

Not for the faint hearted, part II Rough ride, but we see opportunities

June 26, 2013

This correction is long overdue; a good entry point is on the horizon

We highlighted in our last strategy report, *Not for the fainted hearted*, 18 April 2013, that the SET lost around 17% on average in each correction period during the past three bull markets and the average duration of the correction was 99 trading days. Since then the market has gone up to reach an 18-year-high level of 1,644 before crashing by 17% as of 24 June 2013. We believe a good entry point is on the horizon. We recommend buying into the expected weakness ahead.

Back to reality...which is not too bad

We still believe that Thailand is in year two of a four-year bull market driven by fundamental changes such as the government's infrastructure projects and urbanization in the country. The stock market, following this correction, should go up on a selective basis as opposed to the liquidity-driven across-the-board rally that we experienced since the beginning of the year until the recent peak on 21 May 2013. Stock picking will be crucial going forward.

Beware of small-caps, focus on bargain hunting among big-caps

The near-term market direction is subject to the local retail investors' decisions over the next few weeks. So far this year, they have been net buyers in the market whereas the foreign institutional investors have been net sellers. If the market keeps falling at the rate we saw over the past two weeks (-4% per week), we believe the retail investors will not be able to absorb the losses. In addition, forced sells may exacerbate the situation. As such, we do see more downside risks for the small-cap stocks.

Higher chance of early election

We see higher probability of a snap election called by the Pheu Thai party around the end of this year. It is normal in Thai politics for the ruling parties to call snap elections when they perceive their power as being at the peak. The past history indicates that the market appears to like the mood post elections, as the SET went up after four of the past five elections by 4% on average in one month following the election date.

Focus on mid- and big-caps

The mid- and big-caps have come down by 21% and 14%, respectively, since 21 May. We believe many stocks look more attractive now than they were a month ago at the recent peak of the market. We have adjusted our list of focus stocks to reflect the current market conditions. We now prefer KBANK, KTB, ADVANC, DTAC, GLOW, EGCO, BH, PS, and QH (all Buy-rated) over the next 12 months.

Anchor themes

Thailand has underinvested over the past decade. We believe that is about to change with the government's plan to invest in transportation, energy, telecommunications, utilities, and water management. We are more bullish on the infrastructure play than the consensus. We see the sense of urgency from the government to increase public spending in 2014 to keep the Thai economy buoyant.

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

Maintain SET index target of 1,660

We expect the rally in the SET will take a backseat to the ongoing correction in the short term. We are in a period between the expiration of the government's populist policies to stimulate consumption (which expired in December of last year) and the government's spending on water management and infrastructure projects that will not start until the end of this year. Hence, the Thai economy is losing its momentum for now but will pick up later this year, in our view. The SET shows an 87% correlation with Thailand's quarterly GDP growth. With that in the backdrop, we believe the SET will remain in check. Higher political risks will prevent a rally in the stock market should the liquidity and China concerns begin to abate, in our view. We would buy into this bull market correction and maintain our 12-month SET index target of 1,660. We prefer mid- and large-caps over small-caps as we believe that they have already priced in investors' concerns and as their valuations are starting to look attractive. We also favour value over growth following the correction. We would avoid sectors with high P/E multiples and a potential slowdown in earnings, such as the retail sector.

Our focus stocks — less cyclical and more defensive

We have removed cyclicals (**PTTGC**, **SCC** and **BCP**) from our list of focus stocks as we believe that increasing concerns about China's economy should drag prices and margins for these companies. We have also removed **BIGC** from our list, as we see it as a high P/E stock with deteriorating fundamentals in the commerce sector. We have added more defensive stocks with positive earnings drivers, such as **ADVANC**, **DTAC**, and **EGCO**, in our focus stock list. Property stocks (**QH** and **PS**) remain on our list after they have declined significantly over the past one month. In our view, the property stocks remain one of the best proxies for the government's infrastructure spending which, we believe, should take place in 4Q13.

Fig. 1: Focus stocks

Visible earnings growth, attractive valuations, and attractive dividend yields

Stock	Price (THB)	Rating	Price Target (THB)	P/E (x) FY13F	PBV FY13F	Yield (%) FY13F	Comment	%Upside
KBANK	170.5	Buy	254	9.4	1.9	3.2	Geared to corporate/SME loan cycle, rising loan spreads and fees, falling cost structure; will be the most profitable bank by 2014F	49.0%
KTB	17.8	Buy	31.25	7.1	1.2	5.6	Higher loan growth and margins, lower provisions	75.6%
ADVANC	259	Buy	320	20.3	15.7	4.9	Rising EBITDA margins, attractive dividend yield	23.6%
DTAC	114	Buy	140	23.3	8.2	4.3	Higher EBITDA margins, appealing dividend yield	22.8%
BH	73.75	Buy	102.75	22.3	5.7	2.2	Leading premium healthcare operator in Bangkok with good growth prospects and strong management	39.3%
GLOW	70.25	Buy	84	13.1	2.5	3.8	New project, tariff increase, lower coal prices, and IPP bidding in 2013	19.6%
EGCO	134.5	Buy	156	10.1	1.0	4.0	Potential winner of the IPP bidding	16.0%
PS	18.4	Buy	33	7.6	1.7	4.0	Market leader in low-end and attractive valuation	79.3%
QH	2.72	Buy	3.7	10.8	1.4	4.2	Turnaround story and expansion into the low-end segment	36.0%

Source: Bloomberg, Nomura estimates. Note: Pricing is as of 24 June 2013.

