

Fitch modifica perspectiva de Ecuador a Estable, Confirma 'CCC+'

25 de septiembre de 2003

Fitch Ratings-New York-September 25, 2003: Fitch Ratings today revised the Rating Outlook on Ecuador's sovereign ratings to Stable from Positive, on signs of fiscal slippage that could increase pressures on the government's already fragile liquidity position. The long-term foreign currency rating was affirmed at 'CCC+', and the short-term foreign currency rating at 'C'. Fitch had placed the Ecuador ratings on Positive Outlook in April following the government's commitment to an aggressive list of reforms and performance criteria under a new IMF program. Since then, however, progress on reforms has been slow and fiscal targets have been missed. Authorities recently announced a reduction in the 2003 and 2004 non-financial public sector surplus targets to 1.5% of GDP for both years from 1.9% and 2.2%, respectively -below the agreed levels with the Fund. The change was attributed to a slowdown in the economy. Unbudgeted mid-year increases in payroll and social security expenditures clearly contributed to the revision. Economic growth, stable since the 1999-2000 financial crisis and default, is now decelerating, in part because of concerns about the political feasibility of further reform to maintain competitiveness in the context of full dollarization. Though there has been some fiscal slippage and little progress on reform, the government has run consistent fiscal surpluses on a cash basis, growth has remained positive, and debt ratios have improved. Also public debt -which Fitch expects to reach about 60% of GDP this year- has declined in relation to GDP primarily because of real exchange rate appreciation and economic growth. In spite of favorable indicators, the rating is currently constrained at 'CCC+' by Ecuador's weak external and fiscal liquidity, political risks, concerns about willingness based on past default, and the more recent generation of arrears to suppliers, employees, and official creditors. Fitch's external liquidity indicator for the Ecuador is 39%, lower than all other 'B' range credits, and considerably lower than the 136% median for 'B's. Tight liquidity caused the sovereign to incur arrears to official creditors last year and early this year. Should upcoming IMF disbursement be pushed back significantly, the likelihood of payment delays to official and bond creditors would increase. Contact: Morgan C. Harting +1-212-908-0820 or Theresa Paiz Fredel, +1-212-908-0534, New York. Media Relations: Matt Burkhard +1-212-908-0540, New York.