

Thailand Market Strategy

Missed hat-trick for Thai GDP in 4Q23

- The NESDC reported 4Q23 GDP at -0.6% q-q and +1.7% y-y, and 2023 GDP at +1.9% y-y, missing the street's estimates for three consecutive quarters.
- The poor numbers can be blamed on public investment and spending, while the private segment and exports grew.
- Expect slightly better 1Q24 growth with a potential acceleration in 2Q24-3Q24 after the 2024 fiscal budget is approved.

Thailand's 4Q23 GDP growth below expectations but in line with FPO's forecast

The Office of the National Economic and Social Development Council (NESDC) reported that Thai GDP surprisingly dropped by 0.6% q-q and grew by only 1.7% y-y in 4Q23, missing the market's expectation of flat growth q-q and +2.5% y-y. As a result, 2023 Thai GDP growth finished at +1.9% y-y, decelerating from 2022's +2.5% y-y and below previous market anticipations, but in line with the Fiscal Policy Office (FPO)'s forecast of +1.8% y-y.

Public segment pressured; exports have started to recover

The key source of pressure for the Thai economy in 4Q23 came from the public segment, which continued to show significant negative y-y growth, especially investment. To elaborate, public investment plunged by 20.1% y-y due to a delay in the 2024 fiscal budget. Meanwhile, public spending continued to decrease by 3% y-y from a lack of key stimulus packages. On the international trade side, there were signs of recovery after goods exports turned positive by +3.4% y-y, while services jumped by 14.7% y-y thanks to the tourism high season, as Thailand had inbound international tourists of 8.1 million (+48% y-y).

Very strong growth in the private segment

The key driver for positive 4Q23 GDP growth remained private consumption, which jumped by 7.4% y-y, led by restaurants and hotels thanks to the festive season. Meanwhile, other services such as utilities and financial and transportation services, as well as food and non-alcoholic beverages, continued to show healthy growth, in line with the rise in consumer confidence to a level of 62 in 4Q23 from 58.7 and 49.7 in 3Q23 and 4Q22, respectively. Private investment accelerated by 5% y-y in the quarter from 3.5% in 3Q23, in accordance with rising investment promotion applications and certificate issuances, with a rebound in imports of capital goods, raw materials and intermediate goods.

Better 1Q24 recovery and potential acceleration in 2Q24-3Q24 onwards

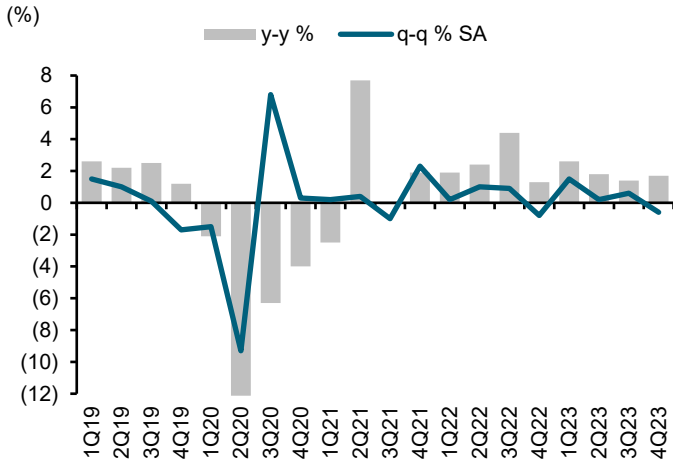
The NESDC has revised its 2024 GDP growth estimate from 2.7-3.7% y-y to 2.2-3.2% y-y, to reflect the slower-than-expected growth. However, we think the Thai economy has already passed its bottom in 2023. We expect to see slightly better GDP growth in 1Q24, led by the private and export segments benefitting from the E-Receipt stimulus package, the peak tourism season, and an export recovery. Meanwhile, the public sector is likely to add more support in 2Q24-3Q24 after the 2024 fiscal budget is approved by parliament, possibly in April-May 2024, plus an upside from the THB500b digital wallet scheme if it is released.



Veeravat Virochpoka

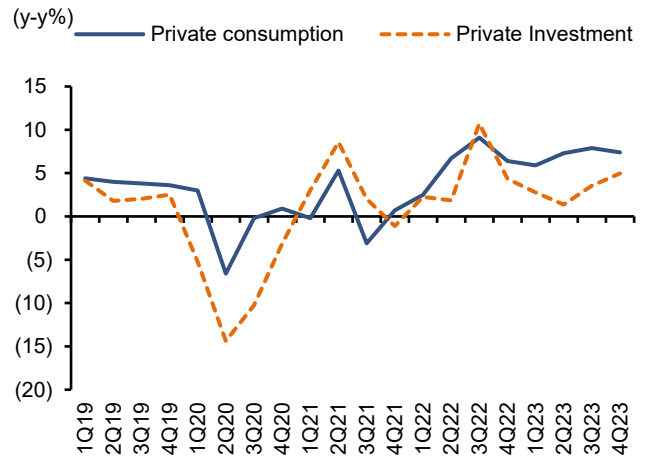
Fundamental Investment Analyst on Securities; License no. 047077
veeravat.v@fssia.com, +66 2646 9965

