

Thailand Market Strategy

Higher-than-expected 3Q24 TH GDP

- The NESDC reported stronger-than-expected 3Q24 GDP growth of 1.2% q-q and 3% y-y.
- Public segments and exports are key drivers, while private investment is still negative.
- Some uncertainty over global trade next year, but we maintain our expectations on the upward trend for the Thai economy in 4Q24-2025.

Better-than-expected 3Q24 Thai GDP

The Office of the National Economic and Social Development Council (NESDC) reported that Thai GDP grew by 1.2% q-q and 3% y-y in 3Q24, beating the street's expectation of +0.8% q-q and +2.6% y-y. The Thai economy has gradually recovered from its bottom in 4Q23 as expected, aligning with the Bank of Thailand (BoT)'s latest forecast that expects GDP to grow by 1% q-q per quarter and 3.5% y-y for 2H24.

Strong public segments and exports are key drivers

The key drivers for the stronger-than-expected 3Q24 GDP growth came from public segments, both spending and investment, which jumped 6.3% y-y and 25.9% y-y, thanks to the acceleration of the budget disbursement for the last quarter of the fiscal year. Moreover, export segments are continuing to show a strong improvement. Goods exports increased by 8.3% y-y thanks to the resilient global economy. Meanwhile, exports of services jumped by 21.9% y-y, in line with more tourist arrivals numbering 8.59 million (+21% y-y) in the quarter.

Consumption remains resilient; only private investment is dragging

For the private sector, consumption remained resilient and continued to grow by 3.4% y-y in 3Q24. The growth number slowed from the high base last year of +7.9% y-y and the previous quarter's +4.9% y-y, in line with consumer confidence, which dropped from 58.7-58.9 in 3Q23 and 2Q24 to 55.3 in 3Q24. On the other hand, private investment remained in negative territory for two consecutive quarters at -2.5% y-y. This can be attributed to the slowdown of Thailand's property and automotive sectors, and aligns with the lower business confidence at 45.7 in the quarter, compared to 48.7 and 50.4 in 2Q24 and 3Q23, respectively. However, the decrease narrowed from -6.8% y-y in 2Q24, while the NESDC expects private investment to shrink by 0.5% for 2024, implying that the 4Q24 number should turn to grow by c2%.

4Q24-2025 remains on an upward trend

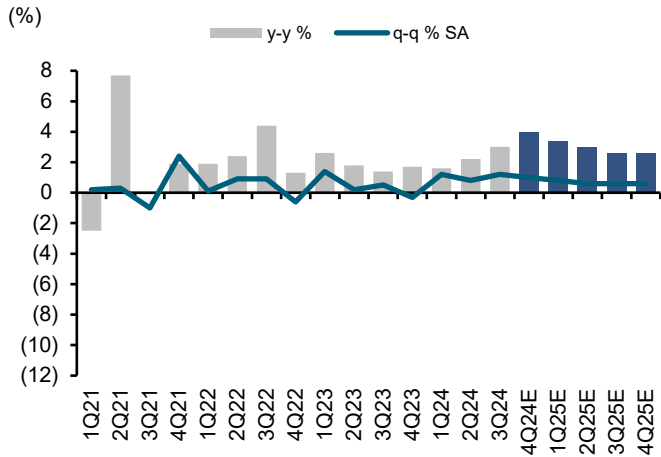
We project the Thai economy to continue to expand in 4Q24 by c1% q-q and c3.9% y-y, to deliver 2.6-2.7% y-y growth for 2024, driven by both seasonality and stimulus packages from the cabinet, which could offset the impact from the flood. For 2025, the NESDC and BoT expect Thai GDP to grow by 2.8-2.9% y-y, with more balanced growth from every engine. There is some uncertainty over global trade from the potential return of Trump's trade policy, which could indirectly impact Thai exports. We expect that the SET index might have a short-term retreat to the support level of 1,410-1,440. However, we have a positive view for the medium to long term, and maintain our 2025 SET target of 1,600.



