Malawi's economic freedom score is 52.8, making its economy the 133rd freest in the 2023 Index. Its score has decreased 0.2 point from last year. Malawi is ranked 27th out of 47 countries in the Sub-Saharan Africa region, and its overall score is below the world and regional averages.

Economic expansion remains fragile in the absence of a dynamic private sector. Malawi lags in competitiveness and promotion of the broad-based economic activity that is needed to reduce poverty. The poor quality of physical and legal infrastructure, made worse by the government’s inefficiency, is a serious impediment to long-term economic development.

**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. Former President Bingu wa Mutharika’s brother, Arthur Peter Mutharika, won a questionable presidential election in 2014. The constitutional court overturned his reelection in 2019, citing significant irregularities, and Lazarus Chakwera won a rerun election in 2020. More than half of the population lives below the poverty line, dependent on subsistence agriculture. Tobacco, tea, and sugar are important exports. A long-running border dispute with Tanzania centers on Lake Malawi and its potentially large oil and gas reserves.
The overall rule of law is weak in Malawi. The country’s property rights score is below the world average; its judicial effectiveness score is above the world average; and its government integrity score is below the world average. The top individual and corporate tax rates are, respectively, 40 percent and 30 percent. The tax burden equals 18.3 percent of GDP. Three-year government spending and budget balance averages are, respectively, 22.2 percent and –7.2 percent of GDP. Public debt equals 63.9 percent of GDP.

The inefficient business framework is slowly being improved. Labor regulations are not generally enforced, and the labor market remains poorly developed. Most of the population remains employed outside of the formal sector, primarily in agriculture. The most recent available inflation rate is 9.3 percent. The trade-weighted average tariff rate is 9.7 percent. The lack of transparency, often made worse by bureaucratic delays, is a major impediment to foreign trade and investment. Poor access to finance continues to discourage more dynamic foreign investment inflows and private-sector development.