



# Madagascar

## Madagascar: Scenario Comparisons

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Last updated 21 November 2025 using IFs v 8.34

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Chart 29: GDP per capita in the Current Path and scenarios, 2020-2043

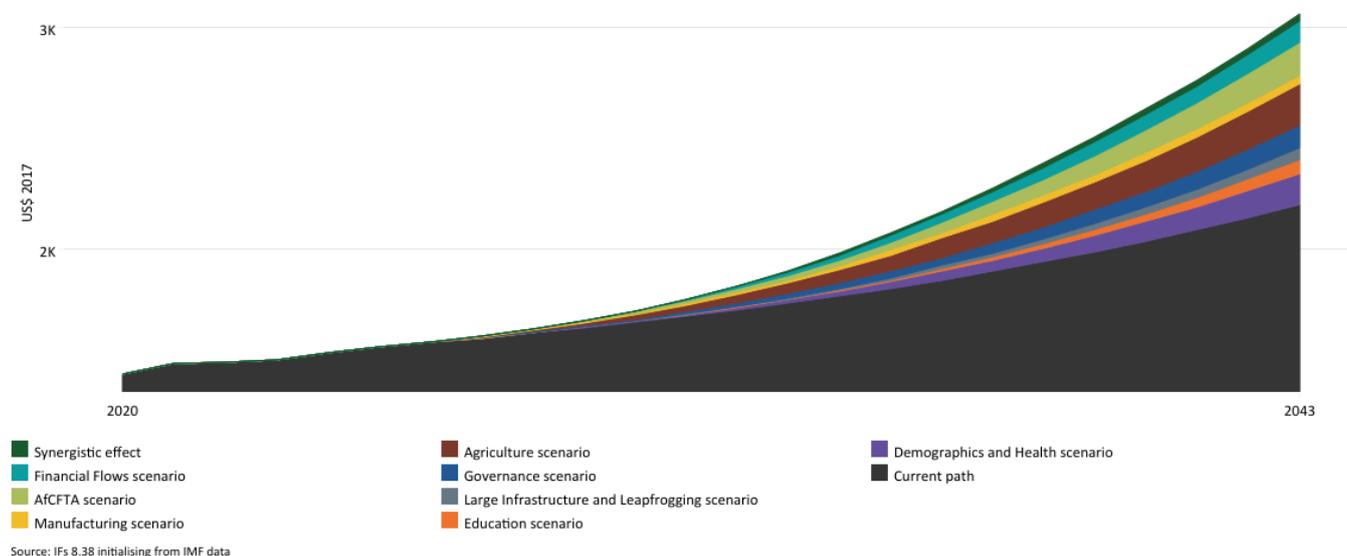


Chart 29 presents GDP per capita in purchasing power parity (PPP) in the Current Path and each of the eight sectoral scenarios. The data is from 2020 with a forecast to 2043.

In 2023, Madagascar had a GDP per capita (PPP) of USD\$1 499 which will increase by US\$701 to US\$2 200 on the Current Path in 2043. In the Combined scenario, GDP per capita will rise faster, reaching US\$3 056 in 2043, US\$856 more than in the Current Path and US\$1 557 higher compared to the 2023 baseline. In other words, in the Current Path, GDP per capita is set to increase by 46.8% over the forecast horizon versus 57% in the Combined scenario.

