

Thailand

Yield Movements

Between 31 August and 15 October, Thailand's local currency (LCY) government bond yields rose across all tenors, shifting the yield curve upward (**Figure 1**). Yields jumped an average of 34 basis points (bps), with the 15-year tenor gaining the most at 52 bps. The yield on 2-year bonds rose 18 bps, while the yield on 10-year bonds jumped 40 bps. As a result, the spread between the 2-year and 10-year yields widened to 134 bps on 15 October from 111 bps on 31 August.

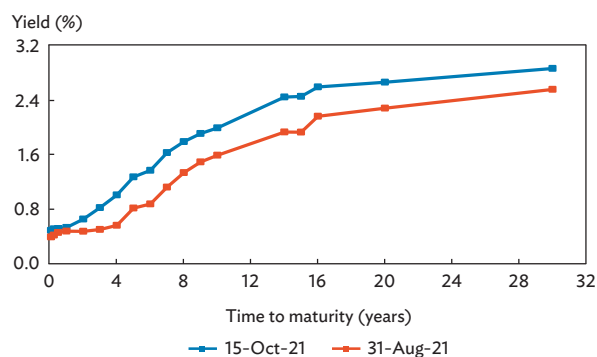
The rise in Thai LCY bond yields tracked the movements of other sovereign bond yields in the region, which rose in tandem with United States (US) Treasury yields. The uptick in yields was primarily due to inflation fears and uncertainties over the US Federal Reserve's plan to taper its quantitative easing measures starting in November. The Thai bond market saw net outflows of foreign funds in September amounting to THB36.7 billion, the biggest monthly net outflows since March 2020.

Domestic conditions also factored into the rise in Thai sovereign debt yields. In September, the Government of Thailand lifted the public debt ceiling from 60% to 70% of gross domestic product (GDP) to accommodate the additional borrowing needed to continue funding stimulus measures. Expectations of an increased supply of government bonds in the near to medium term put upward pressure on bonds yields.

The Thai economy contracted in the third quarter (Q3) of 2021 as mobility restrictions imposed to arrest the Delta variant-driven surge of infections capped consumption and investment. GDP dipped 0.3% year-on-year (y-o-y) in Q3 2021 after recording a 7.6% y-o-y expansion in the second quarter (Q2) of 2021. Private consumption and investment contracted 3.2% y-o-y and 0.4% y-o-y, respectively, after recording positive growth in the previous quarter. Growth in government consumption rose to 2.5% y-o-y in Q3 2021 from 1.0% y-o-y in the prior quarter.

Thailand's path to recovery remained clouded by risks brought about by the uncertain trajectory of the pandemic. In September, the Bank of Thailand (BOT)

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



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

revised downward its GDP growth forecast for full-year 2021 to 0.7% from the 1.8% projection announced in June, but it maintained the growth forecast for 2022 at 3.9%. The BOT also lowered the projected foreign tourist arrivals for full-year 2021 to 200,000 from the previous estimate of 700,000. Estimated foreign tourist arrivals for 2022 were also reduced to 6 million from the June forecast of 10 million.

Thailand's consumer price inflation rose to 2.4% y-o-y in October from 1.7% y-o-y in September. The jump in headline inflation was primarily due to a hike in energy costs, as global oil prices increased and government subsidies on utilities ended. Thailand's core inflation, which excludes volatile food and energy prices, was steady at 0.2% y-o-y from September to October. The BOT expects headline inflation to rise temporarily owing to global supply shocks, but remain within its target range of 1.0%–3.0%.

On 10 November, the BOT's Monetary Policy Committee held the policy rate steady at 0.5%. The BOT assessed that the Thai economy has entered a recovery phase following the relaxation of restrictions and reopening of tourism, but decided to maintain an accommodative monetary policy to support continued recovery amid lingering uncertainties. In response to the pandemic, the BOT had earlier reduced the policy rate by 25 bps each in its February, March, and May 2020 meetings.

Size and Composition

Thailand's outstanding LCY bond stock amounted to THB14,479.7 billion (USD429.6 billion) at the end of September (**Table 1**). Overall growth eased to 1.9% quarter-on-quarter (q-o-q) in Q3 2021 from 2.6% q-o-q in the previous quarter, driven by weaker growth in the corporate bond segment. Annual growth also slowed to 3.3% y-o-y in Q3 2021 from 5.6% y-o-y in Q2 2021. Government bonds continued to dominate the Thai LCY bond market with a share of 72.9% of total bonds outstanding at the end of September.

