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Table 1	2023
Population, million[a]	18.0
GDP, current US$ billion[a]	116.6
GDP per capita, current US$	6476.6
International poverty rate ($2.15)[b]	3.8
Lower middle-income poverty rate ($3.65)[b]	10.3
Upper middle-income poverty rate ($6.85)[b]	29.6
Gini index[b]	44.6
School enrollment, primary (% gross)[c]	97.5
Life expectancy at birth, years[c]	77.9
Total GHG emissions (mtCO2e)	100.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022).
b/ Most recent value (2023), 2017 PPPs.
c/ Most recent WDI value (2022).

Ecuador faces significant challenges centered around structurally low growth, low-quality employment, and strained fiscal accounts. The government passed reforms that helped improve the fiscal stance, it also secured international financial support. Medium-term priorities include maintaining fiscal consolidation, enhancing security, and addressing the energy crisis. Poverty reduction is expected to stall, in line with the slow economic activity. Unlocking sustainable growth requires boosting investment by removing barriers to private sector development.

Key conditions and challenges

Ecuador faces a challenging political landscape, natural disasters, and deteriorating security, which have hindered growth, limited poverty reduction, and strained fiscal conditions. The country remains cut off from international capital markets. The October 2023 snap elections resulted in a fragmented National Assembly and a minority government with an 18-month mandate.

Since taking office, the Government has worked to reduce fiscal imbalances, improving fiscal accounts in early 2024. In May, the IMF approved a 48-month EFF program for $4 billion, with an immediate $1 billion disbursement for budget support. This, along with additional multilateral financing, eased liquidity constraints and closed the financing gap.

Economic growth remains weak due to fiscal tightening, declining oil production, political uncertainty, and an energy crisis. The worst drought in 60 years has led to historically low reservoir levels, causing electricity generation deficits, nationwide blackouts, and power rationing in 2023 and 2024, highlighting the need for investment.

With declining oil output and global decarbonization trends, private investment and formal job creation are crucial for growth in sectors like mining and agriculture. Reducing barriers to private sector development by strengthening the insolvency framework, promoting competition, expanding trade, and improving labor regulations is vital. Despite high primary school enrollment, education quality remains low, especially for Indigenous and rural populations. Post-pandemic economic struggles have deepened healthcare inequalities, yet child undernutrition decreased from 20.1 percent in 2023 to 19.3 percent in 2024. Adapting to climate change is key for resilient growth and poverty reduction. The evolving political landscape, with general elections in February 2025, will influence the reform agenda.

Recent developments

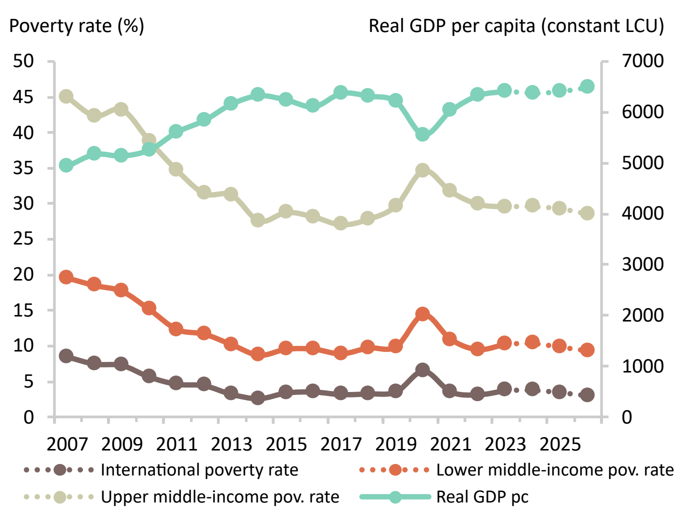
Real GDP grew by 1.2 percent y-o-y in 2024Q1, rebounding from a 0.7 percent contraction in the previous quarter. Growth was driven primarily by a decrease in imports (-3.3 percent) and an inventory buildup, which more than offset contractions in investment (-1.3 percent), private consumption (-1.1 percent), exports (-0.5 percent) and public consumption (-0.3 percent). Oil disruptions, the El Niño, political uncertainty, and insecurity negatively impacted private consumption and investment.

Labor market conditions slightly improved, with the unemployment rate dropping 0.7 percent y-o-y in June 2024 (3.1 percent), resulting in a 1 percent decline in poverty (national poverty line) and a virtual stagnation of the Gini at 45.6 in 2024. Job quality remains a structural problem, with informality increasing 0.7 percent y-o-y to 53.5 percent in 2024 (76.6 percent in rural areas). Structural gender gaps

FIGURE 1 Ecuador / Emerging Market Bond Index (EMBI)

Source: JP Morgan Chase.

FIGURE 2 Ecuador / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

remain, with women disproportionally represented among the unemployed (3.7 percent), partially employed, and those earning less than minimum wage.

