

## Thailand

### Yield Movements

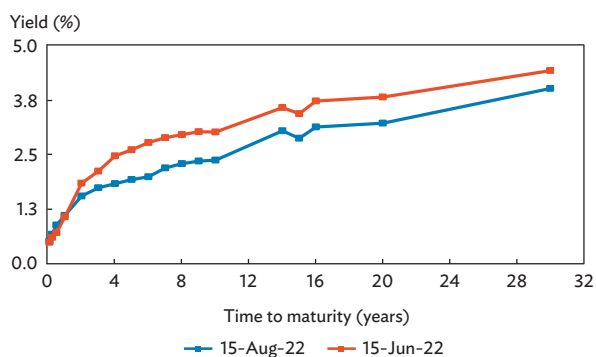
Between 15 June and 15 August, Thailand's local currency (LCY) government bond yield curve flattened, with yields rising at the shorter-end but falling along the rest of the curve (**Figure 1**). Yields for tenors below 2 years gained 8 basis points (bps) on average, while yields for bonds with maturities of 2 years or longer fell an average of 58 bps. The 6-month bond posted the largest yield gain at 17 bps, while the 6-year bond recorded the sharpest yield drop at 78 bps. The 2-year bond yield shed 29 bps, while the 10-year bond yield fell 64 bps. As a result, the spread of the 10-year yield over the 2-year yield narrowed from 117 bps on 15 June to 82 bps on 15 August.

Yields rose at the shorter-end of the curve in response to monetary policy tightening by the Bank of Thailand (BOT). On 10 August, the BOT raised its benchmark policy rate by 25 bps to 0.75% and signaled that monetary policy normalization would be gradual. The BOT was among the last of the region's central banks to start monetary policy normalization. A better-than-expected economic performance in the second quarter (Q2) of 2022, along with elevated inflation, prompted the pivot to policy tightening.

Thailand's inflation remained among the highest in the region. Consumer price inflation rose to 7.9% year-on-year (y-o-y) in August from 7.6% y-o-y in July and 7.7% y-o-y in June. High global energy prices continued to be the main source of inflationary pressure. The BOT expects inflation to remain elevated for the rest of 2022, but then to gradually fall within the target range of 1.0%–3.0% in 2023 as supply-side inflationary pressure subsides.

Medium- to long-term inflation expectations remain anchored within the BOT target range and contributed to the decline in yields for bonds with maturities of 2 years or longer. Improved market sentiment also revived demand for bonds, raising prices and lowering yields. Global financial conditions generally improved at the end of July, after the United States (US) Federal Reserve announced an expected rate hike of 75 bps and indicated that the pace of monetary policy tightening would decelerate.

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



Sources: Based on data from Bloomberg LP.

Domestic financial conditions were also buoyed by the sustained economic recovery. Thailand's economy continued to gain pace, with gross domestic product (GDP) growth rising to 2.5% y-o-y in Q2 2022 from 2.3% y-o-y in the previous quarter, driven primarily by a revival of tourism. Thailand began progressively relaxing quarantine requirements and testing protocols for travelers in May. As a result, the number of foreign tourist arrivals more than tripled to 1.6 million in Q2 2022 from 0.5 million in the prior quarter. Private consumption rose 6.9% y-o-y in Q2 2022 as economic activities continued to normalize. Government consumption rose 2.4% y-o-y, while exports expanded 8.5% y-o-y. In August, the National Economic and Social Development Council revised its GDP growth forecast for full-year 2022 to 2.7%–3.2% from the June projection of 2.5%–3.5%.

### Size and Composition

Thailand's LCY bond market reached a size of THB15,107.8 billion (USD427.3 billion) at the end of June (**Table 1**). Overall growth eased to 0.7% quarter-on-quarter (q-o-q) and 6.4% y-o-y in Q2 2022 from 1.8% q-o-q and 8.4% y-o-y in the first quarter (Q1) of 2022. The growth slowdown was mainly due to a contraction in the government bond segment, which outpaced the expansion in the corporate bond segment.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q2 2021		Q1 2022		Q2 2022		Q2 2021		Q2 2022	
	THB	USD	THB	USD	THB	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	<b>14,203</b>	<b>443</b>	<b>14,998</b>	<b>451</b>	<b>15,108</b>	<b>427</b>	<b>2.6</b>	<b>5.6</b>	<b>0.7</b>	<b>6.4</b>
Government	10,324	322	10,937	329	10,860	307	1.7	6.1	(0.7)	5.2
Government Bonds and Treasury Bills	6,485	202	7,163	215	7,327	207	2.1	22.2	2.3	13.0
Central Bank Bonds	2,917	91	2,822	85	2,571	73	0.2	(19.7)	(8.9)	(11.9)
State-Owned Enterprise and Other Bonds	921	29	953	29	962	27	3.2	16.2	1.0	4.5
Corporate	3,880	121	4,061	122	4,247	120	5.1	4.4	4.6	9.5

( ) = negative, q-o-q = quarter-on-quarter, Q1 = first quarter, Q2 = second 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.

