
Republic of Ecuador's rating reaffirmed at 'CareEdge CCC+ (Unsolicited)'

Issuer rating (Long-Term Foreign Currency)

CareEdge CCC+ (Unsolicited)

Rating action

CareEdge Global has reaffirmed the Long-Term Foreign Currency Rating of the **Republic of Ecuador** at '**CareEdge CCC+**' (Unsolicited).

Rationale

The rating reaffirmation reflects CareEdge Global's view that Ecuador's structural constraints such as a weak debt repayment record, limited monetary policy flexibility under the dollarised regime, internal security risks, and high vulnerability to climate shocks constrain its credit profile. Despite recent positive developments, including stronger-than-expected GDP growth and return to international capital markets, Ecuador's repayment ability is critically dependent on funds from external creditors.

Ecuador's real GDP grew by 3.7% in 2025, 0.5pp above the IMF's October 2025 projections, supported by strong non-oil exports, which also supported the accumulation of record-high foreign exchange reserves.

Further, in January 2026, Ecuador issued USD 4 billion in bonds, re-entering international capital markets for the first time since 2019. Of this, USD 3 billion was used for bond buybacks, helping reduce debt servicing pressures.

The gross general government (GGG) debt-to-GDP ratio is projected to decline to 43% by 2030 from around 54% in 2025. Reforms under the IMF Extended Fund Facility (EFF) programme have progressed broadly in line with, or better than, expectations. However, fiscal performance in 2025 was worse than expected. Lower oil revenues and compensatory spending by the government to cushion the impact of the removal of diesel subsidy led to this underperformance. Ecuador also missed out on end-January 2026 fiscal quantitative performance criteria (QPC) under the EFF programme.

Climate risks have intensified. Recent floods and landslides have affected key provinces, particularly those driving non-oil exports. This also poses risks to oil production capacity and infrastructure. As evidenced by oil pipeline shutdowns in July 2025 due to excess rainfall, this could limit gains from higher oil prices.

Going forward, the potential onset of El Niño remains a key monitorable, as it poses risks of further climate-related disruptions across the economy. Additionally, strained relations with

Colombia, which has led to the suspension of electricity exports, pose risks to energy supply and overall economic activity.

Upside scenario

The rating could be upgraded if sustained fiscal consolidation reduces gross financing needs. A durable economic recovery would further strengthen the credit profile. Continued effective implementation of IMF-supported reforms would also be credit positive.

Downside scenario

The rating could be downgraded if external financing becomes uncertain, fiscal programme implementation falters, or revenues underperform due to weaker growth (including from internal security threats or disruptions to oil production and energy supply).

Key rating drivers

Economic structure & resilience

Ecuador's real GDP expanded by 3.7% in 2025, exceeding the growth expectations of 1.7% embedded in the rating downgrade and reversing the 1.9% contraction of 2024 that had been driven by severe drought, energy shortages, and security disruptions.

Non-oil exports were the principal structural driver. Shrimp surpassed crude oil as Ecuador's largest export category for the first time in history, posting revenues of approximately USD 8.4 billion in 2025, a 20.2% y-o-y increase. Cacao and bananas also recorded strong growth. Total non-oil exports rose 18.3% in 2025, while oil exports fell 19% in value terms, reflecting lower prices and production decline.

In Q1 2026, non-oil exports continued to expand, up 3.7% y-o-y, while oil exports declined by 7.4%. However, in Q1, oil exports picked up in March, growing 29.6%, following contractions of 30.5% in January and 17.9% in February, supported by higher global oil prices.

Going forward, the signing of a trade agreement with the United States (US) in March 2026 could support growth in non-oil exports over the medium term. Under the agreement, the US, Ecuador's largest trading partner, agreed to reduce or eliminate tariffs on many non-oil exports, including bananas, cacao, and other agricultural products. Meanwhile, production constraints may limit the extent to which Ecuador can capitalise on elevated oil prices.

Ecuador's 2026 growth outlook remains clouded by its hydroclimatic vulnerability. With 70–80% of electricity generated from hydropower and key export sectors concentrated in El Niño–Southern Oscillation (ENSO)-sensitive coastal regions, expected El Niño conditions in 2026 could disrupt economic activity through floods, infrastructure damage, and agricultural losses. Disruptions in oil production and transportation due to excessive rainfall, as witnessed in July 2025, may further weigh on Ecuador's expected benefits from higher oil prices.

Additionally, deteriorating relations with Colombia, including the suspension of electricity exports to Ecuador, remain a key monitorable.

Fiscal strength

Ecuador returned to international capital markets in January 2026, its first since 2019. The country raised USD 4 billion through new bonds maturing in 2034 and 2039, while repurchasing over 80% of 2030 bonds and nearly 30% of 2035 bonds. This is expected to reduce debt service obligations by USD 1.2 billion through 2028. Notably, the issuance was oversubscribed, and Ecuador's sovereign spreads narrowed significantly to below 500 bps from over 2,000 bps, reflecting improved investor confidence.

Separately, the removal of diesel subsidies in September 2025 is expected to generate annual fiscal savings of around USD 1.1 billion (0.8% of GDP) going forward.

The IMF completed its fifth review in April 2026, approving a USD 394 million disbursement and bringing total EFF disbursements to USD 3.7 billion, or over 70% of available funds.

However, Ecuador underperformed the EFF programme's fiscal targets. The overall non-financial public sector (NFPS) deficit widened to 2.9% of GDP in 2025, exceeding IMF's projections by 1.7pp due to lower oil revenues and temporary compensatory spending linked to the diesel subsidy reform.

