

Thailand

Yield Movements

Between 31 August and 14 October, yields for Thailand's local currency (LCY) government bonds rose across all tenors, shifting the yield curve upward (**Figure 1**). The rise in yields was most pronounced along the belly of the curve, with yields for bonds with maturities from 3 years to 10 years posting an average gain of 64 basis points (bps). Meanwhile, yields for bonds with maturities of less than 3 years rose 27 bps on average, while bonds with maturities longer than 10 years registered an average yield increase of 49 bps. The 2-year yield rose 30 bps, while the 10-year yield jumped 73 bps. As a result, the spread between the 10-year and 2-year yields widened from 89 bps on 31 August to 132 bps on 14 October.

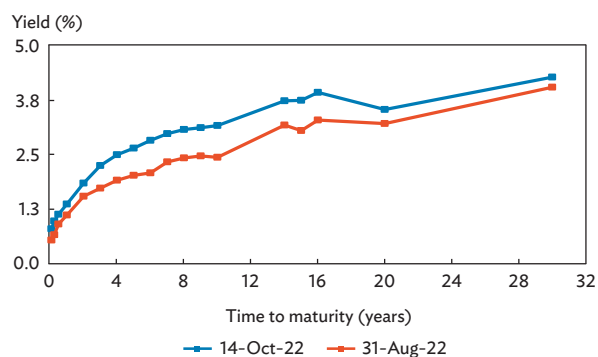
The rise in Thai LCY government bond yields followed a global trend of rising sovereign bond yields in response to aggressive monetary policy tightening by the United States (US) Federal Reserve. Domestic factors—particularly monetary policy normalization by the Bank of Thailand (BOT), elevated inflation, and a stable bond supply in the near-term—also contributed to the rise in Thai bond yields.

The BOT increased its benchmark policy rate by 25 bps to 0.75% on 10 August, and by another 25 bps to 1.00% on 28 September, noting that monetary policy normalization would be gradual to support sustainable economic recovery. The rise in the policy rate pushed up bond yields, as market participants priced in expected rate hikes in the future.

Thailand's consumer price inflation eased to 6.0% year-on-year (y-o-y) in October from 6.4% y-o-y in September and 7.9% y-o-y in August, but remained among the highest in emerging East Asia. The BOT expects inflation for full-year 2022 to reach 6.3% y-o-y before declining to 2.6% y-o-y in 2023 as global oil prices and supply chain bottlenecks ease.

On 27 September, the Thai government approved the public debt management plan for fiscal year 2023, which covers the period from October 2022 to September 2023. The borrowing plan included a maximum bond issuance amount of THB273.0 billion in October–December 2022 and a total of THB1.05 trillion of government debt

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



Sources: Based on data from Bloomberg LP.

issuance for fiscal year 2023. The announcement of the new borrowing plan assured an ample supply of LCY bonds in the near-term, which contributed to the decline in bond prices and the rise in yields.

The Thai economy continued to recover, with gross domestic product (GDP) growth accelerating to 4.5% y-o-y in the third quarter (Q3) of 2022 from 2.5% y-o-y in the second quarter (Q2) 2.2% y-o-y in the first quarter. The return of tourists amid the relaxation of travel restrictions continued to underpin Thailand's economic recovery. The National Economic and Social Development Council expects the Thai economy to expand at a rate of 3.2% in 2022 and within a range of 3.0% to 4.0% y-o-y in 2023 on the back of the continued tourism revival and private consumption growth.

The Thai baht depreciated 4.3% against the US dollar between 31 August and 14 October, trading at THB38.01 to USD1.0 on 14 October. From 1 January to 14 October, the Thai baht depreciated 12.3% against the US dollar, in line with the weakening of regional currencies against the US dollar amid continued monetary policy tightening by the US Federal Reserve.

