

## Year of the infrastructure play Upgrade SET index to 1600

February 6, 2013

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We remain bullish on the SET. Our latest index target of 1600 (previously 1555) takes into account our more bullish view on the bank and property sectors, for which we have just revised up TPs by ~30%. The new SET index target would put Thailand at 14.6x 2013F PE and 0.73x PEG. We believe these are not excessively high. Our new target implies 7% upside.

### Year of infrastructure

We still have high conviction on the government's pledge to spend USD72bn over the next seven years on infrastructure. The recent plans and announcements help to confirm our view that 2013 will mark the beginning of massive infrastructure spending in order to improve Thailand's efficiency and long-term GDP growth.

### Baht strengthening

The currency has been strengthening since the beginning of this year. Although it should have profound impacts on the exports sector, earnings of listed companies should remain resilient. Our forex team has recently revised the baht forecasts for end-2013 and end-2014 to THB29.1 and THB28.6, respectively. We believe the chance of another round of capital controls being implemented is very slim.

### Focus stocks

**Our focus stocks are: BBL, KBANK, SCC, BIGC, GLOW, PTTGC, AOT, PS and QH.** Overall, we would continue to overweight domestic stocks over cyclical stocks. Risks to our bullish view include politics, inflation, and potential bubbles in household debt.

Fig. 1: Focus stocks

Stock	Price (THB)	Rating	Price target (THB)	P/E (x) FY13F	PBV FY13F	Yield (%) FY13F
BBL	210	Buy	262.0	10.4	1.3	4.5
KBANK	197.5	Buy	241.0	10.9	2.2	2.8
SCC	452	Buy	530.0	18.2	3.3	3.0
BIGC	206	Buy	267.0	21.9	4.4	1.4
GLOW	79.5	Buy	84.0	13.3	3.0	3.8
PTTGC	80.75	Neutral	82.0	10.8	1.6	4.1
AOT	105.5	Buy	145.0	17.6	1.8	2.8
PS	30.5	Buy	33.0	12.5	2.8	2.4
QH	3.2	Buy	3.7	12.7	1.7	3.6

Note: Pricing as of 30 January 2013.

Source: Nomura estimates.

### Anchor themes

Thailand has underinvested over the past decade. We believe that is about to change with the government's plans to invest in transportation, energy, telecommunications, utility and water management. We are more bullish on the infrastructure plays than consensus. We see the sense of urgency from the government to increase public spending in 2013 to keep the Thai economy buoyant.

#### Research analysts

##### Thailand Research Team

**Nithi Wanikpun - CNS, Thailand**  
[nithi.wanikpun@nomura.com](mailto:nithi.wanikpun@nomura.com)  
+662 287 6780

**James Moss - CNS, Thailand**  
[james.moss@nomura.com](mailto:james.moss@nomura.com)  
+662 638 5797

**Nuchjarin Panarode - CNS, Thailand**  
[nuchjarin.panarode.1@nomura.com](mailto:nuchjarin.panarode.1@nomura.com)  
+662 287 6790

**Piyachat Ratanasuvan - CNS, Thailand**  
[piyachat.ratanasuvan.1@nomura.com](mailto:piyachat.ratanasuvan.1@nomura.com)  
+662 287 6796

**Bo Vongvivathchai - CNS, Thailand**  
[bo.vongvivathchai@nomura.com](mailto:bo.vongvivathchai@nomura.com)  
+662 287 6799

##### Thailand Transport / Logistics

**Tushar Mohata, CFA - NSM**  
[tushar.mohata@nomura.com](mailto:tushar.mohata@nomura.com)  
+603 2027 6895

##### Thailand Healthcare & Pharmaceuticals

**Wen Jie Chan - NSL**  
[wenjie.chan@nomura.com](mailto:wenjie.chan@nomura.com)  
+65 6433 6965

See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

## SET index target of 1600 - infrastructure focus to continue

We raise our SET index target to 1600 to reflect our latest and more bullish view on the bank and property sectors. Our banks analyst has recently upgraded KTB and TMB to Buy ratings with target prices of THB27.5 and THB2.6 respectively. We believe that both banks offer good turnaround stories. We also adjusted our target prices for QH, PS, and LH to reflect our higher EPS growth estimates.

Fig. 2: Latest changes in target prices

Stock	Old TP	New TP	% Chg.	Links
KBANK	230	241	5%	<a href="#">Thai banks - 23% upside as the 20-year wait is over</a>
KTB	21	27.5	31%	<a href="#">Thai banks - 23% upside as the 20-year wait is over</a>
TMB	1.5	2.6	73%	<a href="#">TMB Bank (TMB TB, Buy) - 4Q12 earnings</a>
KK	41	49	20%	<a href="#">Thai banks - 23% upside as the 20-year wait is over</a>
QH	2.9	3.7	28%	<a href="#">Thailand residential property - Bullish 2013 targets set by developers</a>
PS	28	33	18%	<a href="#">Thailand residential property - Bullish 2013 targets set by developers</a>
LH	9	12.4	38%	<a href="#">Thailand residential property - Bullish 2013 targets set by developers</a>
BGH	NA	134.5	NA	<a href="#">Thailand healthcare - Go for the king of thrones</a>
BH	NA	80.5	NA	<a href="#">Thailand healthcare - Go for the king of thrones</a>
AOT	NA	145	NA	<a href="#">ANCHOR REPORT: Thailand air transport - Land of air miles</a>
THAI	NA	28.5	NA	<a href="#">ANCHOR REPORT: Thailand air transport - Land of air miles</a>
AAV	NA	6.1	NA	<a href="#">ANCHOR REPORT: Thailand air transport - Land of air miles</a>

