Malaysian Economic Inertia: A Self-Inflicted Limitation to Future Growth

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Abstract

This research examines current growth in the Malaysian economy and the levels of debt and borrowing Malaysia incurred in the post-2008 financial crises. An examination of available economic data by Bank Negara Malaysia and other independent economic monitoring agencies in addition to data available to the World Bank and IMF was utilized in the analyses. This research concludes that the excess borrowing and excess money supply caused an artificial growth rates and high public debt, budget deficit, and consumer debt ratio that puts burden on both the banking sector and government's ability to meet its future financial obligations in the wake of shock to the global economy. This paper also suggests that the post-2008 financial crises accommodatiNG monetary policy pursued by Bank Negara should have been revered early in 2010. This paper further concludes that revamping in economic fundamentals and political reforms is needed in addition to debt reduction in both financial institutions and non-financial enterprises with government guaranteed loans. This phenomenon is described in this research as an economic inertia.