Size and Composition

The outstanding stock of LCY bonds in Thailand totaled THB15,494.7 billion (USD410.7 billion) at the end of September (**Table 1**). Quarterly growth accelerated

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	THB	USD	THB	USD	THB	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	14,563	430	15,108	427	15,495	411	2.5	3.9	2.6	6.4
Government	10,552	312	10,860	307	11,105	294	2.2	2.8	2.3	5.2
Government Bonds and Treasury Bills	6,683	198	7,327	207	7,603	201	3.1	16.5	3.8	13.8
Central Bank Bonds	2,926	86	2,571	73	2,522	67	0.3	(21.0)	(1.9)	(13.8)
State-Owned Enterprise and Other Bonds	943	28	962	27	980	26	2.4	14.5	1.9	4.0
Corporate	4,011	119	4,247	120	4,390	116	3.4	6.7	3.4	9.5

() = 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.

to 2.6% in Q3 2022 from 0.7% in Q2 2022. The faster growth was driven by a rebound in the government bond segment, which outpaced the slowdown in the corporate bond segment. On an annual basis, Thailand's outstanding stock of LCY bonds rose 6.4% y-o-y in Q3 2022, the same rate of growth recorded in the prior quarter. Thailand's LCY bond market continued to be dominated by government bonds. At the end of September, government bonds accounted for 71.7% of the total LCY bond market, while corporate bonds comprised the remaining 28.3%.

Government bonds. The stock of outstanding LCY government bonds amounted to THB11,104.8 billion at the end of September. The government bond market expanded 2.3% q-o-q in Q3 2022, reversing the 0.7% q-o-q contraction in the previous quarter. Growth was driven by expansions in government bonds and Treasury bills (3.8% q-o-q) and state-owned enterprise and other bonds (1.9% q-o-q). Meanwhile, the stock of outstanding BOT bonds continued to decline, dropping 1.9% q-o-q in Q3 2022 after recording a contraction of 8.9% q-o-q in Q2 2022. On a y-o-y basis, Thailand's LCY government bonds outstanding rose 5.2% in Q3 2022, the same rate of expansion posted in the previous quarter.

Outstanding government bonds and Treasury bills reached THB7,602.6 billion at the end of September, accounting for 68.5% of the Thai LCY government bond market. Outstanding BOT bonds (THB2,521.9 billion) and state-owned enterprise and other bonds (THB980.3 billion) comprised 22.7% and 8.8%, respectively, of the total government bond stock at the end of September.

Issuance of new LCY government bonds totaled THB1,654.4 billion in Q3 2022. Issuance expanded 5.2% q-o-q, reversing the 5.9% q-o-q decline in Q2 2022. Growth in issuance was mainly driven by a rebound in BOT bond issuance. Meanwhile, issuance of government bonds and Treasury bills, as well as state-owned enterprise and other bonds, recorded contractions in Q3 2022, as the central government and state-owned agencies had already frontloaded borrowing during the first half of the year. On an annual basis, government bond issuance continued to decline, falling 11.3% y-o-y in Q3 2022 after a 9.1% y-o-y drop in the previous quarter. The government continued to ease coronavirus disease (COVID-19)-related borrowing as economic recovery gained ground with the revival of tourism.

The Thai government issued its second sustainability bond in Q3 2022—a 14-year and 9-month bond amounting to THB35.0 billion. The original target size for the sustainability bond was THB20.0 billion, but the government upsized the issuance in response to high demand. Proceeds from the bond will be used to fund the government's measures for COVID-19 relief as well as capital expenditures for agricultural water resources development and management.

Corporate bonds. Thailand's LCY corporate bond market expanded 3.4% q-o-q and 9.5% y-o-y in Q3 2022 to reach a size of THB4,389.8 billion at the end of September. Growth eased from 4.6% q-o-q and 9.5% y-o-y in the previous quarter due to maturities and a contraction in issuance.

At the end of September, the outstanding stock of LCY bonds of Thailand's top 30 issuers amounted to THB2,500.2 billion, comprising 57.0% of the Thai LCY corporate bond market (**Table 2**). CP ALL, True Corporation, and PTT remained the top three

corporate issuers with an outstanding bond stock of THB241.1 billion, THB177.1 billion, and THB158.4 billion, respectively. The top 30 corporate issuers were predominantly firms in the energy and utilities, commerce, and communication sectors. The total outstanding

