

Thailand

Yield Movements

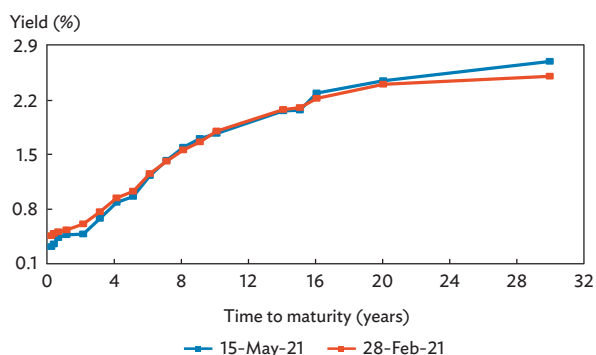
Between 28 February and 15 May, Thailand's local currency (LCY) government bond yields showed mixed movements (**Figure 1**). Yields fell an average of 9 basis points (bps) for bonds with maturities of up to 6 years, while yields rose an average of 3 bps for bonds with maturities of 7–9 years. Yields for bonds with maturities from 10 years to 15 years shed an average of 3 bps, while yields of longer-dated bonds with maturities of 16 to 30 years gained an average of 10 bps. Overall, yields fell an average of 3 bps across all tenors. The spread between the 2-year and the 10-year tenors widened to 129 bps on 15 May from 119 bps on 28 February.

The overall decline in yields, particularly at the shorter-end of the yield curve, reflected lingering uncertainties brought about by the prolonged impact of the COVID-19 pandemic on Thailand's trade- and tourism-reliant economy. While the government started its vaccine rollout during the quarter, Thailand's vaccination rate remained low relative to neighboring economies. Programs to revive tourism were thwarted by a third wave of COVID-19 toward the end of the review period.

Declining yields also reflected the lingering weakness in Thailand's economy. GDP contracted 2.6% year-on-year (y-o-y) in the first quarter (Q1) of 2021, an improvement over the 4.2% y-o-y decline recorded in the fourth quarter (Q4) of 2020. Consumption contracted 0.5% y-o-y in Q1 2021, reversing the 0.9% y-o-y growth in the previous quarter as a wave of COVID-19 infections at the end of 2020 prompted containment measures. Government expenditure and gross fixed capital formation rose 2.1% y-o-y and 7.3% y-o-y, respectively. Exports of goods and services contracted 10.5% y-o-y, while imports of goods and services inched up 1.7% y-o-y in Q1 2021. In May, the National Economic and Social Development Council lowered its GDP growth forecast for full-year 2021 to 1.5%–2.5% from 2.5%–3.5% announced in February.

The rise in yields at the longer-end of the curve reflected concerns about the debt burden implied by the government's continued efforts to boost the economy. At the end of March, Thailand's public debt stood at

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



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

THB8.5 trillion, or 53.3% of GDP. The Public Debt Management Office (PDMO) projected the ratio would reach 58.8% of GDP by the end of fiscal year 2021 on 30 September.

Consumer price inflation rose 3.4% y-o-y in April, ending 13 consecutive months of pandemic-driven deflation. The hike was brought about primarily by relatively high oil prices in April compared with a low base a year earlier. Elevated food prices due to supply constraints and the end of a government subsidy on utility bills also contributed to inflationary pressure. Inflation eased to 2.4% y-o-y in May.

The Bank of Thailand's (BOT) monetary policy remained accommodative. On 5 May, the Monetary Policy Committee of the BOT held the policy rate steady at 0.5% to preserve its limited policy space. Since the onset of the pandemic, the BOT has reduced its policy rate by a total of 75 bps.

