



RESEARCH INSIGHTS

BEYOND EXPORTING GOODS: UNDERSTANDING SERVICES
TRADE AND WHAT IT MEANS FOR MALAWI

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Contents

| | |
|---|----|
| ■ Introduction | 02 |
| ■ Overview of Global Trade in 2024 | 03 |
| ■ Trade in Services | 03 |
| • Structure and Composition | 04 |
| • Regulatory Framework and Modes of Supply | 04 |
| • Sectoral Growth Performance..... | 05 |
| • Sectoral Contributions..... | 06 |
| • Regional and Economic Group Growth | 06 |
| ■ Barriers to Services Trade in Malawi..... | 07 |
| ■ Opportunities for Malawi to Diversify via Services | 08 |
| ■ Export Development Fund on the Right Path to Transforming Tourism | 09 |



■ 1. Introduction

Malawi's trade policy discussions have long revolved around merchandise trade, particularly agriculture-based commodities such as tobacco, tea, and sugar. While these have historically driven foreign exchange earnings, they expose the country to commodity price shocks, climate variability, and shifting global demand patterns.

In contrast, trade in services remains underexplored as a strategic export growth area, despite its rising importance globally. The modern economy is increasingly shaped by knowledge-intensive and experience-driven sectors, with services contributing not only to output and employment but also to the value-added content of goods, a phenomenon called servicification. From digital platforms and financial intermediation to logistics, education, and tourism, services are now integral to industrial value chains and a key determinant of economic resilience.

Malawi's policy architecture acknowledges this global shift. The National Export Strategy II (NES II) recognises the role of services in economic diversification and explicitly identifies tourism and information and communication technology (ICT)-enabled services as strategic growth sectors. Similarly, the Malawi 2063 Vision (MW2063) and its Implementation Plan (MIP-1) highlight services, particularly tourism and digital infrastructure, as critical enablers of inclusive wealth creation and industrial transformation.

However, implementation has been uneven in practice, with a continued bias toward merchandise trade. Services are often viewed merely as support sectors for goods exports, such as transport, finance, and logistics, rather than standalone export pillars. This narrow framing represents a strategic blind spot. At a time when global services exports are consistently outpacing those of goods, driven by rising international demand for tourism, digital services, finance, education, and professional expertise, Malawi stands to benefit by rebalancing its export priorities.

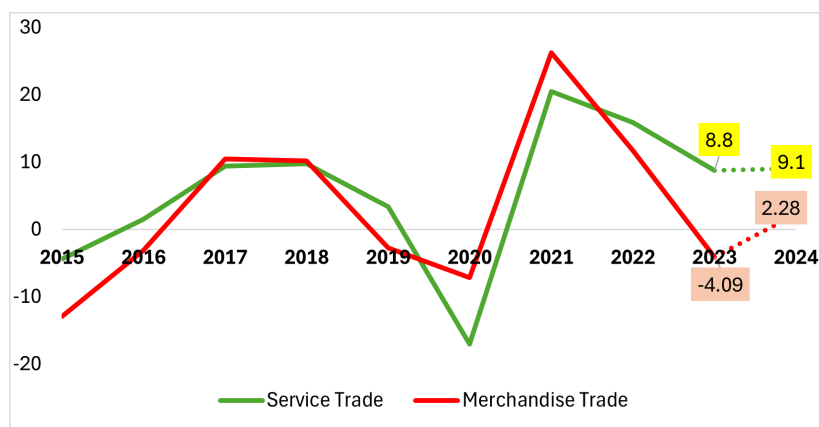
This research insight is intended for policymakers, development partners, and private sector actors. It seeks to bridge the gap between policy intent and implementation by providing an evidence-based analysis of global trade in services performance in 2024. It also identifies service sectors with the highest growth potential for Malawi.

The paper argues that elevating services from a support role to a strategic export frontier could offer the country a credible path toward economic diversification, resilience, and sustained foreign exchange generation. It concludes with actionable recommendations to guide government and institutional stakeholders in translating existing policy frameworks like NES II and MW2063 into tangible export outcomes.