Government bonds. The LCY government bond market reached a size of THB10,552.0 billion at the end of September. Growth in total government bonds outstanding rose to 2.2% q-o-q in Q3 2021 from 1.7% q-o-q in Q2 2021. The faster expansion was driven primarily by stronger growth in government bonds and Treasury bills, which rose 3.1% q-o-q in Q3 2021 versus 2.1% q-o-q in the previous quarter. Growth in BOT bonds outstanding remained negligible at 0.3% q-o-q in Q3 2021, similar to the 0.2% q-o-q growth posted in Q2 2021. Growth in the stock of state-owned enterprise and other bonds dropped to 2.4% q-o-q in Q3 2021 from 3.2% q-o-q in the prior quarter. On a y-o-y basis, the Thai LCY government bond market expanded 2.8% in Q2 2021, down from 6.1% in Q2 2021. At the end of September, outstanding government bonds and Treasury bills reached THB6,683.5 billion, accounting for the largest share of total outstanding LCY

government bonds at 63.3%. Outstanding BOT bonds (THB2,925.8 billion) and state-owned enterprise and other bonds (THB942.8 billion) comprised smaller shares at 27.7% and 8.9%, respectively.

The issuance of LCY government bonds totaled THB1,865.5 billion in Q3 2021. Issuance growth jumped to 7.8% q-o-q in Q3 2021 from 2.6% q-o-q in the previous quarter, driven mainly by a hike in the issuance of BOT bonds and a rebound in the issuance of state-owned enterprise and other bonds. Growth in issuance of BOT bonds rose to 10.8% q-o-q in Q3 2021 from 7.0% q-o-q in the previous quarter. Issuance of government bonds and Treasury bills posted modest growth of 0.7% q-o-q in Q3 2021 after contracting 3.7% q-o-q in the previous quarter. Issuance of state-owned enterprise and other bonds rebounded, rising 25.4% q-o-q in Q3 2021 after a 17.7% q-o-q drop in Q2 2021. On an annual basis, issuance of Thai LCY government bonds posted a steeper decline of 28.9% y-o-y in Q3 2021 after a 20.8% y-o-y drop in the previous quarter, due to a high base in both Q2 2020 and Q3 2020 at the height of government borrowing to fund pandemic relief measures.

Corporate bonds. Outstanding corporate bonds reached a size of THB3,927.6 billion at the end of September. Growth eased to 1.2% q-o-q in Q3 2021 from 5.1% in the previous quarter as the spread of the Delta variant dampened investor confidence. On a y-o-y basis, growth in the outstanding stock of LCY corporate bonds inched up to 4.5% in Q3 2021 from 4.4% in Q2 2021.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2020		Q2 2021		Q3 2021		Q3 2020		Q3 2021	
	THB	USD	THB	USD	THB	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	14,018	444	14,203	443	14,480	430	4.2	8.3	1.9	3.3
Government	10,260	325	10,324	322	10,552	313	5.4	11.3	2.2	2.8
Government Bonds and Treasury Bills	5,735	182	6,485	202	6,683	198	8.1	18.8	3.1	16.5
Central Bank Bonds	3,702	117	2,917	91	2,926	87	1.9	1.8	0.3	(21.0)
State-Owned Enterprise and Other Bonds	823	26	921	29	943	28	3.9	8.7	2.4	14.5
Corporate	3,758	119	3,880	121	3,928	117	1.1	0.9	1.2	4.5

() = 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.

At the end of September, the LCY bonds outstanding of the top 30 corporate issuers totaled THB2,338.6 billion, accounting for 59.5% of the Thai corporate bond market (**Table 2**). The top 30 issuers were dominated by companies in the following sectors: food and beverage, commerce, energy and utilities, and finance and securities. Only four of the top 30 were state-owned firms, while the majority were listed on the Stock Exchange of Thailand. CP ALL topped the list, with an outstanding bond stock amounting to THB246.5 billion. Thai Beverage and Siam Cement were the next largest issuers, with outstanding bond stocks of THB173.1 billion and THB165.0 billion, respectively. PTT and True Corp followed, with outstanding bond stocks of THB134.6 billion and THB134.3 billion, respectively.