Source: Nomura research

## Water management projects (USD11bn) — shortlist by end of January 2013

Our anchor themes for 2013 are infrastructure plays, driven by the government's commitment to improve Thailand's efficiency and long-term GDP growth. There are two key areas of spending. First, the government plans to implement the USD11bn worth of water management projects this year.

- The government will shortlist 3 candidates to run the water management project by January 31, 2013 (Prachachat, January 29, 2013).
- The cabinet should endorse the 3 candidates by February 5, 2013, followed by the official announcement.
- The final outcome should be announced by March 15, 2013.
- Construction should begin in April 2013.
- Both ITD and CK, Thailand's leading contractors, are among the members of the consortiums (according to the *Bangkok Post*). STEC is not in the race (according to the *Bangkok Post*).
- According to the *Bangkok Post*, the eight current contenders are: South Korea's Water Resources Corporation, ITD Power China JV (comprising five companies), Summit SUT JV (three companies), Team Thailand JV (eight companies), China CAMC Engineering Co Ltd, Japan-Thailand JV (11 companies), TKC Global (16 companies), and Loxley consortium.

Second, the government will spend around USD72bn over the next seven years on major infrastructure projects in order to reduce the logistics costs to GDP from ~15% to ~10%.

## Infrastructure projects (THB2trn)—bidding to start soon

The ministry of Transportation plans to submit the THB2trn projects for the cabinet to approve on February 5, 2013 (Prachachat, January 30, 2013). There will be 72 key projects, of which 65% are for rail transportation (railway and high-speed trains). Details of the plans are as follows:

### -Rail transportation

- About THB1.5trn of the budget will be allocated to rail transportation. The State Railway of Thailand (SRT) will get about THB1.2trn (58%) of the total, while the Mass Rapid Transit Authority of Thailand (MRTA) will obtain about THB386bn (20% of the budget).
- The majority of the SRT's projects will be for the construction of the dual-track railroad system covering Lopburi-Paknampho, Hua Hin-Prachuabkirikhan, Chomphon-Sura Thani-Padang Besar) and high-speed train network.
  - The total budget for the high-speed train system should be around THB753bn, from Bangkok to Chiangmai, Nakorn Ratchasima, Hua Hin, and Rayong.
  - The red-line MRT extension (6 routes altogether) should cost about THB95.6bn:
    - Rangsit-Thammasart (THB5.4bn).
    - Airport link extension from Don Muang-Payathai (THB28bn).
    - Taling Chan-Siriraj (THB9.3bn).
    - STEC and ITD are the major players in the construction of the red line project.
- The MRTA's budget of THB386bn will consist mainly of the 8 new mass transit lines:
  - The dark green line from Moe Chit to Sapan Mai (THB58bn).
  - The orange line from Thailand Cultural Center to Bangkokpi and Minburi (THB115bn).
  - The yellow line from Ladprao to Samrong (THB57bn).
  - The bidding for the dark green, pink line, and orange lines should take place in 2013.
- The bidding for the high-speed train projects should take place in 3Q13. The first phase will involve construction of Bangkok-Nong Pachi route (north) of about 82km. This should pave the way for Thailand's hosting of the World Expo in Ayutthaya in 2020.
- The dual-track railroad system should start with the Chachoengsao-Kang Koi route (106km, THB11bn) in 2013.

### -Expressways and motorways

Around THB270bn is earmarked for construction of highways, expressways, and motorways:

- The Department of Highway should get the majority of the budget allocated to road transportation.
- There are around 200 projects for highways, expressways, and motorways. The government aims to open up land transportation to accommodate the Asean Economic Community (AEC) via this massive infrastructure spending.
  - BECL has been awarded the 30-year concession to operate the new expressway (Sri Rach-Eastern Ring Road).
- The two new motorways are Bang Pa-In-Nakornratchasima (196km, THB69bn) and Bangyai-Karnchanaburi (96km, THB45bn).

### -Water and air transportation

- Only THB31bn of the total budget will go to the improvement of the water and air transportation systems.
  - The budget does not include the expansion of the Suvarnabhumi Airport phase II.

## Stronger baht — better get used to this

The baht has strengthened 2.7% y-t-d. This makes the local currency one of the strongest in Asia this year. Money came into the stock and bond markets with foreign net buying of THB14.7 bn and THB116bn respectively. We believe that capital inflows are influenced by Thailand's strong fundamentals.