Fig. 2: Summary of sector view

Maintain exposure to infrastructure spending via property sector

Outlook	Comment	Focus stocks
Overweight	Financials	KBANK and KTB
	Property	PS and QH
	Telecommunications	ADVANC and DTAC
Neutral	Materials	
Neutral	Utilities	EGCO and GLOW
	Healthcare	BH
	Materials	
	Industrial	
Underweight	Consumer discretionary	
	Consumer staples	
	Energy	

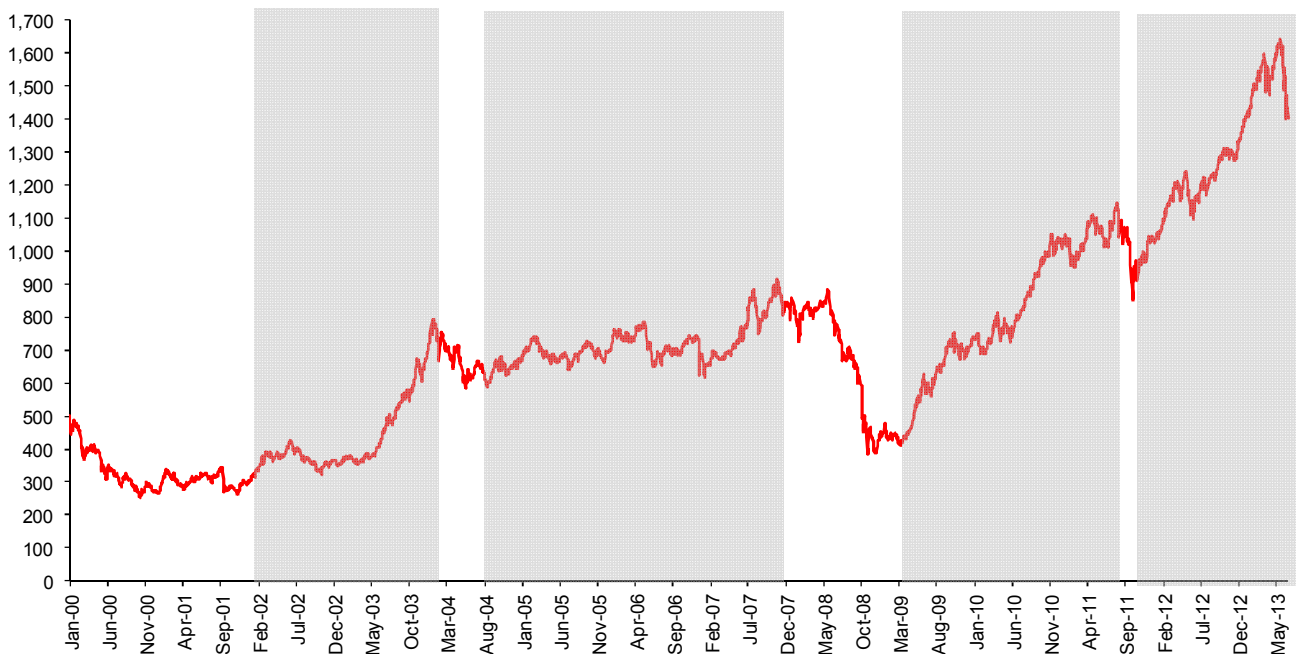
Source: Nomura research

Short-term thinking — liquidity outflow exacerbated by higher political risks and economic slowdown

As mentioned in our previous report, *Not for the faint hearted* (April 18, 2013), the typical bull market corrections in Thailand usually result in a 17% decline in stock prices and last around 99 days. The market has recently come down by 17% (as of June 24) from its recent peak reached on May 21 at 1,644. We believe the correction is driven mainly by foreign investors cashing out profits in Thailand, the Philippines, and Indonesia on the back of the US' potential tapering of its QE program by the end of the year. In addition, the GDP in 1Q13 for Thailand came out below consensus' expectation. In fact, the economic numbers recently released have started showing signs of fatigue in the system. In all, we believe that the market should resume its upward trend by the end of 4Q13 following the passage of the infrastructure spending bill, which should help to jump-start the massive USD72bn spending planned by the government over the next seven years. Uncertainties over the political situation should also become clear by then, especially on concerns regarding a possible snap election.

Fig. 3: The bull market corrections

Average correction was 17% from the peak versus the recent fall of 17% since 21 May 2013



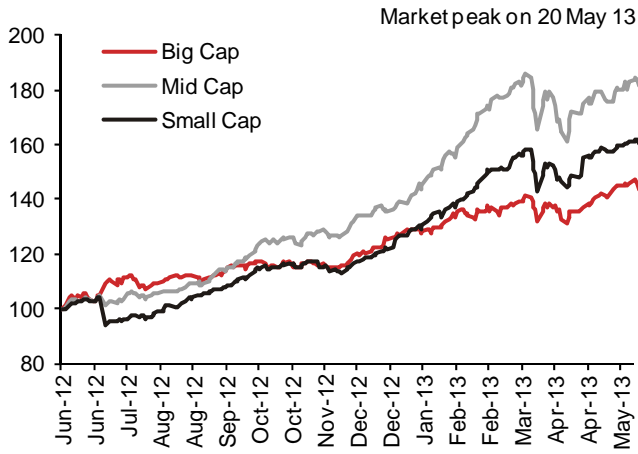
Source: Bloomberg, Nomura research

The big-caps led the market on the way down — looking attractive now

The small- and mid-cap stocks led the market on the way up, driven largely by retail and local institutional investors as the foreign investors have been sellers since the beginning of this year. Hence, the big-caps (which are normally favoured by foreign investors due to their size and liquidity) underperformed significantly until the market reached its recent peak. On the way down, the big-caps started to come down first until the middle of June when the mid-caps also began to give in. The key question is: what will the retail investors do after the market has come down by 17%? Will they hold on to their small-cap stocks, which have declined by 14% on average since the peak in May? Many of these small-caps still have excessively high valuations with limited earnings growth, we note.