2. Overview of Global Trade in 2024

Global trade reached a historic high in 2024, with the total value of goods and services exchanged worldwide estimated at approximately US\$33 trillion—a 3.7% increase (equivalent to around US\$1.2 trillion) from the previous year (UNCTAD, 2025). This marked a strong rebound following a slight contraction in 2023. The primary driver of this growth was trade in services, which increased by 9% (Chart 1), contributing around US\$700 billion and accounting for nearly 60% of the total increase in trade. In contrast, merchandise trade grew by only 2%, contributing roughly US\$500 billion (Chart 1).

Chart 1: Annual Growth Rates of Goods and Services Exports



Source: UNCTADstat/EDF Research

This divergence underscores a deepening structural shift in the global economy, where services are increasingly outpacing goods in driving trade performance. The post-pandemic recovery has amplified this trend, positioning services, particularly digital, transport, and tourism, as the new growth frontier in international trade.

The subdued performance of merchandise trade in 2024 was largely due to falling commodity prices, uneven global demand, and ongoing geopolitical tensions. For instance, the value of global energy trade declined by approximately 7% as a result of softer prices. In contrast, services benefited from pent-up global demand, especially in travel and transport, as pandemic-era restrictions eased.

Additionally, digitally delivered services such as ICT, financial, and business solutions continued their strong upward trajectory, reflecting deeper structural shifts in how economies produce, connect, and transact.

3. Trade in Services

Trade in services refers to the cross-border exchange of intangible products such as tourism, finance, education, transport, and ICT. As global trends show services increasingly outperforming goods in driving trade growth, the sector is now widely recognised as a standalone export frontier.

For Malawi, a clear understanding of the composition, regulatory environment, and delivery modes of services trade is essential for identifying growth opportunities, enhancing export competitiveness, and advancing national development goals as outlined in the National Export Strategy II and Malawi 2063.



■ 3.1. Structure and Composition

Global trade in services encompasses a wide range of sectors, typically classified under the umbrella of commercial services. Commercial services comprise three main categories: travel, transport, and other commercial services. They explicitly exclude services supplied in the exercise of governmental authority, such as public administration, law enforcement, or non-market public health and education services.

Travel services include tourism and all expenditures made by foreign visitors within a country, whether for personal, business, education, or health-related purposes. For Malawi, travel services hold significant potential, particularly through tourism and regional education services.

However, this category excludes international transport fares. Transport services cover the cross-border movement of people and goods, encompassing passenger travel, freight shipping, and associated support activities such as cargo handling and port operations. Other commercial services comprise a diverse set of subsectors, including financial services, telecommunications and ICT, professional and business services (such as legal, architectural, and consulting services), royalties and license fees, among others.

Although Malawi's commercial services exports remain relatively modest, areas such as digital platforms, fintech solutions, and mobile financial services are emerging as promising avenues for growth.

In addition, goods-related services form a distinct subcategory within commercial services. These are directly associated with the production and trade of goods and include activities such as equipment maintenance and repair, packing and labelling, and technical services like testing, inspection, and product certification.

As Malawi scales up agro-processing and value addition in sectors like mining, goods-related services will become increasingly vital for meeting export standards and enhancing competitiveness.

■ 3.2. Regulatory Framework and Modes of Supply

At the international level, trade in services is governed by the General Agreement on Trade in Services (GATS) under the World Trade Organisation (WTO), of which Malawi is a member. GATS provides the legal foundation for liberalising and regulating trade in services. Regionally, Malawi is also a signatory to the African Continental Free Trade Area (AfCFTA), whose Protocol on Trade in Services commits member states to liberalise key sectors, including tourism, transport, finance, and professional services.

Together, these frameworks offer Malawi multilateral and continental platforms to expand its services exports. Both GATS and the AfCFTA Protocol on Trade in Services apply only to commercial services—that is, services supplied on a commercial basis or in competition with other service providers. Effective implementation requires aligning domestic regulations with international commitments, enhancing institutional coordination, and investing in trade-related infrastructure and capacity building.

