

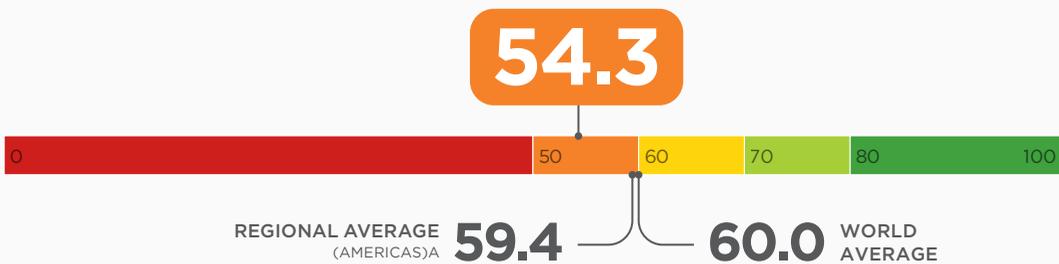
ECUADOR

Ecuador's economic freedom score is 54.3, making its economy the 126th freest in the 2022 *Index*. Ecuador is ranked 25th among 32 countries in the Americas region, and its overall score is below the regional and world averages.

Over the past five years, economic growth in Ecuador was slow from 2017 through 2019, contracted in 2020, and rebounded in 2021. Economic freedom has been trending upward. With significant increases in scores for **monetary freedom** and **judicial effectiveness**, Ecuador has recorded a 5.0-point overall gain in economic freedom since 2017 and has solidified its position in the "Mostly Unfree" category. The score for **tax burden** is relatively good, but **property rights**, **government integrity**, and **investment freedom** exhibit weaknesses.

IMPACT OF COVID-19: As of December 1, 2021, 33,250 deaths had been attributed to the pandemic in Ecuador, and the government's response to the crisis ranked 37th among the countries included in this *Index* in terms of its stringency. The economy contracted by 7.5 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -3.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
17.6 million

GDP (PPP):
\$192.8 billion
-7.5% growth in 2020
5-year compound annual growth -1.0%
\$11,009 per capita

