

Services snapshot

Malawi



KEY SERVICES DATA¹, 2012

Services² share of industry value added 2010: **56%**
 Trade in services³ contribution to GDP: **8%**
 Services share of exports: **8%**
 Services export composition: **other commercial services (49%), travel (33%), transportation (18%)**
 Services import composition: **other commercial services (39%), travel (34%), transportation (27%)**
 Services exports: **US\$ 104 million**
 Services imports: **US\$ 205 million**
 Services trade deficit: **US\$ 101 million**

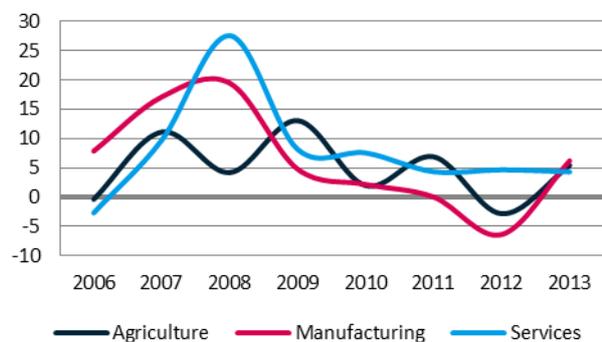
SERVICES AT A GLANCE

The mainstay of the economy is tobacco export earnings.⁴ Agriculture is the main employer, accounting for 80% of total employment.⁵ However, in value-added terms, the services sector is the main contributor to GDP at 56%, followed by agriculture at around 30%.⁶ In 2013, the two sectors recorded similar growth rates at about 5% pa whereas manufacturing is on a more rapid upward trend (see Figure 1).⁷

Services have contributed over 50% of industry value added since 2007.⁸ The trade in services contribution to GDP has been increasing: between 2011 and 2012 it went up from 5% to 8%. One third of services exports was composed of travel services in 2012, followed by communication services at 22%. Over the 6 years to 2012, the export composition has gradually shifted with transport services becoming less important and communication services more important.⁸

There was a net trade deficit of US\$ 101 million in the services account of the balance of payment (BoP) in 2012. **The trade deficit is largest in transport and travel services** (respectively US\$ 37 million and US\$ 36 million). Communication services sector, traditionally also in net trade deficit, has been recording instead net trade surpluses since 2011.⁸

Figure 1. Trends in value added growth rates



SERVICES SUBSECTORS

Financial services

The financial services sector is concentrated and, regardless of recent reforms undertaken, offers a limited range of services. Reportedly close to 80% of the population does not have access to banking services. In addition, bank service fees remain high.⁹ Mobile money services are not fully operational, though Zain, one of the telecom operators, has testing mobile banking on a pilot basis in cooperation with the National Bank and NBS Bank.¹⁰

In 2012, insurance and financial services accounted for 18% of services exports and 14% of services imports (see Figure 2). **Malawi is a net importer of financial services with a trade deficit of US\$ 11 million.**⁸

Communication services

In 2013, there were 32 mobile cellular subscriptions per 100 inhabitants.⁷ 4 operators provide telephony services. Mobile telephony operators are Zain Malawi, Telekom Network Malawi, Malawi Mobile Ltd and G Mobile. Even though mobile penetration has been rising, it remains one of the lowest in Africa.¹⁰

In 2013, the internet use rate was 5% and only 0.02% of the population had fixed broadband connections.⁷ Only 4.5% and 6% of households had, respectively, a computer and Internet access at home.¹¹ There are 12 operative Internet Services Providers,¹⁰ of which MALAWINET was the first established, in 1997.¹²

The traditional trade deficit in communication services has gradually been declining. A first ever trade surplus of US\$ 5 million was recorded in 2011 which more than tripled in 2012 reaching US\$ 16 million. In 2012, communication services accounted for 22% of services exports (see Figure 3).⁸

