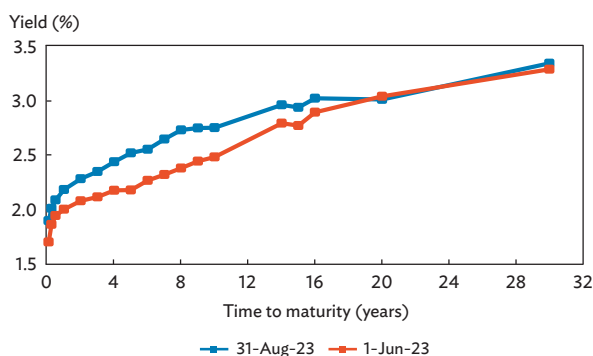


# Thailand

## Yield Movements

Between 1 June and 31 August, Thailand’s local currency (LCY) government bond yields rose for all maturities except the 20-year tenor, which fell slightly (Figure 1). The increase in bond yields was primarily driven by the Bank of Thailand’s (BOT) continued monetary policy tightening. The BOT has raised its benchmark policy rate by a total of 100 basis points since January to keep inflation in check amid a sustained domestic economic recovery. Heightened risks, driven by a delay in the formation of a new government following the general election in May, also contributed to the uptick in bond yields.

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

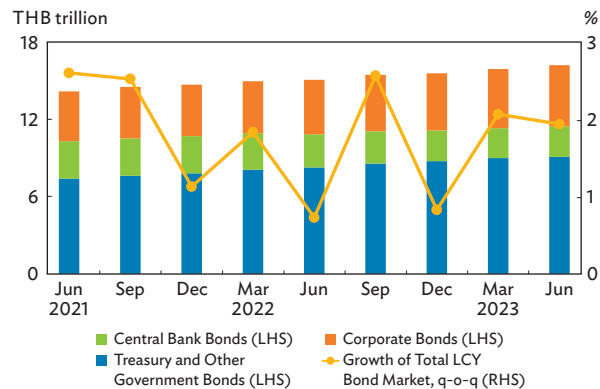


Source: Based on data from Bloomberg LP.

## Local Currency Bond Market Size and Issuance

Thailand’s LCY bond market expansion moderated to 1.9% quarter-on-quarter (q-o-q) in the second quarter (Q2) of 2023. The size of the LCY bond market reached THB16.3 trillion in Q2 2023, driven by slower expansions in Treasury and other government bonds due to a relatively high volume of maturities. Treasury and other government bonds continued to dominate the Thai LCY bond market at THB9.1 trillion of bonds outstanding, representing 56.0% of total LCY bonds outstanding at the end of June (Figure 2). Outstanding corporate bonds (THB4.8 trillion) and BOT bonds (THB2.4 trillion) comprised 29.3% and 14.6%, respectively, of the Thai bond market.

**Figure 2: Composition of Local Currency Bonds Outstanding in Thailand**

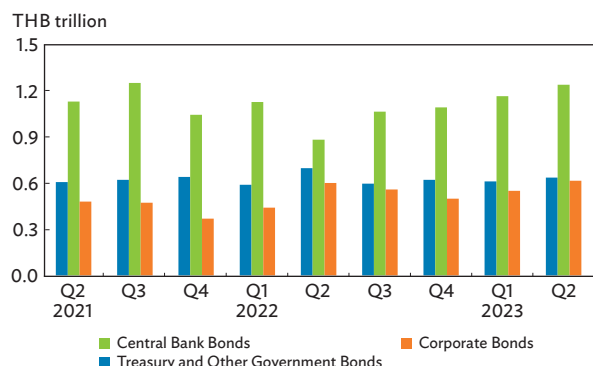


LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, THB = Thai baht.

Source: Bank of Thailand.

**Issuance of new LCY bonds accelerated to 7.1% q-o-q in Q2 2023.** Total issuance of LCY bonds in Q2 2023 reached THB2.5 trillion, driven by robust issuance of Treasury and other government bonds and corporate bonds amid continued economic recovery (**Figure 3**). Treasury and other government bond issuance rose 4.1% q-o-q to THB633.5 billion in Q2 2023 following a 1.7% q-o-q contraction in the preceding quarter. Meanwhile, corporate debt issuance grew 12.0% q-o-q to THB612.7 billion in Q2 2023, as business activities gained pace amid improved economic conditions. Siam Commercial Bank was the largest corporate issuer of LCY bonds during the quarter, with total issuance of THB50.0 billion. Nonetheless, the BOT is monitoring the rollover of corporate bonds following an uptick in bond defaults. The first half of 2023 saw three corporate bonds defaults, accounting for 0.3% of corporate bonds outstanding.<sup>6</sup>

**Figure 3: Composition of Local Currency Bond Issuance in Thailand**

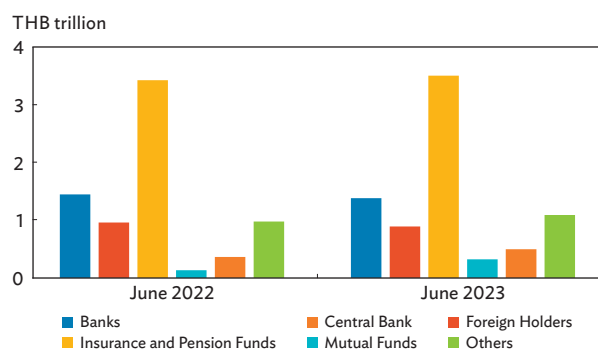


Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, THB = Thai baht.  
Source: Bank of Thailand.

## Investor Profile

**Insurance and pensions funds and banking institutions remained the two largest investor groups in the Thai government bond market (Figure 4).** Together, the two investor groups held 63.6% of total LCY government bonds at the end of June, slightly lower than their combined 66.7% share a year earlier. Foreign holdings also declined to 11.6% at the end of June from 13.2% a year prior. Meanwhile, the BOT's holdings of LCY government bonds increased from 5.0% to 6.4% during the same period. Between June 2022 and June 2023, the BOT purchased a total of THB87.5 billion of government bonds to help stabilize the bond market.

**Figure 4: Investor Profile of Government Bonds in Thailand**



THB = Thai baht.  
Source: Bank of Thailand.

<sup>6</sup> Bangkok Post. 2023. BoT Keeps Wary Eye on Bond Rollovers. 14 August.