Corporate bond issuance slipped to THB470.5 billion in Q3 2021 from THB477.2 billion in the previous quarter. Issuance of corporate debt contracted 1.4% q-o-q in Q3 2021, after strong growth of 61.9% q-o-q in Q2 2021, as the spread of the Delta variant restricted economic activities. Compared with a year prior, corporate debt issuance was still relatively robust as borrowing costs remained low. On an annual basis, corporate bond issuance expanded 45.0% y-o-y in Q3 2021 after rising 87.4% y-o-y in Q2 2021.

The top 3 corporate issuers in Q3 2021 were energy companies (**Table 3**). PTT, a state-owned and exchange-listed oil and gas company, was the top issuer, raising a total of THB43.0 billion from bonds with tenors of 3–10 years and carrying coupons ranging from 0.96% to 2.37%. Gulf Energy Development was the second-largest issuer, raising a total of THB30.0 billion from bonds with tenors of 3–10 years. Banpu, another energy company, was the next largest issuer with total issuance amounting to THB16.0 billion. CPF Thailand, a food and beverage company, was the fourth largest issuer in Q3 2021, with total issuance of THB15.0 from a triple-tranche issuance of bonds with tenors of 6–12 years.

Investor Profile

Central government bonds. Financial corporations continued to hold the largest share of Thai government bonds, although their share slipped to 38.1% in September 2021 from 39.9% in September 2020 (**Figure 2**). The second-largest holder of government bonds were other depository corporations with a 23.2% share in

September 2021, up from 19.2% a year earlier. The share of the two largest holders of central government bonds increased to 61.2% in September 2021 from 59.1% a year earlier. The central government's holdings of government bonds decreased to 15.2% from 16.4% during the same period. Nonresidents' holdings of Thai government bonds inched down to 13.4% in September 2021 from 14.0% a year earlier. The BOT's holdings of government bonds dropped to 3.2% in September 2021 from 4.0% in September 2020, as the central bank eased its purchases of government debt during the review period.

Central bank bonds. Other depository corporations held the largest share of BOT bonds at 41.7% in September 2021, though their share dipped from 45.7% in September 2020 (**Figure 3**). Financial corporations had the second-largest holdings of BOT bonds, with their share inching up to 30.6% in September 2021 from 29.3% in September 2020. The combined shares of the two top holders amounted to 72.3% of total BOT bonds outstanding at the end of September 2021, down from 75.0% a year earlier. During the same period, the BOT's holdings of its own LCY bonds rose slightly to 13.6% from 12.7%. The central government's holdings of BOT bonds also increased to 9.9% from 8.8% during the review period. Nonresidents' holdings of BOT bonds held steady at 0.9% from September 2020 to September 2021.

Net inflows from foreign investors to the Thai LCY bond market fell to THB20.1 billion in Q3 2021 from THB83.7 billion in Q2 2021 (**Figure 4**). The Thai LCY bond market recorded net inflows in July (THB9.3 billion) and August (THB47.5 billion), but saw net outflows of THB36.7 billion in September as inflation expectations and fears that the Federal Reserve would start tapering its quantitative easing measures by November prompted global investors to sell emerging market bonds, including Thai LCY bonds. The net outflows of foreign investment from the Thai LCY bond market in September were the highest monthly net outflows recorded since March 2020.

Ratings Update

On 20 September, S&P Global Ratings held Thailand's long-term foreign currency issuer default rating at BBB+ with a stable outlook. The rating affirmation was based on Thailand's robust financial and external positions amid the ongoing global pandemic. S&P Global Ratings expects