Fig. 4: Performance of SET index Jun 12 to Jun 13

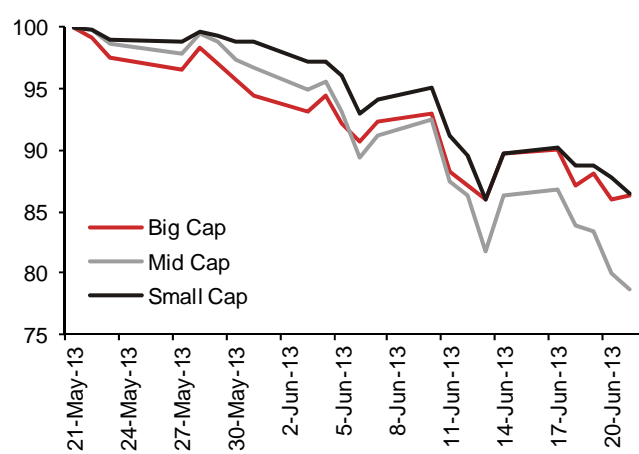
Mid- and small-caps led on the way up



Source: Bloomberg, Nomura research

Fig. 5: Performance of SET after the recent peak in May 13

Mid- and big-caps led on the way down



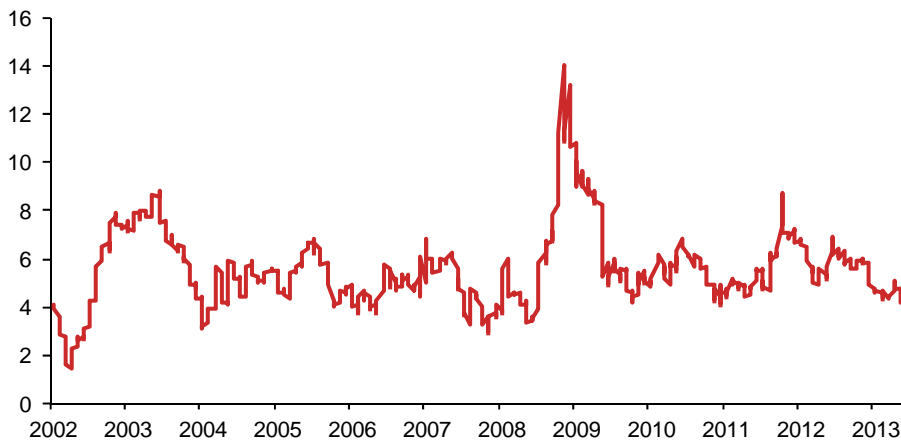
Source: Bloomberg, Nomura research

Risk premiums—sanity check

We believe the current correction should help to push Thailand’s equity risk premium back to a more suitable level of around 5%. We believe that the 4% level seen over the past few months reflected a blue sky scenario, which is far from reality given the economic slowdown, rising political tension, and reversing fund flow. The historical ERP for the Thai market would imply the supporting level of about 1,417, around +4% from the closing price on 24 June 2013.

Fig. 6: Equity risk premium

Heading back up to the 5% level

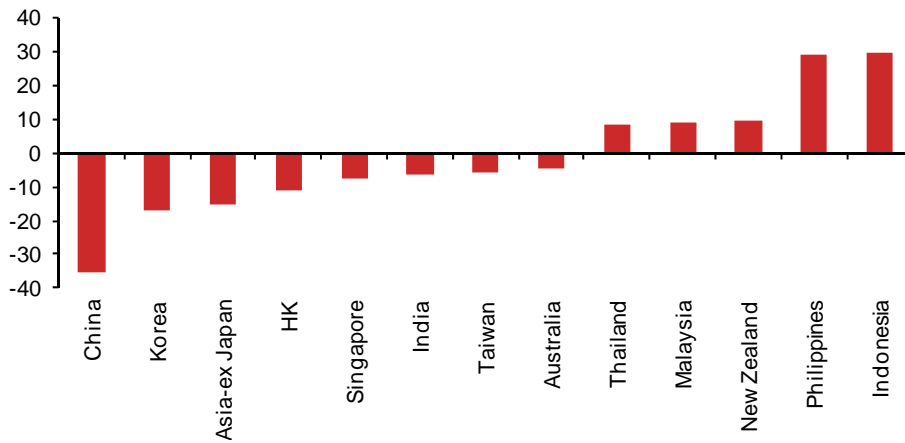


Source: Datastream

Valuations — also more realistic at 8.3% premium to long-term average

The SET is trading at a 12-month forward P/E of 11.4x (based on consensus forecasts), which is an 8.3% premium to the long-term average of 10.5x. Consensus forecasts of 12-month forward EPS growth of 19.1% for 2013 and 13.1% for 2014 remain intact with slightly downward earnings revisions (-4.5% for FY1). It should be noted that Indonesia and Philippines continue to trade at the highest premiums of 29.2% and 28.6%, respectively, despite the recent correction. If we were to use the long-term average P/E of 10.5x, the supporting level for the SET should be around 1,290 or -5% from the closing price on 24 June 2013.