Ecuador's debt repayment obligations remain elevated. The country heavily relies on the IMF and other external creditors to fulfil those needs (general government external debt accounted for 72.6% of GGG debt in 2025). A substantial portion of these funds are conditional on the EFF programme performance. Therefore, adherence to the programme targets remains a key watchpoint. Tightening global financial conditions due to the West Asia conflict could also weaken investor appetite and constrain Ecuador's external borrowing capacity.

External position & linkages

Ecuador's external position has improved materially, underpinned by the restoration of international market access and a significant buildup of reserve buffers. Gross international reserves reached a record USD 11.5 billion at end-April 2026 from USD 6.9 billion at end-2024.

The current account is expected to remain in a healthy surplus of around 5.2% of GDP in 2026, supported by higher oil prices and non-oil exports. However, the surplus is vulnerable to the severity of the emerging El Niño. Given the country's reform momentum, FDI inflows will r watching, as they have historically been constrained by the security challenge.

Monetary & financial stability

Ecuador's dollarisation framework limits monetary policy independence and tools for policy implementation. The reliance on the US dollar constrains the central bank's ability to respond to economic shocks, as it cannot inject liquidity during times of stress.

Inflation is expected to rise to 2.9% in 2026 from 0.7% in 2025. West Asia conflict-induced higher oil prices, combined with the removal of diesel subsidy, are expected to result in a higher pass-through of prices in the economy.

Although the non-performing loans ratio fell to 4.5% in 2025 from 4.8% in 2024, it is higher than the historical average. Financial soundness in the cooperative sector remains highly heterogeneous across institutions. However, conditions in the private banking sector have been on the mend, supported by capital ratios that are above regulatory requirements.

Institutions & quality of governance

Ecuador's institutional and governance quality continues to be challenging.

Political gridlock in the country, due to a lack of majority for President Noboa's party in the National Assembly, compounded by the ideological mismatch between the President and the National Assembly, persists. However, it has not materially disrupted reform implementation under the EFF programme, as most measures have been executed through executive actions rather than legislative approval.

Meanwhile, the internal security environment is still challenging. Ongoing states of emergency and elevated crime levels show the government's struggle to maintain public order. Despite military deployments, the designation of criminal organisations as terrorist groups, and joint operations with the US, underlying structural drivers are largely unaddressed.

Ecuador - Select indicators									
	Unit	2020	2021	2022	2023	2024	2025	2026 F	2027F
Economic indicators									
Nominal GDP	USD billion	96	107	116	121	124	130	138	144
GDP per capita (constant-PPP)	USD	12,454	13,560	14,274	14,438	14,053	14,467	14,716	14,967
Real GDP growth	%	-9.2	9.4	5.9	1.8	-1.9	3.7	2.5	2.5
GFCF/GDP	%	18.0	19.2	20.6	19.9	19.0	19.9	-	-
Gross domestic savings/GDP	%	20.2	21.6	22.4	20.8	21.8	-	-	-
Exports (G&S)/GDP	%	23.6	27.4	31.6	29.7	31.2	31.9	-	-
Working age (15-64) population (% share in total)	%	66.0	66.4	66.6	66.9	67.2	67.5	67.8	68.1
Old age (65+) population (% share in total)	%	7.6	7.7	7.9	8.1	8.3	8.6	8.9	9.1
Fiscal indicators – general government									
Fiscal balance/GDP	%	-7.4	-1.6	0	-3.5	-1.3	-2.9	-0.4	0.7
Revenue/GDP	%	32.8	35.9	38.9	36.1	37.1	35.5	37.3	36.3
Expenditure/GDP	%	40.2	37.5	38.9	39.6	38.3	38.4	37.8	35.6
GG gross debt/GDP	%	63.6	61.8	57.2	54.5	54.1	54.3	52.7	50.9
GG external debt (by creditor)/GG gross debt	%	72.9	71.8	73.9	73.2	74.0	72.6	73.6	74.2
Interest/Revenue	%	10.2	4.3	4.9	6.0	6.3	6.8	6.6	6.3
External indicators									
Current account balance/GDP	%	2.1	2.8	2.0	2.0	5.7	5.8	5.2	4.6
FDI, net inflows/GDP	%	1.2	0.6	0.8	0.4	0.4	1.0	-	-
Outstanding FII liabilities/GDP	%	19.0	16.8	15.6	13.6	11.9	11.3	-	-
NIIP/GDP	%	-28.2	-24.7	-23.3	-21.9	-15.6	-10.8	-	-
Foreign exchange reserves	USD billion	7.2	7.9	8.5	4.5	6.9	9.8	13.8	17.5
Import cover	Months	4.2	3.3	2.8	1.5	2.4	3.6	-	-
External debt/GDP	%	59.6	54.1	53.9	49.6	48.3	50.8	48.4	47.7
Monetary and financial indicators									
CPI inflation	%	-0.3	0.1	3.5	2.2	1.5	0.7	2.9	1.6
Non-performing loans/total gross loans	%	3.3	3.2	3.2	4.7	4.8	4.5	-	-
Private debt, loans and debt securities/GDP	%	53.3	53.0	55.1	56.6	58.7	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - forecast; PPP – purchasing power parity; GFCF – gross fixed capital formation; exports (G&S) – exports of goods and services; GG – general government; FDI – foreign direct investment; FII – foreign institutional investment; NIIP – net international investment position. Data refers to fiscal/calendar year and actual/estimate as reported by the source. Where general government data is unavailable, central government data is used. Latest available data for 2025

Solicitation status

The rating is unsolicited

Rating history

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency	CareEdge CCC+	May 29, 2026
Issuer Rating	Long-Term Foreign Currency	CareEdge CCC+	June 5, 2025
Issuer Rating	Long-Term Foreign Currency	CareEdge B-	October 3, 2024

Criteria applied

[CareEdge Sovereign Rating Methodology](#)

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