

Thailand

Yield Movements

Movements in Thailand's local currency (LCY) government bond yield curve were mixed between 31 August and 30 October (**Figure 1**). Bonds with maturities of 2 years or below gained 3 basis points (bps) on average, while the 3-year tenor held steady, and the 4-year tenor jumped 10 bps. Meanwhile, yields fell an average of 6 bps for bonds with maturities of 5 years or longer, with the 20-year tenor showing the steepest drop at 16 bps. Yields dropped an average of 3 bps across all tenors. The spread between the 2-year and 10-year tenors narrowed from 89 bps to 78 bps during the review period.

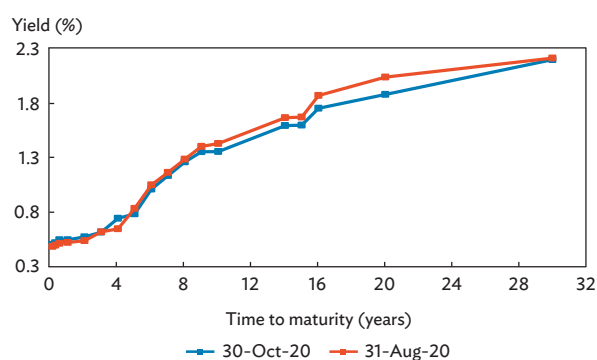
The rise in yields at the shorter-end of the curve reflected weakened appetite for Thai sovereign bonds amid the recession brought by the coronavirus disease (COVID-19) and rising political uncertainty. Expectations of a gradual recovery helped boost yields for tenors with maturities of 5 years or more.

Thailand's gross domestic product dropped 6.4% year-on-year (y-o-y) in the third quarter (Q3) of 2020 after declining 12.1% y-o-y in the second quarter. Economic contraction narrowed in the third quarter as easing of business lockdowns and expansion of government relief efforts boosted consumption and domestic tourism. The National Economic and Social Development Council revised its full-year 2020 gross domestic product growth forecast to -6.0% from the earlier projection of 7.3%-7.8% decline, while predicting 2021 growth to be within a range of 3.5% to 4.5%.

Consumer prices fell 0.7% y-o-y in September, marking 7 straight months of deflation. Falling energy prices, particularly retail gasoline and electric bills, as well as depressed demand due to COVID-19, drove deflationary pressures.

Thailand's benchmark interest rate remained at a record low as the Bank of Thailand (BOT) decided to leave it unchanged at 0.5% in September. The BOT previously cut the policy rate by 25 bps in May. Since the beginning of the year, the BOT has reduced the benchmark rate by a total of 75 bps in response to the COVID-19 pandemic.

Figure 1: Thailand's Benchmark Yield Curve—Local Currency Government Bonds



Sources: Based on data from Bloomberg LP and Thai Bond Market Association.

Among emerging East Asian currencies, the Thai baht is among those that has depreciated the most against the United States dollar thus far in 2020. Between 1 January and 30 October, the Thai baht depreciated 3.3% against the dollar.

Rising political risks, as antigovernment protests gain momentum, pose additional threat to Thailand's economic recovery amid the global pandemic.

Size and Composition

Thailand's LCY bonds outstanding amounted to THB14,018.4 billion (USD443.7 billion) at the end of September on growth of 4.2% quarter-on-quarter (q-o-q) and 8.3% y-o-y (**Table 1**). Growth in Q3 2020 accelerated from 2.1% q-o-q and 3.2% y-o-y in Q2 2020, driven by strong growth in the government bond segment as the government continued to issue debt to finance relief measures to boost the economy amid the COVID-19 pandemic. Government bonds dominate Thailand's LCY bond market, accounting for a 73.2% share at the end of September, up from 72.4% at the end of June.

