

# Thailand

## Yield Movements

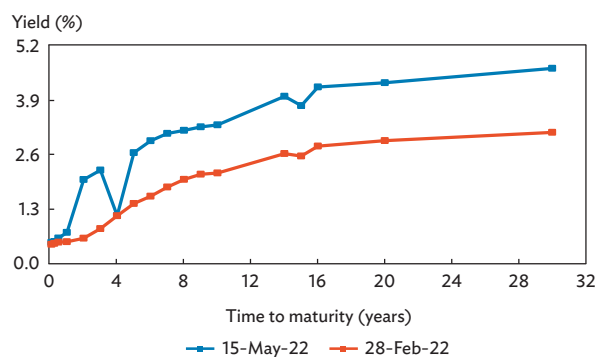
Between 28 February and 15 May, Thailand's local currency (LCY) government bond yield curve steepened, with yields soaring an average of 96 basis points (bps) (**Figure 1**). Apart from the 4-year tenor, whose yield was unchanged, all other tenors saw a jump in yields. The yields on bonds with maturities of less than 1 year gained an average of 6 bps, while those with maturities between 1 and 5 years jumped 84 bps. Bond yields for tenors between 6 years and 10 years soared 121 bps, on average, while yields for bonds with maturities longer than 10 years surged an average of 137 bps. The 30-year bond recorded the largest gain in its yield at 152 bps. The yield on 2-year bonds rose 140 bps, while the yield on 10-year bonds gained 115 bps. As a result, the spread between the 2-year and 10-year yields narrowed from 155 bps on 28 February to 130 bps on 15 May.

Thai LCY government bond yields rose in tandem with other regional bond yields in response to global inflationary pressure and monetary policy tightening by the United States (US) Federal Reserve. To curb mounting inflation, the US Federal Reserve adjusted upward the target range for its policy rate by 25 bps to a range of 0.25%–0.50% in March and by 50 bps to a range of 0.75%–1.00% in May.

The Federal Reserve's aggressive monetary policy tightening, combined with heightened global uncertainties due to Russia's invasion of Ukraine, led foreign investors to reduce exposure to emerging market bonds, including Thai bonds. The Thai LCY bond market saw net outflows of foreign funds amounting to THB67.0 billion in March.

The surge in Thai bond yields also reflected rising domestic inflation. Thailand's consumer price inflation surged to 7.1% year-on-year (y-o-y) in May from 4.7% y-o-y in April and 5.7% y-o-y in March. Inflationary pressure stemmed from elevated energy and fresh food prices as well as rising production costs due to global supply chain disruptions and the Russian invasion of Ukraine.

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



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

Improved economic conditions created additional upward pressure on bond yields. The Thai economy continued to recover, with gross domestic product (GDP) growth accelerating to 2.2% y-o-y in the first quarter (Q1) of 2022 from 1.8% y-o-y in the fourth quarter (Q4) of 2021. Private consumption rose 3.9% y-o-y in Q1 2022, as business and tourism activities started to normalize with the reopening of the economy. Investment recovered, rising 0.8% y-o-y in Q1 2022 from a contraction of 0.2% y-o-y in the previous quarter, as business sentiment improved. Government consumption rose 4.6% y-o-y, while exports expanded 12.0% y-o-y. The National Economic and Social Development Council expects the economy to expand 2.5%–3.5% in 2022, supported by continued improvements in domestic demand and exports, as well a recovery in tourism.

The Bank of Thailand (BOT) has kept its policy rate accommodative amid monetary policy tightening of the Federal Reserve and several regional central banks. On 8 June, the BOT left its policy rate unchanged at 0.50% for a 16th straight meeting but signaled that it would soon start monetary policy normalization. The BOT expects the Thai economy to grow 3.3% in 2022 and 4.2% in 2023, and headline inflation to reach 6.2% in 2022 before easing to 2.5% in 2023. The BOT thus foresees that accommodative monetary policy will be less necessary going forward, given robust economic recovery and elevated inflation.

## Size and Composition

Thailand's LCY bond market continued to expand, reaching a size of THB14,998.4 billion (USD450.7 billion) at the end of March (**Table 1**). Overall growth rose to 1.8% quarter-on-quarter (q-o-q) in Q1 2022 from 1.1% q-o-q in Q4 2021, driven by stronger growth in both the government and corporate bond segments. Annual growth also accelerated, rising to 8.4% y-o-y in Q1 2022 from 5.8% y-o-y in the previous quarter. Government bonds continued to dominate Thailand's LCY bond market, comprising 72.9% of the total bond stock at the end of March.