Fig. 7: Premium/discount to long-term average P/E
(%)



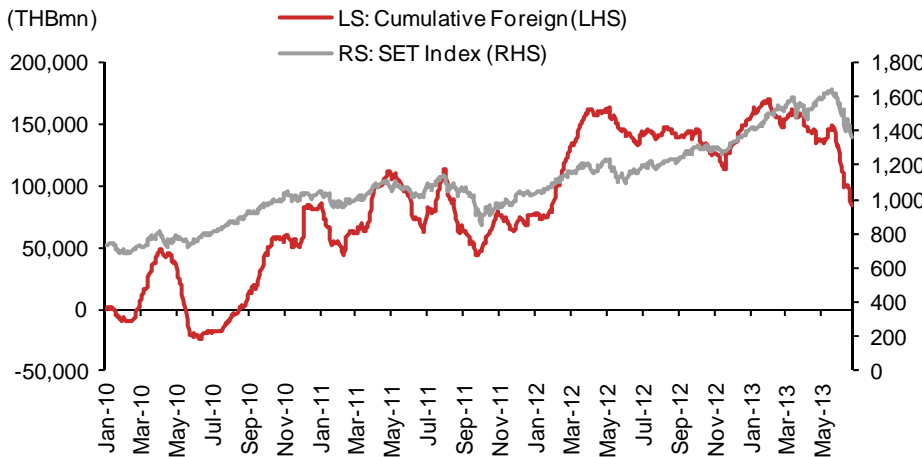
Source: Datastream, Nomura research

Foreign holdings in the stock market

We estimate the remaining holdings of foreign investors at around THB85bn or USD2.7bn as of 24 June 2013. This is down 50% versus the peak of USD5.5bn in February of this year. In comparison, in Indonesia, the foreign holding in the JCI is still USD6.6bn as of 21 June 2013. For more details, please see [Indonesia Strategy - When the dust settles...](#)

Fig. 8: Foreign cumulative holdings in Thailand

Around USD2.7bn versus the peak in Feb 2013 at around USD5.5bn



Source: Bloomberg

Heavy selling in commerce (retail) and property

It appears that the foreign investors have offloaded their positions in the commerce (retail) and property sectors. For the property sector, the selling pressure was mainly on QH and SIRI. CPALL, HMPRO, and MAKRO were the main targets in the retail sector.

While we agree with the weighting cut in the retail stocks such as CPALL, HMRPO, and MAKRO due to their high P/Es and potential slowdown in consumption, we believe that the selling in the property sector was excessive. We would add positions in the sector, especially our top pick QH and PS.

Economic growth slowing down for now

The NESDB announced 1Q13 GDP of 5.3%. The number disappointed the consensus' 6% forecasts. Weak exports and softening of the private consumption and investment spending were the main drivers for the slowdown. Our economist expects GDP to bottom at 4% in 2Q13 and to pick up in 2H13.

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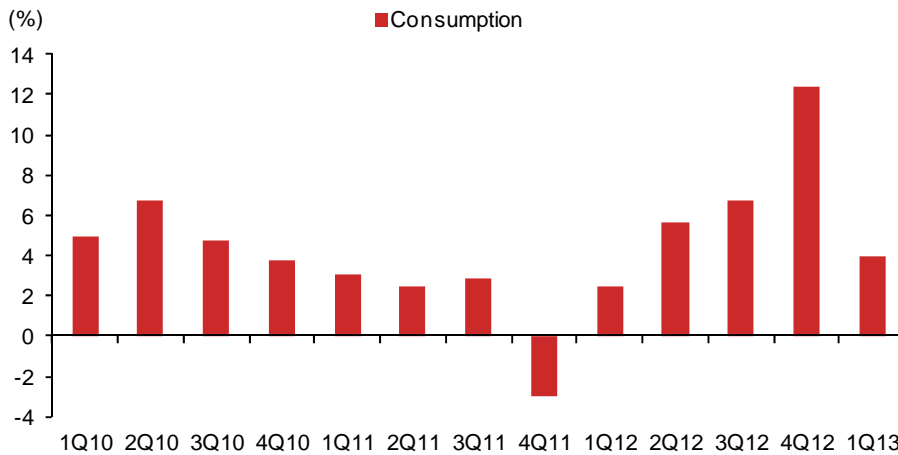
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Fig. 9: 1Q13 GDP

Losing momentum for now but should pick up in 2H13



Source: NESDB

BoT cut rate with dovish stance

- The BOT cut its policy rate by 25bp to 2.5% on May 29, 2013, in line with our and consensus expectations. But the unanimous vote for a cut was likely a surprise. This decisive vote, along with the policy statement highlighting downside risks to growth, implies a clearly dovish stance.
- We think that the BOT has left the door open for further policy easing. The policy statement was dovish as the BOT clearly highlighted downside risks to the growth outlook even as inflationary pressures remained contained. In particular, disappointments to domestic demand stemming from either weak private consumption and investment and/or delayed progress on water management projects, could further increase the case of a rate cut.
- Against this backdrop and more indicators point to weaker economic activity in Q2 (see below), we expect the BOT to cut the policy rate at their next meeting on 10 July by 25bp taking it to 2.25%, after which we expect it to remain on-hold for the rest of the year. For more details, please see: [Asia Insights: Thailand: BOT leaves door open for more easing](#) - 29 May 2013

Q2 was off to a weak start as suggested by April data

- Merchandise exports eased to 2.9% y-o-y in April from 4.5% in March. Weaker agricultural goods exports (-8.3% y-o-y from 3.0% in March) offset higher manufactured goods exports (6.0% from 5.7% in March) as terms of trade remained weak. Imports, on the other hand, rose 8.9% as imports of fuel, capital goods and consumer goods rose in April. This resulted in a wider trade deficit of USD4.1bn from USD0.9bn.
- Consistent with weak exports, IP contracted by 3.8% y-o-y in April from an upwardly revised 1.2% y-o-y in March. Output in sectors that export more than 60% of total production contracted 13.0% y-o-y in April from -8.6% y-o-y in March, while sectors that export less than 30% or between 30% and 60% of total production, experienced growth of 1.1% y-o-y and 10.4% y-o-y in April from 2.6% and 21.2%, respectively. This suggests to us that export growth could likely slow in the coming months as the IP details and global demand point to the same (For details: [Asia Insights: Thailand: Mixed activity data still point to a rate cut](#) - 28 May 2013).
- Indicators of domestic demand have also fallen in April. The private consumption (1.7% y-o-y from 1.8% in March), consumer confidence (82.5 in May from 83.7 in April),

business sentiment index (48.8 from 54.4 in March) and the private investment index (-1.1% y-o-y in April from 3.1% in March) all fell in April.

