

# ECUADOR

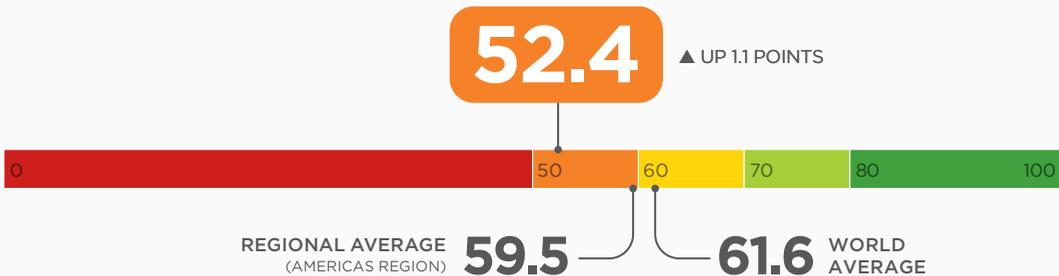
Ecuador's economic freedom score is 52.4, making its economy the 149th freest in the 2021 *Index*. Its overall score has increased by 1.1 points, primarily because of an improvement in **fiscal health**. Ecuador is ranked 27th among 32 countries in the Americas region, and its overall score is below the regional and world averages.

Economic freedom has improved in Ecuador for two years in a row. The economy has climbed a little higher in the mostly unfree category, although there is a long road ahead. To continue this upward trajectory, the government should prioritize the strengthening of the country's weak rule-of-law indicators: property rights, judicial effectiveness, and government integrity.

**IMPACT OF COVID-19:** As of December 1, 2020, 13,501 deaths had been attributed to the pandemic in Ecuador, and the economy was forecast to contract by 11.0 percent for the year.

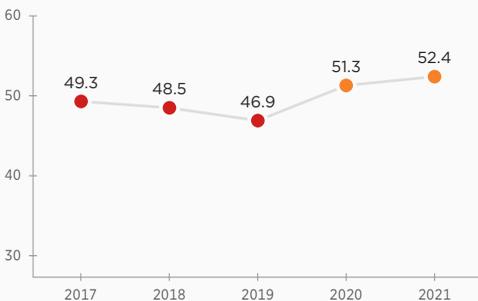
WORLD RANK: **149** | REGIONAL RANK: **27**  
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -5.3

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
17.4 million

**GDP (PPP):**  
\$203.6 billion  
0.1% growth in 2019  
5-year compound annual growth 0.5%  
\$11,847 per capita

**UNEMPLOYMENT:**  
4.0%

**INFLATION (CPI):**  
0.3%

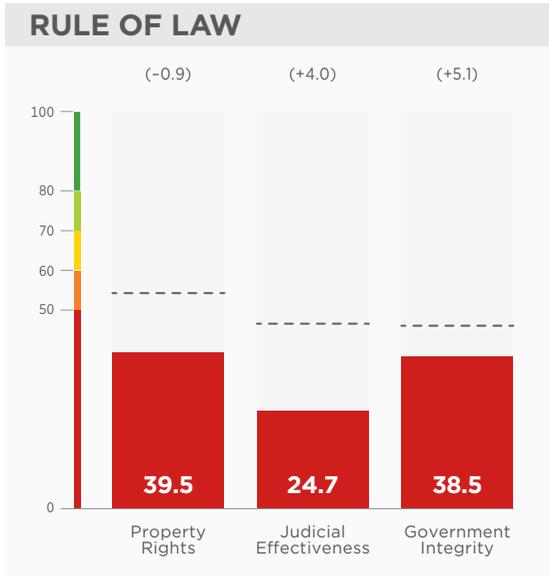
**FDI INFLOW:**  
\$966.2 million

**PUBLIC DEBT:**  
49.6% of GDP

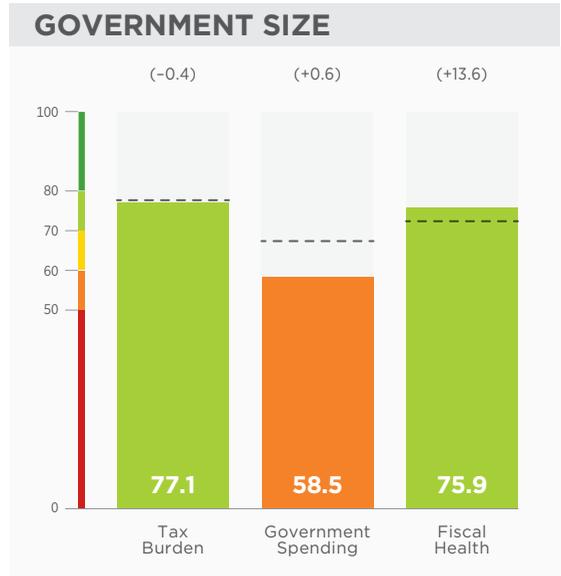
2019 data unless otherwise noted. Data compiled as of September 2020