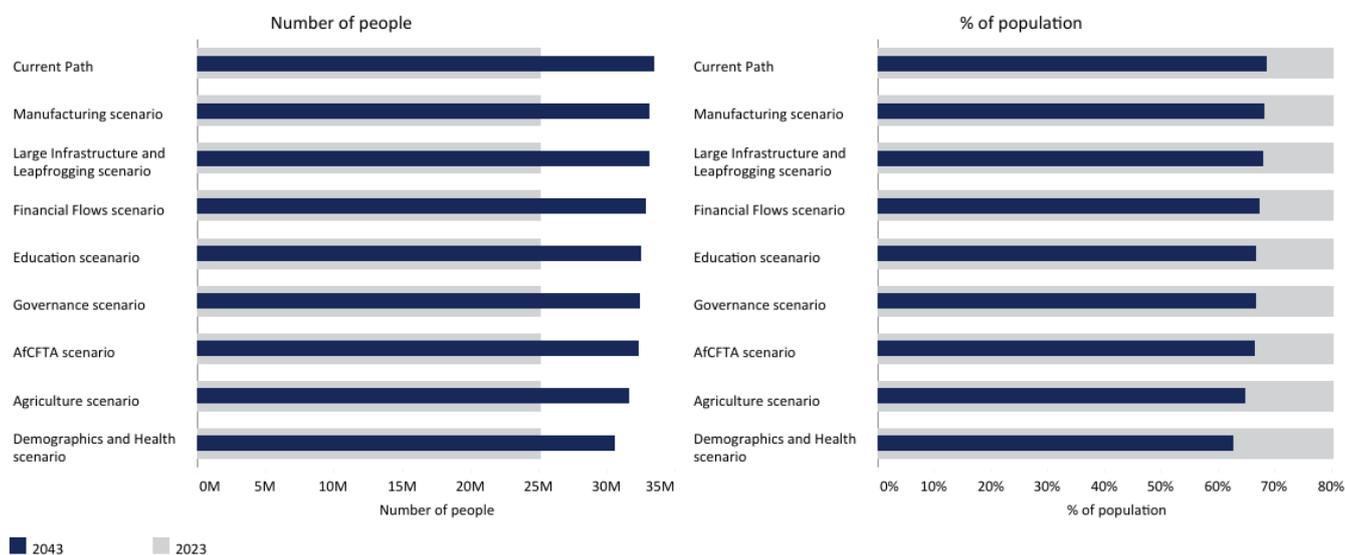
The impact on Madagascar's GDP per capita in the different scenarios ranges from adding between US\$888 and US\$701 over the forecast period. The Agriculture scenario increases GDP per capita the most, followed by the AfCFTA and the Demographics and Health scenarios. The Large Infrastructure and Leapfrogging scenario has the least significant impact on boosting GDP per capita in Madagascar. In the Agriculture scenario, GDP per capita will reach US\$2 387 by 2043. In the AfCFTA and the Demographics and Health scenarios, it will reach US\$2 350 and US\$2 350 by 2043, respectively. The remaining five scenarios, Governance, Financial Flows, Education, Manufacturing and Large Infrastructure and Leapfrogging, take Madagascar's GDP per capita to between US\$2 301 (Financial Flows) and US\$2 251 (Large Infrastructure and Leapfrogging).

The impact of the Agriculture scenario illustrates the importance of the sector for development in Madagascar. Agriculture is crucial to the economy, serving as a primary source of income and employment for many citizens, especially for rural populations. Its forward linkage with the manufacturing sector means that it also drives economic growth by supplying industries with raw materials, generating income, fostering trade and creating jobs in related industries such as food processing, transportation and retail. The impact of the AfCFTA scenario, on the other hand, shows the benefits of reducing import tariffs and non-tariff barriers to trade, as freer trade leads to local businesses having more access to the capital and intermediate goods they need to improve output.

Indeed, all the sectors represented by the individual scenarios have strong linkages among each other, and improvements in one will typically have positive side effects in another. Improved infrastructure and human capital development, for

example, are key for a productive manufacturing sector and are necessary conditions for a country to successfully diversify its economy. Better health outcomes directly improve productivity. Better governance through the more efficient use of public funds and greater stability cuts across all sectors. A coordinated policy push across sectors is thus optimal for achieving inclusive, sustained growth and development in Madagascar.

Chart 30: Poverty in the Current Path and scenarios, 2023-2043



Source: IFs 8.38 initialising from UNPD population prospects estimate, WDI and PovcalNet data

Chart 30 presents poverty in the Current Path and for each scenario, from 2020 to 2043. The user can select the number of extremely poor people or the percentage of the population.

In 2023, more than three-quarters of Madagascar’s population lived below the poverty line (80.5%). The [World Bank](#) expects a slight drop to 79.5% in 2025. Overall, the assessment is that the outlook for poverty reduction ‘remains bleak due to geopolitical risks that threaten international trade and foreign aid, further exacerbating already high poverty rates.’ On the Current Path, the poverty rate will drop to 68.8% by 2043. The Combined scenario significantly accelerates the expected progress, with the share of the population living in poverty dropping to 55.2% by 2043.

In the past, [poverty reduction efforts](#) in Madagascar have been severely hampered by a series of structural challenges, such as extremely low agricultural productivity, vast infrastructure gaps, weak human capital as well as frequent external shocks, including climate disasters. The country’s poor governance record, combined with frequent political crises compromising reform initiatives.

Among the sectoral scenarios, the Agriculture scenario is the most powerful in reducing poverty in Madagascar over the forecast horizon. Under this scenario, the share of people living in poverty drops to 65% by 2043. Access to improved farming techniques, irrigation, and essential inputs like seeds and fertilisers will boost productivity. Climate-smart practices, coupled with investments in climate-resilient infrastructure, such as solar-powered irrigation and storage systems, will mitigate the impacts of droughts and unpredictable weather. Improved rural road networks will enhance market access and foster agricultural commercialisation, lifting incomes in rural areas.

The second-best impact on poverty reduction happens in the AfCFTA scenario, in which the share of the population living in poverty will drop to 66.6% by 2043. The Demographics and Health scenario ranks third in terms of reducing poverty (66.8%). The interventions of the Governance, the Education, the Financial Flow, the Large Infrastructure and Leapfrogging as well as the Manufacturing scenarios reduce poverty to 66.8%.