Inflation still on a downtrend

- Headline CPI inflation eased to 2.3% y-o-y in May from 2.4% in April on the back of lower food and housing prices which offset higher transportation costs. Within food inflation, an easing of meat, poultry & fish and vegetable and fruits prices offset higher prices of eggs and rice and cereal. Core inflation which excludes food and energy prices, eased to 0.9% y-o-y in May from 1.2% in April, well within the BOT's official target of 0.5-3.0%.
- Given subdued global commodity prices, we see inflationary pressures as remaining contained for the rest of the year. We continue to forecast headline CPI inflation to average 2.6% y-o-y in 2013.

Key off-budget spending not yet come out in Q2. The Korean state-run Korea Water Resources Corp was named the preferred bidder in the THB300bn water-management infrastructure

- The draft bill to borrow THB2trn for infrastructure investment passed the first reading by the lower house in April. The second and third readings are expected in August. Spending for the water management projects likely start in Q3 at the earliest while the other larger projects likely start in Q4. Direct fiscal support to growth will kick in starting in H2 although the risk is, as is typical in such projects, there could be delays.

Political uncertainty arise in August

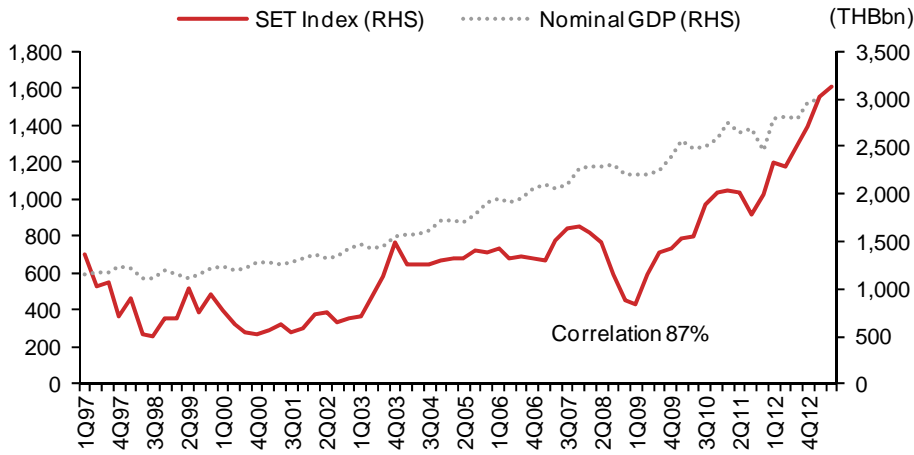
- Some political bills will be tabled in the next parliamentary session (Aug 1- Nov.28). The draft amnesty bill proposed by MP Worachai Hema will be first on the agenda. This draft bill offers an amnesty for all except protest leaders and those who ordered the use of force.

GDP growth has strong correlation with the SET

The SET shows strong correlation with the SET (87%) on a quarterly basis. If we were to use the GDP outlook as the indicator of where the SET is heading, it appears like the 2Q13 should be the bottom, based on the 2Q-4Q13 forecast by Nomura at 4.0%, 4.8%, and 4.8%, respectively.

Fig. 10: GDP versus SET index

High correlation here



Source: Bloomberg, Nomura research

Policy rate cut — should we celebrate?

It should be noted that the commercial banks have not revised down their interest rates despite the MPC's policy rate cuts. It appears that they have different views when it comes to Thailand's economic outlook and interest rate policy. Only the state-run Government Savings Bank reduced its interest rates, we note.

Populist policies begin to bite

The populist policies introduced over the past 18 months appear to be coming back to haunt the government. First, the rice-pledging is making headlines again after Moody's warned that it could downgrade Thailand's debt rating on the back of higher-than expected losses from the rice-pledging program (or in short, subsidies to the farmers) of about THB200bn. The rating agency later toned down its comments and said the losses will not automatically lead to rating downgrade. Second, the first-time car buyers program is causing problems: taking away purchasing power from the system and buyers having difficulty fulfilling their obligations. Third, the retail sector blamed the government's hike minimum wage for their lower-than expected profits in 1Q13. It appears that the benefits from these subsidies are short-lived but the follow-up negative consequences will last a long time.