Government bonds continued to dominate Thailand's LCY bond market. At the end of June, government bonds comprised 71.9% of total bonds outstanding, while corporate bonds represented the remaining 28.1%.

**Government bonds.** LCY government bonds outstanding amounted to THB10,860.5 billion at the end of June. The LCY government bond market contracted 0.7% q-o-q in Q2 2022, reversing the 2.1% q-o-q growth in the prior quarter. The decline was driven by a drop in BOT bonds, which outpaced growth in government bonds and Treasury bills, and in state-owned enterprise and other bonds. The stock of BOT bonds contracted 8.9% q-o-q in Q2 2022 due to maturities and a drop in issuance. Meanwhile, growth in outstanding government bonds and Treasury bills eased to 2.3% q-o-q in Q2 2022 from 4.1% q-o-q in the previous quarter. The outstanding stock of state-owned enterprise and other bonds continued to post modest growth, rising 1.0% q-o-q in Q2 2022 after a 1.8% q-o-q rise in the preceding quarter. On an annual basis, growth in Thailand's LCY government bond market eased to 5.2% y-o-y in Q2 2022 from 7.7% y-o-y in Q1 2022.

Government bonds and Treasury bills continued to account for the largest share of LCY government bonds. Outstanding government bonds and Treasury bills totaled THB7,327.3 billion at the end of June, comprising 67.5% of the LCY government bond market. BOT bonds (THB2,571.1 billion) and state-owned enterprise and other bonds (THB962.1 billion) accounted for 23.7% and 8.9%, respectively, of total government bonds outstanding at the end of June.

Issuance of new LCY government bonds amounted to THB1,571.9 billion in Q2 2022. Issuance continued to decline, dropping 5.9% q-o-q in Q2 2022 after a 0.4% q-o-q dip in the previous quarter, as the government tapered borrowing amid continued economic recovery. Issuance of government bonds and Treasury bills rose 22.9% q-o-q in Q2 2022, driven largely by a record-high issuance of retail savings bonds in June. The government raised a total of THB52.7 billion from five tranches of retail savings bonds dubbed as "Happy Savings," which were issued to individuals and nonprofit organizations. The Public Debt Management Office (PDMO) opted to tap retail investors to avoid an oversupply of bonds in the institutional market and to develop a savings alternative for bank deposits. The issuance of state-owned enterprise and other bonds rebounded, rising 101.8% q-o-q in Q2 2022 after a 35.2% q-o-q drop in the previous quarter. Meanwhile, BOT bond issuance contracted 21.8% q-o-q, due in part to reduced issuance of 2-year BOT bonds to accommodate the PDMO's issuance of bonds with tenors of 3–5 years.

On a y-o-y basis, government bond issuance contracted further by 9.1% in Q2 2022, after declining 1.0% in Q1 2022, as the government eased borrowings to manage fiscal sustainability. The share of public debt to GDP inched up to 60.9% at the end of June from 60.6% at the end of March.

**Corporate bonds.** Thailand's LCY corporate bond market reached a size of THB4,247.3 billion at the end of June. Growth jumped to 4.6% q-o-q in Q2 2022 from 1.2% q-o-q in the previous quarter on the back of

robust issuance as the sustained economic recovery boosted investor confidence. On a y-o-y basis, growth in outstanding LCY corporate bonds eased to 9.5% in Q2 2022 from 10.1% in Q1 2022.