Government bonds. The size of the LCY government bond market amounted to THB10,260.4 billion at the end of September, with growth increasing to 5.4% q-o-q in Q3 2020 from 4.1% q-o-q in Q2 2020. Growth

Table 1: Size and Composition of the Local Currency Bond Market in Thailand

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2019		Q2 2020		Q3 2020		Q3 2019		Q3 2020	
	THB	USD	THB	USD	THB	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	12,946	423	13,449	435	14,018	444	(0.7)	6.6	4.2	8.3
Government	9,220	301	9,732	315	10,260	325	(1.1)	6.0	5.4	11.3
Government Bonds and Treasury Bills	4,827	158	5,306	172	5,735	182	1.5	4.6	8.1	18.8
Central Bank Bonds	3,636	119	3,633	118	3,702	117	(3.6)	9.4	1.9	1.8
State-Owned Enterprise and Other Bonds	757	25	793	26	823	26	(4.5)	(0.6)	3.9	8.7
Corporate	3,726	122	3,716	120	3,758	119	0.2	8.3	1.1	0.9

(-) = negative, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, THB = Thai baht, USD = United States dollar, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
2. Bloomberg LP end-of-period local currency-USD rates are used.
3. Growth rates are calculated from local currency base and do not include currency effects.

Source: Bank of Thailand.

in outstanding government bonds and Treasury bills drove much of the gain, rising 8.1% q-o-q to reach THB5,735.1 billion at the end of September. BOT bonds outstanding stood at THB3,702.0 billion at the end of September, with growth moderating to 1.9% q-o-q in Q3 2020 from 4.0% q-o-q in the prior quarter. State-owned enterprise and other bonds reached THB823.3 billion at the end of September, as growth more than doubled to 3.9% q-o-q in Q3 2020 from 1.4% q-o-q in Q2 2020. On an annual basis, growth in Thailand's government bond segment accelerated to 11.3% y-o-y in Q3 2020 from 4.4% y-o-y in the previous quarter.

Total LCY bond issuance from the government amounted to THB2,624.9 billion in Q3 2020. Growth in total government bond issuance jumped to 20.2% q-o-q in Q3 2020 from 7.5% q-o-q in Q2 2020, driven by strong issuance from all government bond segments. Growth in issuance of government bonds and Treasury bills moderated to 62.7% q-o-q in Q3 2020 from 117.7% q-o-q in Q2 2020, as the government continued to issue debt to finance economic relief measures, albeit at a weaker pace than in the prior quarter. Issuance of BOT bonds expanded 11.2% q-o-q in Q3 2020, reversing the 0.4% q-o-q decline in the previous quarter. Issuance of state-owned enterprise bonds rose 124.0% q-o-q in Q3 2020, rebounding from a 38.5% q-o-q drop in Q2 2020. On a y-o-y basis, issuance of government bonds increased 32.7% in Q3 2020, a reversal of the 5.8% decline posted in the previous quarter.

Corporate bonds. Outstanding corporate bonds totaled THB3,758.1 billion at the end of September on growth of 1.1% q-o-q and 0.9% y-o-y. Growth in Q3 2020 showed

modest recovery from the 2.6% q-o-q and 0.03% y-o-y contractions in Q2 2020. Corporate bond issuance recovered strongly in Q3 2020, rising 27.4% q-o-q after contracting 23.7% q-o-q in Q2 2020, as the easing of lockdown measures revived business confidence.

The LCY bonds outstanding of the top 30 corporate issuers amounted to THB2,186.5 billion at the end of September, representing 58.2% of the total corporate bond market (**Table 2**). Food and beverage firms dominated the list, with an outstanding bond stock amounting to THB432.9 billion. Firms in commerce, banking, and communications industries were the next largest issuers, with bonds totaling THB305.8 billion, THB258.8 billion, and THB257.6 billion, respectively. The majority of the top 30 issuers were listed on the Thai Stock Exchange, while only four were state-owned. Due to a large issuance during the quarter, CP ALL became the top issuer in the market in Q3 2020, with a total outstanding bond stock amounting to THB183.9 billion. Siam Cement and Thai Beverage had the next largest total bond stocks at THB175.0 billion and THB170.3 billion, respectively.