Fig. 11: Losses from populist policies

Hard habit to break	Amount (THBbn)
Rice pledging	260
First-time car	90
First-home	12
Corporate tax cut	150
Diesel subsidy	100
Graduate salary	18
Free tablets	1.6
Debt forgiveness for farmers	15
Total	647

Source: Nomura research

First-time car buyer — many missing buyers

- Around 1.2mn cars qualified under the first-time car buyer scheme. About 50% of those cars have been delivered.
- Problems started surfacing as buyers did not take deliveries of their cars. One of the Japanese car manufacturers in Thailand mentioned in a press interview (Krungthep Turakij, 13 June 2013) that up to 70% of its customers did not pick up their cars after making the deposits. However, other car manufacturers reported much lower numbers.
- It should be noted that many of the car deals required as low as THB1,000 (USD33) deposits, according the same press report. In addition, many of the potential buyers made several deposits last year at different car dealers and purchased from the one that could deliver the cars first.
- We estimate that the losses (of tax revenues) from the first-time car buyer scheme are around THB90bn.
- The commercial banks also reported earlier that the rejection rates have been rising for the mortgage applications since many of the applicants, who are also the first-time car buyers, do not have enough financial means to back up the mortgages due to overwhelming debt obligations from their first-time car buyer program.
- Retail sales in Bangkok experienced a slowdown in 2Q13 on the back of the first-time car buyer scheme, according to Bangkok Post, May 31, 2013. The greatest impact appeared to be in the consumer discretionary items such as clothing.
- The president of Thailand's retail association recently mentioned that retail sales growth in Thailand for 2013 should slow down from the initial estimate of 10-12% to 8-10% this year due to the first-time-car buyer program.

Rice pledging program — boiling rice

- The government's rice pledging program has recently appeared to receive attention after Moody's gave a stern warning about the possibility of the program causing losses

of up to THB200bn and damaging the government's budget. We believe the program, which has been implemented by the previous governments (under different names), will be very difficult to stop now that the farmers are used to receiving higher-than-market prices for their rice. In addition, the farmers (estimate at around 3-4 million) are also the Pheu Thai party's main supporters. Hence, any action against them could mean severe consequences for the Pheu Thai party in the next election.

- On June 19, 2013, the government endorsed the plan to reduce the pledge price of rice from THB15,000 to THB12,000 per tonne (-20%) starting from June 30 until the end of the current crop season in September after the National Rice Policy Committee came out with its estimate of losses from the past season at THB136bn (USD4.5bn). There is also growing pressure from the opposition side to stop this program. At the time of the publication of this report, it is not clear if the reduction will last longer than September of this year after the farmers massed in Bangkok to protest the government's decision.
- In the recent re-election, the Pheu Thai's candidate lost to the Democrats for the first time in 37 years. Many political experts believe that a part of the reason for this defeat was the public's (especially people in Bangkok) growing concern over losses from the rice-pledging program.

Fig. 12: Government's populist policies

The first-time car buyer program was much smaller than rice-pledging program

Program	Implement	Expiration	People / (mn)	Volume (mn tons)	Amount (THBbn)
Paddy pledging program	1) 10-Jul-11	29-Feb-12	1.14	7	118.4
	2) 01-Mar-12	15-Nov-12	1.02	14.8	217.8
	3) 15-Oct-12	15-Sep-13	1.52	13.4	185.8
First-time car buyer program	16-Sep-11	31-Dec-12	1.26		91

Source: Fiscal Policy Office; Ministry of Industry; Bank of Agriculture and Agricultural Co-operative

The government has not announced (and probably will not announce) the actual losses from the rice pledging program for the 2011-2012 harvest. The following figure shows the estimated losses from the program by various economists. The number ranges from THB80bn to THB260bn.

Fig. 13: Estimate losses from the rice-pledging program

Wide range of possibility

	National Rice Policy Committee	Ministry of commerce	TDRI	Moody's
1. Rice paddy (m tonne)	21.7	21.7	21.0	
White rice (m tonne)	13.5	13.5	12.9	
2. Amount spent (THBmn)	337,332.0	337,332.0	327,220.0	
3. Expenses (THBmn)	14,786.0	14,786.0	55,191.0	
4. Total costs (2+3)	352,118.0	352,118.0	382,411.0	
5. Value of rice inventory (THBmn)	156,000.0	252,300.0		
6. Value of rice sold (THBmn)	59,200.0	59,200.0		
7. Expected revenues (5+6)	215,200.0	311,500.0	207,051.0	
7. Losses (THBmn)	136,918.0	49,908.0	175,360.0	200,000.0

Source: Prachachat Turakij

Rising political tension

Political temperature could rise further over the next few months, in our view, on account of the following:

- Constitution court's decisions on the amendment of the constitution and the THB350bn water management project should come out in 2H13.
- The draft amnesty bill proposed by the Pheu Thai party will be presented to the parliament in the next session (August-November).

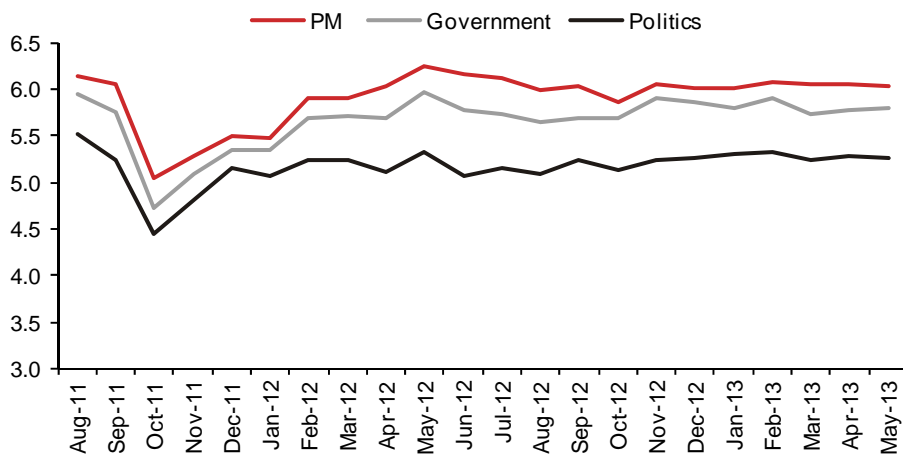
- The anti-government group has made a comeback in the form of a “Guy Fawkes”-like political rally. Last Sunday, around 700-1,000 anti-Thaksin protestors showed up in masks in a political rally near the Central World shopping complex in downtown Bangkok.
- Prime Minister Yingluck’s speech in Mongolia criticized the military coup and other parties for invading the democracy of the Thai people. This was the first time that she publicly criticized the military and the “old establishment”, we note.
- The Criminal Court has recently ruled that the Italian journalist who died during the May 2010 riots was killed by “security forces”. This opens the room for legal action against the former Prime Minister Abhisit Vejjajiva for using live ammunition against the protesters. His supporters would not be happy about this.
- The International Court of Justice’s (ICJ) verdict on the 4.6 square kilometres of land around Phreah Vihear temple should come out by the end of the year. If the ruling is against Thailand, we would expect more movements from the opposition party.
- The recent loss of the by-election in Don Mueng district by the Pheu Thai’s candidate. This was the first time that the Democrats won in this district in almost 40 years. The interesting thing to note is not how the Democrats won, but how the Pheu Thai lost. The Pheu Thai’s candidate received almost 21% fewer votes than his predecessor. We believe this signals that the party’s popularity is waning.

