

THE WAVERLEY SERIES

MADAGASCAR

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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MADAGASCAR — AT A GLANCE

Capital	Antananarivo
Population	≈ 32 million
Real GDP growth	3.2% (2025), down from 4.3% in 2024; projected to ease further to 3.0% in 2026 before recovering to 4.5% in 2027
Inflation	8.0% (2025); projected to rise toward 9.0% in 2026 before easing to 6.5% in 2027
Fiscal deficit	Projected to widen to 4.4% of GDP in 2026, driven by higher oil and fertiliser spending, before narrowing to 3.8% in 2027
Current account deficit	Projected to widen to 7.8% of GDP in 2026, reflecting weaker vanilla exports and higher imports, before easing to 6.0% in 2027
Currency	Malagasy ariary (MGA), on a sustained depreciating trend; central bank policy rate held at 12%
Key exports	Vanilla (prices sharply reduced from 2018 peaks), nickel and cobalt, garments, essential oils
Governing framework	Military-backed transitional government since October 2025, the 'Council of the Presidency for the Re-Foundation of the Republic,' with a stated 18–24 month transition toward elections planned for July 2027; African Union membership suspended

Madagascar remains in an active, unresolved political transition. In October 2025, an elite military unit sided with weeks of youth-led protests that began over chronic power and water shortages, leading to the removal of President Andry Rajoelina and the installation of a military-backed transitional government under Colonel Michael Randrianirina. That government has pledged an 18–24 month path to elections in July 2027, but the African Union's continued suspension of Madagascar's membership reflects the transition's still-contested legitimacy. Economically, the country's two traditional export pillars have both weakened substantially: vanilla prices have collapsed from their 2018 peak, and the flagship Ambatovy nickel mine remains well below capacity amid an ownership transition, even as World Bank-backed private-sector programmes continue delivering measurable results. Investors should treat Madagascar as a genuinely high-uncertainty market pending the credibility and outcome of the 2027 election process.

1. INVESTMENT & FDI

World Bank-catalysed private-sector development continues even as the country's flagship mining asset remains halted amid an ownership transition.

Since 2022, the World Bank has mobilised \$70 million in investment and facilitated the creation of 16,000 jobs across the tourism, agribusiness and digital sectors in nine regions of Madagascar, with 130 SMEs receiving direct support and 22,000 producers reporting improved productivity and market access, lifting smallholder incomes by 35%. Set against this genuine private-sector progress, Ambatovy, Madagascar's largest nickel and cobalt mine, has halted operations repeatedly and produced only 28,000 tonnes of nickel in the year to March

2025, well below capacity, amid a change of controlling ownership from Sumitomo to AMRI, a vehicle of Essenwood Partners and Zungu Investments.

- **Measurable World Bank-backed private-sector gains:** the \$70 million mobilised since 2022, alongside concrete outcomes including 130 supported SMEs and a 35% rise in smallholder incomes among assisted producers, represent genuine, quantifiable progress independent of the broader political transition.
- **Ambatovy's ownership transition and underperformance:** the mine's shift from Sumitomo to the Essenwood Partners and Zungu Investments-backed AMRI vehicle, combined with repeated operational halts and output well below capacity, represents the central uncertainty facing Madagascar's mining sector specifically.
- **New transitional-government priorities:** President Randrianirina has stated his administration's first priorities include an investigation into the water and power utility Jirama, support for rice farming, and finalising government appointments, signalling where near-term state attention and potential reform will be concentrated.

2. TRADE & BUSINESS

A collapsed vanilla price and a halting nickel recovery have cracked the two pillars that historically anchored Madagascar's export growth.

Vanilla prices, which peaked near \$600 per kilogram in 2018, have collapsed to reference levels of roughly \$15 to \$50 per kilogram depending on grade, with some distressed lots trading as low as \$10 to \$16 per kilogram; the 2026 crop is projected at 3,000 to 3,500 metric tonnes. Combined with Ambatovy's underperformance, described in Section 1, these two commodity-price and production shocks have directly widened Madagascar's current account deficit, projected to reach 7.8% of GDP in 2026, even as strong exports of garments, essential oils and food products have partly offset the decline.

