

COUNTRY PROFILE:**THE REPUBLIC OF MADAGASCAR****DATED:****JULY 2011****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

<i>Export Department Comment/Opinion</i>	Rating 3C. Strictly case-by-case. Low value of exposure and commitments. This is not a claims free market Atradius: 7 / 6 Coface: C / C Euler Hermes: D Sanctions : None
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Recent Political Highlights

- Andry Nirina Rajoelina declared himself transitional head of the state of Madagascar in 2009 after the elected President Macr Ravalomanana resigned due to protests and a military coup. Rajoelina's position was challenged by an unsuccessful attempt of a military coup in November 2010.
- Madagascar is part of the Southern African Development Community (SADC) but acting President Andry Nirina Rajoelina has been reneging on agreements made between him and SADC for an inclusive parliament, consensual prime minister and for opposition parties to contest free and fair elections.
- Rajoelina has postponed elections that were scheduled for 13th of April 2011 and 1st July 2011. The constitutional referendum was held on the 18th November 2010.

Recent Economic Highlights

- The population of Madagascar is around 21 million growing by a rate of 3% with 29% urbanized; the fertility rate is 5 children per woman Literacy is put at 70% with 3% of GDP being spent on education.
- The country has a labor force of 10 million with 26% employed in agriculture, 17% in industries and 57% in services. 50% of the population lives below the poverty line while GDP per capita has been stagnant for the past three years at \$1000.
- The \$21bn economy had massive growth of 7% in 2008 before contracting 1% in 2009 followed by growth of 2% in 2010.
- Madagascar had the third highest commercial bank prime lending rate of 45% in 2009; inflation was 9% in 2009 and 8% in 2010.
- The external debt at year-end December 2009 amounted to \$2bn which grew to \$3bn at year-end December 2010. Foreign exchange reserves totaled to a \$1.1bn in 2009 and \$1bn in 2010. Madagascar's export revenue was \$1.3bn in 2009 and \$1.4bn in 2010 with imports at \$1.9bn and \$2bn respectively.
- An austerity policy saved the country \$250million in 2010, well in excess of the \$100m in budgetary assistance that the country receives. The finance minister said that no new taxes were created or existing ones increased; rather a reduction in administration and operation costs of government was achieved.
- Madagascar was ranked as the world's worst economy in the first half of 2011 according to Forbes.
- The World Bank approved a \$52 million loan to help conservation, community development and ecotourism activities. Since the military coup in 2009 it's been difficult for the island to raise funding.
- In 2010 medicinal plants exports amounted to 908 tons worth \$4m with estimates that the 2011 the figures will be slightly higher given that Q1'11 exports amounted to 273kg. There are 13,000 varieties with close to 70% exported to Europe and 30% to Asia and the United States.
- The tourism sector players have made an appeal to the state - the largest shareholder of AirMadagascar - to solve problems of getting the company back on its feet so that it can continue fulfilling its commitments to its principle partners namely the tourism operators. The operators are complaining of high costs in doing business due to the suspensions of the company's flights. Despite an expected 30% upturn in tourists arrivals compared to 2010, the sector may face record losses due to uncertainty over the resolution of the crisis facing the airline. The Association of Tour Operators (TOP) said that some travel agencies are refusing to sell tickets to the Madagascan destination.
- Cyclone Bingiza hit Madagascar on the 14th of February 2011 causing massive damage to the agricultural sector, negatively impacting food availability and causing price spikes. In March 2011 new supplies of rice imports caused prices to decline by 5% compared to February although local prices remain high. Maize prices decreased in March due to new supplies from the recent harvest. The European Commission (EC) allocated €200,000 as an emergency relief package to 40 000 people affected in the north eastern part of the country.

Latest Trade Developments

- Major exports: coffee, vanilla, shellfish, sugar, cotton cloth, chromite and petroleum products
- Major imports: capital goods, petroleum, consumer goods and food
- Main trading partners: France, US, Germany, China, Thailand and Bahrain.
- SA's exports to Madagascar totaled R 1bn in 2009; R 1.3bn in 2010 and R 823m in January to April 2011.
- SA's imports from Madagascar totaled R 160m in 2009; R 160m in 2010 and R 106m in January to April 2011.

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