A fundamental feature of services trade is that it is delivered through four distinct modes of supply, as defined under GATS and adopted in AfCFTA. Mode 1, known as cross-border supply, occurs when services are delivered remotely from one country to another, such as online legal or financial consulting. This mode is becoming more prominent in Malawi, particularly with the growth of ICT-enabled services. Mode 2, or consumption abroad, takes place when consumers travel to another country to access services; for example, tourists visiting Malawi or international students enrolling in local universities.

In such cases, Malawi is exporting services like tourism and education. Mode 3, referred to as commercial presence, involves a service supplier establishing a branch or affiliate in another country. A notable example is Sparc Systems Limited, a Malawian company that has opened branches in Rwanda and Zambia, thereby exporting ICT services through a physical presence. Lastly, Mode 4 involves the temporary movement of natural persons across borders to provide services. This includes Malawian professionals delivering expertise in other countries.

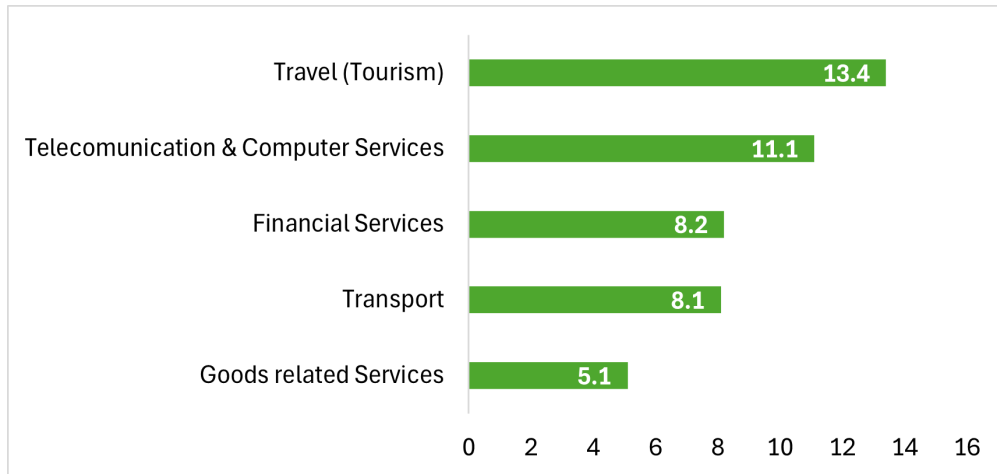
3.3. Sectoral Growth Performance

Travel (tourism) services recorded the highest growth in 2024, rising by 13% (Chart 2). This strong performance reflects the continued recovery of global tourism following the disruptions caused by the COVID-19 pandemic. ICT also showed notable growth, registering an increase of approximately 11% (Chart 2).

This double-digit growth highlights the sustained global demand for digital connectivity, software, ICT solutions, and data processing. ICT services proved resilient during the pandemic and have continued to benefit from the accelerating pace of digital transformation. This momentum remained strong throughout 2024.

As a result, both travel and ICT services have become major drivers of global trade in services, consistently outperforming the overall sector average growth rate of 9 percent