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	241.1	6.4	No	Yes	Commerce
2.	True Corporation	177.1	4.7	No	Yes	Communications
3.	PTT	158.4	4.2	Yes	Yes	Energy and Utilities
4.	Siam Cement	135.0	3.6	Yes	Yes	Construction Materials
5.	Charoen Pokphand Foods	131.5	3.5	No	Yes	Food and Beverage
6.	Thai Beverage	129.2	3.4	No	No	Food and Beverage
7.	Berli Jucker	107.4	2.8	No	Yes	Commerce
8.	Gulf Energy Development	104.5	2.8	No	Yes	Energy and Utilities
9.	True Move H Universal Communication	97.1	2.6	No	No	Communications
10.	CPF Thailand	89.2	2.4	No	No	Food and Beverage
11.	PTT Global Chemical	86.7	2.3	No	Yes	Petrochemicals and Chemicals
12.	Indorama Ventures	80.6	2.1	No	Yes	Petrochemicals and Chemicals
13.	Banpu	79.4	2.1	No	Yes	Energy and Utilities
14.	Bangkok Commercial Asset Management	68.6	1.8	No	Yes	Finance and Securities
15.	Bank of Ayudhya	68.4	1.8	No	Yes	Banking
16.	Minor International	62.4	1.7	No	Yes	Hospitality and Leisure
17.	Krung Thai Bank	62.1	1.6	Yes	Yes	Banking
18.	Muangthai Capital	60.9	1.6	No	Yes	Finance and Securities
19.	Toyota Leasing Thailand	56.7	1.5	No	No	Finance and Securities
20.	BTS Group Holdings	54.8	1.5	No	Yes	Transportation and Logistics
21.	Global Power Synergy	53.5	1.4	No	Yes	Energy and Utilities
22.	dtac TriNet	50.4	1.3	No	Yes	Communications
23.	Bangchak	46.5	1.2	No	Yes	Energy and Utilities
24.	Magnolia Quality Development	45.6	1.2	No	No	Property Development
25.	Krungthai Card	45.4	1.2	No	Yes	Finance and Securities
26.	Sansiri	45.4	1.2	No	Yes	Property Development
27.	TPI Polene	42.7	1.1	No	Yes	Construction Materials
28.	Bangkok Expressway & Metro	41.6	1.1	No	Yes	Transportation and Logistics
29.	B Grimm Power	40.7	1.1	No	Yes	Energy and Utilities
30.	Land & Houses	37.8	1.0	No	Yes	Property Development
Total Top 30 LCY Corporate Issuers		2,500.2	66.3			
Total LCY Corporate Bonds		4,389.8	116.3			
Top 30 as % of Total LCY Corporate Bonds		57.0%	57.0%			

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

Notes:

1. Data as of 30 September 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.

bond stock of the energy and utilities firms among the top 30 list comprised 11.3% of the total LCY corporate bond market. A majority of the top 30 were listed on the Stock Exchange of Thailand, while only three were state-owned firms.

Issuance of new corporate debt totaled THB556.8 billion in Q3 2022. Corporate debt issuance declined 6.9% q-o-q amid rising borrowing costs as the Bank of Thailand raised its policy rate twice during the review period. To rein in record-high inflation, the BOT raised its benchmark rate by 25 bps in August and by another 25 bps in September.

A total of 83 companies tapped the LCY bond market for their financing needs in Q3 2022. Notable issuers in Q3 2022 are listed in **Table 3**. Gulf Energy was the top issuer during the review period, raising a total of THB35.0 billion from seven tranches, including the

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

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)
Gulf Energy ^a		
3-year bond	3.26	7.0
4-year bond	3.50	15.9
4-year bond	3.50	2.2
5-year bond	3.57	1.0
7-year bond	3.90	5.1
7-year bond	3.90	0.8
10-year bond	4.31	3.0
SCG Chemicals		
3-year bond	2.77	10.2
5-year bond	3.25	11.8
6-year bond	3.39	1.8
10-year bond	4.00	4.1
12-year bond	4.14	2.1
True Corporation		
1-year bond	3.00	3.7
2-year bond	3.25	0.6
3.3-year bond	4.00	4.0
4-year bond	4.25	1.7
5-year bond	4.90	7.0
Minor International		
Perpetual bond	6.10	13.0
Siam Piwat		
Perpetual bond	5.50	4.0
Dusit Thani		
Perpetual bond	8.00	1.5

THB = Thai baht.

^a Multiple issuance of the same tenor indicates issuance on different dates.

