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MALAYSIAN ECONOMY IN BAD SITUATION DUE TO HIGH LOAN? DISCUSS AND WHAT IS THE EXPECTATIONS FOR THE NEXT YEAR 2019

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ABSTRACT

Malaysia is a middle-income country that developed in the 1970s, has become a supplier of raw materials in emerging economy. The economic growth of the country was mainly due to exports that include mainly electronics. Therefore, the country was hit by the global recession from 2001 to 2002. Moreover, the GDP of Malaysia grew by only 0.5% in 2001, due to a decline in estimated exports at 11%. However, as the substantial financial incentive of $ 1.9 billion minimized recession impact on the economy and the economy resumed in 2002 that was growing by 4.1%. The following year it reached 4.9%, despite a first-half harmed by SARS (South African Revenue Service) and fears the consequences of war in Iraq. In 2004 the growth reached 7% and in 2005, 5% (Aziz &Azmi, 2017). It has been identified that Malaysia is an aspiring country and its largest foreign investment comes from the Asian investors. However, in the last decade, the economic condition of the country is affected due tothe high level of loans or household debts. The overall economic conditions of the country prospered and grow. However, in the last few years, the economy of Malaysia is in the bad situation due to increasing the level of loans. In this regard, this paper aims to analyze the current economic situation based on high loans with the analysis of the economic situation in future.

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INTRODUCTION

Malaysia is a middle-income country that developed in the 1970s, has become a supplier of raw materials in emerging economy. The economic growth of the country was mainly due to exports that include mainly electronics. Therefore, the country was hit by the global recession from 2001 to 2002. Moreover, the GDP of Malaysia grew by only 0.5% in 2001, due to a decline in estimated exports at 11%. However, as the substantial financial incentive of $ 1.9 billion minimized recession impact on the economy and the economy resumed in 2002 that was growing by 4.1%. The following year it reached 4.9%, despite a first-half harmed by SARS (South African Revenue Service) and fears the consequences of war in Iraq. In 2004 the growth reached 7% and in 2005, 5% (Aziz &Azmi, 2017). It has been identified that Malaysia is an aspiring country and its largest foreign investment comes from the Asian investors.

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However, in the last decade, the economic condition of the country is affected due tothe high level of loans or household debts. The overall economic conditions of the country prospered and grow. However, in the last few years, the economy of Malaysia is in the bad situation due to increasing the level of loans. In this regard, this paper aims to analyze the current economic situation based on high loans with the analysis of the economic situation in future.

Background

The Malaysian economy is an upper-middle-class income country, which has continually transformed since its development in 1970. Initially, Malaysia was the producer of raw materials, which become the multi-sector economy. The current prime minister of the country is NAJIB that aims to develop the country as leafing high-income until the end of this decade and move further with value addition in production chain by attracting higher investment flow in the country specifically in high technology, knowledge, and services based industry. In this aspect, the current government has developed the economic transformation plan that contains a series of different projects and policy measure that is intended to accelerate country economic growth. Moreover, different initiatives have taken by the government for liberalization of services sectors (Lee & Ng, 2015). In this context, it has been recognized that Malaysian economy is vulnerable that result in decreasing commodity prices or reducing the overall global economic activities. In this regard, it has been identified that NAJIB administration continually contributes for increasing demand of domestic products and reduce the dependence of Malaysian citizens on imported products. In relation to this, the government has created different opportunities for development of business activities by which exports become increased that result in higher economic growth. The consumption patterns of Malaysia are based on internal production, which accounts for 53% of GDP. Additionally, the exports become the significant part of the economy, which includes, electronics, oil,and gas that increase the revenue of the country. It has been identified that exports of Malaysia are 73% of GDP (Mohamed, Singh, &Liew, 2017). In contrast to this, 22% of revenue is generated from the oil and gas sector in 2015, which was reduced due to change in government policies, and a decline in commodity priced. The embarkation of the economy is based on the development of fiscal reform program, which develops to attain the balanced budget for the country until the end of 2020. This plan is supported by the rationalization of subsidies and imposition of the value-added tax. It has been identified, shrink in commodity prices affect the level of government finances and reduce the current account surplus. This has negatively influenced the exchange value of the currency, which made Malaysia the worst performing economy during 2013-2017. At that time the Ringgit, reach the lowest point that incorporated with the presidential election of the United States that affect the assets level of emerging market.