Chart 2: Sectoral Growth Rate (%), 2024



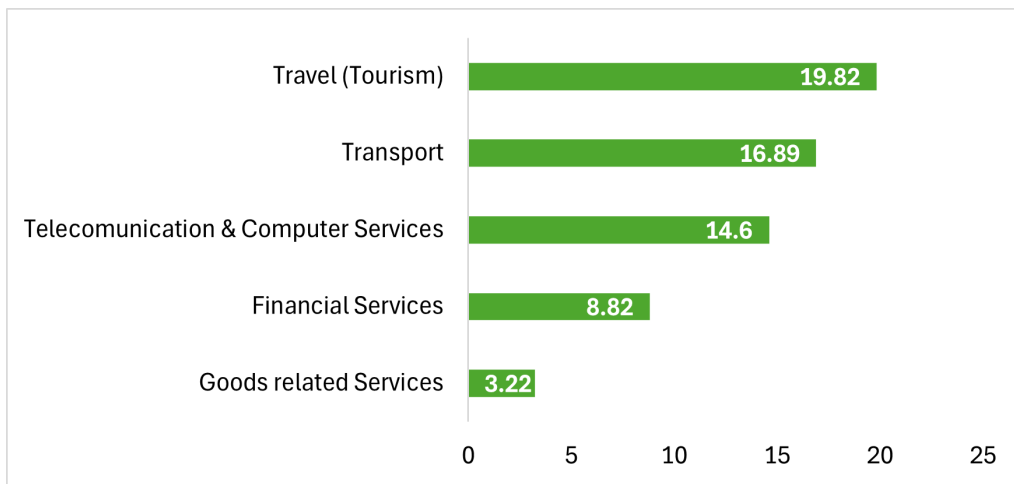
Source: UNCTADstat/EDF Research

Financial and transport services grew at relatively similar rates, about 8% (Chart 2). This growth reflects ongoing improvements in global logistics, payment systems, and financial intermediation as economies continued to reopen. Other smaller service categories, such as construction and personal or cultural services, also recorded positive growth during the year, although they represent a relatively small share of global trade in services.

3.4. Sectoral Contributions

Tourism, transport, and ICT were the leading contributors to global services trade in 2024, capitalising on reopened borders and rising digital demand (Chart 3). This distribution highlights the enduring importance of both physical mobility and digital connectivity in shaping global trade patterns in services.

Chart 3: Sectoral Shares (%) in Global Commercial Services Exports, 2024



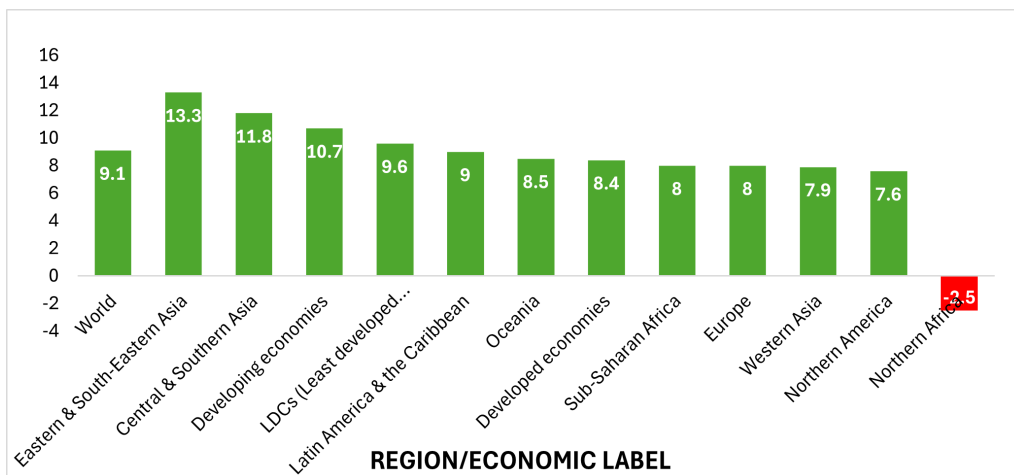
Source: UNCTADstat/EDF Research

3.5. Regional and Economic Group Growth

Several regions significantly outperformed the global average growth rate of 9% in 2024 (Chart 4). Eastern and South-Eastern Asia recorded the highest growth at 13.3%, followed by Central and Southern Asia at 11.8%. This reflects strong momentum in digital services, travel, and logistics across major Asian economies.

Developing economies as a group expanded by 10.7%, outpacing both the global average and the growth rate of developed economies. In contrast, Northern Africa was the only region to experience a decline, with services trade contracting by 2.5%.

Chart 4: Regional and Economic Label Annual Growth Rate (%), 2024



Source: UNCTADstat/EDF Research



Malawi's position as both a Least Developed Country (LDC) and a Sub-Saharan African economy places it within two overlapping but distinct performance groups. In 2024, LDCs as a whole recorded robust growth in services exports at 9.6%, surpassing the global average of 9%.