The impact of the Governance scenario underlines the imperative to work towards better governance in Madagascar. Good governance is key to the efficient use of public funds. Public investment, which focuses on creating an enabling environment for international investment by improving infrastructure, increasing stability and expanding the pool of high-skilled human capital will be critical for economic growth.

Chart 31: GDP (MER) in the Current Path and Combined scenario, 2020-2043

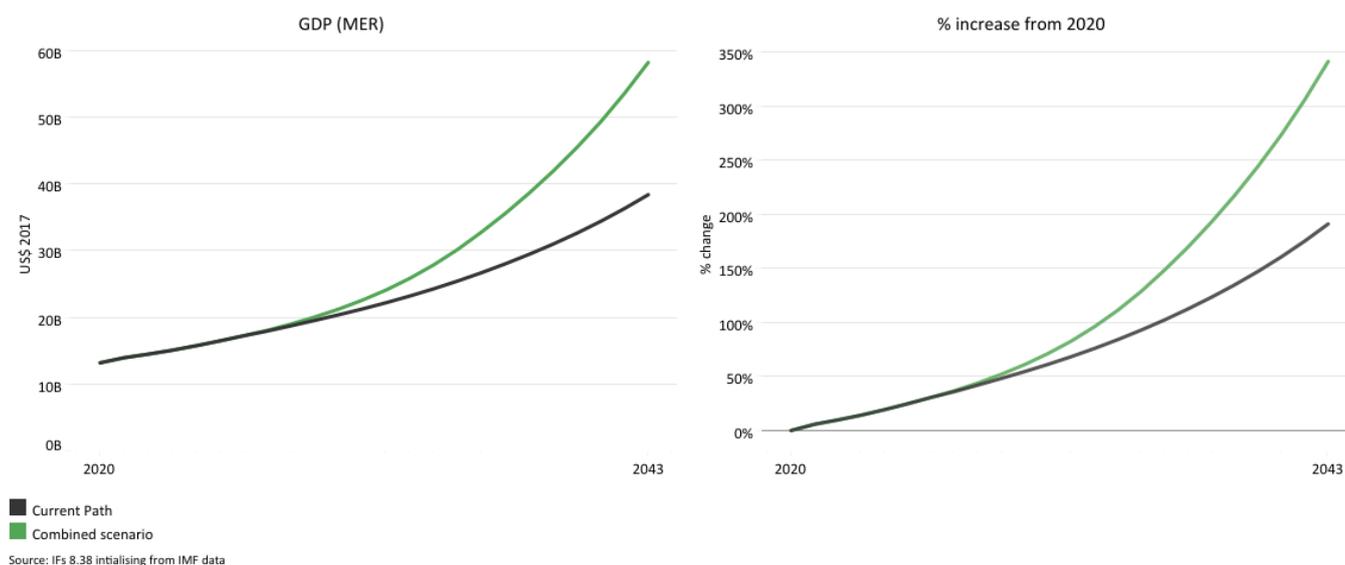


Chart 31 presents GDP in the Current Path and in the Combined scenario from 2020 to 2043. The data is in US\$ 2017 and at market exchange rates (MER).

The Combined scenario combines all eight sectoral scenarios: Governance, Demographics and Health, Education, Large Infrastructure and Leapfrogging, Agriculture, Manufacturing, AfCFTA and Financial Flows.

The Combined scenario, if fully implemented, will lead to higher growth in Madagascar. In this scenario, the economy will expand from US\$15.1 billion in 2023 to US\$58.2 billion in 2043, US\$19.8 billion more than on the Current Path. In other words, in the Combined scenario, Madagascar’s economy would be more than 50% larger than in the Current Path. In the latter, GDP will expand by 155%, while in the Combined scenario, the economy will grow by 288%.

Chart 32: GDP per capita (PPP) in the Current Path and Combined scenario, 2023-2043