At the end of June, the LCY bonds outstanding of the top 30 corporate issuers in Thailand totaled THB2,441.6 billion, representing 57.5% of the Thai LCY corporate bond market (**Table 2**). The top 30

**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	7.0	No	Yes	Commerce
2.	True Corporation	172.8	4.9	No	Yes	Communications
3.	PTT	160.4	4.5	Yes	Yes	Energy and Utilities
4.	Siam Cement	135.0	3.8	Yes	Yes	Construction Material
5.	Thai Beverage	129.2	3.7	No	No	Food and Beverage
6.	Charoen Pokphand Foods	123.6	3.5	No	Yes	Food and Beverage
7.	Berli Jucker	107.4	3.0	No	Yes	Commerce
8.	True Move H Universal Communication	93.2	2.6	No	No	Communications
9.	CPF Thailand	89.2	2.5	No	No	Food and Beverage
10.	PTT Global Chemical	86.7	2.5	No	Yes	Petrochemicals and Chemicals
11.	Indorama Ventures	80.6	2.3	No	Yes	Petrochemicals and Chemicals
12.	Bank of Ayudhya	79.9	2.3	No	Yes	Banking
13.	Banpu	70.3	2.0	No	Yes	Energy and Utilities
14.	Gulf Energy Development	69.5	2.0	No	Yes	Energy and Utilities
15.	Bangkok Commercial Asset Management	68.3	1.9	No	Yes	Finance and Securities
16.	Minor International	67.1	1.9	No	Yes	Hospitality and Leisure
17.	Krung Thai Bank	62.1	1.8	Yes	Yes	Banking
18.	Toyota Leasing Thailand	60.4	1.7	No	No	Finance and Securities
19.	Muangthai Capital	58.0	1.6	No	Yes	Finance and Securities
20.	BTS Group Holdings	54.8	1.5	No	Yes	Transportation and Logistics
21.	Global Power Synergy	53.5	1.5	No	Yes	Energy and Utilities
22.	TPI Polene	46.5	1.3	No	Yes	Property and Construction
23.	dtac TriNet	43.5	1.2	No	Yes	Communications
24.	Magnolia Quality Development	43.2	1.2	No	No	Real Estate
25.	Krungthai Card	42.5	1.2	No	Yes	Finance and Securities
26.	B.Grimm Power	40.7	1.2	No	Yes	Energy and Utilities
27.	Sansiri	40.2	1.1	No	Yes	Property and Construction
28.	CH. Karnchang	39.9	1.1	No	Yes	Property and Construction
29.	Bangkok Expressway & Metro	39.1	1.1	No	Yes	Transportation and Logistics
30.	ICBC Thai Leasing	37.8	1.1	No	No	Finance and Securities
<b>Total Top 30 LCY Corporate Issuers</b>		<b>2,441.6</b>	<b>69.1</b>			
<b>Total LCY Corporate Bonds</b>		<b>4,247.3</b>	<b>120.1</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>57.5%</b>	<b>57.5%</b>			

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

Notes:

1. Data as of 30 June 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.

issuers were predominantly companies in the energy and utilities, commerce, and food and beverage sectors. A majority of the top 30 were listed on the Stock Exchange of Thailand and only three were state-owned. CP ALL continued to top the list with an outstanding bond stock of THB246.5 billion. The next largest issuers were True Corporation, PTT, Siam Cement, and Thai Beverage—with outstanding bond stocks of THB172.8 billion, THB160.4 billion, THB135.0 billion, and THB129.2 billion, respectively.

Corporate debt issuance in Q2 2022 totaled THB597.3 billion. Growth accelerated to 36.3% q-o-q in Q2 2022 from 19.5% q-o-q in the prior quarter as corporates locked in low borrowing rates. The BOT held its benchmark policy rate at a record low of 0.50% for most of the review period before raising the rate by 25 bps on 10 August. Corporate borrowings also rose on the back of improved market sentiment as the economic recovery accelerated with the revival of tourism. On a y-o-y basis, corporate debt issuance rose 25.1% in Q2 2022, following a 48.6% jump in the preceding quarter.

A total of 94 companies tapped the bond market for their financing needs in Q2 2022. Notable issuers in Q2 2022 are listed in **Table 3**. PTT, SCG Chemicals, and PTT Global Chemical were the top issuers during the quarter—with total issuances of THB40.0 billion, THB30.0 billion, and THB25.0 billion, respectively. Global Power Synergy raised a total of THB12.0 billion from a five-tranche issuance of green bonds with maturities ranging from 3 years to 15 years and coupon rates ranging from 2.55% to 4.40%. Proceeds from the issuance will be used for renewable energy projects. B.Grimm Power, an energy company, also issued two green bonds during the quarter: a 3-year bond carrying a coupon of 2.86% worth THB0.3 billion and a 5-year bond carrying a coupon of 3.79% worth THB3.0 billion.