In Q3 2020, PTT and CP ALL were the two largest issuers, with corporate debt issuance of THB35.0 billion and THB25.0 billion, respectively (**Table 3**). PTT raised funds from seven issuances of bonds with tenors ranging from 2 years to 25 years and carrying coupons ranging from 1.21% to 3.74%. CP ALL issued bonds with tenors ranging from 2.5 years to 15.0 years and carrying coupons ranging from 1.9% to 3.9%. True Corp was the third-largest issuer during the quarter, with issuances amounting to THB23.4 billion from bonds with

Table 2: Top 30 Issuers of Local Currency Corporate Bonds in Thailand

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (THB billion)	LCY Bonds (USD billion)			
1.	CP ALL	183.9	5.8	No	Yes	Commerce
2.	Siam Cement	175.0	5.5	Yes	Yes	Construction Materials
3.	Thai Beverage	170.3	5.4	No	No	Food and Beverage
4.	Bank of Ayudhya	133.8	4.2	No	Yes	Banking
5.	Berli Jucker	121.9	3.9	No	Yes	Commerce
6.	Charoen Pokphand Foods	116.4	3.7	No	Yes	Food and Beverage
7.	PTT	114.6	3.6	Yes	Yes	Energy and Utilities
8.	True Move H Universal Communication	112.2	3.6	No	No	Communications
9.	True Corp	106.4	3.4	No	No	Communications
10.	CPF Thailand	76.0	2.4	No	No	Food and Beverage
11.	Toyota Leasing Thailand	71.9	2.3	No	No	Finance and Securities
12.	Minor International	62.0	2.0	No	Yes	Hospitality and Leisure
13.	Indorama Ventures	61.4	1.9	No	Yes	Petrochemicals and Chemicals
14.	PTT Global Chemical	51.7	1.6	No	Yes	Petrochemicals and Chemicals
15.	Krungthai Card	45.6	1.4	Yes	Yes	Banking
16.	Global Power Synergy	45.0	1.4	No	Yes	Energy and Utilities
17.	Bangkok Commercial Asset Management	44.2	1.4	No	Yes	Finance and Securities
18.	Krung Thai Bank	44.0	1.4	Yes	Yes	Banking
19.	Banpu	43.6	1.4	No	Yes	Energy and Utilities
20.	Bangkok Expressway & Metro	41.2	1.3	No	Yes	Transportation and Logistics
21.	TPI Polene	39.3	1.2	No	Yes	Property and Construction
22.	dtac TriNet	39.0	1.2	No	Yes	Communications
23.	CH Karnchang	37.9	1.2	No	Yes	Property and Construction
24.	Land & Houses	37.6	1.2	No	Yes	Property and Construction
25.	Mitr Phol Sugar	37.1	1.2	No	No	Food and Beverage
26.	Muangthai Capital	36.8	1.2	No	Yes	Finance and Securities
27.	Bangchak	36.0	1.1	No	Yes	Energy and Utilities
28.	TMB Bank	35.4	1.1	No	Yes	Banking
29.	Sansiri	33.3	1.1	No	Yes	Property and Construction
30.	Thai Union Group	33.1	1.0	No	Yes	Food and Beverage
Total Top 30 LCY Corporate Issuers		2,186.5	69.2			
Total LCY Corporate Bonds		3,758.1	118.9			
Top 30 as % of Total LCY Corporate Bonds		58.2%	58.2%			

LCY = local currency, THB = Thai baht, USD = United States dollar.

Notes:

1. Data as of 30 September 2020.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Table 3: Notable Local Currency Corporate Bond Issuances in the Third Quarter of 2020

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)	Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)
PTT			True Corp		
2-year bond	1.21	2.0	1.8-year bond	3.00	5.9
3-year bond	2.25	2.0	3-year bond	3.50	6.4
5-year bond	2.05	3.0	4.5-year bond	4.15	4.0
7-year bond	2.85	13.0	5.5-year bond	4.40	7.1
10-year bond	2.84	2.0	CPF Thailand		
15-year bond	3.20	6.0	4.5-year bond	3.15	13.4
25-year bond	3.74	7.0	7-year bond	3.35	2.4
CP ALL			10-year bond	3.55	0.8
2.5-year bond	1.90	6.0	12-year bond	3.80	0.9
4.8-year bond	3.00	13.2	15-year bond	4.11	2.5
9.6-year bond	3.40	2.4	Ananda		
15-year bond	3.90	3.5	Perpetual bond	0.00	1.0