The central government balance improved from a US$1.464 million deficit (1.2 percent of GDP) in 2023H1 to a US$85 million surplus (about 0.1 percent of GDP) in 2024H1. This was helped by revenue-raising reforms approved earlier this year, including an increase of the VAT rate from 12 to 15 percent; temporary taxes on large firms and banks; higher withholding requirements for companies' upfront payments; raised capital outflows tax; and a tax amnesty program, together with profit transfers from the Central Bank's gold sales. The consolidation was further supported by reduced capital spending and purchases of goods and services.

The current account balance posted a record-high surplus of US$1.5 billion in 2024Q1. Exports expanded 5.9 percent y-o-y while imports contracted 7.6 percent, generating a US$1.2 billion trade surplus. International reserves rose from US$ 4.5 billion (1.5 months of imports) in December 2023 to US$ 7.2 billion (2.4 months of imports) in July 2024.

Outlook

Growth is projected to decline to 0.3 percent in 2024 due to negative carryover, sharp fiscal tightening, and energy shortages. Additionally, oil output has fallen significantly due to pipeline damages caused by the regressive erosion of the Coca River and the unwinding of oil production in the Yasuni National Park following the 2023 referendum. A reduction in political uncertainty following February´s elections, along with improvements in security, energy, and fiscal conditions due to recently taken measures, is expected to support a gradual economic recovery since 2025.

Weak economic growth and structural labor market inequalities will continue to restrain household income growth potential, leading to a slow decline in poverty from 29.6 percent in 2023 to 28.5 percent in 2026, despite low inflation (US$6.85/day, 2017 PPP). Climatic shocks such as La Niña could disproportionally hit the poorest. However, inflation is projected to remain low despite emerging pressures generated by a higher VAT rate and lower fuel subsidies.

The NFPS fiscal deficit is projected to end in 2024 at around 2.1 percent of GDP and to narrow further in 2025 and 2026. Public debt is projected to peak at 57.5 percent of GDP in 2025, significantly below pandemic levels, before resuming its downward trajectory. The current account surplus is forecast to remain at 1.9 percent of GDP in 2024, narrowing to around 1.3 percent by 2026. Oil export growth is expected to weaken, while imports will recover modestly as economic activity increases. International reserves are projected to gradually increase supported by multilateral financing, and a modest resurgence in foreign investment.

Several risks could impact this outlook. Relaxing fiscal consolidation plans and pausing growth-enhancing reforms ahead of the 2025 elections could delay the return to international capital markets. Additionally, Ecuador's reliance on oil revenues makes it vulnerable to volatile oil prices and any faster-than-expected decline in production levels. A resurgence of insecurity, weaker-than-anticipated growth in the U.S. or China, and natural hazards such as stronger-than-expected La Niña events, add substantial risks.

TABLE 2 **Ecuador** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	9.8	6.2	2.4	0.3	1.6	2.2
Private consumption	11.3	7.4	1.4	0.2	2.0	2.5
Government consumption	0.0	1.8	3.7	-3.2	-4.3	-2.7
Gross fixed capital investment	13.2	8.5	0.5	0.6	2.7	5.0
Exports, goods and services	9.4	7.3	2.3	1.2	2.3	2.1
Imports, goods and services	21.5	10.5	-0.9	-0.9	0.9	2.3
Real GDP growth, at constant factor prices	9.5	6.0	1.6	0.3	1.6	2.2
Agriculture	9.0	2.3	5.1	3.7	3.7	3.7
Industry	12.5	4.9	-0.7	0.4	1.1	1.8
Services	8.2	7.1	2.2	-0.2	1.5	2.2
Inflation (consumer price index)	0.1	3.5	2.2	2.0	1.8	1.4
Current account balance (% of GDP)	2.9	1.8	1.9	1.9	1.6	1.3
Net foreign direct investment inflow (% of GDP)	0.6	0.8	0.3	0.3	0.9	1.5
Fiscal balance (% of GDP)	-1.6	0.0	-3.6	-2.1	-1.5	-0.4
Revenues (% of GDP)	35.8	38.7	36.7	38.8	38.0	38.3
Debt (% of GDP)	61.6	57.0	55.3	56.8	57.5	57.0
Primary balance (% of GDP)	-0.3	1.6	-1.4	0.4	1.2	2.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	3.6	3.2	3.8	3.8	3.5	3.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	10.9	9.5	10.3	10.4	9.8	9.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	31.7	29.9	29.6	29.6	29.2	28.5
GHG emissions growth (mtCO2e)	2.2	1.8	1.7	2.2	2.9	3.2
Energy related GHG emissions (% of total)	34.9	35.6	36.3	37.5	38.8	40.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on SEDLAC harmonization, using 2023-ENEMDU. Actual data: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.