

Thailand's Benchmark Interest Rate Left Unchanged as Widely Expected

- *The central bank Monetary Policy Committee (MPC) yesterday decided unanimously to keep the benchmark rate unchanged following a steady recovery on its economy. Thailand's 2Q16 GDP grew at the fastest pace in 13 months at 3.5%yoy following a 3.2%yoy in the previous quarter. Private consumption has also gained momentum, expanding at the fastest pace in more than 3 years at 3.8%yoy in the 2Q16.*
- *The bank of Thailand has upped its growth forecast from 3.1% to 3.2% in its most recent projection. It also maintained its exports at a contraction of 2.5% but saw an easing in the decline in the next year to 0.5%. Exports are major growth driver to the Thailand's economy but weak demand globally has caused the sector to become a drag in the past few years.*
- *We maintained our view that the central bank will keep interest rate unchanged throughout 2016.*

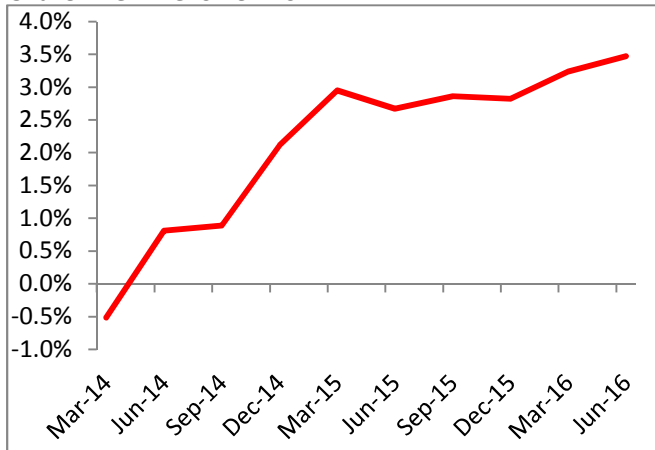
Thailand's central bank maintained interest rate at 1.5% amid gradual recovery on its economy. The central bank Monetary Policy Committee (MPC) yesterday decided unanimously to keep the benchmark rate unchanged following a steady recovery on its economy. Thailand's 2Q16 GDP grew at the fastest pace in 13 months at 3.5%yoy following a 3.2%yoy in the previous quarter. Private consumption has also gained momentum, expanding at the fastest pace in more than 3 years at 3.8%yoy in the 2Q16.

The central has marginally increased its 2016 economic growth forecast to 3.2%. The bank of Thailand has upped its growth forecast from 3.1% to 3.2% in its most recent projection. It also maintained its exports at a contraction of 2.5% but saw an easing in the decline in the next year to 0.5%. Exports are major growth driver to the Thailand's economy but weak demand globally has caused the sector to become a drag instead of in the past few years.

Major pickup in the manufacturing is a big positive but there could be letdown from tourism industry. The manufacturing sector expanded 2.2% in 2Q16 after shrinking marginally in the previous quarter by 0.2% on year-on-year basis. Meanwhile, tourism could be hurt this year as there were recent bombing occurrences in 5 provinces in southern Thailand. Tourism is a significant contributor to the economic growth, accounting for almost 10% of the Thailand's GDP.

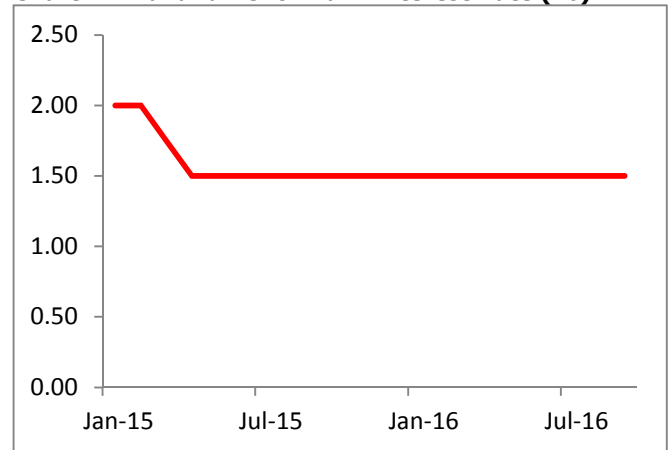
We maintained our view that the central bank will keep interest rate unchanged throughout 2016. We believe the Thailand's economy would continue to maintain its economic recovery barring any further major geopolitical incidence similar to the bombing event in August. Such event could hamper future investments as it caused uncertainties by private entities in making their decisions.

