

# Thailand Market Strategy

## Another miss for Thai GDP in 3Q23

- NESDC reported 3Q23 GDP at +0.8% q-q, +1.5% y-y, below street forecasts.
- Private consumption continued to grow strongly, while the poor numbers could be blamed on the public segment and exports.
- Based on NESDC numbers, we expect the Thai economy to significantly accelerate in 4Q23 and 2024.

### Thailand's 3Q23 GDP growth still below expectations

The Office of the National Economic and Social Development Council (NESDC) reported that Thai GDP grew by 0.8% q-q and 1.5% y-y in 3Q23, missing the market's expectation of +1.3% q-q and +2.2% y-y. However, the momentum q-q had a small improvement from +0.2% q-q in 2Q23.

### Key pressures continue from public segment and exports

In 3Q23, the key pressure on the Thai economy came mainly from the public segment that continued to show significant negative y-y growth, with accelerated numbers for both spending and investments at -4.9% y-y and -2.6% y-y, respectively. These resulted from the absence of stimulus packages and Covid-19 treatment expenditures. The high level of public debt to GDP and the delay in the 2024 fiscal budget continued to limit the government's spending ability. Meanwhile, goods exports continued to drop by 3.1% y-y, but the negative number is smaller compared to 1Q23-2Q23, as global trade started to see some recovery.

### Private consumption continued to carry

The key driver for positive 3Q23 GDP growth remained private consumption, which jumped 8.1% y-y, accelerating from +7.8% y-y in 2Q23. Spending continued to increase across most items, led by service segments, such as restaurants and hotels, utilities, financial and transportation services, in line with the rise of consumer confidence to a level of 58.7 in 3Q23 from 56.7 and 44.6 in 2Q23 and 3Q22, respectively – the highest level since early 2020 but still below the pre-Covid level of 70-80. For the tourism sector, the export of services flattened q-q but continued to jump by 23.1% y-y from country's full reopening which started in 3Q22. The recovery was in line with the 3Q23 international tourist arrivals that numbered 7.1 million, +10% q-q and +96% y-y, equal to 73% of the pre-Covid level.

### Expect Thai economy to accelerate in 4Q23-2024

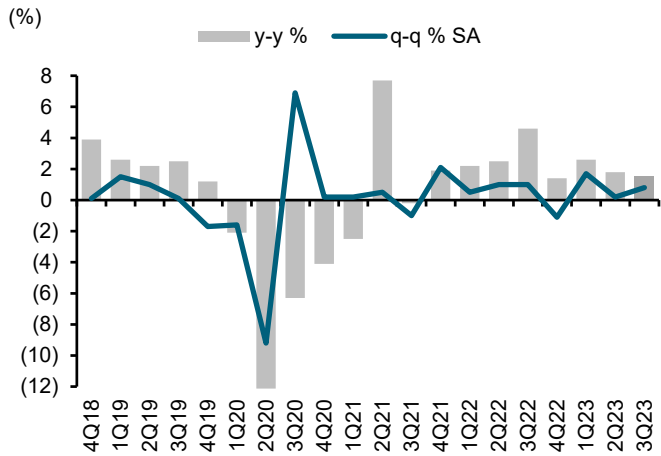
The NESDC has lowered its 2023E GDP growth to the low range of 2.5% y-y and released its 2024 GDP growth estimate of 2.7-3.7% y-y. We think the Thai economy will accelerate in 4Q23-2024. Based on the NESDC's 2023E TH GDP growth of 2.5%, we expect 4Q23 TH GDP to grow strongly by 4% y-y. We think domestic consumption and the tourism industry will continue to drive the economy as it enters the high season. For 2024, we expect TH GDP growth should accelerate to a range of 3-4%, driven by government stimulus packages, especially the THB500b digital wallet, as well as a tourism and export recovery.



**Veeravat Virochpoka**

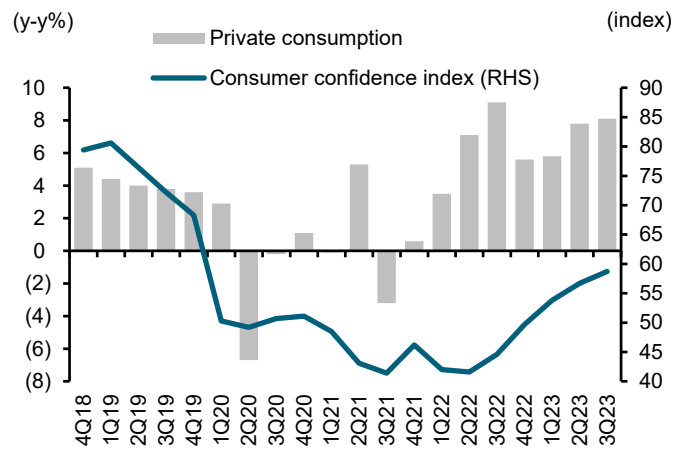
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**Exhibit 1: Quarterly TH GDP growth**