In contrast, Sub-Saharan Africa lagged behind with a growth rate of 8%. This divergence suggests that while Malawi may benefit from structural factors common to high-performing LDCs, such as expanding digital connectivity and increased interest in tourism, its broader regional context may be limiting stronger performance. The slower growth in Sub-Saharan Africa reflects persistent infrastructure deficits, weak policy implementation, and institutional capacity gaps, all of which are also present in Malawi.

Therefore, although Malawi has the potential to align with the more dynamic trajectory of LDCs, achieving this will require deliberate policy measures to overcome regional constraints, scale up investment in service-enabling infrastructure, and fully operationalise its commitments under the National Export Strategy II and Malawi 2063. In essence, Malawi stands at a strategic crossroads, and its future success in services exports will depend on whether it can capitalise on its LDC advantages or continue to be constrained by the broader challenges facing the Sub-Saharan region.


■ 4. Barriers to Services Trade in Malawi

A fundamental challenge in developing Malawi's services exports lies in the invisibility of many transactions within the formal economy. Unlike goods, services often leave no physical trace, and cross-border exchanges in areas such as tourism, ICT, consultancy, and professional remittances frequently occur through informal or unmonitored channels. This undermines the government's ability to measure trade volumes, enforce regulations, and develop effective support policies.

Much of Malawi's services trade, especially digital services and professional engagements, is delivered through Mode 1 (cross-border digital supply) and Mode 4 (temporary movement of professionals). In both cases, payments often bypass the formal financial system due to high transaction costs. Professionals receiving modest payments, typically between USD 300 and 500, face fees such as SWIFT charges of USD 25 to 35 and hidden currency conversion costs. Formal remittances can also attract average transaction charges as high as 16.951%, eroding more than 10% of the total amount and making formal channels financially unattractive.

Exchange rate instability compounds the problem. Service providers often fear that foreign currency routed through banks will be forcibly converted into kwacha at unfavourable rates, exposing them to losses. As a result, many opt for informal or offshore platforms that allow them to retain earnings in stable currencies. This preference for informal transactions has two major consequences.

First, the Reserve Bank of Malawi and the National Statistical Office are unable to capture accurate data on the scope and value of services exports. This undermines evidence-based policymaking, weakens monitoring of progress under the National Export Strategy II, and limits Malawi's ability to report credible trade gains under regional frameworks



such as the African Continental Free Trade Area. Second, the diversion of payments outside the formal system leads to foreign exchange leakages, which reduce national reserves, fuel currency instability, and limit the financial sector's ability to extend credit and support investment.

Unless Malawi reduces transaction costs, stabilises the macroeconomic environment, and strengthens its trade data systems, it risks continued loss of both foreign exchange and visibility over one of its most dynamic and underutilised export sectors.

5. Opportunities for Malawi to Diversify via Services

- Tourism remains Malawi's leading services export, yet its potential is far from fully realised. In 2023, the sector contributed 4.8% to the country's GDP, equivalent to US\$647 million, according to the World Travel and Tourism Council. While this marks a clear rebound from pandemic lows, it remains below the pre-pandemic level of 5.4% and well short of the government's target of 12%. The same year saw a strong recovery in employment, with tourism supporting approximately 600,000 jobs, surpassing 2019 levels.

This resurgence was driven by a revival in both domestic and international travel, supported by increased investment and the easing of pandemic-related restrictions. To fully harness tourism's export potential, the government should accelerate the implementation of the National Tourism Investment Master Plan, prioritising infrastructure such as access roads, airstrips, and eco-lodges in key destinations like Cape Maclear, Likoma Island, and Nyika Plateau.