Source: Bloomberg LP.

single largest issue in Q3 2022—a 4-year bond worth THB15.9 billion. SCG Chemicals was the next largest issuer, with total issuance of THB30.0 billion from a quintuple-tranche bond with maturities ranging from 3 years to 12 years. True Corporation raised a total of THB17.0 billion from bonds with maturities ranging from 1 year to 5 years. Three companies issued perpetual bonds during the quarter. Minor International, Siam Piwat, and Dusit Thani issued perpetual bonds amounting to THB13.0 billion, THB4.0 billion, and THB1.5 billion, respectively.

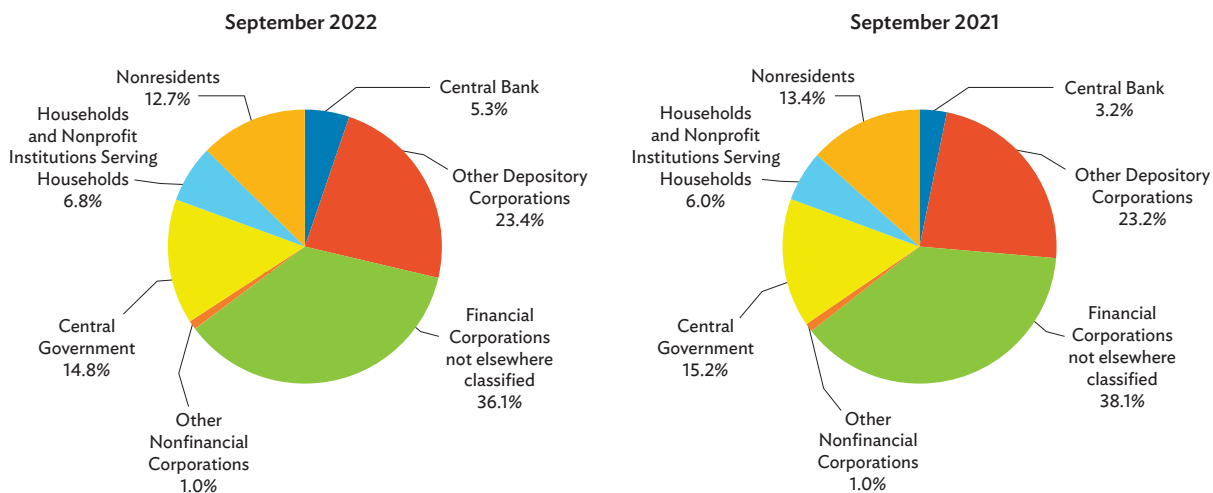
Investor Profiles

Central government bonds. Financial corporations, other depository corporations, the central government, and nonresidents were the primary holders of government bonds at the end of September 2022 (**Figure 2**). These four investor groups collectively held 86.9% of Thai government bonds outstanding at the end of the review period. Financial corporations held the highest share of government bonds at 36.1%, down from 38.1% a year earlier. The share of other depository corporations, which include commercial banks and finance companies, was little changed at 23.4% at the end of September from 23.2% a year prior. The central government, including state-owned nonprofit enterprises and the Social Security Office, had a 14.8% share at the end of September, while nonresidents' holdings of Thai government bonds slid to 12.7% from 13.4% a year earlier.

Central bank bonds. Other depository corporations and financial corporations remained the primary holders of BOT bonds, with combined holdings amounting to 78.2% of BOT bonds outstanding at the end of September (**Figure 3**). The share of other depository corporations increased to 45.9% at the end of September from 41.7% a year prior. Meanwhile, financial corporations' holdings rose to 32.3% at the end of September from 30.6% a year earlier. The BOT's holdings of its own bonds slipped to 10.3% from 13.6% during the same period. Nonresidents' holdings of BOT bonds remained negligible at 0.2% at the end of September, down from 0.3% at year earlier.