Size and Composition

Thailand's LCY bonds outstanding totaled THB13,842.4 billion (USD443.1 billion) at the end of March (**Table 1**). The bond market continued to contract in Q1 2021, falling 0.6% quarter-on-quarter (q-o-q) following a 0.7% q-o-q decline in Q4 2020. Contraction in both government and corporate bond segments

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q1 2020		Q4 2020		Q1 2021		Q1 2020		Q1 2021	
	THB	USD	THB	USD	THB	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	13,169	402	13,923	465	13,842	443	(0.5)	4.1	(0.6)	5.1
Government	9,353	286	10,232	342	10,152	325	(1.0)	2.7	(0.8)	8.5
Government Bonds and Treasury Bills	5,079	155	6,020	201	6,349	203	2.8	6.4	5.5	25.0
Central Bank Bonds	3,492	107	3,365	112	2,911	93	(6.1)	(2.4)	(13.5)	(16.6)
State-Owned Enterprise and Other Bonds	782	24	846	28	892	29	(1.4)	3.1	5.5	14.1
Corporate	3,816	117	3,692	123	3,690	118	0.8	7.9	(0.1)	(3.3)

() = negative, q-o-q = quarter-on-quarter, Q1 = first quarter, Q4 = fourth 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.

contributed to the decline, with the biggest drop coming from the outstanding stock of BOT bonds partly due to adjustments in the BOT's issuance program. On a y-o-y basis, the growth of outstanding LCY bonds slipped to 5.1% in Q1 2021 from 5.2% in Q4 2020. Government bonds continued to dominate the Thai bond market, accounting for 73.3% of total bonds outstanding at the end of March.

Government bonds. The size of the LCY government bond market stood at THB10,152.5 billion at the end of March, following a 0.8% q-o-q contraction in Q1 2021. The contraction was driven by a 13.5% q-o-q decline in outstanding BOT bonds, which outpaced the growth in outstanding government bonds and Treasury bills, and outstanding state-owned enterprise and other bonds. On an annual basis, the growth of total government bonds outstanding rose to 8.5% y-o-y in Q1 2021 from 8.3% y-o-y in the previous quarter.

Total government bond issuance amounted to THB1,686.6 billion in Q1 2021. Issuance continued to contract, dropping 13.6% q-o-q in Q1 2021 after decreasing 25.6% q-o-q in Q4 2020. Issuance of government bonds and Treasury bills expanded 42.0% q-o-q during the quarter. Issuance of BOT bonds and state-owned enterprise and other bonds saw sizable contractions of 29.0% q-o-q and 19.6% q-o-q, respectively. The BOT adjusted its bond issuance program for 2021 in response to high volatility in the market. To ensure that BOT bonds and government bonds are issued at different points along the yield curve, several tenors of BOT bonds were discontinued to make room for government bond issuance from the

PDMO. These included 6-month bills and 3-year bonds. The adjustments contributed to the drop in BOT bond issuance during the quarter.

Corporate bonds. Outstanding corporate bonds totaled THB3,689.9 billion at the end of March after contracting 0.1% q-o-q and 3.3% y-o-y. The contraction in corporate bonds outstanding was mainly due to a relatively high volume of maturities, as corporate issuance saw robust growth during the quarter.

The LCY bonds outstanding of the top 30 corporate issuers amounted to THB2,164.5 billion at the end of March, accounting for 58.7% of the Thai corporate bond market (**Table 2**). Among the top 30 issuers, food and beverage, commerce, banking, and communication firms held over half of the total outstanding bond stock. The majority of the top 30 issuers were listed on the Thai Stock Exchange, while only four were state-owned firms. Due to sizable issuances during the quarter, CP ALL became the top issuer at the end of March with outstanding debt of THB183.7 billion. Siam Cement, the top issuer in the previous quarter, became the second-largest issuer at the end of March with outstanding debt of THB175.0 billion. Charoen Pokphand Foods, Thai Beverage, Berli Jucker, True Corp, True Move H Universal Communication, and Bank of Ayudhya were the next largest issuers, all with bonds outstanding of more than THB100.0 billion at the end of March.