- **A historic vanilla price collapse:** the fall from a 2018 peak near \$600 per kilogram to current reference prices as low as \$15 remains one of the most dramatic commodity-price reversals affecting any single sector across the markets this series covers, with direct and severe consequences for smallholder vanilla farmers specifically.
- **Partial diversification cushioning the blow:** continued strong performance in garments, essential oils and food product exports demonstrates that Madagascar's trade base retains genuine diversification beyond its two traditional pillars, even as that diversification has not been sufficient to prevent a widening current account deficit.
- **A depreciating currency compounding import costs:** the ariary's continued depreciation against the US dollar adds further pressure to an economy already managing elevated inflation and a widening external deficit.

3. MAJOR ECONOMIC DEVELOPMENTS

A military-led transition, now approaching its first anniversary, continues navigating economic headwinds including chronic power shortages, cyclone damage and commodity-price collapse.

On 12-14 October 2025, the elite CAPSAT military unit sided with weeks of youth-led protests that had begun in late September over chronic power and water outages, prompting President Andry Rajoelina to flee the country; Parliament impeached him by a 130-1 vote before the military formally announced it was taking power, suspending the constitution and dissolving most state institutions except the National Assembly.

Colonel Michael Randrianirina was inaugurated as interim president on 17 October, heading a body styled the Council of the Presidency for the Re-Foundation of the Republic, and has pledged an 18-24 month transition toward elections planned for July 2027. The African Union's Peace and Security Council suspended Madagascar's membership over the unconstitutional change of government, a suspension that remains in place.

- **A recent, still-unresolved political transition:** with the coup occurring less than a year before this briefing and elections not planned until July 2027, Madagascar's political trajectory remains genuinely uncertain, and investors should not assume the current transitional arrangement represents a settled governance structure.
- **Continued institutional and legal activity during the transition:** in May 2026, Madagascar's top court dismissed a lawmaker's attempt to oust the military ruler, indicating that formal judicial processes continue functioning, even amid the broader unconstitutional change of government the African Union has cited.
- **A notable accountability step:** in September 2026, Madagascar's former Senate chief was sentenced to hard labour over the deadly crackdown on the original Gen Z protests, a concrete judicial response to violence that occurred under the previous government.
- **Compounding natural disaster impact:** cyclones Gezani and Fytia in February 2026 caused significant damage, prompting a \$37 million World Bank emergency response reaching more than 52,000 households with cash assistance, while worsening chronic power-generation shortfalls through damage to dams and grids.
- **A stated BRICS membership ambition:** President Randrianirina has indicated Madagascar intends to pursue BRICS membership, a notable signal of the transitional government's broader international-alignment ambitions worth monitoring alongside its domestic reform agenda.

4. MAJOR PROJECTS & INFRASTRUCTURE

Chronic energy shortages, compounded by cyclone damage, remain the binding constraint on Madagascar's broader economic recovery.

- **Jirama utility under direct scrutiny:** the transitional government's explicit prioritisation of investigating the state water and power utility reflects how central its documented failures were to the shortages that originally triggered the 2025 protest movement.
- **Cyclone-damaged energy infrastructure:** damage to dams and grids from cyclones Gezani and Fytia has directly worsened pre-existing chronic power-generation capacity shortages, compounding an already significant infrastructure constraint.
- **World Bank-supported tourism infrastructure:** 124 kilometres of access roads have been rehabilitated and 10 tourism sites upgraded under the Bank's ongoing programme, with 20,000 workers trained as part of the broader private-sector development effort.
- **Post-cyclone reconstruction as a growth driver:** official economic projections identify post-cyclone reconstruction and increased infrastructure investment as key supports for the anticipated 2026-27 growth recovery.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant international investment conferences or forums involving Madagascar were identified for this period, consistent with the country's reduced international engagement profile during the ongoing African Union suspension and political transition.