**Government bonds.** LCY government bonds outstanding totaled THB10,937.4 billion at the end of March. Growth in the stock of government bonds picked up, rising to 2.1% q-o-q in Q1 2022 from 1.6% q-o-q in Q4 2021. The faster expansion stemmed primarily from stronger growth in government bonds and Treasury bills, combined with a rebound in state-owned enterprise and other bonds. Growth in government bonds and Treasury bills outstanding accelerated to 4.1% q-o-q in Q1 2022 from 3.0% q-o-q in the preceding quarter. Outstanding state-owned enterprise and other bonds rose 1.8% q-o-q in Q1 2022, reversing the 0.7% q-o-q drop in the previous quarter. Meanwhile, the stock of BOT bonds continued to contract due to maturities, falling 2.6% q-o-q in Q1 2022 after a 1.0% q-o-q drop in Q4 2021. On a y-o-y basis, Thailand's LCY government bond market expanded 7.7% in Q1 2022, up from 4.7% in Q4 2021.

At the end of March, outstanding government and Treasury bills totaled THB7,162.7 billion, comprising the largest share of total LCY government bonds at 65.5%. Outstanding BOT bonds (THB2,822.0 billion) and state-owned enterprise and other bonds (THB952.7 billion) accounted for 25.8% and 8.7%, respectively, of total LCY government bonds.

Issuance of new LCY government bonds reached THB1,670.2 billion in Q1 2022. Issuance fell 0.4% q-o-q in Q1 2022, following a 10.1% q-o-q decline in the previous quarter. Contractions in issuance of government bonds and Treasury bills (12.7% q-o-q) and state-owned enterprise and other bonds (35.2% q-o-q) outpaced the growth in issuance of BOT bonds (8.0% q-o-q), leading to an overall decline in government bond issuance. On a y-o-y basis, issuance of Thai LCY government bonds continued to contract, falling 1.0% in Q1 2022 after a 14.1% drop in the previous quarter, as the government tapered borrowing to manage fiscal sustainability. The share of public debt to GDP stood at 60.6% at the end of March, up from 58.4% at the end of fiscal year 2021 and 49.5% at the end of fiscal year 2020.

**Corporate bonds.** LCY corporate bonds outstanding totaled THB4,061.0 billion at the end of March. Growth accelerated to 1.2% q-o-q in Q1 2022 from marginal growth in the previous quarter, driven primarily by robust issuance. On a y-o-y basis, the Thai corporate bond market expanded 10.1% in Q1 2022, following a rise of 8.6% in Q4 2021.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q1 2021		Q4 2021		Q1 2022		Q1 2021		Q1 2022	
	THB	USD	THB	USD	THB	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	13,842	443	14,728	443	14,998	451	(0.6)	5.1	1.8	8.4
Government	10,152	325	10,716	323	10,937	329	(0.8)	8.5	2.1	7.7
Government Bonds and Treasury Bills	6,349	203	6,883	207	7,163	215	5.5	25.0	4.1	12.8
Central Bank Bonds	2,911	93	2,898	87	2,822	85	(13.5)	(16.6)	(2.6)	(3.1)
State-Owned Enterprise and Other Bonds	892	29	936	28	953	29	5.5	14.1	1.8	6.8
Corporate	3,690	118	4,011	121	4,061	122	(0.1)	(3.3)	1.2	10.1

( ) = 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. Bloomberg LP end-of-period local currency-USD rates are used.

2. Growth rates are calculated from local currency base and do not include currency effects.

Source: Bank of Thailand.

At the end of March, the LCY bonds outstanding of Thailand's top 30 corporate issuers amounted to THB2,370.8 billion, comprising 58.4% of the Thai corporate bond market (**Table 2**). The top 30 issuers were dominated by companies in the commerce, energy

and utilities, food and beverage, and communication sectors, which collectively held 33.1% of the total LCY corporate bond market. Only three of the top 30 were government-owned and the majority were listed on the Stock Exchange of Thailand. CP ALL, True Corporation,