**Fig. 3: THB versus USD**

Strongest in 17 months



Source: BISNEWS

**Fig. 4: 10Y Government Bond Yield**

Over Nov 12-Jan 13, foreign fund flow to Bond Market almost THB200 bn



Source: BISNEWS

## Impact on sectors

### -Energy/petrochemicals

Although the energy and petrochemicals producers such as PTT, PTTEP, PTTGC, and TOP should receive lower EBITDA in USD due to strengthening of the baht, the bottom lines will not suffer that much mainly due to (unrealized) foreign exchange gains. Most of these companies take out a large proportion of their loans in USD in order to natural hedge their USD profit margins.

### -BANPU

Although BANPU earns its EBITDA mainly in USD, any shortfall from the strong baht should also be offset by its short dollar position in subsidiary BLCP. Hence, the net impact on its bottom line should be almost neutral under its accounting method.

### -Banks

Our banks analyst James Moss foresees downward pressure on inflation and interest rates stemming from the strong baht versus the USD. Hence, he expects healthy loan growth under the strong baht scenario.

However, it also implies that yields in the system will be generally subdued, which also has some negative implications for overall margins. That should be offset by higher loan demand.

Although exporters should be negatively affected (which in turn implies asset quality issues), our banks analyst believes that the exporters have not been borrowing given the drop in corporate/SME loans to GDP since the 1997 crisis.

### -Building materials

For Siam Cement, every +THB1/USD should lead to 2-3% lower net profit, according to our Thai cement analyst, Bo Vongvivathchai. The company does not have a forex hedging policy.

### -Healthcare

A stronger baht should result in higher bills for medical tourists. Our analyst, Wen Jie Chan, expects BH to suffer more than its competitors because the company is most dependent on foreign patient load, at 59% of its revenues. However, healthcare demand in general is inelastic compared with other sectors.

### -Food

TUF should suffer the most from the strong baht. While nearly 90% of its revenues are USD-denominated, only around 50% of its imported feedstock is in USD. That leaves their margins exposed to the strong baht. However, the company always enters into hedging activities, which should help alleviate the negative impact.

### -Transportation

Our transportation analyst Tushar Mohata expects the strong baht to benefit AAV and AOT. At the same time, the impact on THAI is mixed. For AAV, approximately 65-70% of revenues are denominated in THB, but ~80% of operating costs are in US\$ (oil, lease costs, MRO), according to its financial statements. The company does not have significant debt exposure to foreign currencies though.

AOT's revenues and opex are denominated in THB. However, its foreign loans are JPY denominated with fixed interest rates. Of these overseas loans, 78% of the outstanding balance is hedged at THB 40 /100 JPY (currently at 33). However, most of the street excludes the hedging losses from core earnings calculations. Also, AOT still benefits from the unhedged 22% of JPY-denominated foreign loans.

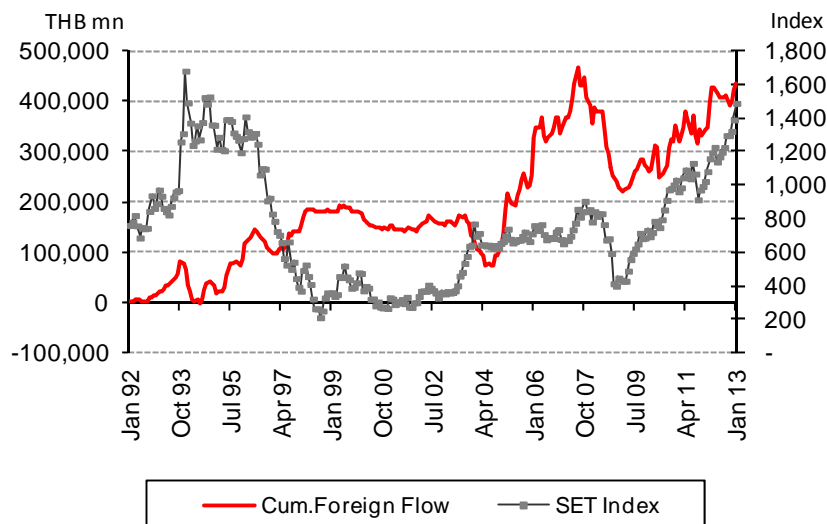
Approximately 74% of THAI's revenues are in foreign currencies, versus 77% for operating expenses. Hence, it appears that its operating profits are insulated against the strong local currency. THAI has a net short position in USD but is net long EUR.

## (Hot) Fund flows into equity market

The local stock market has benefited from net foreign investors' fund flows since 2009 on the back of the improving domestic political situation and global economic outlook. In January 2013, the foreign net buying amount was THB14.7bn, versus THB76bn for full-year 2012. This helped to push the SET to a 19-year high level.