Issuance of corporate bonds rose 6.4% q-o-q in Q1 2021, reversing the drop of 14.6% q-o-q in the previous quarter as corporates raised debt to lock in low interest rates. Charoen Pokphand Foods issued the largest amount

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	183.7	5.9	No	Yes	Commerce
2.	Siam Cement	175.0	5.6	Yes	Yes	Construction Materials
3.	Charoen Pokphand Foods	139.7	4.5	No	Yes	Food and Beverage
4.	Thai Beverage	125.1	4.0	No	No	Food and Beverage
5.	Berli Jucker	121.6	3.9	No	Yes	Commerce
6.	True Corp	119.4	3.8	No	No	Communication
7.	True Move H Universal Communication	113.0	3.6	No	No	Communication
8.	Bank of Ayudhya	108.8	3.5	No	Yes	Banking
9.	PTT	92.6	3.0	Yes	Yes	Energy and Utilities
10.	Toyota Leasing Thailand	70.9	2.3	No	No	Finance and Securities
11.	Indorama Ventures	69.5	2.2	No	Yes	Petrochemicals and Chemicals
12.	CPF Thailand	68.6	2.2	No	No	Food and Beverage
13.	Minor International	57.7	1.8	No	Yes	Hospitality and Leisure
14.	PTT Global Chemical	51.7	1.7	No	Yes	Petrochemicals and Chemicals
15.	Bangkok Commercial Asset Management	51.2	1.6	No	Yes	Finance and Securities
16.	Banpu	49.3	1.6	No	Yes	Energy and Utilities
17.	Krungthai Card	46.5	1.5	Yes	Yes	Banking
18.	TPI Polene	45.7	1.5	No	Yes	Property and Construction
19.	Frasers Property Thailand	45.6	1.5	No	Yes	Property and Construction
20.	Global Power Synergy	45.0	1.4	No	Yes	Energy and Utilities
21.	Krung Thai Bank	44.0	1.4	Yes	Yes	Banking
22.	Muangthai Capital	41.6	1.3	No	Yes	Finance and Securities
23.	Bangkok Expressway & Metro	38.7	1.2	No	Yes	Transportation and Logistics
24.	Sansiri	38.3	1.2	No	Yes	Property and Construction
25.	ICBC Thai Leasing	37.9	1.2	No	No	Finance and Securities
26.	Land & Houses	37.6	1.2	No	Yes	Property and Construction
27.	dtac TriNet	37.5	1.2	No	Yes	Communications
28.	CH Karnchang	36.9	1.2	No	Yes	Property and Construction
29.	Bangchak	36.0	1.2	No	Yes	Energy and Utilities
30.	TMB Bank	35.4	1.1	No	Yes	Banking
Total Top 30 LCY Corporate Issuers		2,164.5	69.3			
Total LCY Corporate Bonds		3,689.9	118.1			
Top 30 as % of Total LCY Corporate Bonds		58.7%	58.7%			

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

Notes:

1. Data as of 31 March 2021.

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 First Quarter of 2021

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)
Charoen Pokphand Foods		
2-year bond	1.75	2.5
5-year bond	2.99	13.1
7-year bond	3.15	4.0
10-year bond	3.60	5.0
12-year bond	3.80	5.4
True Corp^a		
1-year bond	0.00	2.5
1-year bond	2.72	2.0
1.26-year bond	2.72	0.3
2.75-year bond	3.30	7.4
3.75-year bond	3.85	4.3
4.75-year bond	4.20	2.5
5.75-year bond	4.50	5.8
CP ALL		
5-year bond	2.86	10.0
7-year bond	3.42	6.8
10-year bond	3.95	3.6
15-year bond	4.64	1.5