The credit or loans in the country is managed by the central banks which are the Negara bank Malaysia that maintain sufficient level of foreign exchange reserve with the development of efficient regulatory regime that has limitedMalaysia's exposure to risky financial instruments. In this regard, this has exposed the country to the volatile global capital flows. In this aspect, for increasing competitiveness Malaysian economy the administration of NAJIB revised the old economic policy based on the current social preferences. However, the implementation of this policy results in lacking the interest of with opposition of Malay nationals. In response to this, the new Bumiputra economic empowerment program was launched in 2013 by NAJIB that contribute to improving the economic condition of the country (Tang & Tan, 2014). With this development, in 2016 the Malaysian government has signed a different free trade agreement, whichfacilitates the economy to freely move different products across member countries of Trans-Pacific Partnership (TPP).

Impact of OPR

The loans growth in Malaysia increases the concern of central bank management to control over its policy for ensuring safe conditions for the economic health. In this regard, the banks had made the decision to maintain the policy rate, which provides relief to the short-term lender. In contrast to this, the higher provision of bad debts has increased that slows down the economic growth in Malaysia. It has been identified that there was fierce competition among the lender that eliminate net interest margins that are associated with tepid loan growth. In this aspect, the banking sector has contracted 10.1% provision from the brokerage. In this regard, Ito (2017) make the projection that interest rate will continue to grow that increase the cost of funds that is come from deposits. In this regard, the central banks Negara develop the benchmark of overnight policy rate (OPR) which is unchanged and remain at 3%. Conversely, Yakob, Tzengand McGowan Jr, (2014) identified the reason for reducing OPR which specified that in 2016, BNM has decided to reduce OPR for decreasing the risks that arise from British withdrawal from the European Union. By keeping in mind the global uncertainties that negatively influence the economic growth of Malaysia, BNM reduces the OPR. In addition to this, the central banks tend to increase the interest rate for managing inflation. This has been done to maintain the assets balance in the system and develop strong growth. In this aspect, it has been identified that if the interest rate of the country remain low for the extended period people prefer to borrow more which put the economy in an inappropriate state. The same case happens with the economy of Malaysia. In such a situation, if the OPR increases it results in higher interest, the rate for the loan. This indicates that cost of financing become increase which increases the burden on personal and household debt. Therefore, it has been identified that variation in OPR can be done for managing economy's monetary conditions. In addition to this, the report of central bank specified that economic condition of Malaysia has become stable with the development of domestic and external economic situation. It has been identified that gross domestic product growth of Malaysia was expected to be 5.2% to 5.7% in 2017 and 5% to 5.5% in 2018 (Hussan&Masih, 2014). Hence, it is the reason for increasing the OPR rate to attain higher growth in the country.