**Fig. 5: Cumulative Foreign Net Buy since January 1992 and SET Index**

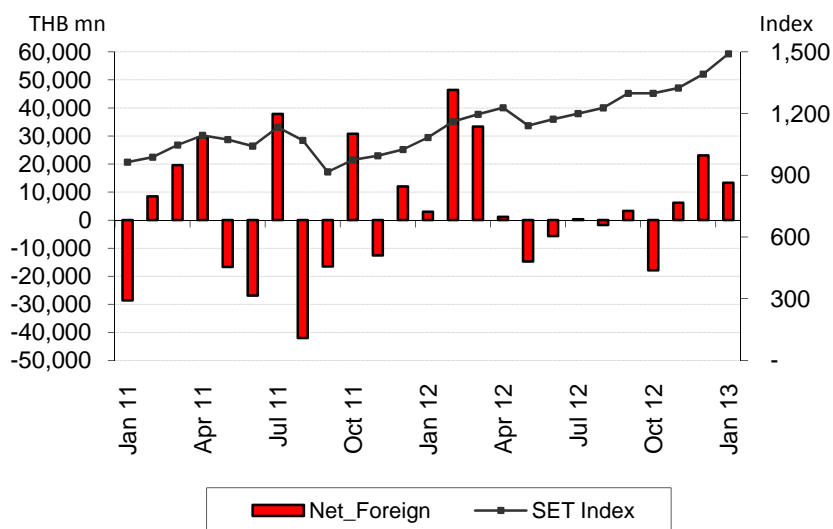
Upward trend since February 2009



Source: SET, Nomura research

For this round of the bull market, the foreign investors have been net-buyers of the SET since 2012.

**Fig. 6: This round, foreign net buying start at end Oct 12 – present**

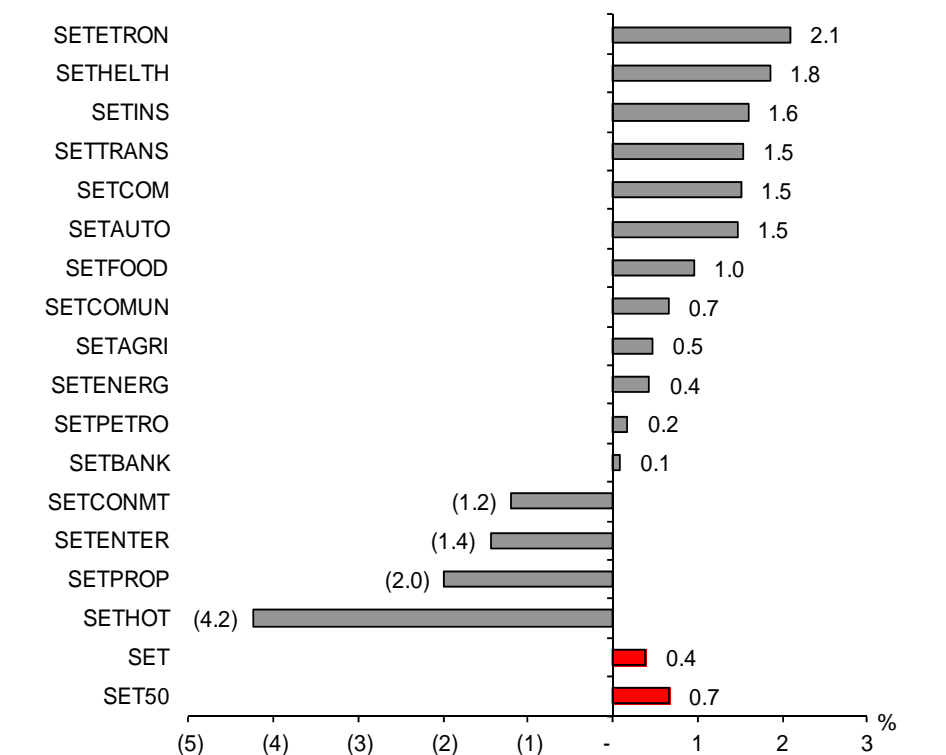


Source: SET, Nomura research

According to our analysis, foreign investors have net buy positions in electronics, healthcare, insurance, transport, commerce, auto. At the same time, they have been trimming positions in hotel, property, entertainment and building materials.

**Fig. 7: %Foreign Holding movement since end Oct 2012 to present**

Increased weightings in Electronics, Health care and Commerce but decreased In Hotel

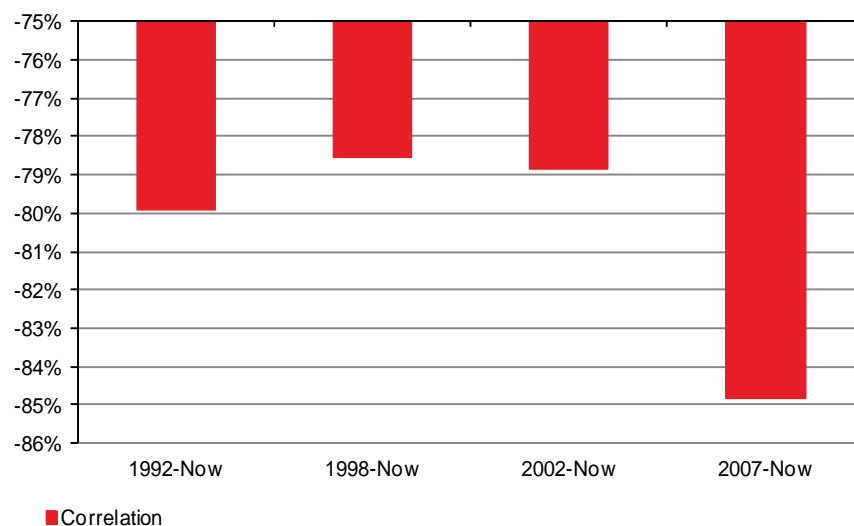


Source: SET, Nomura research

The SET index has a strong correlation with the baht (which is not a big surprise!). The market performs well when the baht is strong and tends to underperform when the baht is weak. This is the key risk in a medium- to long-term view, if and when the hot money starts reversing its trend, in our view.