**BACKGROUND:** The "Republic of the Equator" initially gained independence from Spain in 1830. President Lenín Moreno of the center-left Alianza País party was elected to a four-year term in 2017. Moreno upended his leftist predecessor's socialist legacy by adopting a moderate economic and foreign policy agenda, implementing reforms to promote foreign trade and reduce public spending, but violent protests by leftist groups forced the government to retain costly fuel subsidies. The world's largest banana exporter, Ecuador also remains a major transit country for narco-trafficking. Its dollarized economy is substantially dependent on petroleum, which accounts for more than half of export earnings and approximately 25 percent of public-sector revenues. Budget deficits have been funded by Chinese debt.

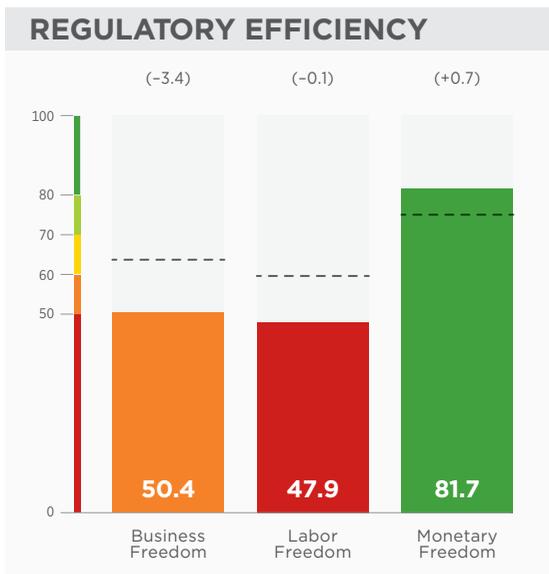
# 12 ECONOMIC FREEDOMS | ECUADOR



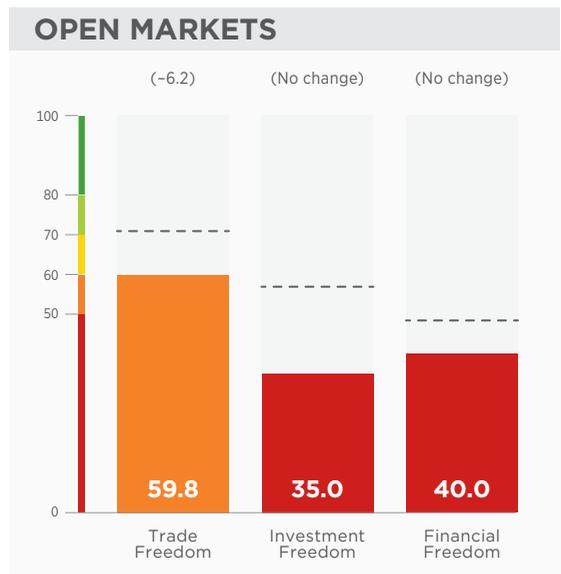
Corruption undermines the protection of property rights and enforcement of contracts. The independence of the judiciary has become stronger in recent years despite ongoing systemic weaknesses. In late 2019, a court upheld the conviction of a former vice president involved in the Odebrecht scandal. Corruption remains pervasive, but Ecuador's score and ranking were nevertheless significantly improved in Transparency International's 2019 *Corruption Perceptions Index*.



The top individual income tax rate is 35 percent, and the top corporate tax rate is 25 percent. The overall tax burden equals 20.9 percent of total domestic income. Government spending has amounted to 37.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.5 percent of GDP. Public debt is equivalent to 49.6 percent of GDP.



Ecuador's business freedom has declined to levels near those of repressed economies. Increased business start-up costs make entrepreneurship difficult. The National Wages Council and Ministry of Labor Relations set private-sector minimum compensation levels annually. To help reduce its debt-to-GDP ratio, the government is gradually lowering expensive fuel subsidies and reducing other untargeted subsidies.



Ecuador has six preferential trade agreements in force. The trade-weighted average tariff rate is 10.1 percent, and 281 non-tariff measures are in effect. The overall investment climate remains uncertain. The underdeveloped and state-controlled financial sector limits access to credit. About 50 percent of adult Ecuadorians have access to an account with a formal banking institution.