

Economist Intelligence Unit

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Ecuador Risk: Financial risk

Summary

Dollarisation has improved market confidence and banks are gradually re-establishing themselves as financial intermediaries following the systemic collapse of 1998-99 but credit will remain scarce for most businesses. Public confidence in the banking system has improved over the past two years and deposits have returned. But the credit market will continue to be characterised by wide spreads between lending and deposit rates. Having been overcrowded, the market is now dominated by four big banks and suffers from a lack of competition. Credit availability is stunted because private banks are in the process of recapitalising and must also maintain high liquidity levels. Most deposits are in instantly accessible current accounts, so a dip in confidence in the financial system could create a run on deposits.

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