In relation to this, the published data of the central banks regarding monetary and financial development represented that money supply in 2016 was lower and weaker. In this aspect, the economic outlook of the country was measured from analysis of money supply level and the amount of money supply was shrink by 86% in last four year(Shukora, *et al*., 2017). It has been identified that level of household loan is increases and reach the higher level in 2016. However, the measure of central banks shows that growth in household loans was slower in last year. In this regard, some of the analysts are in the view that overall debt to gross domestic product ration improves in 2016 but it is difficult to attain the same improvement in coming years. The impact of these loans on economic situation is significant as the development of different housing schemes influences the higher limit for the civil servant that increase the level of household debt in Malaysia. This may also affect the budget constraints of the country. It has been identified that Malaysian debt levels remained on the higher side for sometimes due to the majority of young demographics that aged between 25 to 39 years old, which are considered as assets accumulating. This makes the 26% of total population and their proportion in total population increasing faster than population growth(Shukora, *et al*., 2017). In this aspect, Malaysia (2015) conducted the economic analysis of the country for the seven consecutive years which indicating the higher ratio of household to GDP, which marginally ranged from 89.1% in 2015 and 88.55 in at the end of 2016. It has been identified that Malaysian consumer sentiments are weaker and the prudential measure has moderate household debt growth. The concern increasing higher debt in the country is increasing regarding which chief economist of Alliance banks Malaysia stressed on the sustainability of household debt. In this regard, if the consumers are unable to repay their debt then the financial burden over the economy increased which created different economic issues. The growth of household debt and the ability of debt services is affected by multiple factors. In this aspect, it has been identified that his more private consumption results in the higher growth of credit. Due to this, the consumer opinions ate still fall in a bearish range, which is unlikely to result in increasing private consumption. In relation to this, it has been recognized that higher level of debt results in higher inflation rate which affect the ability of debt servicing and increase the cost of borrowings (Shukora *et al*., 2017).

Impact of Financial Crisis

The great financial depression arose from the housing bubble and credit crunch in 2008 that lead to higher default and increase insolvency among different businesses. The overall financial system of Malaysia has maintained stable growth and preserved its position throughout the financial period, although the financial crisis has left its marks on economic activities of different countries of the world. The higher liquidity was maintained in the system that supports for mitigating the risk, which enables continuity of financial sector services to the whole economy. There are several reforms has been made in the financial sector of Malaysian which reinforced the strong elements for providing support to financial intermediary services. Malaysian economy as a highly open economy that was not affected by the global economic downturn. It has been found that deterioration in global economic condition and the major variation in commodity prices in Malaysia result in moderate growth in GDP of 0.1% in 2008. After the global financial crisis, the domestic economic experience of Malaysia was incurred in 2009 in which the GDP was in decline by 6.2% in 2009. For overcoming the impact of financial crisis, the central bank has adopted different monetary and fiscal measure to sustain and introduce an approach for mitigating risk and maintain appropriate access over sources of financing.

The risk aversion strategy of Bank Negara Malaysia contributes for stabilizing the economic condition and result in appropriate recover in the second half year. The Malaysian economy has resumed the economic growth perspective in the second half and achieved the growth of 4.4%. This result in contracting by economic activities by only 1.7% in 2009. In contrast to this, Harvie and Van Hoa (2016) identified that during the financial crisis the credit quality of banking system of Malaysia did not experience any deterioration. This can be identified from the measure of financial elements. The actual outcome indicating that non-performing loans were declined by 33.4% with the improvement in net NPL ratio to 2.1% in 2009. This outcome was the result of the development of effective policies of the bank of Negara Malaysia for managing credit, infrastructure and underwriting period. Moreover, at that time banks have managed the balance sheet and level of assets through the provision of different policies for write-offs of different irrecoverable loans. As a result, the financing coverage ratio in Malaysia for the banking sector increase to 90% of NPL in 2009. In simple terms, it has been identified that Malaysian-banking system entered in global financial crisis as significant position as compared to the crisis of other countries. This in turns leads to consolidation and restructuring of the banking industry with improvements in governance structure, development of effective risk management framework, expansion of business capacity and infrastructure that collectively lead to the foundation for financial stability. Furthermore, it has been identified from the study of Chen, Filardo, He, and Zhu (2016) that Malaysian banking system operates in a diversified financial system, which results in the development of capital market. This results in the overall management of the economy and added capacity for the business to manage shocks and uncertainties in business. According to Akhtar, and Jahromi (2017) that for managing smooth movements of the fund among different participants from real sector BNM develop policies for increasing engagement among different stakeholders, financial institution and trade association. These engagements were effective for overcoming the gaps in the information of business and financial institution. This contributes to better appreciation though resolving different issues in business.

