Ecuador: Re-election Noboa likely to ensure orthodox policies and adherence to vital IMF programme | Credendo

Event

Incumbent President Daniel Noboa won re-election decisively, securing his first full four-year term in office. This election was a rerun of the 2023 election, in which he also defeated Luisa González of the far-left party “Revolución Ciudadana” (RC), led by former president Rafael Correa (2007–2017). Noboa is only the second president, besides Correa, to win re-election since Ecuador became a democracy in 1979.

Impact

Noboa faces a divided National Assembly, with his National Democratic Action party holding 66 seats and RC holding 67. Despite the opposition’s likely attempts to hamper his legislative agenda, Noboa’s party now has a chance to form a majority with 76 seats in Congress. This will potentially make it easier to advance his policy agenda compared to his first term, when he held only 10% of the seats.

The election result means that Ecuador avoids a shift back to the state-led economic model as seen under President Correa. Instead, Noboa is expected to maintain fiscal prudence (though the fiscal belt loosened in the run-up to the election), reinforce dollarisation, strengthen investor-friendly policies and adhere to the vital IMF programme (2024–2028) as the country is still shut off from financial markets. Addressing slow economic growth (1.7% forecasted in 2025 after a recession of -2% last year) will be a priority. Economic growth is hampered by long-lasting droughts – which are induced by climate change and affect agriculture and electricity production as three quarters of Ecuador’s electricity comes from hydropower – and rising insecurity. That being said, Noboa’s security programme is echoing El Salvador’s harsh crime crackdown and risks affecting Ecuador’s institutional quality, which is already relatively low. Looking forward, Ecuador faces important headwinds given the 10% blanket US tariffs (around a fifth of its goods exports go to the USA) and the world’s economic slowdown, which could hurt oil prices (oil accounts for about a quarter of its current account revenues).

The MLT political risk outlook is positive for this fully dollarised economy as macroeconomic fundamentals are improving amid current account surpluses and improving solvability ratios compared to its peak in 2020.

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