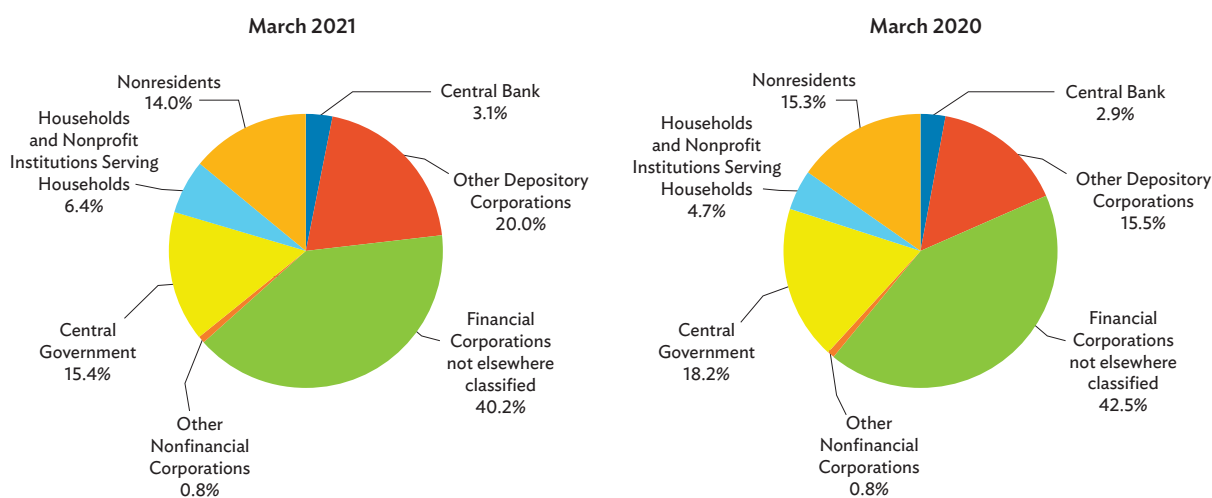
THB = Thai baht.

^a Multiple issuance of the same tenor indicates issuance on different dates.
Source: Bloomberg LP.

of corporate debt totaling THB30.0 billion in Q1 2021, comprising bonds with tenors ranging from 2 years to 12 years and carrying coupons ranging from 1.75% to 3.80% (**Table 3**). True Corp was the second-largest issuer during the quarter, with total issuance amounting to THB24.8 billion from bonds with tenors ranging from 1 year to 5.75 years and carrying coupons ranging from 0.0% to 4.50%. CP ALL, a food and beverage firm, was the third-largest issuer with total issuance of THB21.9 billion from bonds with tenors ranging from 5 years to 15 years carrying coupons ranging from 2.86% to 4.64%.

Investor Profile

Central government bonds. Between March 2020 and March 2021, the combined share of the four largest holders of LCY government bonds declined to 89.7% from 91.5% (**Figure 2**). Financial corporations continued to hold the largest share of government bonds, although their share fell to 40.2% at the end of March 2021 from 42.5% a year earlier. In contrast, the share of other depository corporations increased to 20.0% from 15.5% between March 2020 and March 2021. The share held by

Figure 2: Local Currency Government Bonds Investor Profile

Note: Government bonds include Treasury bills and bonds.
Source: AsianBondsOnline and Bank of Thailand.

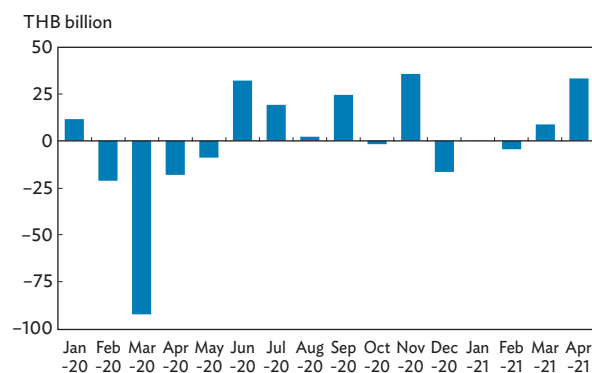
the central government decreased to 15.4% from 18.2% during the same period. Nonresidents' holdings inched down to 14.0% from 15.3% due to risk-off sentiment affecting demand for emerging market sovereign bonds.

Central bank bonds. Between March 2020 and March 2021, the combined share of the four largest holders of BOT bonds slipped to 95.6% from 96.1% (Figure 3). Other depository corporations held the largest share of BOT bonds, although their share dropped to 38.3% from 49.5% between March 2020 and March 2021. Financial corporations remained the second-largest holder of BOT bonds with 33.3% of total holdings at the end of March 2021, up from 21.7% a year earlier. The BOT's holdings of its LCY bonds decreased to 14.2% from 16.0% during the same period. The central government's share rose to 9.8% in March 2021 from 8.9% a year before. Nonresidents continued to hold a marginal share of BOT bonds at 0.9% in March 2021, down from 1.1% in March 2020.