Reason for increasing Interest Rates

The interest rate in Malaysia hike became the subject of a warm conversation among the public. This becomes obvious that interest rates have risen to 15-18 percent compared to the previous crisis of 9 to 12 percent and many have felt the effects of this sudden increase. However, it is important to understand the link between economic crisis and interest rates, and how this interest rate variation can occur. In relation to this, it is important to understand different factors that determine interest rates. As equilibrium in the commodity market, when supply exceeds demand, prices will fall. Similarly with financial markets, when supply exceeds money demand, interest rates will fall. Conversely, when the amount of investment in the country exceeds the savings interest rate will increase (Jomo, 2016). From the analysis of Malaysian economic condition, it has been identified that there was an investment and savings gap of 5 percent, i.e. investment rate from Gross National Product (GNP) by 45 percent while savings rate from GNP was only 40 percent. This is the case because various infrastructure and property projects have been carried out on a large scale and most have been implemented simultaneously. Therefore, the amount of domestic savings was insufficient to finance these expensive projects. The principal reason for this that there is no outflow and inflow of foreign funds, which increase this investment-savings gap, will lead that result in higher interest rates. This is because demand exceeds money supply within the country. According to Kuttner, (2014), this is not only due to the reason that investors and domestic operators can borrow funds from foreign financial institutions. In this regard, when there is money flow into the country in this way, the money supply will increase and the interest rate will be stable. In addition to this, maintaining the balance of payments of the state becomes the prime concern of Malaysian governments.

In simple, this means that payments made by the locals to foreigners are well balanced with payments received from foreign countries. Kuttner and Shim (2016) identified that the balance of payments comprises trade and service account balances including exports and imports of goods, services such as shipping, insurance, education, tourism as well as capital accounts that consist of long-term and short-term capital. This means that international trade not only contains trade in goods and services only but all types of fund flow between countries. Based on the above discussion, it has been identified that international trade is conducted using foreign currencies and the balance of payments also reflects the balance in the foreign currency market. Since the early 1990's, Malaysian economy finds that the current account deficit widened, but this deficit was offset by direct foreign direct investment (FDI) inflows and short-term capital. In this aspect, when the economic downturn began, short-term capital inflows and FDI decreased, and the stock market has resulted in the massive short-term capital outflow. Short-term capital outflows in Malaysia during the last year were estimated at RM14.2 billion. This means that the capital account that has been saving of overall balance is in distress situation. Thus, the overall balance of deficit since 1994 has widened (Ito, 2017). In relation to this, the balance of payments and foreign exchange market affect interest rates. These elements have an impact on the balance of payment account with the influence of surplus indicating that there is an increase in money supply or liquidity in local financial markets, and the deficit means treasury bills will be used in contracts. In this aspect, Hussan and Masih (2014) identified that the economic downturn caused the balance of payments deficit to worsen, and large-scale short-term capital withdrawals that have diminished liquidity rates in local financial markets.

Impact of Higher Interest Rate

The performance of the Malaysian government is working on increasing the performance of the overall economy. This has been done by the government through reducing the statutory reserve requirement. In addition, this results in increasing the liquidity rate in financial institutions and reduce borrowing costs for banks. Moreover, this also affected directly by reducing the pressure on interest rates. At the same time, the National Bank has restricted loans to property and stock purchases and introduced credit plans to financial institutions by limiting loan growth to 15 percent. Loans are to be issued only to productive sectors by different commercial banks. Furthermore, Malaysia (2015) indicated that consumer credit lending has been reduced and this includes reduction of vehicle loan financing margin to only 70 percent. These measures aim to limit credit growth and reduce pressure on interest rates. The reason for the rise in interest rates is due to short-term capital outflows, the reduction in direct foreign investment and increase in non-performing loans. This has reflected that banks are experiencing liquidity problems and reducing money supply in financial markets. Furthermore, Tang and Tan (2014) indicated that demand for loanable funds remains unchanged. Thus, the imbalance between this demand and the supply of money causes interest rates to rise to new levels. The changing level of interest rates is something that is very interesting and sensitive political issue for Malaysia. The reason for this is that some analysts say that interest rates should rise and be left to market forces to determine it. On the other hand, it has been found that the government has to take certain measures to ensure interest rates, which do not rise to an extreme level. Moreover, some economic analysts are in the view that the current interest rate has already reached a level that can undermine economic growth.