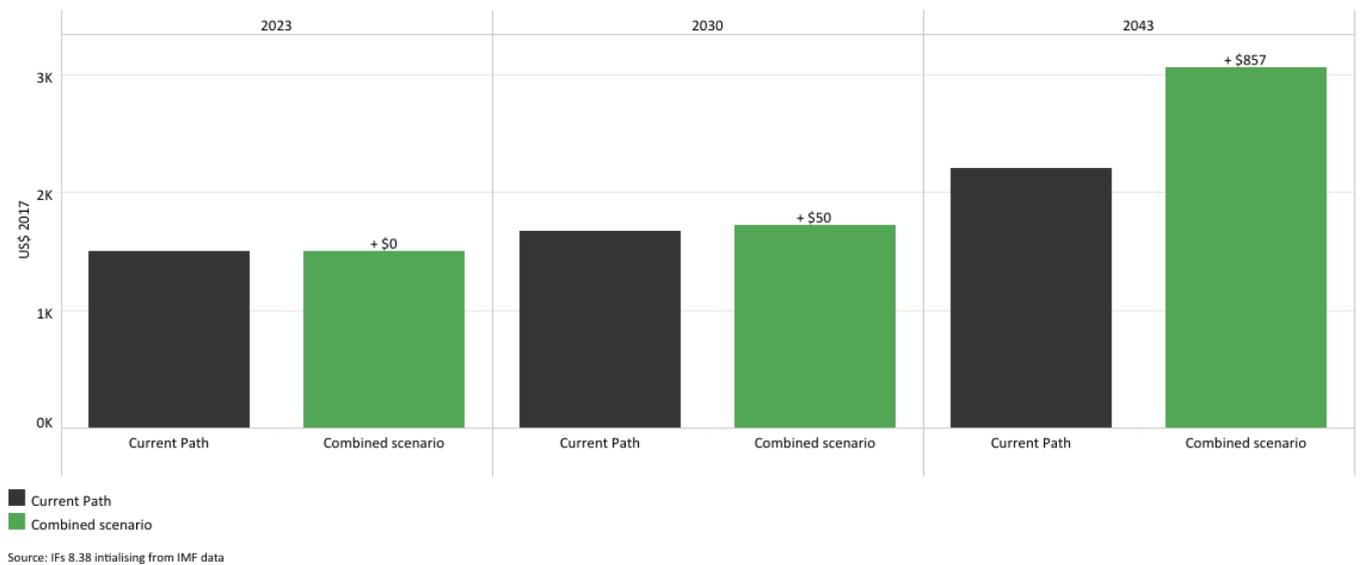


Chart 32 presents GDP per capita in purchasing power parity (PPP) in the Current Path and the Combined scenario. The data is from 2020 with a forecast to 2043.

The Combined scenario, if fully implemented, will lead to higher incomes in Madagascar. In this scenario, the GDP per capita will grow from US\$1 500 in 2023 to US\$3 006 in 2043, US\$860 more than on the Current Path. In other words, in the Combined scenario, Madagascar's GDP per capita would be twice as high as in the Current Path.

Chart 33: Value added by sector in the Current Path and Combined scenario, 2023-2043



Chart 33 presents the value added by sector in the Current Path and in the Combined scenario, for 2023 and 2043. The data is in US\$ 2017 and as a percentage of GDP.

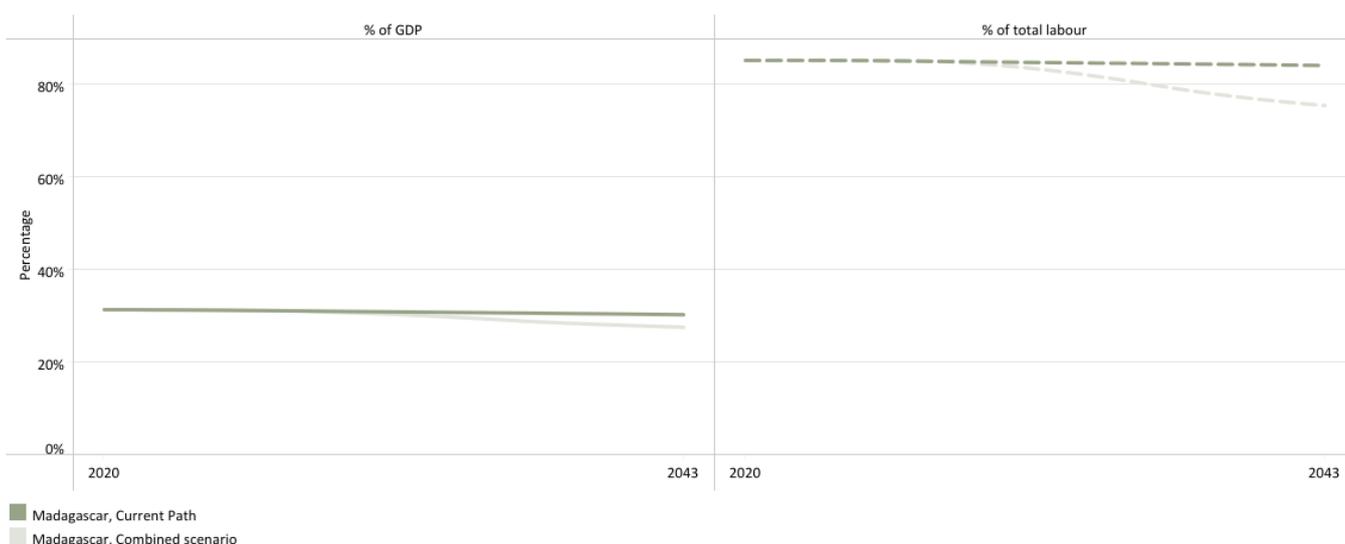
On the Current Path, the composition of Madagascar's economy is not expected to change significantly. In 2043, the

services sector will be even more dominant and account for 56.2% of GDP versus 51.3% in 2023. The share of the agricultural sector will drop from 22.1% in 2023 to 12.42% in 2043. The added value of manufacturing increases from 9.7% to 13.7% of GDP. Value added from ICT will increase in the Current Path, accounting for 4% in 2043.

