Malawi's economic freedom score is 51.4, making its economy the 153rd freest in the 2019 Index. Its overall score has decreased by 0.6 point, with big drops in scores for fiscal health, judicial effectiveness, and business freedom exceeding improvements in monetary freedom, labor freedom, and trade freedom. Malawi is ranked 32nd among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Historically, landlocked Malawi’s economic performance has been constrained by policy inconsistency, macroeconomic instability, limited connectivity to the region and the rest of the world, poor infrastructure, rampant corruption, high population growth, and poor health and education outcomes that limit labor productivity. The government has run large fiscal deficits in recent years, and the costs of debt service are rising. Pervasive corruption deters foreign investment. The judicial system is independent but also slow and inefficient.

### Background

Malawi achieved independence from the United Kingdom in 1964 and was ruled as a one-party state by Dr. Hastings Kamuzu Banda for 30 years. Arthur Peter Mutharika won the presidency in 2014 in elections of questionable legitimacy. His brother, former President Bingu wa Mutharika, died in office in 2012. In 2018, a leaked report from the country’s Anti-Corruption Bureau accused Mutharika of accepting a bribe, and the opposition called for his resignation. General elections are scheduled for May 2019. More than half of the population lives below the poverty line, dependent primarily on subsistence agriculture. Tobacco, tea, and sugar are important exports. A border dispute with Tanzania centers on Lake Malawi and its potentially large oil and gas reserves.
Protection of property rights remains poor. More than half of the arable land is untitled. The judicial system is independent but inefficient and weakened by poor recordkeeping; a shortage of judges, attorneys, and other trained personnel; heavy caseloads; and lack of resources. Red tape increases opportunities for bribery demands. Corruption is alleged to be rampant in the government and afflicts all sectors of the economy.

The top individual income and corporate tax rates are 30 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 14.8 percent of total domestic income. Over the past three years, government spending has amounted to 31.5 percent of the country’s output (GDP), and budget deficits have averaged 6.8 percent of GDP. Public debt is equivalent to 59.3 percent of GDP.

Progress on improving Malawi’s regulatory framework has been slow. The public sector is a large employer, but most of the population remains employed outside of the formal sector, primarily in agriculture. Inefficient state-owned enterprises continue to undercut the development of a dynamic private sector. The government has spent nearly $250 million on subsidies each year for the past decade, about half of it for agriculture.

The combined value of exports and imports is equal to 65.3 percent of GDP. The average applied tariff rate is 4.8 percent. The lack of transparency, often worsened by bureaucratic delays, is a considerable impediment to foreign trade and investment. The lack of access to finance continues to hinder private-sector development. About 35 percent of adult Malawians have access to an account with a formal banking institution.