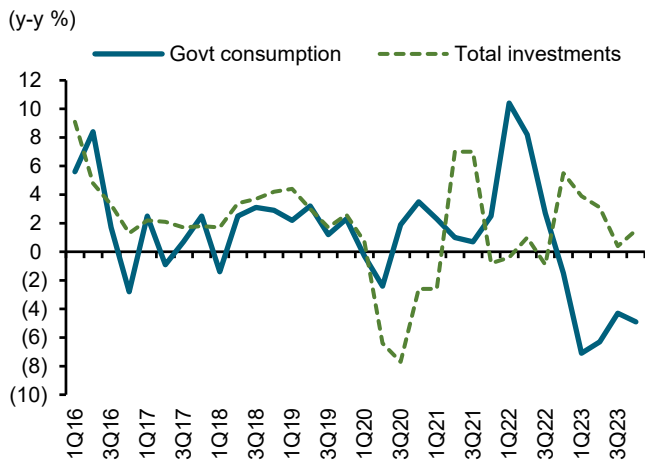
Source: NESDC

**Exhibit 2: Private consumption continues to grow strongly**



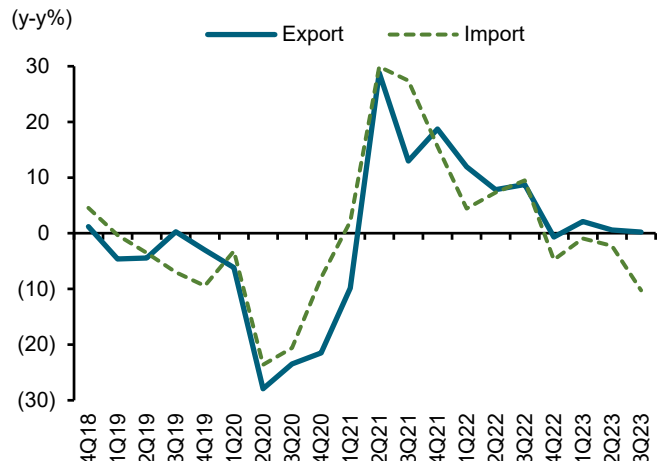
Source: NESDC

**Exhibit 3: Public sector remains a key pressure**



Source: NESDC

**Exhibit 4: Exports – negative for goods, positive for services**



Source: NESDC

**Exhibit 5: NESDC and BoT economic projections**

	2018	2019	2020	2021	2022	NESDC		Bank of Thailand	
						2023E	2024E	2023E	2024E
	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)
Real GDP growth	4.2	2.3	(6.4)	1.5	2.6	2.5	2.7-3.7	2.8	4.4
Private consumption	4.6	4.0	(0.8)	0.6	6.3	7.0	3.2	6.1	4.6
Private investment	4.1	2.7	(8.1)	3.0	5.1	2.0	2.8	1.0	4.9
Public consumption	2.6	1.7	1.4	3.7	(0.0)	(4.2)	2.2	(3.1)	1.4
Public investment	2.8	0.1	5.1	3.4	(4.9)	(0.8)	(1.8)	1.3	4.8
Export value growth (USD b)	7.5	(3.3)	(6.5)	19.2	5.5	(2.0)	3.8	(1.7)	4.2
Headline inflation	1.1	0.7	(0.8)	1.2	6.1	1.4	1.7-2.7	1.6	2.6
Current account to GDP (%)	5.6	7.0	4.2	(2.1)	(3.4)	1.0	1.5	-	-
Number of tourist arrivals (m)	38.2	39.9	0.0	0.4	11.1	28	35	28.5	35

Note: 2024E NESDC projections do not include the digital wallet scheme, BoT projections include the scheme  
Sources: NESDC and BoT

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																											
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																											
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																											
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																											
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																											
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																											
<b>Morningstar Sustainalytics</b>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																	
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<b>ESG Book</b>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																											
<b>MSCI</b>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>Moody's ESG solutions</b>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																												
<b>Refinitiv ESG rating</b>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																												
<b>S&amp;P Global</b>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																												
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																											
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																											

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "CG Score"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

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BUY (B). The upside is 10% or more.

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Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

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**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

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**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

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