According to Jomo (2016), those high-interest rates have a chain effect that can affect economic growth. Increase in interest rates means high borrowing costs, which will undermine the various development projects, businesses, and enterprises. In this regard, for investors who have borrowed money, the higher interest rate will cause them to incur higher interest payments on loans and this is a huge burden for many local entrepreneurs. In addition to this, Kuttner and Shim (2016) identified that higher interest rate may cause many entrepreneurs to become bankrupt and economic activities in the company will reduce. In relation to this, the bankruptcy of entrepreneurs affects the workforce or employment level of the country in which many workers will lose their jobs that lead to fall in national income and stagnant country development. Additionally, this situation leads to an economic recession, which is the worst economic situation, that causing interest rates to continue to grow even though the government has implemented several measures to reduce pressure on interest rates. Despite the negative effects of interest rate increases on the Malaysian economy, social and political conditions are clear that reflected that high-interest rates have developed better and supported for refurbishing the economic situation of the country.

Impact on Currency

The interest rate variation in the country has no profound effect on specific elements as it spread across multiple elements of the economy. In this regard, it has been identified that the ringgit has dropped more than 50 percent since the start of the financial crisis. Therefore, Ringgit exchange rate recovery requires high interest rates (Rachel, & Smith, 2015). The underlying reason for this is that high-interest rates can attract foreign funds into the country. This will increase foreign currency supply, improve capital account and balance of payments. Furthermore, this increases the local currency exchange rate against foreign currency. According to Yakob, Tzeng& McGowan Jr. (2014), development of confidence among foreign and local investors will recover the economic condition and this will increase investment inflows into the country, increase employment and national income. In addition, Tang and Tan, (2014) pointed out that high interest rates could also reduce demand for imported goods. This happens when investment and national income fall due to high-interest rates and domestic purchasing power will fall. Moreover, this will reduce the demand for imported goods, which improve the current account level in the balance of payments. In addition to this, this helps to restore the value of the Ringgit. In addition, high-interest rates may also curb speculative activity that is extensive by property buyers, stocks, and vehicles. The lower interest rates previously in Malaysia resulted in a purchase for speculative securities, as the cost of borrowing was lower than the returns obtained from these activities. In this regard, it has been identified that high interest rate policies are something that cannot be avoided, and this is a very bitter but unpredictable remedy for curing a serious economic illness in the country.

Increase in Household Debt

It has been identified that the issue of unstable and rising household debt has earned world attention, that affected developed and developing countries. In relation to Malaysian economy, high household debt requires the development of financial liberalization in the financial markets. According to Mohamed, Singh, &Liew (2017), household debt has experienced a dramatic increase for many countries including developed countries and developing countries with debt as a means of restricting the terms of the deal for a sale and purchase transaction involving risk of repayment. The existence of debt terms in the household sector gives household capabilities to improve living standards for better household debt terms. Generally, it is a loan or a home loan that covering a purchase of cars, home purchases, wedding loans, study loans, loans for business capital and credit card debt. In this regard, Harvie and Van Hoa, (2016) identified that debt is a necessity for most people and it can even be a burden if it is not carefully dealt with wisely. However, a sharp increase in the debt to income ratio for developed countries are creating complexities about increasing household debt to insubstantiality household finances that will affect the financial and economic stability of the country. Therefore, the composition of bank credit has changed substantially over time by increasing household credit share that exceeds the number of credit by the business sector in anycountry and potentially leads to the banking crisis. The reason for this is that household debt is not affecting long-term economic growth over debt that is owned by business sectors that increase economic growth through productivity. In relation to this, the study of Kuttner and Shim (2016) revealed that the lifestyle of the community also encourages the occurrence of this phenomenon with emphasis luxury without a long-term view of the debt burden positively and negatively. On the positive side, debt is able to stimulate the country's economic growth represented by the use of the home sector. According to Chen, Filardo, He, and Zhu (2016) that credit is a lot easier responsible for emerging market economies. Conversely, the negative side is that the burden of household debt is relative to disposable income with the size of borrowed funds investment. The reason for this is that household sources need to devote part of the revenue for each month to pay its debt. This practiceencourages the habits of savings amongst the household sector, whichgets little attention and is likely to be zero. Aziz and Azmi (2017) suggested that the average household income is low for life, which will allow these groups to borrow to finance current and future use for repaying the loan when the income is at a higher level.