Exhibit 1: Poor GDP growth for three consecutive quarters



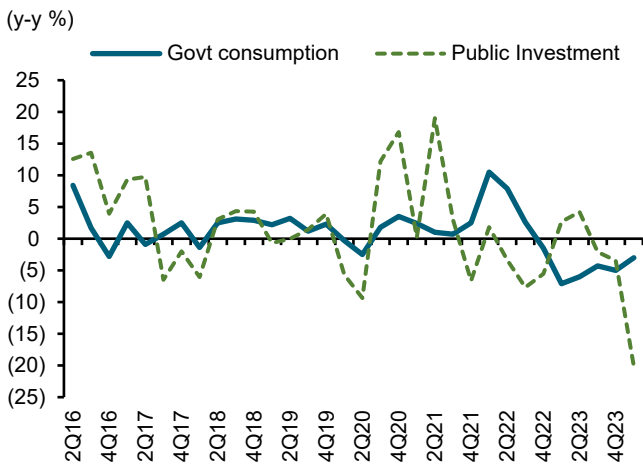
Source: NESDC

Exhibit 2: Private sector continued to show healthy growth



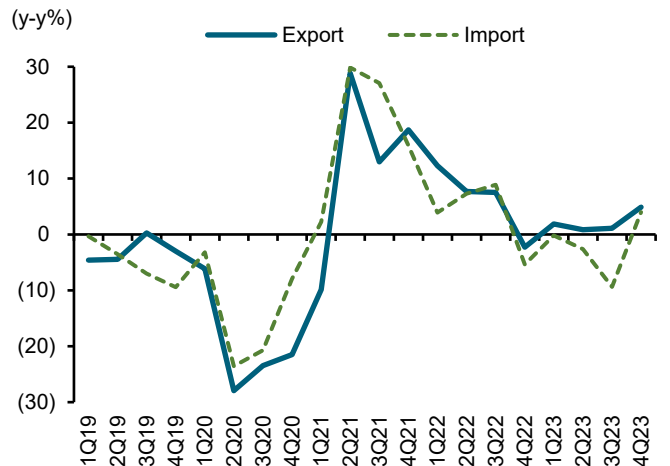
Source: NESDC

Exhibit 3: Public investment is a key pressure



Source: NESDC

Exhibit 4: Goods exports started to recover while services remained strong



Source: NESDC

Exhibit 5: NESDC and BoT economic projections

	2018	2019	2020	2021	2022	2023	----- NESDC -----	---- Bank of Thailand ----
	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	2024E	2024E
							(y-y%)	(y-y%)
Real GDP growth	4.2	2.3	(6.4)	1.5	2.6	1.9	2.2-3.2	2.5-3
Private consumption	4.6	4.0	(0.8)	0.6	6.3	7.1	3.0	-
Private investment	4.1	2.7	(8.1)	3.0	5.1	3.2	3.5	-
Public consumption	2.6	1.7	1.4	3.7	(0.0)	(4.6)	1.5	-
Public investment	2.8	0.1	5.1	3.4	(4.9)	(4.6)	(1.8)	-
Export value growth (USD b)	7.5	(3.3)	(6.5)	19.2	5.5	(1.7)	2.9	-
Headline inflation	1.1	0.7	(0.8)	1.2	6.1	1.2	0.9-1.9	c1.0
Current account to GDP (%)	5.6	7.0	4.2	(2.0)	(3.2)	1.3	1.4	-
Number of tourist arrivals (m)	38.2	39.9	0.0	0.4	11.2	28.1	35	34.5

Note: 2024E NESDC and BoT projections do not include the digital wallet 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 THSI inclusion , 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. SETTHSI Index 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.																											
CG Score 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%).																											
AGM level 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&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.																											
Thai CAC 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.																											
Morningstar Sustainalytics	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. 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 & peer reviews.	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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ESG Book	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.																											
MSCI	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="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">AAA</td> <td>8.571-10.000</td> <td style="text-align: right;">Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td style="text-align: right;">AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">BBB</td> <td>4.286-5.713</td> <td style="text-align: right;">Average:</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 style="text-align: right;">BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">CCC</td> <td>0.000-1.428</td> <td style="text-align: right;">Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	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.																												
Refinitiv ESG rating	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; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																												
S&P Global	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.																												
Bloomberg	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.																											

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Source: FSSIA's compilation

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All share prices are as at market close on 16-Feb-2024 unless otherwise stated.

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Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

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

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

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.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

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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