**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	247.5	7.4	No	Yes	Commerce
2.	True Corporation	179.4	5.4	No	Yes	Communications
3.	Siam Cement	165.0	5.0	Yes	Yes	Construction Material
4.	Charoen Pokphand Foods	131.2	3.9	No	Yes	Food and Beverage
5.	Thai Beverage	129.2	3.9	No	No	Food and Beverage
6.	PTT	120.4	3.6	Yes	Yes	Energy and Utilities
7.	Berli Jucker	104.1	3.1	No	Yes	Commerce
8.	Bank of Ayudhya	94.9	2.9	No	Yes	Banking
9.	True Move H Universal Communication	88.1	2.6	No	No	Communications
10.	CPF Thailand	79.1	2.4	No	No	Food and Beverage
11.	Indorama Ventures	73.0	2.2	No	Yes	Petrochemicals and Chemicals
12.	Gulf Energy Development	69.5	2.1	No	Yes	Energy and Utilities
13.	Banpu	69.3	2.1	No	Yes	Energy and Utilities
14.	Minor International	67.1	2.0	No	Yes	Hospitality and Leisure
15.	Bangkok Commercial Asset Management	62.2	1.9	No	Yes	Finance and Securities
16.	Toyota Leasing Thailand	61.8	1.9	No	No	Finance and Securities
17.	PTT Global Chemical	61.7	1.9	No	Yes	Petrochemicals and Chemicals
18.	Frasers Property Thailand	51.0	1.5	No	Yes	Property and Construction
19.	Muangthai Capital	51.0	1.5	No	Yes	Finance and Securities
20.	Krungthai Card	45.5	1.4	No	Yes	Banking
21.	BTS Group Holdings	45.1	1.4	No	Yes	Diversified
22.	Krung Thai Bank	44.0	1.3	Yes	Yes	Banking
23.	TPI Polene	43.9	1.3	No	Yes	Property and Construction
24.	dtac TriNet	43.5	1.3	No	Yes	Communications
25.	Global Power Synergy	41.5	1.2	No	Yes	Energy and Utilities
26.	Sansiri	40.9	1.2	No	Yes	Property and Construction
27.	ICBC Thai Leasing	40.6	1.2	No	No	Finance and Securities
28.	Bangchak	40.5	1.2	No	Yes	Energy and Utilities
29.	Land & Houses	40.1	1.2	No	Yes	Property and Construction
30.	Bangkok Expressway & Metro	40.1	1.2	No	Yes	Transportation and Logistics
<b>Total Top 30 LCY Corporate Issuers</b>		<b>2,370.8</b>	<b>71.2</b>			
<b>Total LCY Corporate Bonds</b>		<b>4,061.0</b>	<b>122.0</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>58.4%</b>	<b>58.4%</b>			

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

Notes:

1. Data as of 31 March 2022.

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.

and Siam Cement were the top three corporate issuers, with outstanding bond stocks of THB247.5 billion, THB179.4 billion, and THB165.0 billion, respectively. The next largest issuers were Charoen Pokphand Foods, Thai Beverage, PTT, and Berli Jucker, all with outstanding LCY bonds of more than THB100.0 billion each.

Corporate bond issuance totaled THB438.1 billion in Q1 2022, up from THB366.7 billion in Q4 2021. Issuance of corporate debt rebounded in Q1 2022, jumping 19.5% q-o-q after a 22.1% q-o-q contraction in the previous quarter, as corporates took advantage of prevailing rates in anticipation of increased borrowing costs in succeeding quarters when the BOT starts tightening its monetary policy alongside other regional central banks. On an annual basis, corporate debt issuance continued to expand, rising 48.6% y-o-y in Q1 2022 after a 32.4% y-o-y jump in the previous quarter.

**Table 3** lists the notable corporate debt issuances in Q1 2022. True Corporation, a communications company, was the top issuer, raising a total of THB35.3 billion

**Table 3: Notable Local Currency Corporate Bond Issuances in the First Quarter of 2022**

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)
True Corporation <sup>a</sup>		
1-year bond	2.32	0.3
1.2-year bond	2.39	4.5
3-year bond	3.20	5.6
3-year bond	3.20	5.0
4-year bond	3.60	2.9
4-year bond	3.55	2.4
5-year bond	4.00	3.7
5.8-year bond	4.25	5.1
5.8-year bond	4.25	5.9
PTT Global Chemical		
5-year bond	2.13	14.0
7-year bond	2.65	2.0
10-year bond	3.05	2.0
12-year bond	3.29	12.0
Gulf Energy		
3-year bond	2.02	10.0
5-year bond	2.97	8.0
7-year bond	3.21	1.0
10-year bond	3.70	5.0
Charoen Pokphand Foods		
Perpetual bond	4.50	15.0

THB = Thai baht.

<sup>a</sup> Multiple issuance of the same tenor indicates issuance on different dates.