Figure 2. Financial services share in services trade

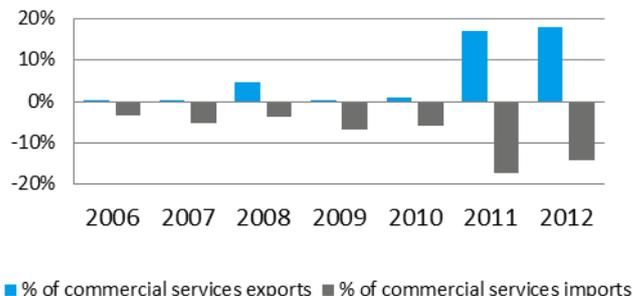


Figure 3. Communication services share in services trade

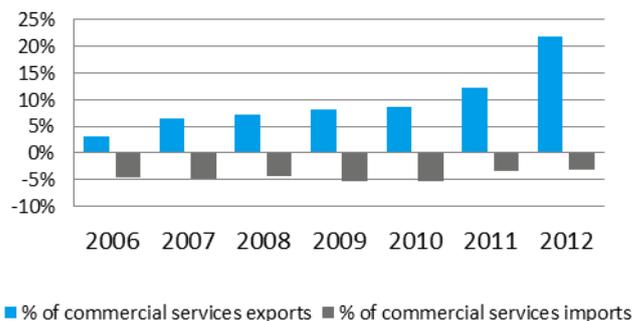
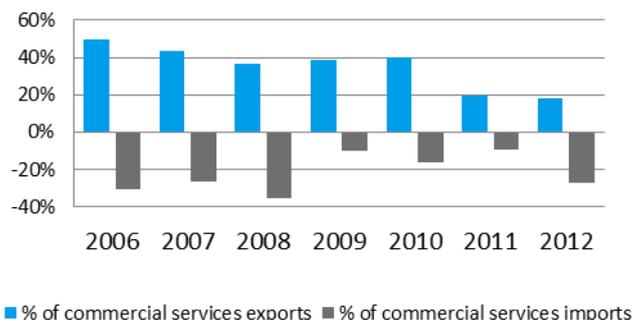


Figure 4. Transport services share in services trade



Transport services

Malawi National Transport Policy focuses on liberalization, deregulation, privatization and promotion of competition between various modes of transport. Road and rail transport services are the most used modes of merchandise transport.¹⁰ The road network in the country is considered to be in a satisfactory condition, with almost 45% of the roadways being paved.¹³

5 foreign airlines fly to Malawi. Cabotage is not allowed for foreign suppliers and Air Malawi is vested with the exclusive right to supply services regionally. The domestic air transport market is subject to competition.

Re water transport, Malawi Services Ltd is the largest operator on the country's largest lake, Lake Malawi. It operates domestically and internationally in contact with Tanzania and Mozambique with which Malawi shares access to the lake.¹⁰

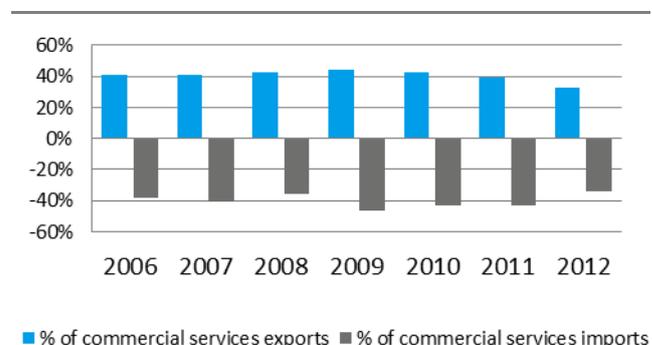
Trade in transport services are traditionally in net deficit with an exception for the triennium 2009 – 2011 when surpluses were recorded, averaging US\$ 8 million. The transport share of services exports has declined over the years reaching 18% in 2012 (see Figure 4).⁸