Establishing designated tourism zones with tailored incentives, alongside a revitalised national tourism agency, can reposition Malawi as a competitive eco-cultural destination. Lessons from regional peers such as Rwanda demonstrate that when backed by strong standards and targeted investment, tourism can become a powerful driver of export diversification and inclusive growth

- ICT-enabled services offer another compelling path for diversification, especially under Mode 1 (cross-border digital delivery) and Mode 3 (commercial presence). Although NES II and Malawi 2063 highlight ICT as a strategic sector, implementation has been fragmented. Yet, Malawi's growing digital entrepreneurship, evidenced by Sparc Systems' expansion into Rwanda and Zambia, shows that the country has export-ready capacity.

However, critical barriers such as limited internet access, high data costs, unreliable electricity, and insufficient digital skills remain. To turn potential into performance, the government must prioritise ICT-exporting firms, link them to serviced clusters, and improve enabling infrastructure. Reforming initiatives like Digital Malawi to focus on export readiness and enacting digital trade laws would help integrate scattered successes into a national export model.

- Professional services under Mode 4, which involve the temporary movement of skilled workers, remain an underutilised export opportunity for Malawi. While Malawian professionals already contribute to regional economies, their participation is often informal and unrecorded due to structural barriers such as the absence of mutual recognition agreements (MRAs), restrictive visa regimes, and limited institutional support.

Despite Malawi's commitments under AfCFTA to liberalise services, Mode 4 remains underdeveloped. By addressing these constraints through bilateral agreements, simplified mobility procedures, and a national deployment framework, Malawi can formalise this channel and harness it as a scalable source of foreign exchange and regional integration.

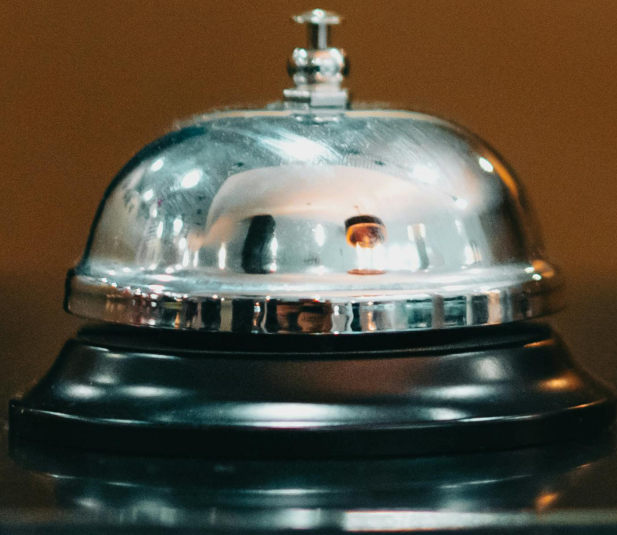
- Compliance with international standards is critical for enhancing the global competitiveness of Malawi's service exports. However, many firms face barriers due to weak certification systems and limited regulatory enforcement, especially in sectors such as tourism (hotel grading), ICT (data security and service quality), and finance (regulatory compliance). The National Export Strategy II identifies improved standards as a key driver of competitiveness.

To address this, the government, in collaboration with development partners, should strengthen certification schemes and support the adoption of recognised global standards such as the International Organisation for Standardisation (ISO) and Capability Maturity Model Integration (CMMI). These efforts will enhance the credibility and visibility of Malawi's services in both regional and international markets.

■ 6. Export Development Fund on the Right Path to Transforming Tourism

Tourism remains Malawi's leading services export, with strong potential to generate foreign exchange, create employment, and support inclusive development, particularly in under-served rural areas. The Export Development Fund (EDF) has rightly positioned itself at the forefront of this sector through instruments such as the Hotel Construction Guarantee and Refinancing Facility and the Project Preparation Facility, both of which are well aligned with the financing needs of tourism enterprises and the strategic priorities of the National Export Strategy II and Malawi 2063.

As global demand shifts toward eco-tourism, experiential travel, and mid-tier accommodation, the Fund's continued support is not only timely but essential. It is well placed to catalyse investment across Malawi's tourism landscape by ensuring that promising ventures, especially those in high-potential but underfinanced regions, have access to the capital and technical support required to grow and succeed





Feedback



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