



M3

SECTOR REVIEW

MONTHLY MORNING MEETING JANUARY 2012. PRESENTED BY iFAST CAPITAL SDN BHD ©

SOUTH EAST ASIA

THAILAND – 3.0 STARS (ATTRACTIVE)

- Customs exports declined 12.4% y-o-y in November 2011, after a 0.3% gain in October 2011
- Consumer price index gained 4.19% y-o-y in November 2011, same as the 4.19% gain in October 2011
- Consumer confidence fell to 61.0 in November 2011, down from 62.8 in October 2011
- Manufacturing production fell 48.6% y-o-y in November 2011, down from an upward-revised 30.1% decline in October 11
- Capacity utilisation fell to 40.1 in November 2011, down from 46.4 in October 2011
- Total car sales dropped 67.5% y-o-y in November 2011, down from a 40.5% decline in October 2011
- Thailand stock exchange saw a net foreign investor inflows of USD371.72 million MTD as at 29 December 2011

MARKET OUTLOOK

Thailand exports declined -12.4% year-on-year in November, a tremendous slowdown from a year-on-year gain of 0.3% in October. This is the first time in 2 years that exports growth was negative since the 2008 financial crisis. The dropped was mainly attributed by the significant reduction in industry exports, which declined 26.7% as compare to a year earlier. Within which, exports of electronic, electrical equipment and vehicles and parts dropped 47.4%, 21.9% and 54.7% respectively as compare to a year earlier.

Meanwhile, total car sales dropped significantly as well with a -67.5% declined year-on-year in November, down from a -40.5% dropped in October. Total sales volume of 25,664 cars was a record low level over the past 10 years. The decline was mainly attributed by the dropped in car sales by Toyota, Honda and Isuzu which dropped 88.0%, 68.8% and 83.2% respectively.

Leading indicators continue to show signs of significant slowdown in fourth quarter. Consumer Confidence Index dropped for the fourth consecutive months in November to 61.0 from 62.8 in October, lowest level since September 2001. Likewise, manufacturing production fell by -48.6% year-on-year in November, down from an upward-revised 30.1% contraction in October. Same goes to capacity utilisation index which fell to 40.1 in November from 46.4 in October.

Consumer Price Index increased 4.19% year-on-year in November, similar to the 4.19% gain in October. In line with our expectations, the Bank of Thailand (BoT) cut the benchmark interest rate by 25 basis points to 3.25% on 30 November 2011 to counter the slowdown economic growth. The BoT may further cut rate in the coming policy meeting to support growth in 2012 as current inflation remains manageable.

We saw net foreign inflows of USD388.37 million month-to-date as at 30 December 2011 into the Thailand Stock Exchange and the SET Index recorded a gain of 3.01% for the same period (local currency term). Based on our in house estimated earnings, the market is currently trading at a forward PE of 12.7X for 2011 as of 30 December 2011 but is trading at a PE of 11.3X and 9.8X for 2012 and 2013 respectively which still suggests attractive potential upside on a longer term basis.

Furthermore we expect the Thailand's economy will recover in the first-half of 2012 after the slowdown in fourth quarter this year and given the attractive upside potential in the longer run, we maintain our longer-term "Attractive" rating of 3.0 stars for Thailand.