

EXTERNAL DEBT AND MACROECONOMICS PERFORMANCE IN MALAYSIA: SUSTAINABLE OR NOT?

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This study analyses the long-run and short-run relationship between external debt and macroeconomics performance of Malaysia. The macroeconomics performance in this study refers to government's reserves, balance of payment and government revenues. In this study we apply time-series econometric techniques to annual data for the entire period of last three decades. The cointegration approach is employed to investigate the long-run relationship; and error correction method (ECM) for short term dynamics. Our findings suggested a significant long-rung relationship between external debt and macroeconomics variables performance with 13 percent of speed of adjustment in the short-run dynamics. Overall, the findings shows that Malaysia's external debt is 'sustainable' with macroeconomics performance, although have faces several structural breaks.

Field of Research: Macroeconomics, Monetary and fiscal policies

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