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	246.5	7.3	No	Yes	Commerce
2.	Thai Beverage	173.1	5.1	No	No	Food and Beverage
3.	Siam Cement	165.0	4.9	Yes	Yes	Construction Material
4.	PTT	134.6	4.0	Yes	Yes	Energy and Utilities
5.	True Corp	134.3	4.0	No	No	Communications
6.	Charoen Pokphand Foods	131.2	3.9	No	Yes	Food and Beverage
7.	Berli Jucker	117.6	3.5	No	Yes	Commerce
8.	True Move H Universal Communication	105.0	3.1	No	No	Communication
9.	Bank of Ayudhya	94.8	2.8	No	Yes	Banking
10.	CPF Thailand	79.1	2.3	No	No	Food and Beverage
11.	Toyota Leasing Thailand	73.6	2.2	No	No	Finance and Securities
12.	Minor International	68.1	2.0	No	Yes	Hospitality and Leisure
13.	Indorama Ventures	66.5	2.0	No	Yes	Petrochemicals and Chemicals
14.	Banpu	61.3	1.8	No	Yes	Energy and Utilities
15.	Bangkok Commercial Asset Management	59.2	1.8	No	Yes	Finance and Securities
16.	Frasers Property Thailand	49.3	1.5	No	Yes	Property and Construction
17.	Gulf Energy Development	47.5	1.4	No	Yes	Energy and Utilities
18.	Muangthai Capital	46.0	1.4	No	Yes	Finance and Securities
19.	BTS Group Holdings	45.1	1.3	No	Yes	Diversified
20.	Krung Thai Bank	44.0	1.3	Yes	Yes	Banking
21.	dtac TriNet	43.5	1.3	No	Yes	Communications
22.	Krungthai Card	42.6	1.3	Yes	Yes	Banking
23.	Global Power Synergy	41.5	1.2	No	Yes	Energy and Utilities
24.	Sansiri	40.5	1.2	No	Yes	Property and Construction
25.	Bangkok Expressway & Metro	40.1	1.2	No	Yes	Transportation and Logistics
26.	TPI Polene	39.5	1.2	No	Yes	Property and Construction
27.	ICBC Thai Leasing	38.5	1.1	No	No	Finance and Securities
28.	CH Karnchang	38.4	1.1	No	Yes	Property and Construction
29.	B Grimm	36.8	1.1	No	Yes	Energy and Utilities
30.	Land & Houses	35.6	1.1	No	Yes	Property and Construction
Total Top 30 LCY Corporate Issuers		2,338.6	69.4			
Total LCY Corporate Bonds		3,938.2	116.9			
Top 30 as % of Total LCY Corporate Bonds		59.5%	59.5%			

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

Notes:

1. Data as of 30 September 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 Third Quarter of 2021

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)
PTT		
3-year bond	0.96	15.0
5-year bond	1.31	15.0
7-year bond	1.79	5.0
10-year bond	2.37	8.0
Gulf Energy Development		
3-year bond	1.74	12.0
5-year bond	2.48	6.0
7-year bond	3.01	3.0
10-year bond	3.40	9.0
Banpu		
3-year bond	1.58	2.0
5-year bond	2.90	3.9
7-year bond	3.30	4.0
10-year bond	3.80	6.0
CPF Thailand		
6-year bond	2.50	4.5
8-year bond	3.18	6.0
12 year bond	3.70	4.5

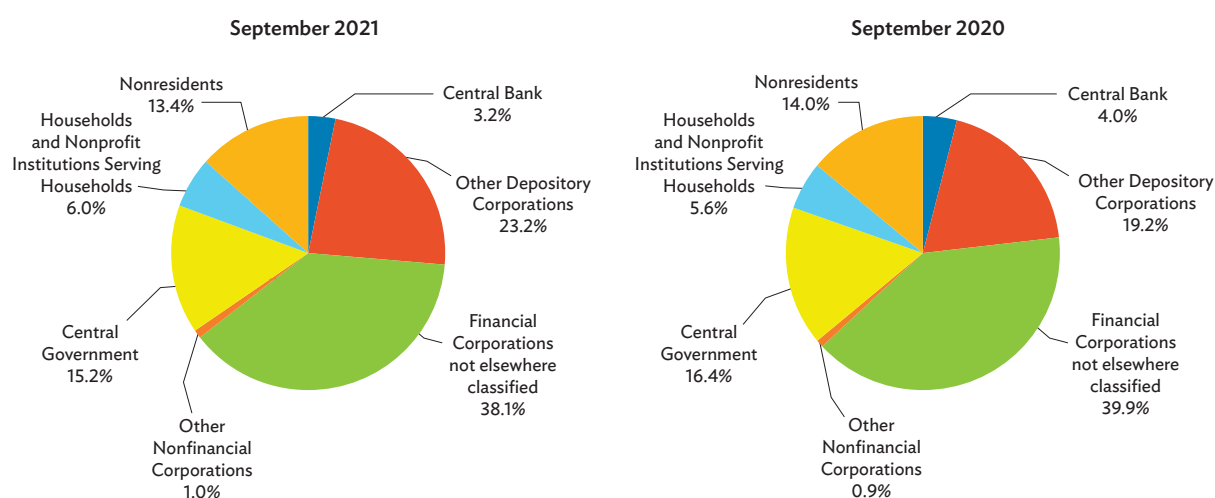
THB = Thai baht.
Source: Bloomberg LP.

the Thai economy to grow 1.1% in 2021. The ratings body also maintained Thailand's long-term local currency issuer default rating at A- with a stable outlook.

