

# The Textile and Garment Industry in Madagascar

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**EDBM**  
Economic Development Board of Madagascar



## WHY MADAGASCAR ?

## GLOBAL DEMAND

### A SUCCESSFUL STORY

- ▶ From 1989 to today, more than 100 global and local firms operate in the country with more than 100,000 employees
- ▶ From 2005, Madagascar was the fastest growing apparel exporter in Africa and the 3rd fastest in the world (after only China and Vietnam).
- ▶ Today, Madagascar is the 2nd largest apparel exporter in Sub-Saharan Africa

### MANY COMPETITIVE ADVANTAGES

- ▶ Very competitive labour costs, with wages for experienced assembly workers averaging \$60 per month
- ▶ A highly skilled workforce with a good reputation for manual dexterity and productivity
- ▶ A talent base of more than 200,000 workers with experience in the apparel industry
- ▶ Unrestricted duty-free access to US, EU and African markets, under the AGOA, EBA & SADC/COMESA trade agreements
- ▶ A well-developed local supply base, with world-class spinning and weaving operations, accessories and packaging suppliers, logistics providers, certification agencies, training institutes and so on
- ▶ Competitive infrastructure costs for real-estate, power, telecommunication, water...
- ▶ Close proximity to other apparel industry hubs in Mauritius and South Africa, facilitating access to additional expertise, inbound supplies and outbound logistics support
- ▶ A generous tax-regime for export processing companies, with 100% exemption from duties, VAT and corporate taxes

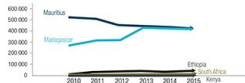


Imports apparel and garment from Madagascar (US \$ thousand)



- ▶ Constant growing of apparel imported from Madagascar
- ▶ Since 2010, over 45% per year growing of apparel exports to South Africa

Top 5 Sub-Saharan African exporters of apparel to EU, 2010-2015



- ▶ At the end of 2015, Madagascar became the #1 sub-saharan exporter of apparel to the EU

## BUSINESS ENVIRONMENT



**CAPITAL CITY**  
Antananarivo



**OFFICIAL LANGUAGES**  
Malagasy, French, English



**CURRENCY**  
Ariary (MGA)



**CALLING CODE**  
+261



**TIME ZONE**  
GMT +03:00



**POPULATION**  
24 millions



### CLIMATE

The climate is tropical along the coast, temperate inland, and arid in the south



**TOTAL AREA**  
587 041 km<sup>2</sup>



World's 87th freest economy of 178 countries



9th freest economy of 46 countries in the sub-Saharan Africa region



Among the top 10 innovation achievers in Africa. (Global Innovation Index, 2016)

### SIGNIFICANT MACROECONOMIC AGGREGATES

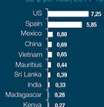
2015

GDP per capital	411.81 \$ US
GDP growth	3.01%
Inflation	7.4%
Merchandise trade (%GDP)	54.41%
Investment rate (% GDP)	16.6%
Public	4.5%
Private	12.1%

# COMPETITIVITY

# INVESTOR SUPPORT

Minimum wage  
US \$ per hour, 2014-15



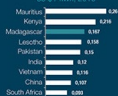
Source: [enq.undp.org](http://enq.undp.org)

Lease price of Industrial Site  
\$/ m<sup>2</sup> / year, 2016



Source: ITC TradeMap

Electricity Charge for Industrial Use  
US \$ / kWh, 2016



Source: [energyusecalculator.com](http://energyusecalculator.com)

Water Costs for Industrial Use  
US \$ / m<sup>3</sup>, 2016



Source: local water regulators

Average shipping cost for 40h  
container



to Rotterdam to New York

Source: [worldshippingrates.com](http://worldshippingrates.com)

## Government of Madagascar

- ▶ The Government of Madagascar has identified apparel and textiles as a priority growth sector and is prepared to provide support at the highest levels to accelerate investment

## Investments Law 2007-036 of 14th January 2008

- ▶ 100% ownership for foreigners
- ▶ Freedom of investment - no distinction of origin, no restrictions in sectors
- ▶ Freedom of transfer of profits, dividends, wages, savings
- ▶ Freedom of hiring and dismissals of foreign employees

## Law on Export Processing Zones (EPZ) 2007-037 of 14 January 2008

- ▶ Exporting at least 95% of production
- ▶ Income tax rate:
  - 0% for the first 15 years for the EPZ, then 10%
  - 0% for the first 5 years for transformation activities, then 10%
  - 0% for the first 2 years for services, then 10%
- ▶ Exemptions from custom tax and VAT on imports on all inputs (equipments, raw materials, construction materials...)

## Economic Development Board of Madagascar (EDBM)

- ▶ Acting as a One-Stop Shop for investors
- ▶ Assisting investors for setting up businesses, and issuing work permits, long-stay visas, resident card, agreements for export-oriented companies under EPZ regime and any other clearances
- ▶ Acting as a bridge between Public and Private Sector
- ▶ Doing Aftercare