**Fig. 8: Strong Correlation between SET Index and THB/USD movement**

Cumulative Foreign Flow



Source: Nomura research

In the following section, our economics and FX team provide in-depth analysis of the latest strengthening of the baht against the USD.



# USD/THB: Capital flows to continue driving the THB

Strategists		Economists	
<b>Craig Chan</b> +65 6433 6106 <a href="mailto:craig.chan@nomura.com">craig.chan@nomura.com</a>	<b>Wee Choon Teo</b> +65 6433 6107 <a href="mailto:weechoon.teo@nomura.com">weechoon.teo@nomura.com</a>	<b>Euben Paracuelles</b> +65 6433 6956 <a href="mailto:euben.paracuelles@nomura.com">euben.paracuelles@nomura.com</a>	<b>Nuchjarin Panarode, CNS Thailand</b> +662 638 5791 <a href="mailto:nuchjarin.panarode@nomura.com">nuchjarin.panarode@nomura.com</a>
<b>Advin Pagtakhan</b> +65 6433 6555 <a href="mailto:advin.pagtakhan@nomura.com">advin.pagtakhan@nomura.com</a>	<b>Prateek Gupta</b> +65 6433 6197 <a href="mailto:prateek.gupta@nomura.com">prateek.gupta@nomura.com</a>	<b>Lavanya Venkateswaran</b> +91 22 3053 3053 <a href="mailto:lavanya.venkateswaran@nomura.com">lavanya.venkateswaran@nomura.com</a>	

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Our theme that improving capital flows should support THB appreciation has so far this year been evident<sup>1</sup>. Foreign direct investment into Thailand gained strong momentum in the last quarter, suggesting that the government's post-flood investment drive is bearing fruit. Foreign portfolio investment into Thai equities and government bonds has also picked up in recent months as the global policy stimulus and a strong domestic economy – reflected in the upgrade of our 2012 GDP growth forecast to 6.0% from 5.5% by our Southeast Asia economist, Euben Paracuelles – have driven demand for Thailand assets.

These strengthening capital flows have spurred recent THB gains, albeit with the bulk taking place in mid-January. Since the ECB announced its Outright Monetary Transaction program (6 September 2012), the THB has appreciated by about 4.9% (against the USD) and 6.5% (on a nominal effective exchange rate (NEER) basis). We remain optimistic on the currency and forecast USD/THB to reach 29.1 by end-2013 and 28.6 by end-2014.

## Strong momentum in FDI

Latest data from the Thailand Board of Investment showed a significant spike in the value of FDI applications (Figure below) to USD6.9bn in Q4 2012 from USD4.9bn in Q3, and from a quarterly average of USD3.2bn in 2011. On a year-on-year basis, the value amount grew by 62.9% in 2012, mainly on a jump in applications in December (USD4.9bn). A breakdown of FDI applications by value shows there was a surge in the metal products/machinery and electric/electronic product categories. The increase in machinery FDI could be attributed to the expiration<sup>2</sup> of flood relief measures, which offered exemptions on import duties for machinery replacement until 31 December 2012.

Beyond this near-term factor, the strong pick-up in the electric/electronic product category suggests that investment in key production areas has continued to gain momentum. It is worth noting that despite recent JPY weakness, our Japan economists expect Japan's outward investments to remain elevated, as firms' incentives to increase operations outside Japan remain strong amid lower medium-term domestic growth expectations. Historically, Japan has been the largest source of FDI in Thailand and we expect the economy to continue to benefit from this trend. Note that our Japan equity analysts also expect Thailand to become an increasingly important location for Japanese automakers, as well as for consumer electronics makers<sup>3</sup>.

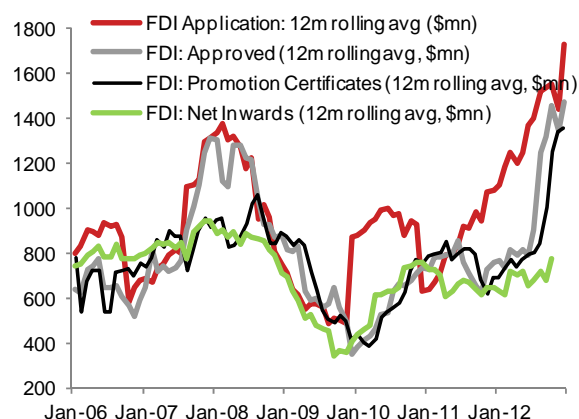
In the medium term, the investment push by the government, both to support the post-flood recovery (THB350bn planned for water management) and to boost Thailand's medium-term competitiveness (THB2270bn planned for mega-projects), should also help raise potential growth from the current 4%.