Chart 1: GDP Growth YoY



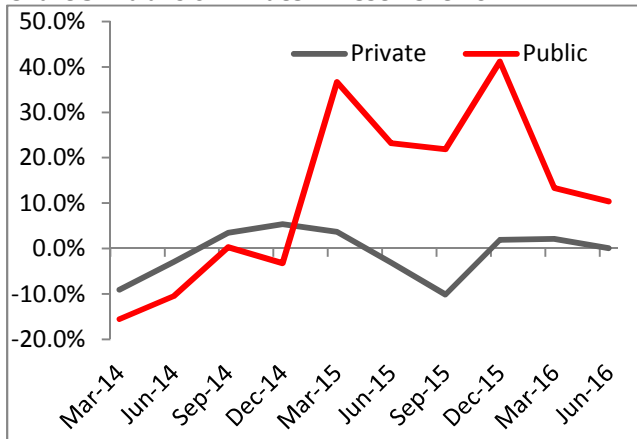
Source: National Economic and Social Development Board; MIDF Research

Chart 2: Thailand Benchmark Interest Rate (%)



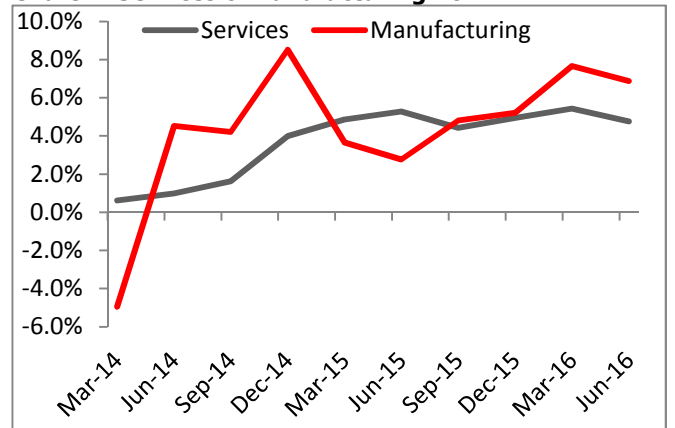
Source: Bank of Thailand; MIDF Research

Chart 3: Public & Private Investment YoY



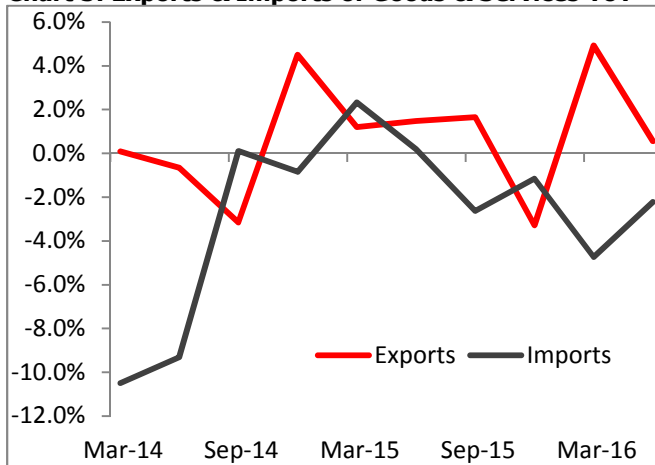
Source: National Economic and Social Development Board; MIDF Research

Chart 4: Services & Manufacturing YoY



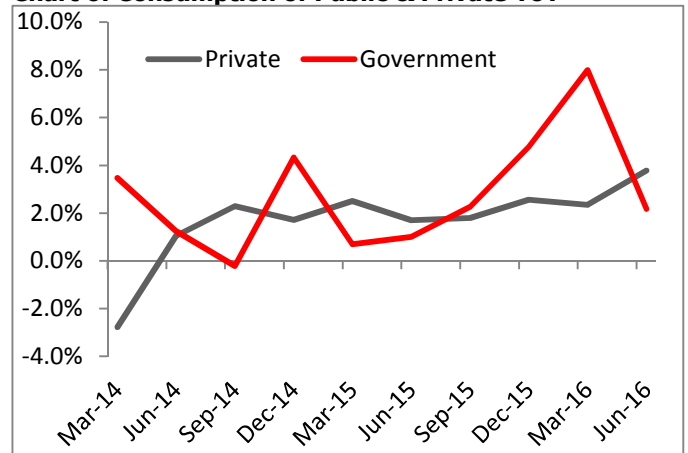
Source: Department of Statistics, Malaysia; MIDF Research

Chart 5: Exports & Imports of Goods & Services YoY



Source: National Economic and Social Development Board; MIDF Research

Chart 6: Consumption of Public & Private YoY



Source: National Economic and Social Development Board; MIDF Research

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)**

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.