In the Combined scenario, the added value from energy and ICT will increase to 3.1% and 6% of GDP, respectively. The relative contribution of materials stays the same. The contribution of the services sector will decrease by 1.2 percentage points, and that of agriculture and manufacturing by 0.6%. In 2043, in absolute terms, the size of the services and the agriculture sectors will be US\$32 billion and US\$6.8 billion, respectively, versus US\$21.6 billion and US\$4.8 billion in the Current Path.

The manufacturing sector will be worth US\$7.7 billion in the Combined scenario versus US\$5.3 billion in the Current Path. A larger manufacturing sector would generate significant benefits for the broader economy. It would create jobs and more stable income opportunities, particularly for low- and semi-skilled workers. Further, it would add value to raw materials rather than exporting them unprocessed. Manufacturing also stimulates linkages with agriculture and services, broadens the tax base and facilitates skills development and technology transfer. Over time, such diversification would make Madagascar's economy more resilient and less vulnerable to commodity price fluctuations.

Chart 34: Informal sector in the Current Path and Combined scenario, 2020-2043



Source: IFs 8.38 initialising from Elgin and Oztunali (2008), and Schneider and Enste (2012) data

Chart 34 presents the size of the informal sector in the Current Path and in the Combined scenario, from 2020 to 2043.

In 2023, the informal sector accounted for more than a third of Madagascar's economy (31.2%), which is just slightly below the average for low-income Africa. On the Current Path, Madagascar's informal sector will become relatively smaller, representing 30.2% of GDP in 2043. The Combined scenario will accelerate this shy trend towards greater formalisation of the economy. In this scenario, the informal sector will account for 27.4% of the country's GDP in 2043. The size of Madagascar's informal sector relative to its GDP will perform slightly better than the average African low-income economy, in which the informal economy will account for 28.2% of GDP in 2043 and be in line with the global average.

The scenario that has by far the greatest impact on reducing the informal economy as a share of GDP over the forecast horizon is the Manufacturing scenario (27.4% in 2043) due to its potential for job creation, closely followed by the Governance and the Education scenarios (29% and 29.3% respectively in 2043) because of the improvements in government capacity and investments in human capital.

In 2023, informal labour accounted for 85% of Madagascar's labour force. On the Current Path, this share will come down only slowly to 83.9% in 2043. In the Manufacturing scenario, informal labour as a share of total labour will drop to 78.2% by 2043, compared to 83.5% in the Governance scenario. Even in the Combined scenario, more than three-quarters (75.3%) of Madagascar's labour force will still work in the informal sector. This is significantly above the expected group average of 56.5% for Africa's low-income economies.

Chart 35: Poverty in the Current Path and Combined scenario, 2020-2043

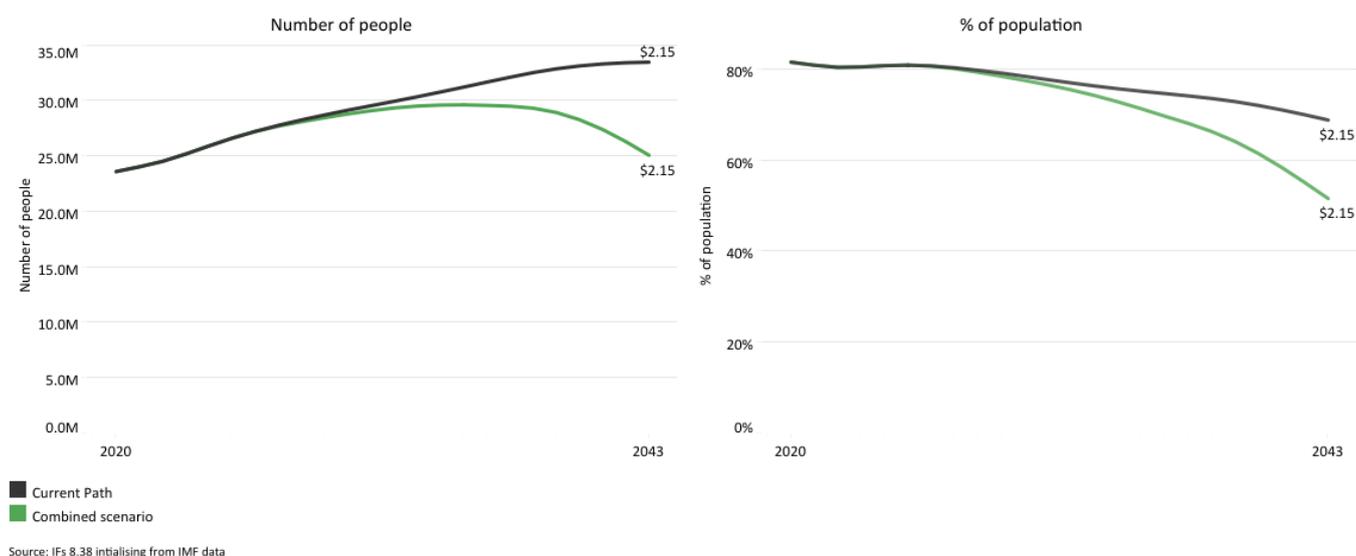


Chart 35 presents poverty in the Current Path and the Combined scenario, 2020 to 2043