## Investor Profiles

**Central government bonds.** Financial corporations, other depository corporations, the central government, and nonresidents remained the primary holders of government bonds at the end of June 2022 (**Figure 2**). Financial corporations continued to hold over a third of total government bonds, although their share slid to 36.3% at the end of June 2022 from 38.9% a year earlier. Other depository corporations, which include commercial banks and finance companies, were the second-largest

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

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)
PTT		
3-year bond	1.79	8.0
5.5-year bond	2.45	3.0
7-year bond	3.25	20.0
12-year bond	3.47	9.0
SCG Chemicals		
4-year bond	2.75	30.0
PTT Global Chemical		
5-year bond	3.21	5.0
7-year bond	3.50	17.0
12-year bond	4.00	3.0
UOB Thai		
2-year bond	1.53	2.5
3-year bond	2.01	2.5
10-year bond	4.07	13.7
Krung Thai Bank		
10-year bond	3.25	18.1
B.Grimm Power <sup>a</sup>		
3-year bond	2.91	4.2
3-year bond <sup>b</sup>	2.86	0.3
5-year bond <sup>b</sup>	3.79	3.0
7-year bond	4.15	2.2
10-year bond	4.53	2.6
Global Power Synergy		
3-year bond <sup>b</sup>	2.55	1.0
5-year bond <sup>b</sup>	3.04	3.0
8-year bond <sup>b</sup>	3.56	1.0
10-year bond <sup>b</sup>	3.75	3.0
15-year bond <sup>b</sup>	4.40	4.0

THB = Thai baht.

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

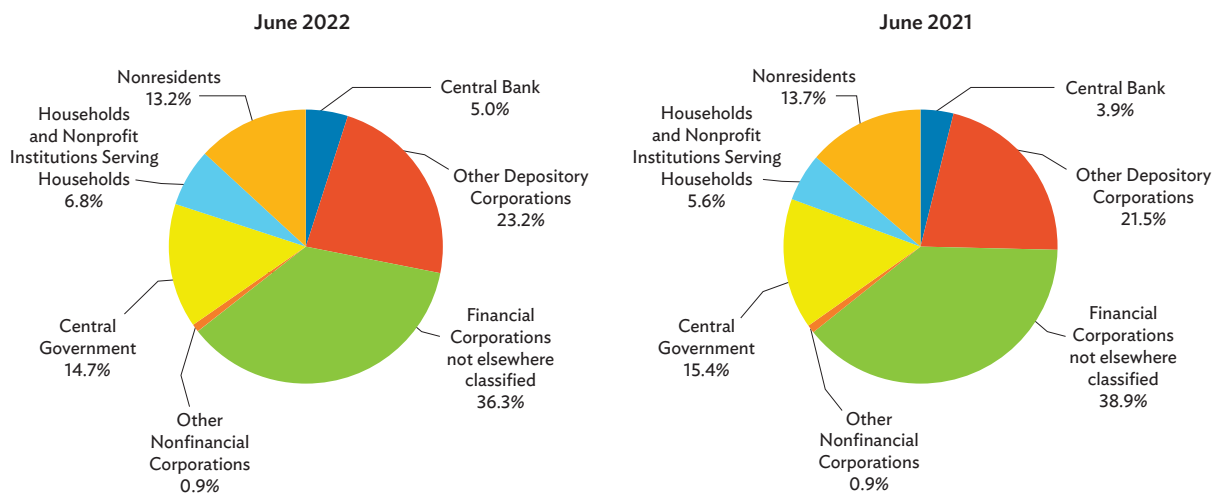
<sup>b</sup> Green bonds.

Source: Bloomberg LP.

holder of government bonds with a share of 23.2% at the end of June 2022. The central government, including state-owned nonprofit enterprises and the Social Security Office, had a 14.7% share at the end of June 2022. Nonresidents' share of government bonds slipped to 13.2% in June 2022 from 13.7% in June 2021.