Tourism

In 2013, tourism made a direct contribution of 4.5% to Malawi's GDP and supported 4% (135,500 jobs) of total employment. The main source of tourism income came from the business segment, which is expected to grow, followed by leisure travel.¹⁴ In 2011 Malawi registered 767,000 international tourist arrivals. Since 2007 this indicator has been constantly over 700,000 visitors.⁷ However, the largest part of tourism income is generated by domestic travel spending: 75% compared to 25% for international tourism receipts¹⁵.¹⁴

Travel services accounted for roughly one third i.e. the largest component of both services exports and imports in 2012 generating a net trade deficit of US\$ 36 million (see Figure 5).⁸

Figure 5. Travel services share in services trade

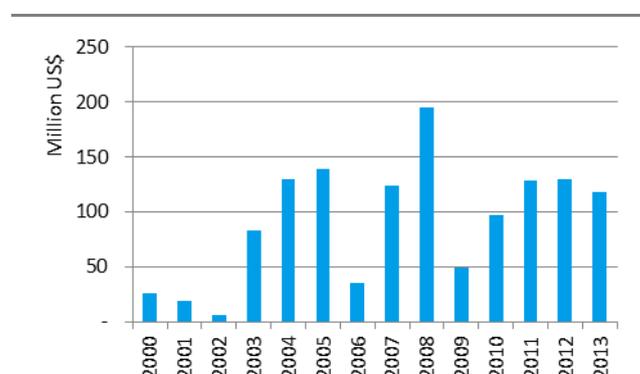


FOREIGN DIRECT INVESTMENT (FDI)

Malawi has been attracting a considerable amount of investment. However, it continues to underperform relative to neighbouring countries. In 2008, inward FDI was significantly above average with investments in a large uranium mine.^{16, 7}

In 2012 and 2013, foreign investment contributed more than 3% to GDP at more than US\$ 100 million (see Figure 6).⁷

Figure 6. FDI net inflows



The main investors are Brazil, accounting for more than a quarter of total inward flows with its single investor (Vale Logistic Ltd.), followed by India, South Africa, China, Australia and the United Kingdom. Brazil, South Africa, Australia, United Kingdom and United States investors are mainly attracted to natural resources and infrastructure development. Other principal investors (China, India) contributed less than a half of total FDI, mostly in urban areas businesses.¹⁸

Malawi ranks 164th of 189 economies in the 2014 World Bank Ease of Doing Business index.¹⁷

FOOTNOTES / SOURCES

1. Key data derived from: UN statistics division – National Accounts Official Country Data, WTO Trade Profile, ITC Trade Map.
2. The services percentage of industry value added includes construction and utilities.
3. All trade data is for commercial services. Data for all figures derived from Trade Map (ITC, UNCTAD, WTO joint dataset).
4. UN Comtrade and UN ServiceTrade.
5. OECD, UNDP, UNECA, and AFDB, 2012.
6. UN statistics division – National Accounts Official Country Data.
7. World Bank - World Development Indicators.
8. ITC Trade Map.
9. African Development Bank - African Economic Outlook, Malawi (2014).
10. WTO Secretariat, Trade Policy Review (TPR), Malawi (2010).
11. ITU, Country Profile, Malawi (2013).
12. MALAWINET – About us. Available online at: <http://www.malawi.net/aboutus.html>
13. CIA Factbook, Malawi (2011).
14. World Travel and Tourism Council. Travel and Tourism, Economic Impact, Malawi (2014).
15. International tourism receipts are expenditures by international inbound visitors, including payments to national carriers for international transport. These receipts include any other prepayment made for goods or services received in the destination country. They also may include receipts from same-day visitors, except when these are important enough to justify separate classification. For some countries they do not include receipts for passenger transport items (World Bank – World Development Indicators).
16. KPMG Africa Region 2012/2013, Country profile, Malawi (2014).
17. World Bank Group – Doing Business Index, June 2014.
18. International Institute for Sustainable Development (IISD), TKN Policy Brief, Assessing Investment Incentives in Malawi (2012).



For additional information

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