In the Combined scenario, Madagascar's poverty rate will fall to 55.2% in 2043 compared to 68.8% in the Current Path, a difference of close to 14 percentage points. Looking at the 2023 poverty baseline of 80.5%, interventions in the Combined scenario will reduce poverty by 31% by 2043, versus 15% in the Current Path.

Income inequality in Madagascar is high. The country's domestic Gini coefficient stood at 0.42 in 2023, which places Madagascar just slightly above the continental average of 0.4. The most unequal countries in the group of African low-income economies are the Central African Republic and Mozambique, which in 2023 had Gini coefficients of 0.55 and 0.54, respectively. The most unequal countries on the continent are South Africa, Namibia and Botswana, followed by Equatorial Guinea with Gini coefficients ranging between 0.63 and 0.5 (in order of mention).

According to the [World Bank](#), inequality has slightly diminished due to the narrowing urban-rural wealth gap. However, this reduction is due to 'deteriorating welfare among urban income groups, bringing urban earnings closer to rural ones.'

On the Current Path, income inequality in Madagascar will remain at more or less the same level throughout the forecast horizon. Even in the Combined scenario, it is reduced only slightly with a Gini coefficient that drops to 0.4 in 2043. Inequality in Madagascar is very entrenched and stems from a combination of geographic, economic and social factors and structural challenges that are difficult to reverse.

Chart 36: Life expectancy in the Current Path and Combined scenario, 2020-2043

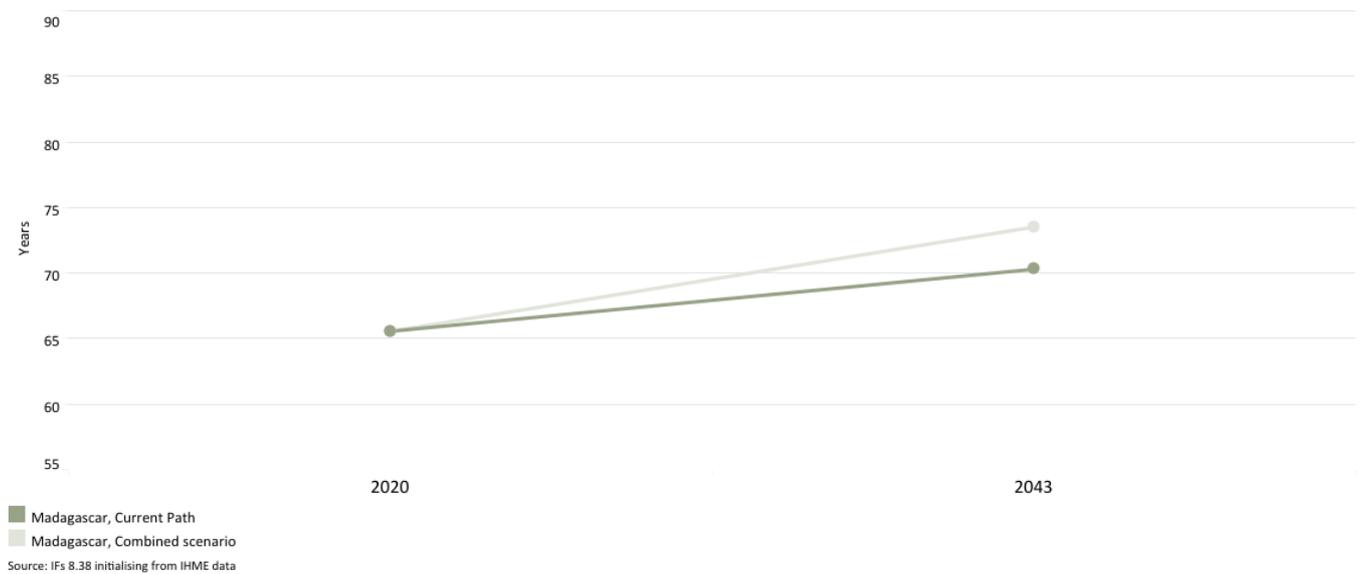


Chart 36 compares life expectancy in the Current Path with the Combined scenario from 2020 to 2043.