Source: Bloomberg LP.

from bonds with tenors ranging from 1 year to 5.8 years. PTT Global Chemical was the next largest issuer, raising a total of THB30.0 billion from bonds with tenors of 5–12 years. Gulf Energy was the third-largest issuer, raising a total of THB24.0 billion from a quadruple-tranche issuance of bonds with tenors of 3–10 years. Charoen Pokphand Foods had the single-largest debt issuance during the quarter, raising THB15.0 billion from a perpetual bond carrying a coupon of 4.5%.

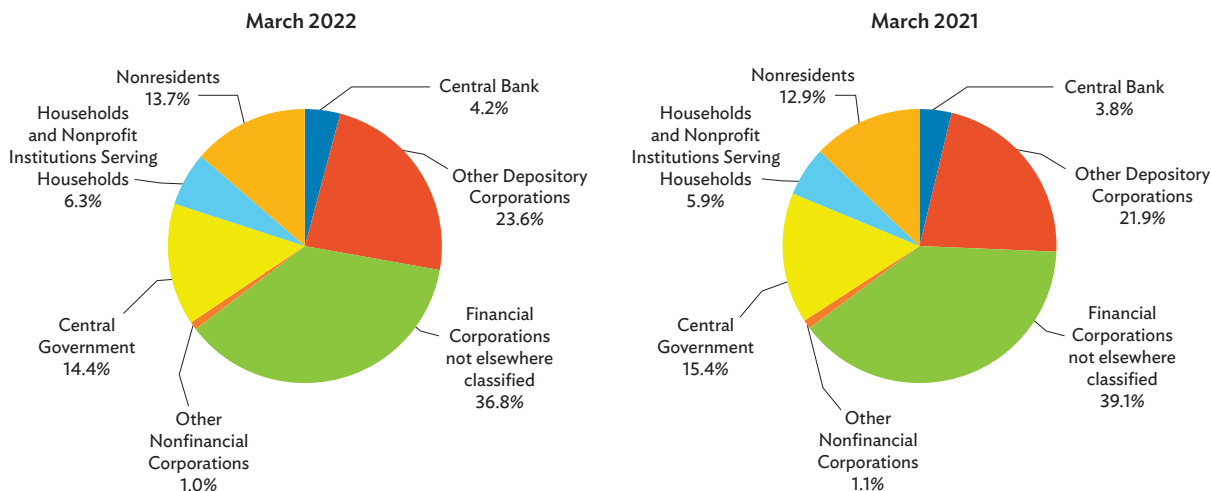
## Investor Profiles

**Central government bonds.** The four largest holders of Thai government bonds at the end of March were financial corporations, other depository corporations, central government, and nonresidents (**Figure 2**). Financial corporations continued to be the primary holder of government bonds, although their collective share decreased to 36.8% in March 2022 from 39.1% in March 2021. Other depository corporations, which include commercial banks and finance companies, remained the second-largest holder of government bonds with a share of 23.6% at the end of March, up from 21.9% a year earlier. The central government, including state-owned nonprofit enterprises and the Social Security Office, had a 14.4% share, down from 15.4% in March 2021. Nonresidents' holdings of Thai government bonds inched up to 13.7% at the end of March from 12.9% a year earlier. The BOT's holdings of government bonds rose to 4.2% in March 2022 from 3.8% in March 2021.

**Central bank bonds.** Other depository corporations and financial corporations were the two largest holders of BOT bonds, with combined shares comprising 73.8% of total BOT bonds at the end of March (**Figure 3**). The share of other depository corporations increased to 42.1% in March 2022 from 38.3% in March 2021, while financial corporations' holdings slipped to 31.7% from 33.3% during the same period. The BOT's holdings of its own LCY bonds declined to 12.0% at the end of March from 14.2% a year earlier. The central government's share was little changed from 9.8% in March 2021 to 10.0% in March 2022. Nonresidents' holdings of BOT bonds remained negligible but rose slightly to 2.1% at the end of March from 0.9% a year earlier.