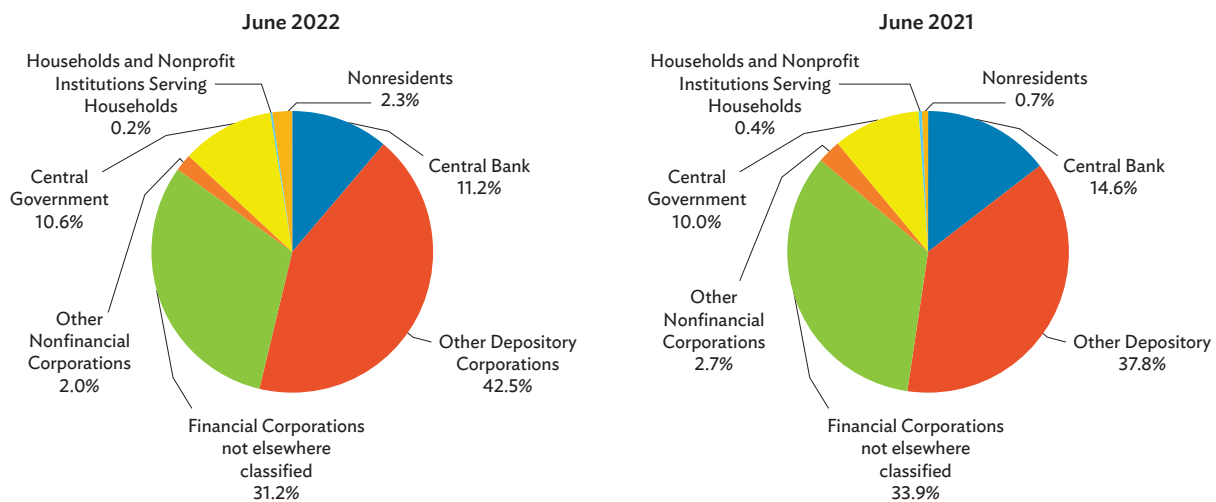
**Central bank bonds.** At the end of June 2022, the primary holders of BOT bonds were other depository corporations and financial corporations (**Figure 3**). The share of other depository corporations rose to 42.5% in June 2022 from 37.8% in June 2021, while financial corporations' holdings slid to 31.2% from 33.9% during the same period. The BOT's holdings of its own LCY bonds dropped to 11.2% at the end of June from 14.6% a year earlier. Nonresidents' holdings of central bank bonds rose to 2.3% at the end of June 2022 from 0.7% a year earlier.

**Figure 2: Local Currency Government Bonds Investor Profile**



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

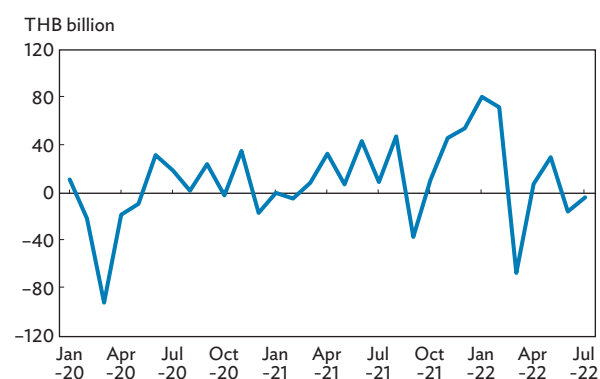
**Figure 3: Local Currency Central Bank Securities Investor Profile**



Source: Bank of Thailand.

The Thai LCY bond market recorded net inflows from foreign investors of THB22.2 billion in Q2 2022 (**Figure 4**). April and May saw net inflows of THB7.6 billion and THB30.0 billion, respectively, as the gradual removal of pandemic-induced movement restrictions and the return of tourists revived market sentiment. In June and July, the US Federal Reserve's consecutive rate hikes widened the rate differentials between the US Treasury and Thai sovereign rates, resulting in net outflows from the Thai bond market.

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



THB = Thai baht.

Source: Thai Bond Market Association.

## Ratings Update

On 21 June, Fitch Ratings affirmed Thailand's long-term foreign currency default rating at BBB+ with a stable outlook. The rating affirmation was supported by Thailand's robust external position and strong macroeconomic policy framework. The ratings agency viewed that Thailand's resilient external finances provide ample buffer to withstand tightening global financial conditions and rising geopolitical risks. Fitch Ratings expects Thailand's GDP to rise 3.2% in 2022 and 4.5% in 2023.

## Policy, Institutional, and Regulatory Developments

### Public Debt Management Office Announces Results of Bond-Switching Transactions

On 13 May, the PDMO announced the results of bond-switching transactions for government bonds totaling THB90.0 billion. The bond swap allowed bond holders to switch bonds with shorter maturities for those with longer maturities. The bond swap involved five source bonds with remaining maturities ranging from 0.6 year to 2.6 years and 10 destination bonds with remaining maturities ranging from 4.6 years to 50.1 years. Bond swap operations provide bond holders with an opportunity to adjust their investment portfolio and allow the government to extend its debt maturity profile, thereby reducing debt redemption pressures and boosting liquidity.