In 2023, the average person in Madagascar had a life expectancy of 66.2 years. On the Current Path, life expectancy will increase to 70.3 years by 2043. The interventions in the Combined scenario accelerate improvements in life expectancy so that Malagasy citizens on average can expect to live until 73.5 years; in other words, add more than three years to their life expectancy. The gender life expectancy gap of around 3 years will essentially remain unchanged. In the Combined scenario, women will reach 75 and men 72.1 years, versus 71.6 and 68.9 years, respectively, in the Current Path.

Chart 37: Carbon emissions in the Current Path and Combined scenario, 2020-2043

Million tons of carbon (note, not CO<sub>2</sub> equivalent)

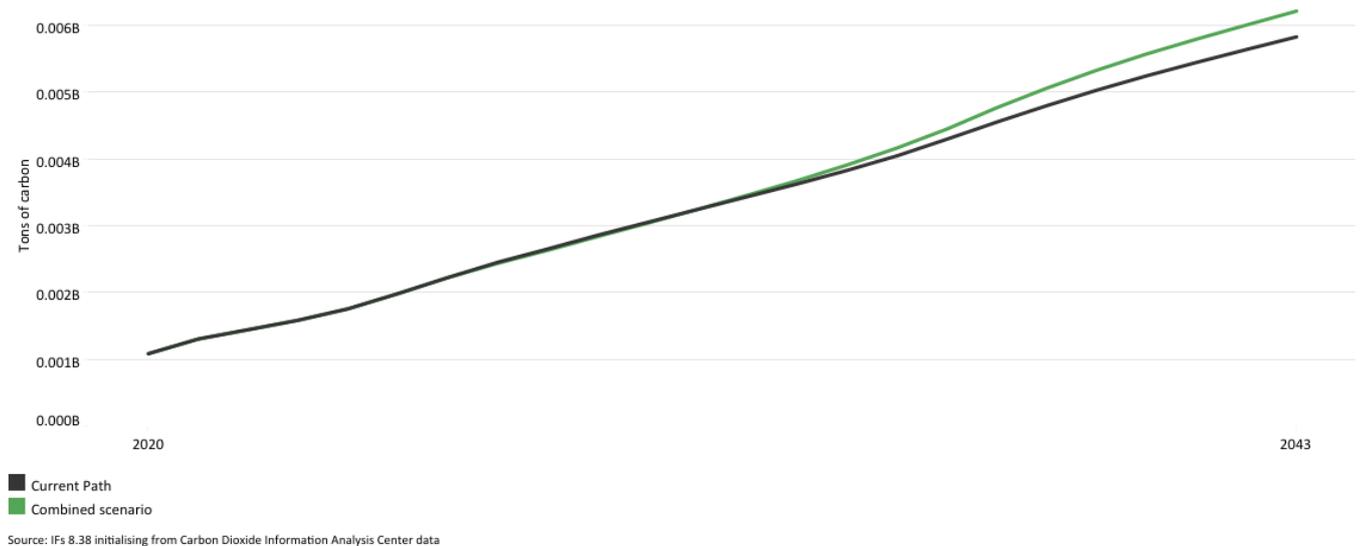


Chart 37 compares carbon emissions in the Current Path with the Combined scenario from 2020 to 2043. Note that the data is in million tons of carbon, not CO<sub>2</sub> equivalent.

Carbon emissions in 2023 stood at 1.6 million tons of carbon. On the Current Path, they will increase more than threefold to 5.3 million tons of carbon by 2043. In the Combined scenario, however, carbon emissions will grow more quickly and increase by 288% to reach 6.2 million tons of carbon in 2043, versus 231% in the Current Path.

The most carbon-intensive scenario is the Agriculture scenario with an expected emission level of 6.4 million tons of carbon in 2043, followed closely by the AfCFTA scenarios with a similar emission level (6.3 million tons of carbon). The least carbon-intensive scenarios are the Large Infrastructure and Leapfrogging and the Demographics and Health scenarios. This pattern reflects the drivers of growth in each scenario: agricultural expansion and stronger trade integration tend to increase emissions through deforestation, land-use change, transport and industrial activity, while infrastructure investment, technological leapfrogging and demographic improvements foster more efficient energy use and reduce reliance on biomass, resulting in comparatively lower emissions.