6. BUSINESS & INVESTMENT EVENTS

No major business or investment events specific to this period were identified. Ongoing engagement has instead centred on multilateral programme delivery, particularly the World Bank's continued private-sector and post-cyclone recovery support described elsewhere in this briefing, rather than large-scale investment-promotion gatherings.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Madagascar's international standing remains complicated by its African Union suspension even as multilateral development engagement continues.

- **African Union suspension:** the Peace and Security Council's suspension of Madagascar's membership following the October 2025 unconstitutional change of government remains in place, formally limiting the country's participation in continental institutions pending restoration of constitutional order.
- **A distinct SADC posture:** the Southern African Development Community notably chose not to suspend Madagascar following the coup, reflecting a different regional calculus from the African Union's and a genuinely mixed international response to the transition.
- **Continued World Bank engagement:** the Bank's active \$70 million private-sector programme and \$37 million cyclone emergency response demonstrate that key multilateral development relationships have continued functioning throughout the political transition.
- **IMF relationship:** outstanding IMF purchases and loans stood at SDR 620.19 million as of March 2026, with the most recent Article IV consultation completed in February 2025, shortly before the coup; how the Fund's engagement evolves under the transitional government remains a relevant signal to monitor.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

World Bank-backed programmes have delivered concrete, measurable smallholder and SME gains even amid the broader political transition.

The 130 SMEs supported and 22,000 producers reporting improved productivity under the World Bank's ongoing programme represent genuine, quantifiable private-sector progress, translating into a 35% increase in smallholder incomes among assisted producers specifically. This progress unfolds against a persistent structural backdrop in which 95.2% of jobs in Madagascar remain informal, according to African Development Bank data, a characteristic of the labour market that predates and is independent of the current political transition.

- **Concrete smallholder income gains:** the documented 35% income increase among World Bank-assisted producers demonstrates that targeted, well-structured development programmes can deliver measurable results even in a challenging macro and political environment.
- **A deeply informal labour market:** with 95.2% of jobs informal, the formal SME and private sector Madagascar's investment promotion efforts target represents a genuinely small share of overall economic activity, a structural reality investors should factor into market-sizing assumptions.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Nickel-sector ownership transition, post-cyclone reconstruction and continued World Bank-backed tourism development define the most concrete near-term openings.

- **Ambatovy's new ownership structure:** the mine's transition to AMRI, backed by Essenwood Partners and Zungu Investments, could open new operational and investment dynamics once production stabilises, representing a genuine if currently underperforming mining-sector opportunity.
- **Post-cyclone reconstruction financing:** rebuilding cyclone-damaged roads, dams and grids represents a concrete, near-term infrastructure investment need directly tied to restoring both energy security and broader economic activity.
- **Continued World Bank private-sector programme scope:** ongoing tourism, agribusiness and digital-sector development across nine regions offers a structured, multilaterally-supported entry point for investors seeking a lower-risk initial engagement with the Malagasy market.

SUMMARY ASSESSMENT

Madagascar remains in an active, still-unresolved political transition following the October 2025 military-backed removal of President Rajoelina. Colonel Randrianirina's transitional government is now approaching the midpoint of its stated 18-24 month timeline toward July 2027 elections, and the African Union's continued suspension of Madagascar's membership signals the transition's contested legitimacy, even as the Southern African Development Community has taken a notably different posture.

The underlying economy continues functioning through this transition: the World Bank's private-sector development programme continues delivering concrete, measurable results, and genuine accountability steps, including the September 2026 sentencing of the former Senate chief over the deadly crackdown on the original protests, suggest at least some institutional functioning alongside the broader unconstitutional change of government. However, Madagascar's two traditional economic pillars have both weakened substantially — vanilla prices have collapsed from their 2018 peak, and the Ambatovy nickel mine remains well below capacity amid its ownership transition — while chronic power shortages, worsened by cyclone damage, continue constraining broader recovery.

For investors, the coming months offer concrete signals to watch: whether the transitional government adheres to its stated 18-24 month timeline toward the July 2027 elections, whether the African Union suspension is eventually lifted, and whether Ambatovy's new ownership can restore production toward capacity. Near-term opportunities remain concentrated in World Bank-backed SME, agribusiness and tourism programmes rather than broader, unconditional market entry pending greater political clarity.