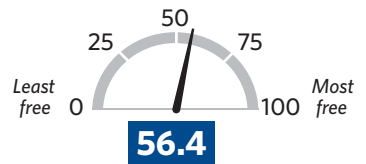


MALAWI

Economic Freedom Score



World Rank: **114** Regional Rank: **18**

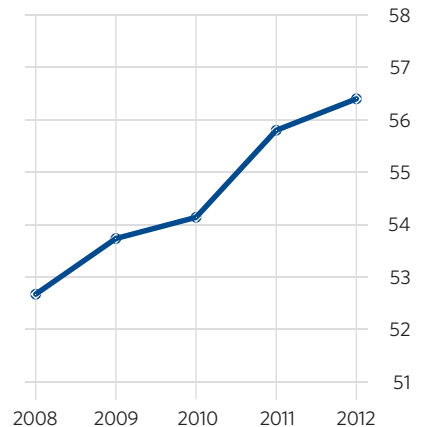
Malawi's economic freedom score is 56.4, making its economy the 114th freest in the 2012 *Index*. Its score has increased 0.6 point from last year, primarily reflecting modest improvements in the control of government spending and in freedom from corruption. Malawi is ranked 18th out of 46 countries in the Sub-Saharan Africa region, and its overall score is below the world average.

Relatively sound and consistent macroeconomic management has enabled Malawi to achieve annual economic growth of around 7 percent over the past five years. However, such economic expansion remains fragile in the absence of a dynamic private sector. A tradition of direct government involvement in economic activity continues to crowd out private-sector development.

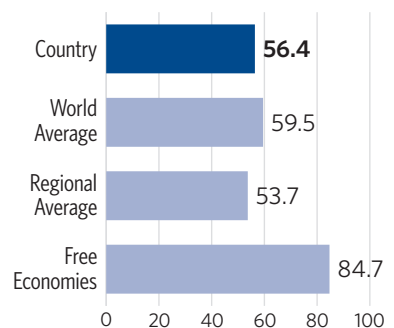
By and large, Malawi lags in competitiveness and promotion of the broad-based economic activity that is critical to the reduction of poverty. The poor quality of physical as well as legal infrastructure, exacerbated by the government's inefficiency in delivering public goods, has been a serious impediment to long-term economic development.

BACKGROUND: After achieving independence in 1964, Malawi became a one-party state that was ruled by Dr. Hastings Kamuzu Banda for 30 years. President Bingu wa Mutharika was elected in 2004 as the candidate of the ruling United Democratic Front. A year later, he threw the political system into chaos when he resigned from the UDF, accusing party leaders of impeding his anti-corruption efforts, and formed a new political party. Mutharika was re-elected in May 2009 by a large margin. Malawi is one of Africa's most densely populated countries. Over 85 percent of the population depends on subsistence agriculture, and the agricultural sector accounts for over 35 percent of GDP and over 80 percent of exports. Tobacco, tea, and sugar are Malawi's most important exports. The United Kingdom has suspended budgetary aid, which totals almost \$27 million (USD), because of alleged human rights abuses and poor economic management.

Freedom Trend



Country Comparisons



Quick Facts

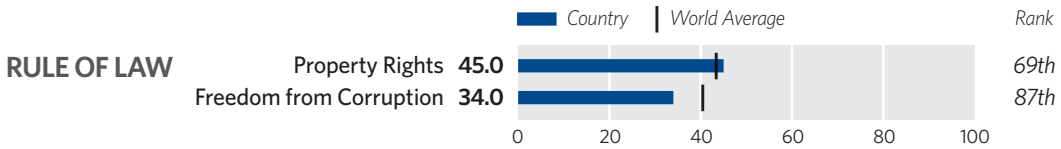
- Population:** 15.7 million
- GDP (PPP):** \$13.0 billion
- 6.6% growth in 2010
- 5-year compound annual growth 7.2%
- \$827 per capita
- Unemployment:** n/a
- Inflation (CPI):** 6.9%
- FDI Inflow:** \$140.0 million
- Public Debt:** 37.4% of GDP

How Do We Measure Economic Freedom?

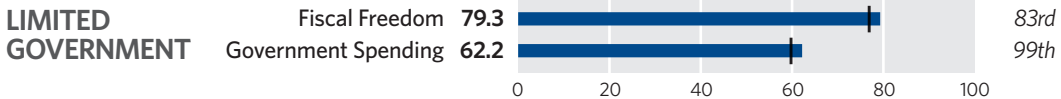
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

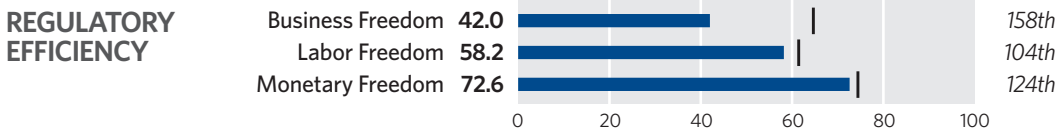
THE TEN ECONOMIC FREEDOMS



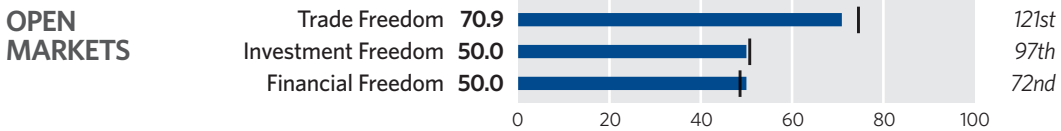
The inefficient legal framework does not protect property rights effectively or strongly maintain the rule of law. Court administration is weak, and due process can be very slow. There are reports of government intervention in some judicial cases and frequent allegations of bribery in civil and criminal cases. Corruption remains widespread, and there allegedly are serious problems in agencies handling customs, taxes, and procurement.



The top income and corporate tax rates are 30 percent. Other taxes include a value-added tax (VAT) and an inheritance tax, with the overall tax burden amounting to 16.5 percent of total domestic income. Government spending is equivalent to 35.5 percent of total domestic output. The budget balance has gradually been improving, with public debt below 50 percent of GDP in recent years.



Progress in improving the inefficient business framework has been slow. Although burdensome labor regulations are not generally enforced, the labor market remains poorly developed. Most of the population remains employed outside of the formal sector, primarily in agriculture. Inflation has been high, and the government continues to influence prices on a range of goods and services through state-owned enterprises.



The trade weighted average tariff rate is 7 percent, with non-tariff barriers further hampering dynamic growth in trade. Both foreign and domestic investors are subject to government restrictions and heavy bureaucracy. Capital transactions and foreign exchange accounts are also limited. The financial sector, dominated by banking, remains underdeveloped, and a full range of modern financing tools is not readily available.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	0	Business Freedom	-0.4	Trade Freedom	-0.1
Freedom from Corruption	+1.0	Government Spending	+5.5	Labor Freedom	-0.9	Investment Freedom	0
				Monetary Freedom	+1.0	Financial Freedom	0