Higher chance of early election

We see higher probability of a snap election called by the Pheu Thai party around the end of this year. It is normal in Thailand’ politics for the ruling party to call snap elections when it perceives its power as being at the peak.

Fig. 14: Latest political polls

Popularity of Yingluck remains high



Source: Suan Dusit Poll

- The investors do not seem to like the political uncertainties ahead of the general elections. In the last three elections, the market went down by 4% in the two months prior to the election. It should be noted that the law requires elections to take place within 60 days of the dissolution of the parliament.
- However, the market appears to like the post election sentiment as the SET went up in four out of the past five elections by 4% on average in one month following the election date.
- Thaksin Shinawatra set the record-high for post election rally in 2001 when the market went up by 15% in one month. Yingluck Shinawatra came in second with the SET rising by 9% in one month. The record is there to beat.

Fig. 15: Pre and post election reaction by the stock market in Thailand

Bearish mood pre elections and bullish mood post elections

Date	Winner	Loser	Election									
			-6m	-3m	-2m	-1m	date	+1m	+3m	+6m	+12m	
3/7/2011	Yingluck Shinawatra, Pheu Thai	Abhisit Vejjajiva, Democrat	0%	-3%	-3%	-2%	0%	9%	-12%	-2%	14%	
23/12/2007	Samak Sundaravej, People's Power	Abhisit Vejjajiva, Democrat	6%	-3%	-6%	-1%	0%	-9%	-1%	-5%	-47%	
2/4/2006	Thaksin Shinawatra, Thai Rak Thai	None	3%	3%	-3%	-3%	0%	5%	-8%	-6%	-7%	
6/22005	Thaksin Shinawatra, Thai Rak Thai	Banyat Bantadtan, Democrat	18%	14%	11%	3%	0%	0%	-4%	-5%	3%	
6/1/2001	Thaksin Shinawatra, Thai Rak Thai	Chuan Leekpai, Democrat	-12%	7%	-2%	5%	0%	15%	-2%	13%	10%	