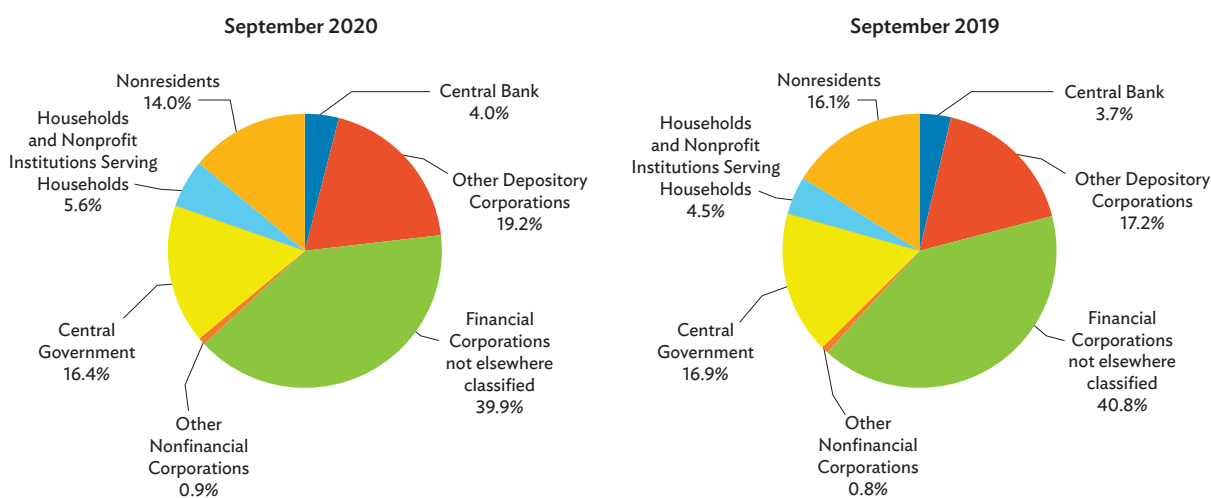
THB = Thai baht.
Source: Bloomberg LP.

tenors ranging from 1.8 years to 5.5 years and carrying coupons ranging from 3.0% to 4.4%. CPF Thailand was the next largest issuer, with multitranche issuances ranging from 4.5 years to 15 years and amounting to THB20.0 billion. Another notable issuance during the quarter was property developer Ananda's zero-coupon perpetual bond.

Central government bonds. The combined shares of the four largest holders of government bonds in Thailand dropped slightly to 89.5% at the end of September 2020 from 91.0% a year earlier (Figure 2). Financial

corporations continued to hold the largest share of government bonds, although their share inched down to 39.9% at the end of September from 40.8% in September 2019. The share of other depository corporations rose to 19.2% from 17.2% a year earlier. The central government's share dipped to 16.4% from 16.9% between September 2019 and September 2020. During the same period, nonresidents' share of government bonds dropped to 14.0% from 16.1% amid outflows driven by weakening investor confidence, as Thailand's economy suffered from the adverse impact of COVID-19.