UNEMPLOYMENT:
6.2%

INFLATION (CPI):
-0.3%

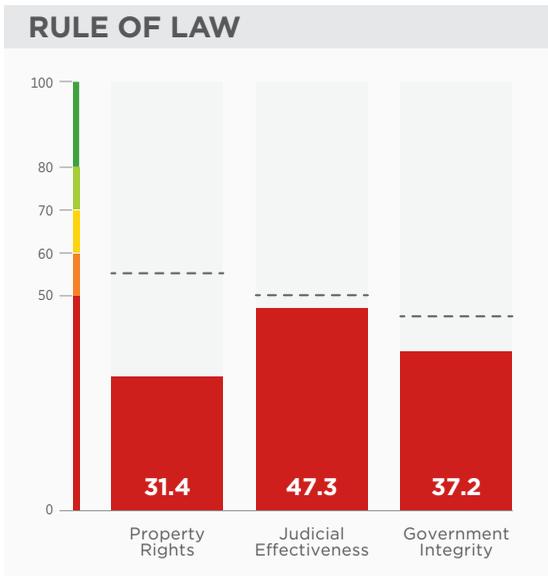
FDI INFLOW:
\$1.0 billion

PUBLIC DEBT:
64.6% of GDP

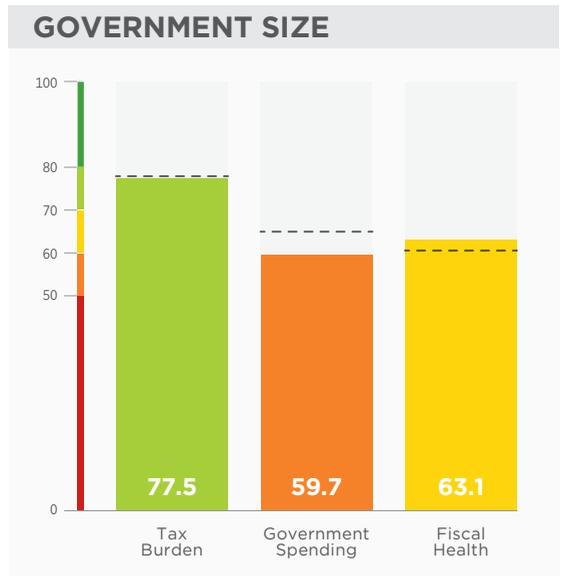
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: The "Republic of the Equator" initially gained independence from Spain in 1830. President Guillermo Lasso of the center-right CREO party was elected in April 2021, defeating supporters of former socialist President Rafael Correa. Lasso has continued the reforms begun by centrist former President Lenin Moreno to promote trade and reduce public spending. Lasso has also advanced tax and labor reforms aimed at revitalizing economic growth and diversifying the economy. The government is renegotiating a \$6.5 billion loan with the IMF. The world's largest banana exporter, Ecuador also remains a major transit country for narco-trafficking. Its dollarized economy is substantially dependent on petroleum production, which accounts for more than half of export earnings and approximately 25 percent of public-sector revenues.

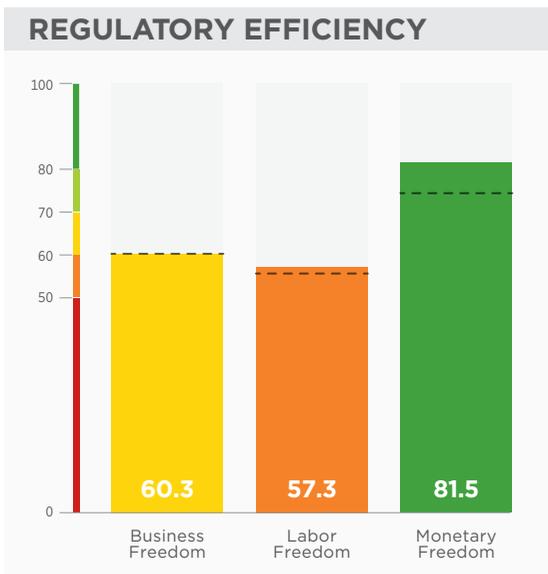
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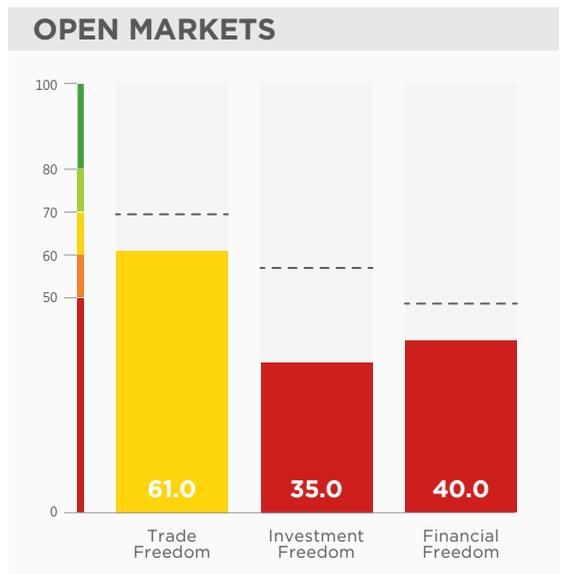
Ecuadorian law recognizes the right to private property. If land has not been in “active use” for two years, however, the state may redistribute it. Protection of property rights and enforcement of contracts are weak. The independence of the judiciary is impaired by systemic weaknesses and vulnerability to outside pressure. Corruption is pervasive, although Ecuador’s score improved slightly in Transparency International’s 2020 *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 20.1 percent of total domestic income. Government spending has amounted to 36.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.2 percent of GDP. Public debt is equivalent to 64.6 percent of GDP.



Regulations that apply to businesses are subject to unpredictable changes. Child labor persists in the production of bananas, bricks, flowers, and gold persists. Dollarization has helped to tame inflation, and the government has been reducing fuel subsidies, but it still subsidizes many state-owned enterprises and controls some prices.



Ecuador has seven preferential trade agreements in force. The trade-weighted average tariff rate is 9.5 percent, and 284 nontariff measures are in effect. Government openness to foreign investment is below the global average. Although the banking sector has grown, state meddling constrains the overall growth of financial services. The number of nonperforming loans has been increasing.