Impact of Household Debt

Globally, it has been identified that household debt in most countries recorded a somewhat higher rise as in New Zealand; the ratio of household debt to the output was 12.40. Additionally, gross domestic product (GDP) is 89.52% and continues to increase to 91.25% in coming years. In addition, the United States as a strong economic power country in the world also face the problem of high household debt of 101.403% to the country's GDP ratio. Moreover, among European countries that have a ratio of household debt against the highest GDP are Denmark, Portugal, Sweden, Spain, the Netherlands and Ireland each with 130.14%, 81.60%, 78.80%, 78.50%, 72% and 69.09% respectively. Besides these countries, for Asian countries such as Korea as developed countries have increased the household debt of 12.85% for 7 years which household debt in Korea was only at level 66.81% and has increased to 75.40% in 2012. In addition, for the current state building like Malaysia, Indonesia, Philippines and Thailand household debt to GDP is 65.75%, 9.97%, 5.687% and 32.11% respectively (Shukora, *et al*., 2017). In addition to this, Household debt also involves institutions that play a role in the supply of credit to the household sector. Credit institutions are like commercial banks, credit, consumer finance companies and industrial banks that are the main source of credit to users. Moreover, in terms of the capability of the affected countries to deal with high debt ratio is able to invite future uncertainties. Contrarily, according to fiscal policy and government spending, it has been identified that these are able to stimulate the country's growth in the circumstances. Moreover, the slump in spending on household consumption expenditure affects the spending level of the household sector. In relation to this, the household sector has been burdened with reduced income in the future due to deductions. It has been identified that the amount of credit is causing household expenses incapable of generating domestic demand and results in economic downturn faster in crises. Moreover, satisfying high household needs and requirements encourages financial liberalization to take place in financial markets of Malaysia. However, this causes the household sector to have a high degree of freedom to attain loans. In this aspect, Akhtar and Jahromi (2017) are in the view that financial liberalization in the banking system is affected by liquidity. In addition, the number of loans in the financial market enables the household sector to have access to household debt. In relation to this, institutional factors also influence access to resources of household sector that led to uncontrolled household debt. The underlying reason for this is due to higher variation level of household debt in the region of Malaysia.

Future Outlook

Based on the analysis of the current economic situation of Malaysia, it is expected that the economy will continue to perform with the higher growth than the projection. As the report of IMF specified that economic growth of Malaysia would be 4.8% in 2018 and 2019. It has been identified that this growth will be fueled with strong global demand for electronics and other commodities i.e., including oil and gas. Moreover, the labor market will be developed; effective budget and spending in infrastructure will be increased by the government. In relation to the above discussed issues that are faced by Malaysian economy, it has been identified that higher loans, political uncertainties, and reduction in oil and gas prices that affect the income from the exports and decline in the economic condition of China has affected the economic condition of Malaysian economy that pressurized the financial structure of Malaysia. It has been found that Malaysia holds the higher debt level in the region, which is 50% of GDP with faster spending in GDP than other factors. In relation to this, increase oil prices and reduce in government expenditures cause by cutting in subsidies reduce the overall fiscal debt of malaises by 3% in last year.

