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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Despite being rich in natural resources, Madagascar is among the poorest countries in the world. Political instability, weak institutions, and poor governance have been impediments to the country's economic growth. Amid inflationary pressures associated with increased rice imports, elevated local fuel prices, and the impact of two cyclones causing supply disruptions, the country experienced an economic growth rate of 4% in 2023. In 2024, the minerals sector's development, driven by the new mining code, is anticipated to bolster growth. Public investment will bolster the construction sector through infrastructure projects, notably including the construction of a water pipeline in the south and a new motorway connecting Antananarivo and Toamasina by 2026. However, private consumption is forecasted to remain subdued in 2024. For the year as a whole, the IMF expects growth at 4.8%, followed by 4.7% in 2025.

In 2023, the budget deficit saw a slight reduction (to 5.5%, from 6% one year earlier - Coface), primarily due to higher revenues, including foreign aid and taxes, surpassing expenditures. However, increased losses incurred by the national water and electricity production and distribution company, Jirama, stemming from an accident at a hydroelectric power station in 2022, exerted pressure on the budget balance. To prevent arrears accumulation and ensure electricity supply, the government increased its transfers to Jirama. The implementation of an automatic mechanism for fuel price determination at the year's onset, coupled with reforms to Jirama, is expected to mitigate budgetary risks in 2024. Despite continued high capital spending on government infrastructure projects, revenue from the mining sector and ongoing structural reforms is projected to narrow the budget deficit. Public debt – at 54% of GDP in 2023 according to the IMF - will be maintained at a sustainable level, with the external portion constituting 40% of GDP, primarily held by multilateral institutions, and the domestic portion amounting to 15.3% of GDP, mainly held by state-owned enterprises. In 2022, inflation surged to 8.1%, propelled by increased energy and food costs. To alleviate its impact, the government implemented several measures, including capping the prices of essential goods such as rice, sugar, and cement. Additionally, government employee wages were raised by an average of 17%, and the value-added tax on fuel was reduced from 20% to 15%. Despite these efforts, inflation soared to 10.5% last year. However, it is anticipated to gradually ease over the forecast horizon, reaching 8.1% by 2025 (IMF).

The ILO estimates the unemployment rate in Madagascar in 2022 at 1.9% of the total active population, but Madagascar's living conditions remain among the lowest in the world. According to the World Bank, poverty concerns around 72.5% of the population, as the pandemic worsened the situation. Malagasy people have a low life expectancy due to poor living conditions, particularly in matters of sanitation and hygiene. In addition, the country remains extremely vulnerable to climate shocks, such as hurricanes, floods, locust infestations, and public health crises.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	15.15	15.76	16.77	18.33	19.76
GDP <i>(Constant Prices, Annual % Change)</i>	4.0	4.0	4.8	4.7	4.7
GDP per Capita <i>(USD)</i>	523	530	548	583	611

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
General Government Gross Debt <i>(in % of GDP)</i>	55.1	54.0	53.5	54.2	54.8
Inflation Rate <i>(%)</i>	n/a	10.5	8.8	8.1	7.4
Current Account <i>(billions USD)</i>	-0.82	-0.62	-0.80	-0.88	-0.96
Current Account <i>(in % of GDP)</i>	-5.4	-3.9	-4.8	-4.8	-4.9

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Madagascar is the leading exporter of vanilla in the world. Agriculture, including fishing and forestry, accounts for 21.9% of GDP and employs 70% of the population according to World Bank data (even though the majority of inhabitants practice subsistence farming). The main crop is rice, grown on almost half of the agricultural land. The main other agricultural products are: coffee, sugar cane, cloves, cocoa, cassava, beans, bananas, peanuts, and livestock products. The agricultural sector is limited by low productivity due to the minimal use of modern agricultural techniques, the lack of infrastructure, and great vulnerability to climatic fluctuations, but benefits from numerous ongoing investments aimed at meeting these challenges. Deforestation and erosion, compounded by excessive use of firewood, are of serious concern. The paddy rice harvest is expected to reach 5.8 million tonnes at the end of the 2023/2024 rice-growing season, according to data from the Ministry of Agriculture and Livestock. If this forecast materializes, it would represent a 10.53% increase compared to the stock produced a year earlier, confirming the positive momentum of the sector.

The industrial sector contributes 21.7% of GDP and employs 10% of the active population (World Bank). It is dominated by mining (precious stones including rubies, sapphires, emeralds, etc.), textiles, and agro-industry. Other business sectors include soap making, glassware, cement, automotive assembly, paper, and petroleum. The manufacturing sector is rather limited, accounting for only 9% of GDP. The development of the industrial sector is primarily hindered by the lack of infrastructure renovation and the absence of a stable and profitable energy supply for businesses. The Malagasy textile industry is currently under the influence of Mauritius, a historical operator in the clothing sector, which has relocated much of its production to Madagascar to cope with rising production costs in its own country.

The tertiary sector contributes to 47.1% of GDP and employs 20% of the active population. Trade performed well before the global economic slowdown (with growth of around 5% per year), as well as tourism, which is one of the main assets of the country and whose potential is still untapped. According to figures provided by the Ministry of Tourism, Madagascar has welcomed more than 157,000 tourists during the first nine months of 2023.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	73.9	10.4	15.7
Value Added <i>(in % of GDP)</i>	22.4	22.4	48.0
Value Added <i>(Annual % Change)</i>	0.9	7.4	-4.8

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Malagasy Ariary (MGA) - Average Annual Exchange Rate For 1 USD	3,176.54	3,116.11	3,334.75	3,618.30	3,787.75

Source: World Bank - Latest available data.