<sup>1</sup> See [Asia Special Report: Thailand: New growth engines](#), 24 September 2012

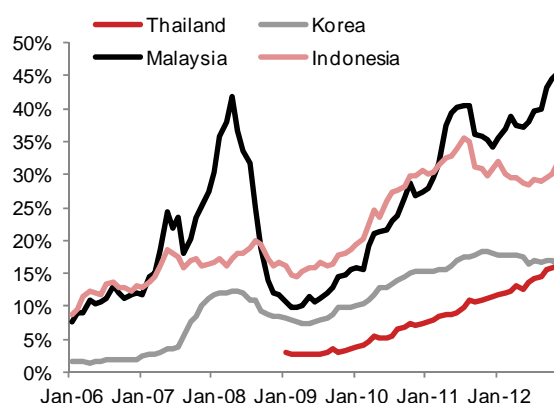
<sup>2</sup> See [BOI press release](#), 18 Jan 2013.

<sup>3</sup> See section "Japan equity view: car and electronics makers looking to expand" in our [Thailand special report](#), 24 September 2012.



**Fig. 9: Surge in FDI applications**

Source: Thailand Board of Investment, CEIC, Nomura.

**Fig. 10: Foreign bond positioning in Asia**

Source: Bloomberg, CEIC, Nomura.

## Equity and bond portfolio investment is likely to continue

We have also seen a significant pick-up in foreign investments into the government bond and equity markets. Since the ECB and Fed policy announcements in early September last year, foreign holdings of Thai government bonds continued to increase steadily from USD13.8bn (14.4% of outstanding) at end-August to USD16.2bn (16.4%) by end-December. The underlying reasons for investing in THB government bonds remains sound in our view, given our policy rate outlook, stable core inflation, global policy stimulus, and with the forward curve implying a cushion to add THB duration from the 7yr part of the curve onwards. That said, there has been market concern regarding additional bond issuance due to fiscal expansion, but we believe that if additional funds are needed then alternative sources that will not weigh on the yield curve are more likely to be used – such as retail savings bonds or promissory notes made directly to the private sector (which has substantial excess liquidity). Moreover, the public debt-management office has been within 5% of its benchmark issuance target over the past four years (see the Rates section of our [2013 outlook: Asia's overheating risks](#), 28 November 2012).

Since the Fed's announcement of QE3 (13 September), foreign flows (USD848mn as of 22 January) into Thai equities have underperformed the rest of Asia<sup>4</sup>. However, if we cumulate inflows from 22 November, when Thai equities saw their largest single-day foreign buying since 8 December 2010, then Thailand's foreign inflows surpass those of Indonesia and the Philippines, with USD1.7bn to 22 January. Investors may be waking up to the potential for Thai equities to outperform in Emerging ASEAN. Indeed, our Thai equity team expects strong EPS growth and ROE improvement in 2013F, and thinks 2012 will be the first in a string of consecutive years of P/E expansion<sup>5</sup>. Our view is also supported by relatively low foreign equity positioning (20.7% as of 22 January) which is 4.2% below the peak seen before the global financial crisis.

### Risk

The main risks to our constructive view on THB remain macroprudential measures, the political climate and the execution of investment projects.

Thai authorities have already voiced their concerns over capital inflows, most recently Bank of Thailand (BOT) Governor Prasarn saying that the BOT has "prepared tools and will use them if needed" against volatile capital flows. However, it is worth noting Prime Minister Yingluck Shinawatra's comment after meeting with Governor Prasarn and Finance Minister Kittiratt that recent THB gains have yet to impact exports.

<sup>4</sup> India, Indonesia, Philippines, Korea, and Taiwan where daily foreign equity flows data are readily available. We see a similar trend after benchmarking the flows with the equity market capitalization of respective economies (0.25% for Thailand, which is lowest among aforementioned economies).

<sup>5</sup> See [Thailand outlook 2013: Year of the infrastructure play](#), 4 January 2013

If significant appreciation pressures on THB emerge, we expect the BOT to lean against the trend and implement administrative and macroprudential measures to counter excessive speculative inflows. These measures may include tighter monitoring of FX transactions, implementing holding periods on foreign holdings of local debt, FX hedging requirements and a milder form of an unremunerated reserve requirement (URR) to stall gains in THB and allow Thailand's exports to adjust to a stronger currency.

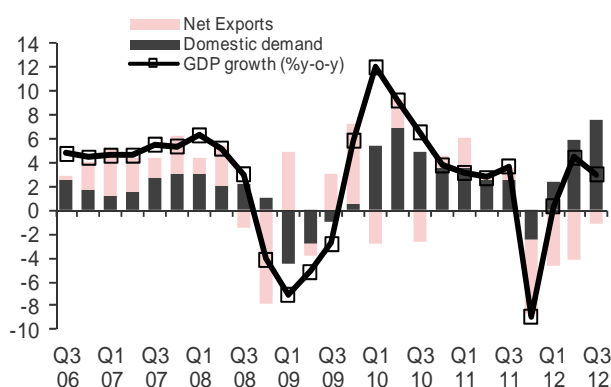
Political stability is an important criterion for THB performance. In the near term, one risk would be a shift in the government's focus from the implementation of investment plans to issues such as amending the constitution and reconciliation draft bills. A referendum on the constitutional amendment draft is likely to take place between mid-March and April, and could be a source of distraction. Furthermore, the issue of succession and the future needs of the monarchy may also present risks to political stability.