Policy, Institutional, and Regulatory Developments

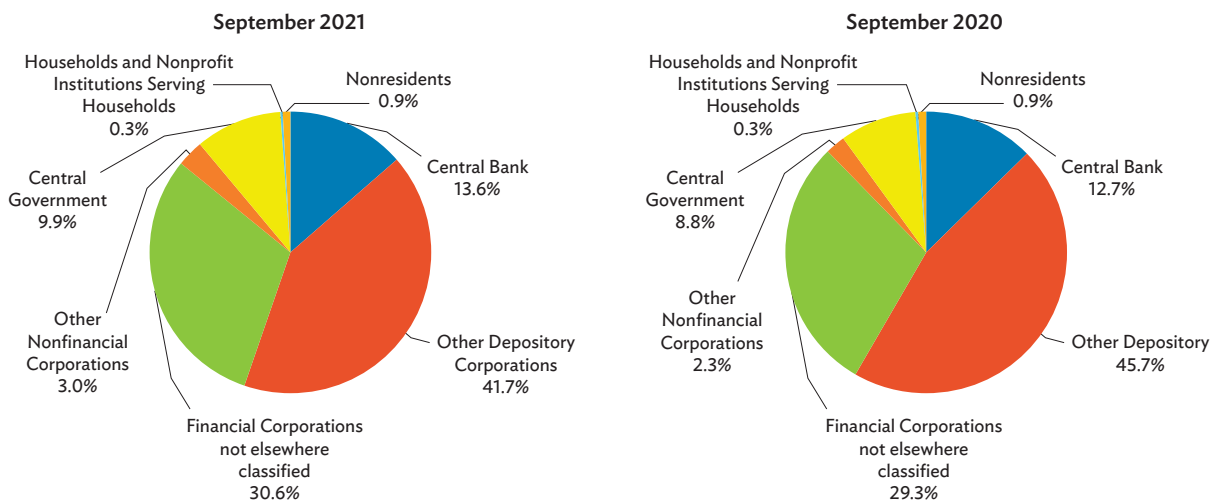
Thai Government Raises Debt Ceiling

On 20 September, the Government of Thailand increased the debt ceiling from 60% to 70% of GDP to allow the government to raise more funds for its economic recovery efforts. The government had earlier issued an emergency loan decree in 2020 that authorized the Ministry of Finance to borrow THB1 trillion for economic stimulus measures. A second decree was issued in June 2021 allowing the government to borrow an additional THB500 billion to fund relief measures to combat the impacts of the prolonged pandemic. Thailand's public debt-to-GDP ratio stood at 57% as of September 2021.

Figure 2: Local Currency Government Bonds Investor Profile

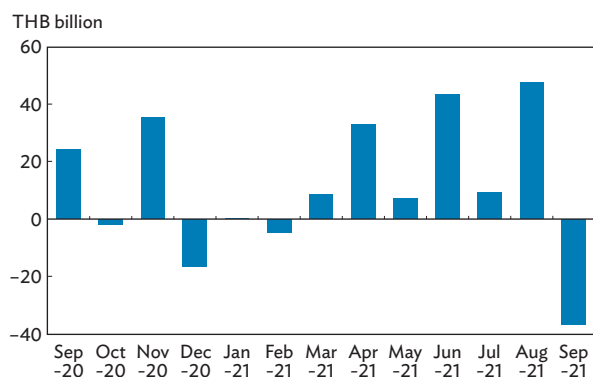
Note: Government bonds include Treasury bills and bonds.
Source: AsianBondsOnline and Bank of Thailand.

Figure 3: Local Currency Central Bank Securities Investor Profile



Source: Bank of Thailand.

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



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

Thailand to Issue More Long-Term Government Bonds

On 1 October, Thailand’s Public Debt Management Office announced its plan to increase the share of long-dated bonds to finance the government’s economic stimulus programs. Government bonds will comprise 48%–56% of total borrowing in fiscal year 2021–2022. In the previous fiscal year, government bonds comprised 31% of total borrowing as the government relied more on short-term instruments such as promissory notes and Treasury bills. For fiscal year 2021–2022, Treasury bills will comprise 23% of total borrowing, while promissory notes will comprise a 16%–25% share. Savings bonds and bond switching will each account for a 6% share of the total borrowing.