Figure 2: Local Currency Government Bonds Investor Profile

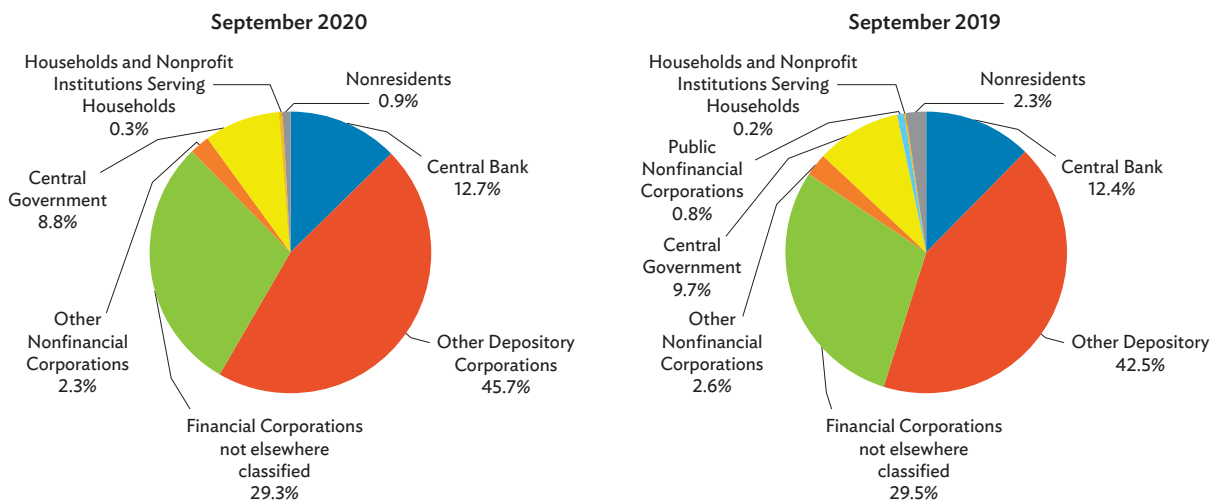


Notes:

- Government bonds include Treasury bills and bonds.
- Local government not presented in the chart due to its relatively small shares of 0.00002% in September 2019 and 0.00003% in September 2020.

Source: Bank of Thailand.

Figure 3: Local Currency Central Bank Securities Investor Profile



Source: Bank of Thailand.

Central bank bonds. The combined shares of the top four holders of BOT bonds rose to 96.5% in September from 94.1% in September 2019 (**Figure 3**). Other depository corporations held the largest share of BOT bonds at 45.7%, up from 42.5% a year earlier. The share of financial corporations inched down to 29.3% from 29.5% in the previous year. During the same period, the BOT’s holdings rose to 12.7% from 12.4%, while central government holdings dropped to 8.8% from 9.7%. Nonresidents held a marginal amount of BOT bonds at the end of September 2020 at 0.9%, down from 2.3% a year earlier.

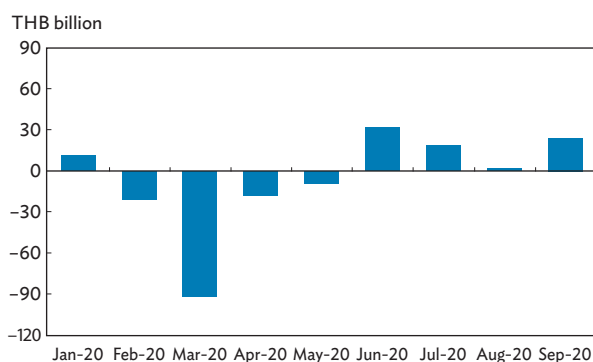
Foreign investors in Thailand’s LCY bond market recorded net inflows of THB45.1 billion in Q3 2020, up from THB4.6 billion in Q2 2020 (**Figure 4**). The bond market saw net foreign fund outflows amounting to THB101.8 billion in the first quarter of 2020 amid the COVID-19 outbreak. The easing of lockdown measures and the government’s stimulus packages provided a boost to investor confidence, resulting in net foreign inflows in June through September.

Policy, Institutional, and Regulatory Developments

Thailand Issues First Sustainable Government Bonds

In August, the Public Debt Management Office issued Thailand’s first sustainable government bonds. The issuance was divided in two tranches. The first tranche, amounting to THB10.0 billion, will be used to finance green infrastructure, the Mass Rail Transit’s Orange (East) Project. The second tranche, amounting to THB20.0 billion, will be used to finance measures to combat the adverse effects of COVID-19, including public health measures, support for small- and medium-sized enterprises, and local public infrastructure development with social and environmental benefits.

Figure 4: Foreign Investor Net Trading of Local Currency Bonds in Thailand



THB = Thai baht.
Source: Thai Bond Market Association.

Securities and Exchange Commission and Thai Bond Market Association Launch Environment, Social, and Governance Bond Hub

On 21 October, the Securities and Exchange Commission and the Thai Bond Market Association jointly launched an environment, social, and governance (ESG) information platform to support investors and issuers of ESG bonds by making information publicly available. The ESG bond information hub was created by the Thai Bond Market Association from a platform developed by Luxembourg Green Exchange.