## Economics: THB appreciation should have a limited effect on the economy

We believe the BOT will be more tolerant in this episode of THB appreciation than it was in 2006, for example, and is hence unlikely to impose draconian capital control measures. The key difference compared to 2006 (when THB appreciated strongly in a short period) is the support to growth from strong domestic demand. As we have said previously (see [Asia Special Report: Thailand: New engines of growth](#), 24 September 2012) we expect domestic economic growth in 2013 to be solid despite sluggish global growth, driven by public and private investment as well as private consumption. Indeed, the BOT in its latest Monetary Policy Report (released 18 January) alluded to this strength, revising up its 2013 GDP growth forecast to 4.9% y-o-y from 4.6% despite revising down the export component to 8% (from 9.6%). Private investment and consumption are set to increase by 12.1% and 4.3% in 2013 (from 16.5% and 6.3% in 2012), respectively, while public investment is expected to accelerate 17.1% y-o-y (from 7.9% in 2012).

In December 2006 – when Thailand experienced large capital inflows and the THB appreciated by about 12%y-o-y – a strong currency would have been a bigger drag on GDP growth through weakening exports given that domestic demand was growing at much slower rates (private consumption rising 3.2%, private investment 4.1% and public investment 3.1%). At the time, the BOT decided to impose a 30% reserve requirement on short-term capital inflows, but we view a similar measure as highly unlikely. On the other hand, we do expect the BOT to encourage more capital outflows.

Fig. 11: Domestic versus external demand



Source: CEIC; Nomura Global Economics

Fig. 12: BOT versus Nomura forecasts

(%y-o-y)	2013		2014	
	BOT	Nomura	BOT	Nomura
GDP	4.9	4.5	4.8	5.0
Private consumption	4.3	5.1	3.5	3.9
Public consumption	2.5	-1.0	4.9	-1.3
Gross fixed capital formation	13.1	6.9	8.8	10.7
Private investment	12.1	6.8	9.1	7.5
Public investment	17.1	8.1	7.6	19.7
Exports (goods & services)	8.0	4.1	8.7	5.0
Imports (goods & services)	10.5	3.1	10.3	5.0

Source: BOT; Nomura Global Economics

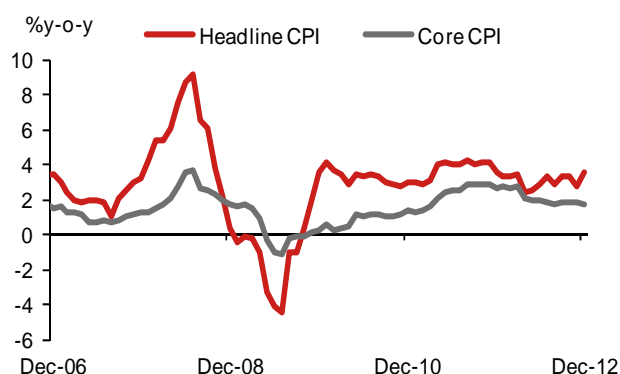
In terms of inflation, while a stronger currency helps headline inflation, the pass-through of a stronger exchange rate to inflation is small given the presence of fuel subsidies and other government administrative measures. A BOT research paper estimates that the

degree of pass-through from exchange rate to inflation in the long run is 0.0470<sup>6</sup>. Therefore, while recent THB appreciation has been steep, we are not adjusting our inflation forecast – it remains 3.2% for 2013. Indeed, the latest reading of headline and core inflation suggests that inflation is well within the BOT's target range. We do, however, acknowledge that should this strong appreciation persist, our inflation forecast will face greater downside risk.

With GDP growth remaining strong and with inflation under control, we continue to expect the BOT to keep policy rates on hold for the rest of the year. While a stronger THB could lead to increased expectations of a policy rate cut, we do not believe this will materialize for two reasons: first, we believe the BOT will wait to assess the impact across the country of the recent 22.5% increase in minimum wages; secondly, the other factors that the BOT referred to in its previous policy statement – such as credit growth and rising household debt – will act as further deterrents to a rate cut (see [Asia Insights: Thailand: BOT again unanimously on hold](#), 9 January 2013).

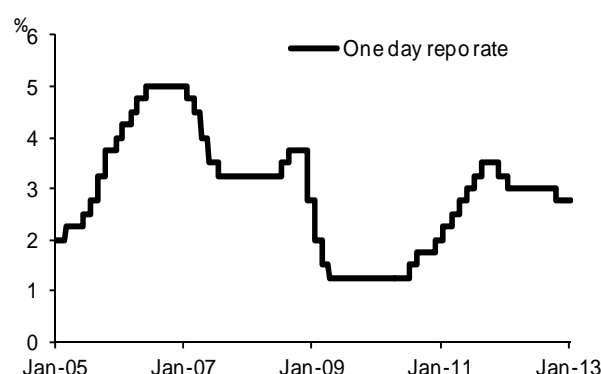
Lastly, we believe the impact of a stronger currency on the external front may also be limited for now as we have already accounted for weak export growth, consistent with our Global Economics team's forecast of slow GDP growth in the US and EU in H1, and in China in H2. Furthermore, given our view that domestic demand will remain strong, robust import growth has also been pencilled into our forecast for this year. As such, we forecast a current account deficit of USD2.2bn, or 0.6% of GDP. The risk, however, is that should this appreciation trend persist, we could see considerably weaker export growth, which will lead to a wider current account deficit. That said, we doubt the deficit will exceed 2% of GDP as imports and exports tend to be correlated – imports of raw materials and intermediate goods account for around 60% of export value, so should exports weaken considerably, so too would import demand.

