

# Tengku Zafrul's appointment seen as serious bid to win market confidence

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KUALA LUMPUR, March 10 -- The appointment of banking sector heavyweight Tengku Zafrul Tengku Abdul Aziz as Finance Minister is seen as a serious bid to win market confidence, said OCBC Bank economist (Global Treasury Research & Strategy) Wellian Wiranto.

In a research note today, Wiranto said while successive Malaysian governments have been attempting to reduce the dependence of the government revenue on oil and gas receipts, the fact is that, in the absence of concrete revenue streams such as the Goods and Services Tax, it had been an uphill struggle.

"The key task for the finance ministry under its new boss is to prevent the deficit from ballooning to such a level, while on an immediate basis, his priority will likely be to implement the RM20 billion stimulus package that interim Prime Minister Mahathir Mohammad announced on Feb 28," he said.

Wiranto said Tengku Zafrul, a career banker who rose through the ranks to become the chief executive officer of CIMB, a major Malaysian bank, had previously cut his teeth in the investment banking arms of Credit Agricole and Maybank.

“Given Tengku Zafrul’s deep banking expertise, and the fact he is not deemed to be a political appointee, it appears that PM Tan Sri Muhyiddin Yassin understands the importance of presenting a market-friendly face for the crucial portfolio.

“Still, the honeymoon period for the new Finance Ministry is likely to be a short one, if there is any at all,” he added.

Wiranto said although there would continue to be hope for further fiscal relief, the reality is that the high fiscal deficit remains a bugbear for investors and would be even more so given the oil price slump.

“At most, the fiscal deficit can be pushed to 3.6-3.8 per cent of gross domestic product, depending on the severity of the global situation, before the ratings agencies balk.

“Hence, we continue to see monetary policy bearing the brunt of the policy response. As detailed in our March 3 report, there remains a dovish tilt to Bank Negara Malaysia’s statement, and we see the case for another rate cut to bring the overnight policy rate to 2.25 per cent in the next meeting on May 5,” he said.

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