

Malawi ranks 129th on the Global Competitiveness Index (GCI)

Malawi ranked 129 out of 140 countries according to the Global Competitiveness report released by the World Economic Forum released on 17th October 2018. This means that Malawi is the 11th least competitive country in the world.

Table 1: Top and Bottom Ten Global GCI ranking

Top Ten

Bottom Ten

Global ranking

Name of Country

Global ranking

Name of Country

1

United States of America

140

Chad

2

Singapore

139

Yemen

3

Germany

138

Haiti

4

Switzerland

137

Angola

5

Japan

136

Burundi

6

Netherlands

135

Congo Democratic Rep.

7

Hong Kong SAR

134

Sierra Leone

8

United Kingdom

133

Mozambique

9

Sweden

134

Liberia

10

Denmark

135

Mauritius

Source: The 2018-19 Global Competitiveness Report

Malawi's Overall Performance

The country's economy ranked 129 from 132 recorded in the previous 2017/18 Global competitiveness with health scoring the lowest at (131/140) followed by Infrastructure (129/140), ICT adoption and Macro-economic stability at (128/140).

Malawi has experienced a 1.8 growth in competitiveness which is shown in the figure below which depicts the trend of the economy’s competitiveness over a period of six years. The country’s competitiveness has fluctuated around the ten bottom countries included in the GCI owing to Malawi’s struggle in improving major economic indicators that contribute to the competitiveness of a country. As shown in the figure, Malawi’s score adopted a declining trend from 2012 to 2016 where it remained stagnant until 2018 where it has grown from 3.1 to 4.9 and this is a positive indicator on the performance of the economy.

Table 2: Malawi’s Yearly Rank on the GCI

Year

2012/13

2013/14

2014/15

2015/16

2016/17 □ □ □ □ □

2017/18

2018/19

Rank

129/144

136/148

132/144

135/140

134/138

132/137

129/140

Score

3.4

3.3

3.2

3.2

3.1

3.1

4.9

Source: 2018-19 Global Competitive Report

Malawi's Performance by Pillar

The report covers 12 essential pillars which are Institutions, Infrastructure, ICT adoption, Macroeconomic stability, Product market, Labour market, Financial system, Market size, Health, Skills, Business dynamism and Innovation capability. For Malawi, the table below shows how each of the pillars have performed over the past 4 years.

Table 3: Performance of Pillars

Competitiveness Pillars

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2018-19 (Out of 140 Countries)

2017-18 (Out of 137 Countries)

2016-17 (Out of 138 Countries)

2015-16 (out of 140 countries)

2014-15 (out of 144 countries)

Overall Ranking

129

132

134

135

132

Institutions

103

96

94

92

77

Infrastructure

129

131

135

133

135

ICT Adopted

128

125

122

121

108

Macroeconomic Environment

128

136

137

140

144

Health

131

115

120

121

123

Skills

127

128

131

133

132

Product market

116

121

119

117

108

Labour market

76

45

38

29

28

Financial system

123

102

115

100

79

Market size

127

122

125

127

123

Business dynamics

127

125

122

121

108

Innovation

112

124

120

121

115

Source: The 2014-15 to 2018-19 Global Competitiveness Reports

Ranking at 131, the country's health sector plays a huge role in contributing to the lack of competitiveness of the economy. Malawi lacks health facilities furnished with basic equipment for treatment of patients. Most health facilities also lack availability of medicine and are short staffed which presents difficult if treating diseases.

For a country to perform well in production, it requires a readily available labor force that is efficient and produces quality products. Although the report ranks the county's labor force as the best out of the twelve pillars, health plays a major role in the quality of labor force because productivity is affected by the quality of the labor force.

Malawi has been going under the process of transforming its economy into an Industrial economy through value adding to agricultural products. This transformation will require a lot of foreign and domestic investments into factories which is an area that is labor intensive. The fact that Malawi's health sector scored the lowest is a bad indicator for most investors into the manufacturing industry because it signals a labor force that is of bad quality which is a threat to

productivity.

Regional Performance; Sub-Saharan Africa

In this region, Mauritius is the top performing sub-Saharan country at number 49 followed by South Africa at number 67 followed by Seychelles at number 74. At the bottom, the least competitive country is Chad at number 40 followed by Angola at number 137 then Burundi at number 136.

Mauritius has maintained the number 1 position since the 2017-18 report even though its global ranking has fallen from 45 to 49. This indicates that on a regional level, the economy is doing well in improving their business environment. Their product market takes the top rank at 19 which is attributed with increasing competitiveness in services, low prevalence of non-tariff barriers, low trade tariffs and service trade openness. Financial system ranked 25 owing to availability of venture capital availability, low domestic credit to private sector, availability of SME financing, low occurrence of non-performing loans and good bank's regulatory capital ratio which are crucial factors that enable the growth of private sector.

Although Malawi is in the bottom ten countries, it is important to note its significant 3 step move upwards from the 2017-18 report. For the Malawian economy to be more competitive, there is need to take notes from Mauritius and improve our product market by minimizing non-tariff barriers, reforming trade tariffs and removing distortive effects of taxes and subsidies. The financial system can also be improved as it is currently faced with very high Domestic credit to private sector, lack of venture capital availability and SME financing and persistent occurrence of Non-performing loans.

Table: 4 Top and Bottom sub-Saharan GCI Rank

Top Ten

Bottom Ten

Global ranking

Name of Country

Global ranking

Name of Country

49

Mauritius

140

Chad

67

South Africa

137

Angola

74

Seychelles

136

Burundi

90

Botswana

135

Congo Democratic Rep

93

Kenya

134

Sierra Leone

100

Namibia

133

Mozambique

106

Ghana

132

Liberia

108

Rwanda

131

Mauritania

111

Cape Verde

130

Lesotho

113

Senegal

129

Malawi

Source: 2018-19 Global Competitive Report

With the top performing countries in the region, the following countries have made significant improvements in their ranking; Seychelles moved from 107 to 74 and Ghana from 111 to 106.

In the bottom ten, Chad ranked as the least competitive country in the region at 140 followed by Angola at 137 and Burundi at 136. Mozambique has made a significant move from ranking as the least competitive country in 2017-18 to ranking number 133 and this can be attributed to improved market size and business dynamics. Liberia has also shifted from ranking as the third least competitive country at to number 132 which is highly attributed to improved business dynamics and labor market.

The aim of the GCI is to identify challenges to be addressed and strengths economies can build on through economic growth strategies. The report also works as a source of information for individuals and companies that are interested in expanding business ventures globally.

The Malawi Confederation of Chambers of Commerce and Industry will use results of the Global Competitiveness Report alongside those from Malawi Business Climate Survey and World Bank Doing Business to lobby for improved business climate in Malawi. Businesses are encouraged to take part in these surveys to inform policy making.

The full report can be obtained at <https://www.weforum.org/reports/the-global-competitiveness-report-2018-2019>