FOREIGN TRADE

Foreign trade accounts for 70% of Madagascar's GDP (World Bank), a country that collects a large share of its revenues in the form of customs duties, import taxes, and VAT on imports. The country is a member of the WTO and COMESA (Common Market for Eastern and Southern Africa) and does not have significant non-tariff barriers. In addition, most products can be imported without an import license. In 2022, the country mainly exported unwrought nickel (24.7%), vanilla cloves (15.1% - traditionally the leading export, Madagascar accounting for a large share of global production), whole fruit, cloves, and stems (7.8%), cobalt mattes and other intermediate products (6.2%), and textiles. Its main imports included petroleum oils (18.0%), rice (5.9%), palm oil and its fractions (2.9%), sulphur (2.8%), and fabrics (2.7% - data Comtrade).

In 2022, Madagascar's main customers were the United States (16.5%), France (15.7%), China (14.2%), Japan (12.0%), and the Netherlands (4.5%); whereas imports came chiefly from China (21.5%), Oman (11.0%), India (10.0%), South Africa (4.9%), and France (4.8% - data Comtrade). Despite its abundant resources, Madagascar still struggles to channel its trade revenues into further development. Like other island states, Madagascar faces high transportation costs. The lack of well-developed infrastructure makes commercial transactions expensive, hindering private sector competitiveness. However, the country aims to improve logistics at the main ports and airports to improve trade. While the European Union is by far the largest client of Malagasy products, exports to member states of the North American Free Trade Agreement have received a huge boost since 2017 following a decision by the United States to reinstate Madagascar in its trade preference program (Africa Growth and Opportunity Act).

The country's trade balance has been traditionally negative and despite a steady increase in exports, this trend is unlikely to be reversed over the medium-term as imports continue to outpace exports. In 2022, merchandise exports amounted to USD 3.6 billion, while imports reached USD 5.4 billion (WTO). According to data from the Central Bank, in the first nine months of 2023, exports declined by 15.7% y-o-y while imports increased by 15.3%, thus widening the country's trade deficit, mostly due to the drop in vanilla exports which almost halved.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	4,061	3,942	3,221	4,408	5,471
Exports of Goods (million USD)	3,110	2,696	2,026	2,726	3,609
Imports of Services (million USD)	1,328	1,228	870	1,091	0
Exports of Services (million USD)	1,372	1,469	641	633	0

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade (in % of GDP)	67.8	62.6	49.0	54.5	71.2
Trade Balance (million USD)	-458	-844	-900	-969	-970
Trade Balance (Including Service) (million USD)	-414	-603	-1,129	-1,407	-1,352
Imports of Goods and Services (Annual % Change)	11.1	4.6	-16.6	12.7	19.8

Foreign Trade Indicators	2018	2019	2020	2021	2022
Exports of Goods and Services <i>(Annual % Change)</i>	2.4	10.9	-36.6	55.0	27.5
Imports of Goods and Services <i>(in % of GDP)</i>	36.3	34.2	28.9	31.7	40.1
Exports of Goods and Services <i>(in % of GDP)</i>	31.5	28.4	20.1	22.8	31.1

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	34.7	16.9	8.7	7.0	6.8
Volume of imports of goods and services (Annual % change)	8.9	10.2	8.8	9.9	6.9

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Madagascar is a member of the [WTO](#), the [Common Market for Eastern and Southern Africa \(COMESA\)](#), and the [South African Development Community \(SADC\)](#)

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
United States	16.5%
France	15.7%
China	14.2%
Japan	12.0%
Netherlands	4.5%
See More Countries	37.1%

Main Suppliers <i>(% of Imports)</i>	2022
China	21.5%
Oman	11.0%
India	10.0%
South Africa	4.9%
France	4.8%
See More Countries	47.7%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Andry RAJOELINA (since 21 January 2019)

Prime Minister: Christian NTSAY (since 6 June 2018 and re-appointed 19 July 2019)

Next Election Dates

Presidential: November 2028

Senate: December 2025

National Assembly: May 2024

Main Political Parties

The main parties in Madagascar include:

- Young Malagasies Determined (TGV): social democracy, it is the main party in the Parliament and is headed by the current President, Andry Rajoelina
- Tiako I Madagasikara (TIM): centre-right
- Malagasy Aware (MTS)
- Malagasy Tia Tanindrazana (MATITA)
- Movement for Democracy in Madagascar (MDM)
- Rally for Democratic Socialism (RPSD)
- Group of Young Malagasy Patriots (GJMP).

Executive Power

The President of the Republic is elected by direct universal suffrage for a 5-year term, renewable twice. He appoints the Prime Minister. He can dissolve the National Assembly, which can for its part vote a motion of censure demanding the resignation of the Prime Minister and his government.

Legislative Power

Legislative power is shared between the government and the two chambers (Senate and National Assembly). The National Assembly is made up of 160 representatives elected by direct suffrage every five years. The Senate is made up of 90 senators, two-thirds of whom are elected by local legislators. The other third are appointed by the President, all for a six-year term.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of Madagascar, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).