Foreign investors in Thailand's LCY bond market recorded net inflows of THB4.0 billion in Q1 2021, following net inflows of THB16.8 billion in Q4 2020 (Figure 4). Foreign capital flows into the Thai bond market remained volatile

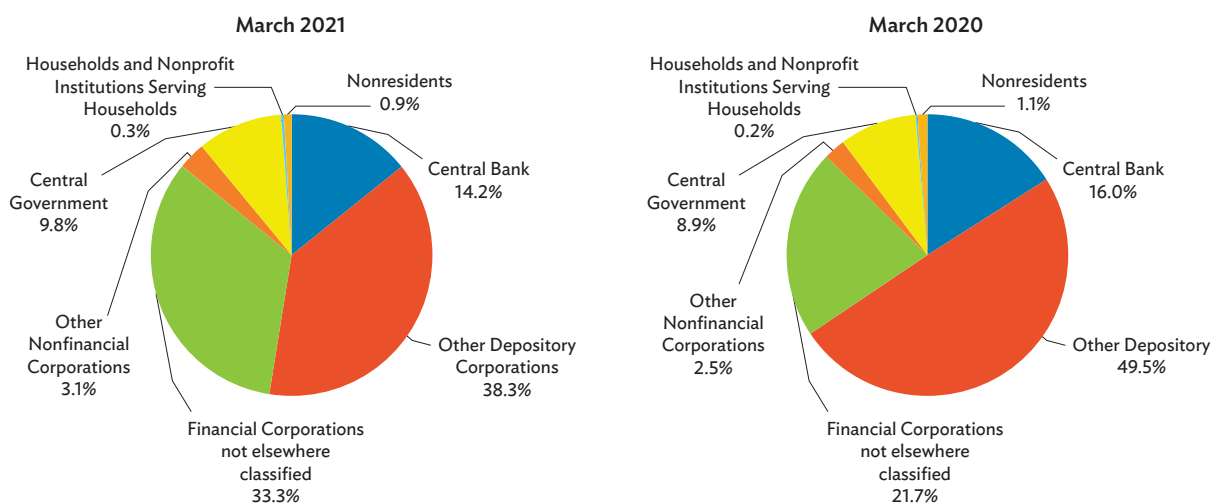
in 2021. January saw inflows of THB0.1 billion, followed by outflows of THB4.6 billion in February. March saw inflows of THB8.5 billion, while April witnessed a jump in inflows to THB32.9 billion following the approval of additional relief measures to counter the impact of a new wave of infections.

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



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

Figure 3: Local Currency Central Bank Securities Investor Profile



Source: Bank of Thailand.

Ratings Update

In March, Rating and Investment Information, Inc. affirmed Thailand's LCY sovereign credit rating at A- with a stable outlook. The rating was based on the assessment that Thailand's economic fundamentals and fiscal management will remain sound despite an expected slow recovery from the COVID-19 pandemic. The current account balance has maintained a surplus and concerns over Thailand's external position remain small. Thus, the rating agency viewed that the factors supporting Thailand's creditworthiness will remain unchanged. The credit rating agency also affirmed Thailand's foreign currency issuer rating at A- with a stable outlook.

Policy, Institutional, and Regulatory Developments

Bank of Thailand Adjusts Bond Issuance Program for 2021

The BOT adjusted its bond issuance program for 2021 to accommodate changes in market demand and support the government's financing needs for COVID-19 relief measures. The BOT and the PDMO continued to coordinate so that BOT and government bonds would be issued at different sections of the yield curve. In particular, the BOT discontinued the issuance of 6-month bills and 3-year bonds in line with the PDMO's plan to issue 6-month Treasury bills and 3-year government bonds in 2021. The BOT also terminated the issuance of 2-week bills as the need for these short-term bills had declined in recent years. Furthermore, the BOT replaced the Bangkok Interbank Offered Rate-linked floating rate bonds with Thai Overnight Repurchase Rate-linked floating rate bonds to promote the development of the new reference rate.