Veeravat Virochpoka

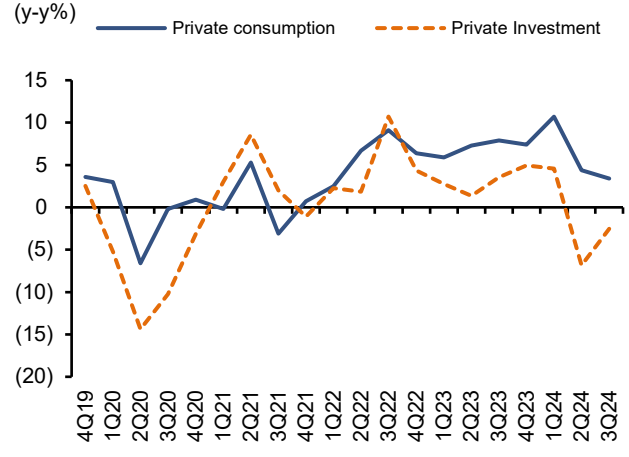
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Exhibit 1: Another quarter of q-q and y-y growth for TH 3Q24 GDP



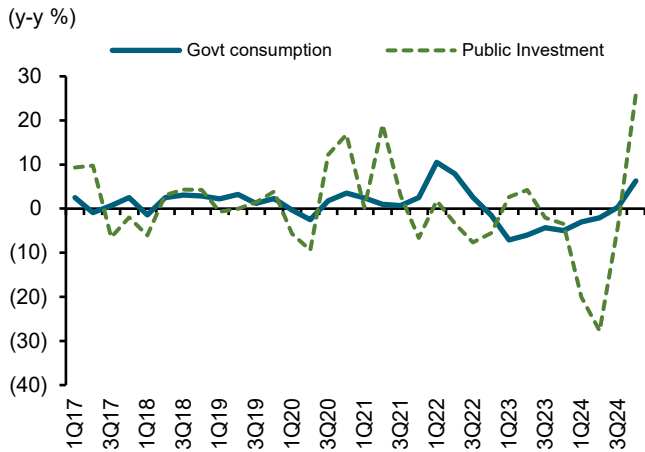
Source: NESDC

Exhibit 2: Private consumption remained resilient while investment remained negative



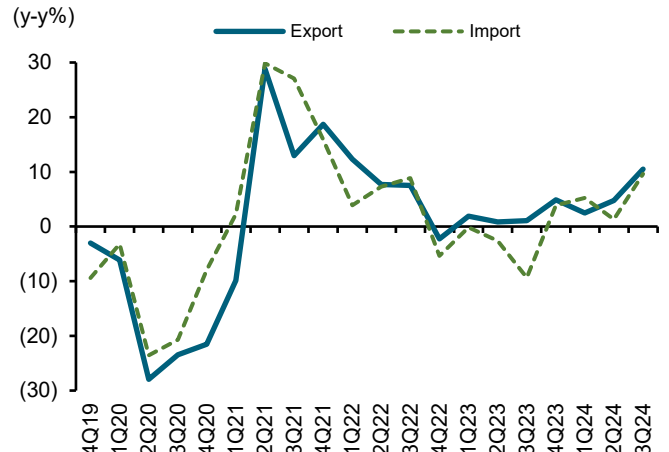
Source: NESDC

Exhibit 3: Public spending and investment jumped from acceleration of budget disbursement



Source: NESDC

Exhibit 4: Exports of both goods and services are solid



Source: NESDC

Exhibit 5: NESDC and BoT economic projections

	2019	2020	2021	2022	2023	----- NESDC -----		----- Bank of Thailand -----	
						2024E	2025E	2024E	2025E
	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)
Real GDP growth	2.3	(6.4)	1.5	2.6	1.9	2.6	2.3-3.3	2.7	2.9
Private consumption	4.0	(0.8)	0.6	6.3	7.1	4.8	3.0	4.2	2.5
Private investment	2.7	(8.1)	3.0	5.1	3.2	(0.5)	2.8	(2.8)	2.9
Public consumption	1.7	1.4	3.7	(0.0)	(4.6)	1.7	2.1	2.0	2.6
Public investment	0.1	5.1	3.4	(4.9)	(4.6)	2.4	6.5	1.1	4.5
Export value growth (USD b)	(3.3)	(6.5)	19.2	5.5	(1.7)	3.8	2.6	4.8	2.8
Headline inflation	0.7	(0.8)	1.2	6.1	1.2	0.5	0.3-1.3	0.5	1.2
Current account to GDP (%)	7.0	4.2	(2.0)	(3.2)	1.3	2.5	2.6	-	-
Number of tourist arrivals (m)	39.9	0.0	0.4	11.2	28.1	36.0	38	36.0	39.5

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.																			
SET ESG Ratings List (SETESG) by The Stock Exchange of Thailand (SET)	SET ESG 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 SETESG 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. SETESG Index is extended from the SET ESG Ratings 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. <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 & 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-top: 10px;"> <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="1" style="margin-top: 10px;"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </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, unless otherwise stated.

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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.

Country (Strategy) Recommendations

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.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one 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.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any 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.