| Gross external financing requirement | 4.8 | 3.5 | 3.9 | 5.1 | 5.3 | 5.2 |
| Stock of international reserves, incl. gold | 2.6 | 3.0 | 2.5 | 2.3 | 2.1 | 2.1 |

Source: IMF and Fitch estimates and forecasts

The ratings above were unsolicited and have been provided by Fitch as a service to investors.