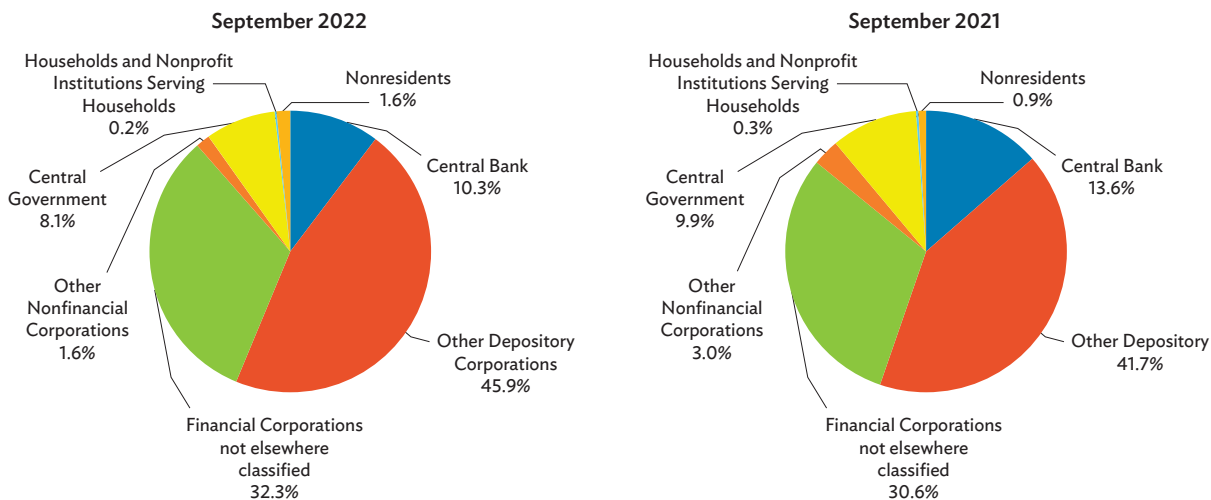
In Q3 2022, the Thai LCY bond market recorded net outflows of THB0.7 billion from foreign investors (**Figure 4**). Capital flows in the Thai bond market were highly influenced by the Federal Reserve's rate hikes during the review period. The Thai bond market

Figure 2: Local Currency Government Bonds Investor Profile



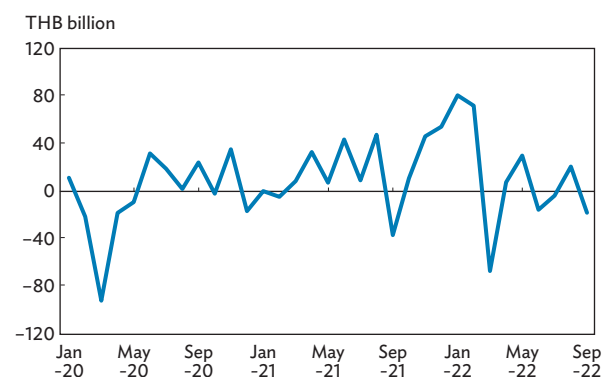
Note: Government bonds include Treasury bills and bonds.
 Source: AsianBondsOnline and Bank of Thailand.

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.

recorded net outflows of THB3.6 billion in July, net inflows of THB20.8 billion in August, and net outflows of THB17.9 billion in September. The Federal Reserve's rate hikes in July and September increased the rate differential between Treasury and Thai sovereign bonds, resulting in net outflows from the Thai bond market.

Policy and Regulatory Developments

Thai Cabinet Approves Public Debt Management Plan for Fiscal Year 2023

On 27 September, the Thai cabinet approved the public debt management plan for fiscal year 2023, which started on 1 October. The plan puts the ceiling for government borrowing for fiscal year 2023 at THB1.05 trillion, of which THB820.0 billion was allotted for new central government debt to offset the annual budget deficit, manage liquidity in the Treasury, and invest in infrastructure projects. The remaining THB233.0 billion was allocated for new debt for state enterprises and other government agencies to finance investments in transport infrastructure, power transmission systems, and other general operations. Under the new plan, the ratio of public debt-to-GDP will reach 60.4% by the end of fiscal year 2023, which is within the public debt ceiling of 70.0% of GDP.

Public Debt Management Offices Plans to Issue THB130.0 Billion of Government Savings Bonds in Fiscal Year 2023

On 12 October, the Public Debt Management Office (PDMO) announced that it plans to sell THB130.0 billion of government savings bonds in fiscal year 2023. The PDMO assessed that there is ample liquidity in the Thai bond market for government bond issuance. In fiscal year 2023, the PDMO will focus on issuing medium-term bonds with maturities of 10–20 years in response to high market demand for such tenors. The government plans to borrow up to THB30.0 billion from international lenders such as the Asian Development Bank and the Japan International Cooperation Agency, and it will not issue USD-denominated bonds unless necessary.