**Fig. 13: Headline and core inflation**



Source: CEIC; Nomura Global Economics

**Fig. 14: Policy rate**



Source: Bloomberg; Nomura Global Economics

All told, despite strong THB appreciation, all our key forecasts remain unchanged. We do, however, acknowledge that if this trend persists, export growth could weaken further and in turn lead to lower GDP growth and a larger current account deficit. We remain comfortable with our view that the BOT will remain on hold for the rest of the year and use macroprudential measures to tighten policy as required.

<sup>6</sup> Exchange Rate Pass Through Inflation in Thailand, Bank of Thailand, Wattanakoon Panit (October 2011)

Fig. 15: Details of our forecasts

<i>% y-o-y growth unless otherwise stated</i>	<b>1Q12</b>	<b>2Q12</b>	<b>3Q12</b>	<b>4Q12</b>	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Real GDP (sa, % q-o-q, annualized)	<b>53.3</b>	<b>11.7</b>	<b>5.0</b>	5.1	-4.8	12.4	7.7	4.5			
Real GDP	<b>0.4</b>	<b>4.4</b>	<b>3.0</b>	17.2	4.1	4.2	4.9	4.8	6.0	4.5	5.0
Private consumption	<b>2.9</b>	<b>5.3</b>	<b>6.0</b>	11.9	7.6	7.3	4.7	0.8	6.5	5.1	3.9
Public consumption	<b>-0.2</b>	<b>7.4</b>	<b>9.0</b>	6.0	2.1	-2.4	-4.6	2.4	5.8	-1.0	-1.3
Gross fixed capital formation	<b>5.2</b>	<b>10.2</b>	<b>15.5</b>	29.0	10.9	7.1	4.0	6.3	14.6	6.9	10.7
Exports (goods & services)	<b>-3.2</b>	<b>1.1</b>	<b>-2.8</b>	23.0	5.9	3.6	6.0	1.0	3.8	4.1	5.0
Imports (goods & services)	<b>4.3</b>	<b>8.6</b>	<b>-1.8</b>	21.7	6.0	3.4	7.4	-3.9	7.8	3.1	5.0
Contribution to GDP growth (% points)											
Domestic final sales	<b>2.5</b>	<b>5.9</b>	<b>7.6</b>	13.1	6.3	5.4	2.9	2.1	7.1	4.2	4.5
Inventories	<b>2.9</b>	<b>2.8</b>	<b>-3.8</b>	1.6	-1.5	-2.2	0.9	0.4	0.9	-0.6	-0.1
Net trade (goods & services)	<b>-4.7</b>	<b>-4.2</b>	<b>-1.1</b>	3.4	0.9	0.5	0.0	3.2	-1.8	1.2	0.7
Exports	<b>-1.4</b>	<b>2.0</b>	<b>-3.8</b>	21.1	6.2	5.5	9.0	-4.0	3.7	5.0	6.9
Imports	<b>10.4</b>	<b>9.5</b>	<b>-1.7</b>	18.5	4.6	5.8	14.7	1.6	8.8	6.6	7.2
Merchandise trade balance (US\$bn)	<b>-5.2</b>	<b>-5.2</b>	<b>-1.6</b>	-6.1	-4.5	-5.7	-5.2	-7.6	-18.1	-23.0	-25.4
Current account balance (US\$bn)	<b>1.4</b>	<b>-2.4</b>	<b>2.7</b>	0.9	0.6	-2.5	-0.5	0.1	2.7	-2.2	-2.5
Current account balance (% of GDP)	<b>1.6</b>	<b>-2.6</b>	<b>3.1</b>	1.0	0.6	-2.4	-0.4	0.1	0.7	-0.6	-0.6
Fiscal balance (% of GDP, fiscal year basis)									-2.5	-3.2	-3.7
Consumer prices	<b>3.4</b>	<b>2.5</b>	<b>2.9</b>	<b>3.1</b>	3.4	3.2	3.1	3.2	<b>3.0</b>	3.2	3.1
Unemployment rate (sa, %)	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	0.6	0.9	0.8	0.6	0.6	0.7	0.7	0.7
Overnight repo rate (%)	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>2.75</b>	2.75	2.75	2.75	2.75	<b>2.75</b>	2.75	3.25
Exchange rate (THB/USD)	<b>30.8</b>	<b>31.8</b>	<b>30.8</b>	<b>30.6</b>	29.5	29.3	29.2	29.1	<b>30.6</b>	29.1	28.6

Source: Numbers in bold are actual values; others forecast. Interest rate and currency forecasts are end of period; other measures are period average. All forecasts are modal forecasts (i.e., the single most likely outcome). Table reflects data available as of 24 January 2013. Source: CEIC and Nomura Global Economics.

# Appendix A-1

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