Chart 38: Energy demand and production by type in the Current Path and Combined scenario, 2020-2043

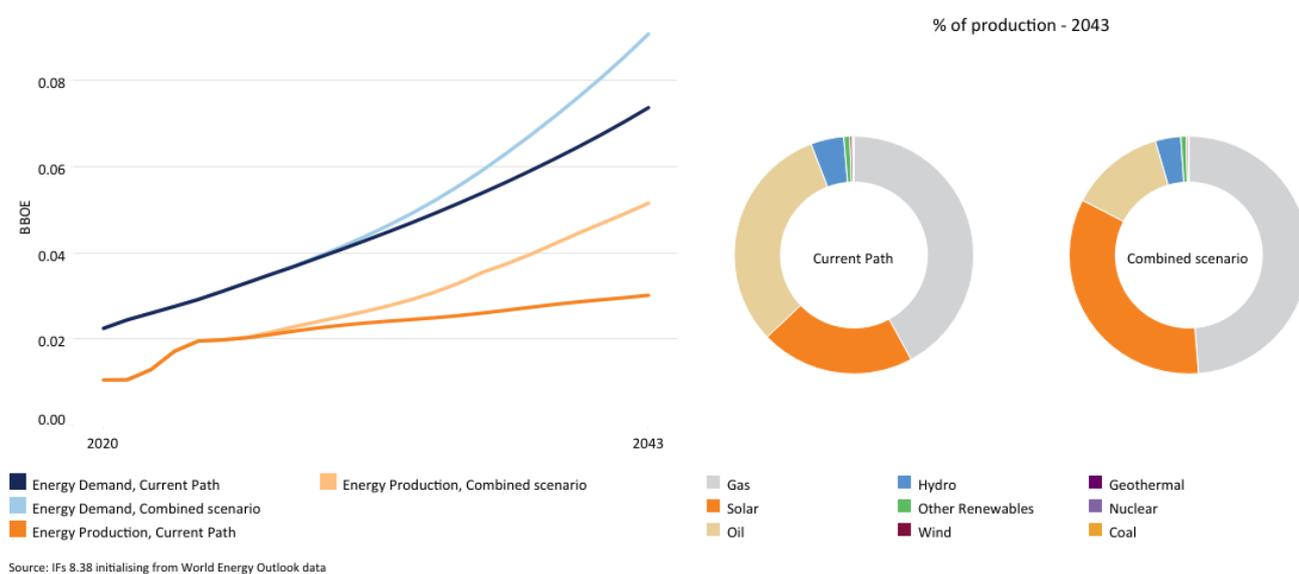


Chart 38 compares energy demand and production in the Current Path with the Combined scenario from 2020 to 2043. Production is done in nine types, namely oil, gas, coal, hydro, nuclear, solar, wind, geothermal and other renewables. The data is converted into billion barrels of oil equivalent (BBOE) to allow for comparisons. Note that energy production could be for domestic use or for export.

Total energy produced in Madagascar in 2023 stood at 17.2 million barrels of oil equivalent (BOE) compared with a total energy demand of 27.6 billion BOE, thus resulting in a production shortfall of 10.4 million BOE. On the Current Path, total energy demand will increase to 73.3 million BOE and production will rise to 30.1 billion BOE, multiplying the production deficit times four to 43.2 million BOE in 2043.

In the Combined scenario, total energy production will rise to 51.5 billion BOE. However, demand will increase to 97.7 billion BOE, resulting in a production shortfall of 39.3 million BOE, which is 3.9 million BOE less than in the Current Path.

Currently, Madagascar's energy production heavily relies on fossil fuels. In 2023, energy production from gas amounted to 7.78 million BOE, followed by energy production from oil at 7.6 million BOE. Energy production from hydro was 1.4 million BOE. Production from other sources is negligible. Madagascar has significant oil reserves in the form of sedimentary basins, both onshore and offshore. However, exploitation is hampered by infrastructure issues and the technical

challenges of processing heavy oil. Recently, the government has been trying to [revive upstream oil exploration](#), revising its petroleum legal framework and preparing new licensing rounds.

On the Current Path, by 2043, gas and oil will increase to 12.7 million and 9.4 million BOE, respectively. Production from hydro will drop to 1.3 million BOE, but production from solar will rise to 6.3 million BOE, coming close to the current level of energy production from oil or gas.

Madagascar has [outstanding potential](#) for renewable energy, especially hydropower, solar and wind, which, however, remains largely untapped. In the light of energy poverty and climate concerns, the government and partners are [investing in renewables](#). [Solar energy](#) is being used increasingly in off-grid rural areas via mini-grids or solar home systems to satisfy the rising energy needs in a more sustainable way. This reflects a new focus on environmental conservation fueled by concerns over deforestation linked to traditional fuel sources.

In the Combined scenario, solar is coming on strong, reaching a production level of 17.5 million BOE and coming close to energy production from gas at 25.1 million BOE. Energy production from oil will rank third, dropping to 6.6 million BOE, reflecting a change in Madagascar's energy mix. Hydro will increase from 1.4 BOE in 2023 to 1.8 BOE in 2043, versus 1.4 BOE in the Current Path. In the Combined scenario, by 2043, the share of renewable energy production will rise to 38.4% versus 26.5% in the Current Path.

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Du Toit McLachlan and Julia Bello-Schünemann (2025) Madagascar. Published online at [futures.issafrica.org](https://futures.issafrica.org). Retrieved from <https://futures.issafrica.org/geographic/countries/madagascar/> [Online Resource] Updated 21 November 2025.

## About the authors

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