Source: Nomura research

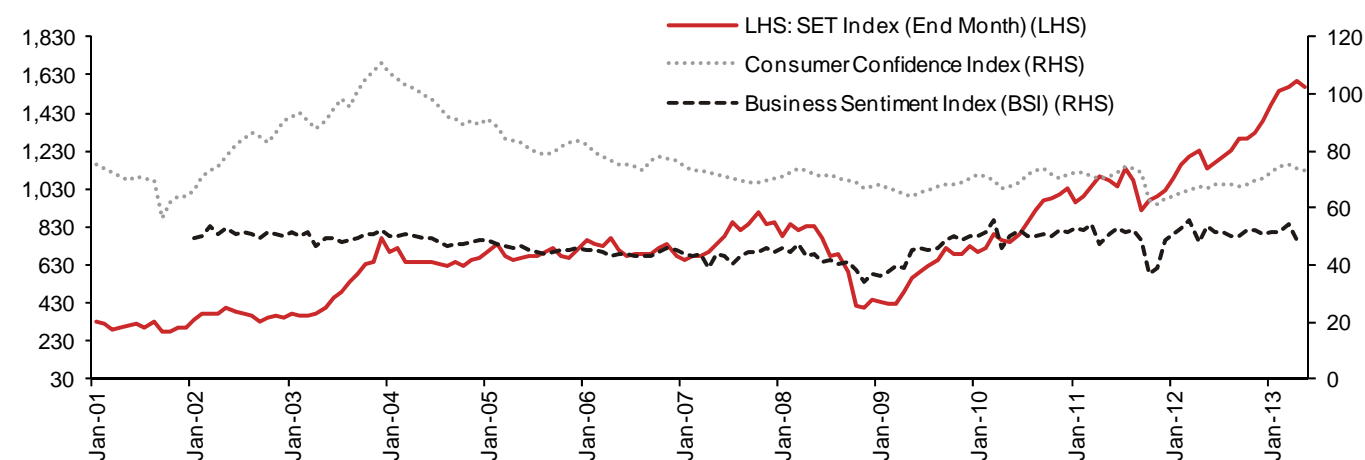
Appendix

Fig. 16: Key economic data

% y-o-y growth unless otherwise stated	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	2012	2013	2014
Real GDP (sa, % q-o-q, annualized)	51	12.6	7.1	11.7	-8.4	6.7	10.5	11.8			
Real GDP	0.4	4.4	3.1	19.1	5.3	4.0	4.8	4.8	6.5	4.7	5.0
Private consumption	2.9	5.3	6.0	12.4	4.2	3.9	3.8	4.4	6.7	4.1	3.2
Public consumption	-0.2	7.4	10.0	12.5	2.2	3.1	3.4	4.3	7.5	3.3	2.3
Gross fixed capital formation	5.2	10.2	15.5	22.9	6.0	7.4	3.4	9.6	13.2	6.5	10.7
Exports (goods & services)	-3.2	1.1	-2.8	19.6	8.4	4.9	7.4	2.4	3.1	5.7	4.9
Imports (goods & services)	4.3	8.6	-1.8	14.7	14.7	4.1	6.9	3.0	6.2	5.5	5.2
Contribution to GDP growth (% points)											
Domestic final sales	2.5	5.9	7.7	12.7	3.6	4.2	3.3	4.7	7.0	4.0	4.4
Inventories	2.9	2.8	-3.7	1.2	0.4	-1.7	0.4	0.5	0.8	-0.1	-0.1
Net trade (goods & services)	-4.7	-4.2	-1.1	5.0	1.4	1.0	1.3	0.0	-1.4	0.9	0.5
Exports	-1.4	2.0	-3.8	18.5	4.3	4.0	7.4	4.2	3.1	5.9	7.3
Imports	10.4	9.2	-1.7	16.4	8.4	3.9	11.7	1.2	8.2	6.2	8.0
Merchandise trade balance (USDbn)	-5.2	-5.0	-1.6	-6.3	-7.9	-5.1	-4.3	-2.6	-18.1	-20.0	-23.2
Current account balance (USDbn)	1.4	-2.3	2.7	0.9	1.3	-1.9	-1.4	0.5	2.7	-1.5	-1.9
Current account balance (% of GDP)	1.6	-2.6	3.1	1.0	1.2	-1.9	-1.3	0.5	0.7	-0.4	-0.4
Fiscal balance (% of GDP, fiscal year basis)									-2.6	-3.2	-3.7
Consumer prices	3.4	2.5	2.9	3.2	3.1	2.5	2.4	2.5	3.0	2.6	2.7
Unemployment rate (sa, %)	0.7	0.9	0.6	0.5	0.7	0.8	0.6	0.6	0.7	0.7	0.6
Overnight repo rate (%)	3	3	3	2.8	2.8	2.5	2.3	2.3	2.8	2.3	2.8
Exchange rate (THB/USD)	30.8	31.8	30.8	30.6	29.3	28.7	28.6	28.5	30.6	28.5	27.8

Source: NESDB, Nomura estimates

Fig. 17: Consumer and business confidence index versus SET



Source: BoT, Nomura research

Fig. 18: Infrastructure projects

Project/year	2013	2014	2015	2016
Investment (THBmn)	422,342	824,373	280,082	153,852
Mass transit (subway and sky trains)	Dark green (Khu Khot) Pink Red (Rangsit) Red (Talingchan)	light red Deep red Airport link2 Yellow	Dark Green (Bang pu)	
Dual tracks railroad upgrade	Jira-Khon Kaen Prachuap-Chomporn	Lop Buri-Paknampho. Nakhon Pathom- Huahin Mab ga bao-Jira	Denchai-Chiangrai Ban Phai- Nakhon Panom	Paak Nam Poh- Den Chai Huahin- Prachuap Chomporn-Padang Besar. Khon Kaen - Nong Khai Jira - Ubon Baan Phachi - Nakorn Luang
High speed trains	BKK-Chiang Mai BKK- Nong Khai BKK- Padang Besar	BKK- Phitsanulok BKK-Korat BKK-Huahin	Suvarnabhumi - Rayong Phitsanulok - Chiang Mai	
Highways and roads	Bangpain-Korat 12 Main High way reconstruction	BangYhai-Kan Pattaya-Map Ta Phut. Expanding Road to 4-lane Royal Coast International Road	Chiang Saen port. Suvarnabhumi	Laem Chabang Port
Others		Pasak River bank protection	Chomporn Port Songkhla Port Ang thong waterfront station. Freight station.	Chiang Khong Freight station.

Source: Prachachart Turakit

Appendix A-1

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Bangchak Petroleum	BCP TB	THB 32.75	24-Jun-2013	Buy	Not Rated	18-Apr-2013	Not rated
Bumrungrad	BH TB	THB 73.75	24-Jun-2013	Buy	Neutral	05-Jun-2013	Not rated
Big C Supercenter	BIGC TB	THB 179.50	24-Jun-2013	Buy	Not Rated	04-Jan-2013	Not rated
Total Access Communication	DTAC TB	THB 114.00	24-Jun-2013	Buy	Not Rated	23-Aug-2012	Not rated
Electricity Generating	EGCO TB	THB 134.50	24-Jun-2013	Buy	Neutral	03-Jul-2009	Not rated
Glow Energy Public	GLOW TB	THB 70.25	24-Jun-2013	Buy	Neutral	12-Nov-2012	Not rated
Kasikornbank	KBANK TB	THB 170.50	24-Jun-2013	Buy	Not Rated	01-Aug-2012	Not rated
Krung Thai Bank	KTB TB	THB 17.80	24-Jun-2013	Buy	Neutral	21-Jan-2013	Not rated
Pruksa Real Estate	PS TB	THB 18.39	24-Jun-2013	Buy	Not Rated	24-Oct-2012	Not rated
PTT Global Chemical PCL	PTTGC TB	THB 66.75	24-Jun-2013	Buy	Neutral	18-Apr-2013	Not rated
Quality Houses	QH TB	THB 2.72	24-Jun-2013	Buy	Not Rated	24-Oct-2012	Not rated
Siam Cement Group	SCC TB	THB 424.00	24-Jun-2013	Buy	Not Rated	04-Jan-2013	Not rated

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Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan

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