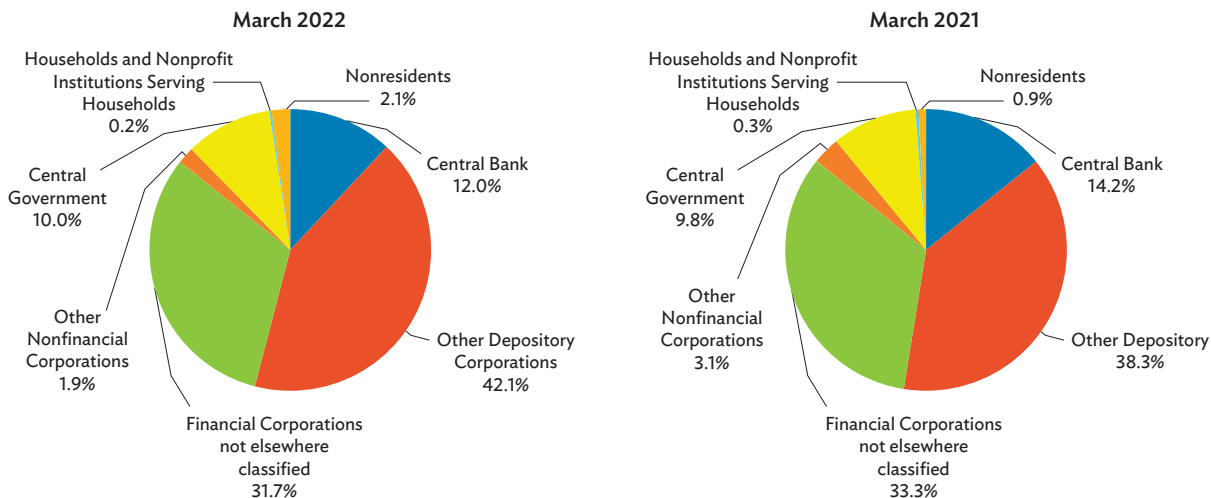
Net inflows from foreign investors to the Thai LCY bond market dropped to THB85.6 billion in Q1 2022

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

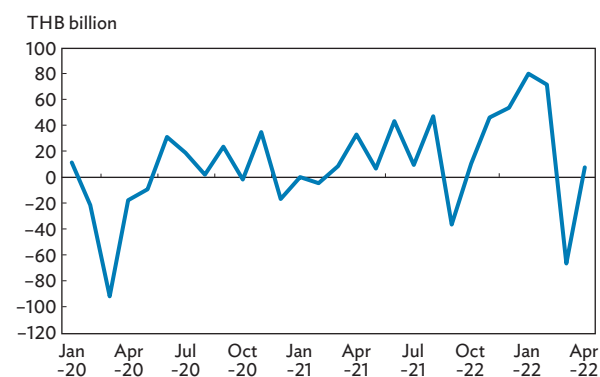


Source: Bank of Thailand.

from THB111.3 billion in the previous quarter (Figure 4). In January and February, the Thai LCY bond market saw net inflows of THB80.7 billion and THB71.9 billion, respectively, on improved market sentiment as the Thai economy reopened. However, the Federal Reserve’s monetary tightening in March and elevated risks due to the quickening pace of inflation led global investors

to reduce their emerging market bond exposure. The Thai LCY bond market recorded net outflows of THB67.0 billion in March, the second-highest monthly outflows since the onset of the pandemic. The global search for yields led to a return of some foreign investors to the Thai bond market in April, resulting in monthly net inflows of THB7.7 billion.

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



THB = Thai baht.

Source: Thai Bond Market Association.

## Policy, Institutional, and Regulatory Developments

### Thai Government Approves New Borrowing of THB1.4 Trillion for Fiscal Year 2022

On 12 April, the Government of Thailand approved new borrowing of THB1.40 trillion for fiscal year 2022, up from the previously planned amount of THB1.36 trillion. The new borrowing plan is projected to raise public debt to 62.8% of GDP at the end of the fiscal year, which is still below the government's 70.0% limit. The plan includes THB10.0 billion of borrowing for the state oil fund to stabilize domestic fuel prices, THB29.3 billion for restructuring government debt, and THB39.4 billion for investment projects. Public debt stood at 60.6% of GDP at the end of March.

### Bank of Thailand Eases Foreign Exchange Regulations

As part of continuing efforts to develop Thailand's foreign exchange ecosystem, BOT announced a new set of regulatory changes on 18 April. Rules for cross-border currency transfer and payment transactions were relaxed to allow Thai residents greater flexibility in conducting foreign exchange transactions. Rules related to foreign exchange hedging were eased to help Thai companies manage their foreign exchange risks more efficiently. Documentary requirements for foreign exchange transactions were also simplified to reduce costs and facilitate foreign exchange activities through online channels. However, cross-border transfers of the Thai baht to pay for digital assets are still prohibited.