This measure indicating a favorable condition for the economic condition of the country. The future perspective of the economy is favorable as the government is working on reform programs, which aim at attaining the balanced budget. This will be done through rationalization of practices in subsidies for improving the tax level of products sales (GST) system that was introduced in 2015 (Rachel, & Smith, 2015). This was developed in with the installation of a new computer system, whichcontains the capability of minimizing leakage in the collection of GST in Malaysia. In relation to this, the decline in prices of global crude oil, the dependence of Malaysian economy on agriculture-based products has been reduced and the exports become more diversified in the modern and developed economy. In the current year, the budget will be based on transformation practices of Malaysian government that have created new opportunities for wealth generation that ensured that country is prepared for transforming into the digital economy. In the future development of budget which includes more inclusive economic elements, increased support for the communities

Table 1. Estimated data of economic indicators

Main Indicators	2015	2016	2017	2018 (e)	2019 (e)
GDP (billions USD)	296.43	296.54	309.86	340.92	376.65
GDP (Constant Prices, Annual % Change)	5.0	4.2	5.4	4.8	4.8
GDP per Capita (USD)	9,505	9,374	9,660	10,490	11,442
General Government Balance (in % of GDP)	-3.2	-3.2e	-3.1	-2.7	-2.4
General Government Gross Debt (in % of GDP)	57.9	56.2e	55.2	54.2	52.8
Inflation Rate (%)	2.1	2.1	3.8	2.9	3.0
Unemployment Rate (% of the Labour Force)	3.2	3.5	3.4	3.2	3.0
Current Account (billions USD)	9.00	7.00	7.49e	7.40	7.28
Current Account (in % of GDP)	3.0	2.4	2.4e	2.2	1.9

(Source: IMF – World Economic Outlook Database)

with different means such as educational programs and providing financial assistance to low-income families. Development of these plans results in raising standards of living of Malaysian citizens. Moreover, the plans of the country include the development of extra funds for housing projects, entrepreneurship programs that elevate lower income group and increased economic competitiveness. In relation to this, the government has faced different challenges that weakening the Malaysian currency and reduces the oil prices. It has been identified that oil is contributed for 30% in total revenue of the country, whichreduces the commodity prices and increases the inflation by 3.8% in last year. The economy of Malaysia has provided the highest standard for living as compared to other Southeast Asia with the low level of unemployment. In this aspect, the new developed economic model that was introduced by the Prime Minister aims to improve Malaysian economy by increasing the per capita income of the country with 100% until the end of 2020. In relation to this, the 11th plan of Malaysia specified that outcome for development of advanced economy with the great inclusion that has contributed to different developments in the economy. This includes the range of different issues that require attention such as equity, environmental protection, sustainable development, inclusiveness, human capital development and infrastructure of Malaysia. The estimated data of Malaysian economy with the outlook of current and past performance in the main economic key indicators are presented in the following table: Based on the above table it has been identified economic condition of the country will expect to increase in a current year and in coming years. the underlying reason for this is that the changing in the current economic conditions of the country is due to the implementation of the new plan by the current government that provide a favorable outcome for the economic conditions of the country. Therefore, it is expected that future economic condition of Malaysian economy will prosper with the higher growth rate.

Conclusion

The economic condition of Malaysia was affected due to a higher level of loans in the country that increases the debt burden. Based on the above analysis of the situation, it has been concluded that the due development of many policies and development plans of the country business performance has been increased. In relation to this, it has been identified that loans of the country were increased due to the effect of many factors in which most of the loans in the country was linked with the household sectors. This was due to the preferences of individuals for increasing their living standards. In relation to this, development of new government has provided various benefits to the country that results in higher growth. Moreover, developmental plan of the country will is providing a favorable economic outcome. In relation to this, it has been projected that Malaysian economy will grow further and provided a favorable measure of economic growth.

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