

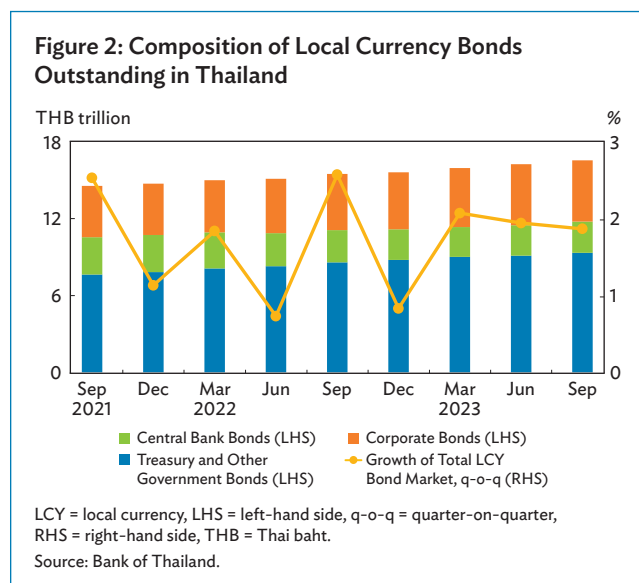
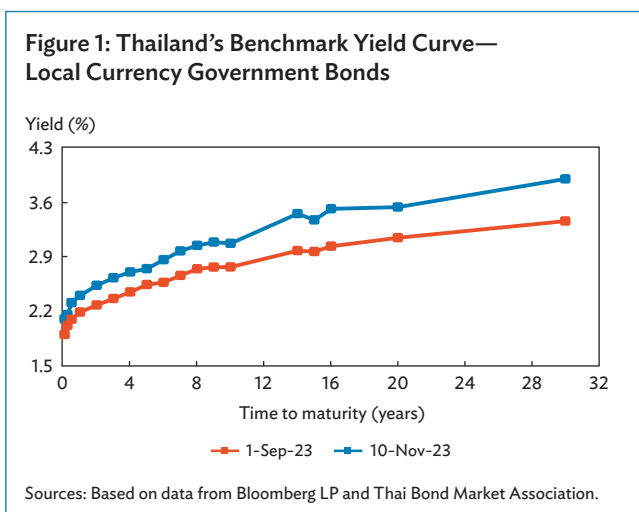
# Thailand

## Yield Movements

Thailand’s local currency (LCY) government bond yields rose for all tenors between 1 September and 10 November (Figure 1). This was due to the Bank of Thailand’s (BOT) continued monetary policy tightening to ward off inflation. The BOT has raised its policy rate by a total of 175 basis points over seven consecutive meetings between August 2022 and August 2023. At the 27 September monetary policy meeting, the BOT again raised its benchmark rate by 25 basis points to 2.50% to guard against inflationary pressures from the new government’s stimulus programs. The new administration has since announced plans to boost the economy through handouts to eligible citizens<sup>12</sup> totaling around THB500 billion to be distributed through digital wallets.

## Local Currency Bond Market Size and Issuance

Thailand’s LCY bond market posted steady growth in the third quarter (Q3) of 2023, reaching a size of THB16.6 trillion at the end of September. Thailand’s outstanding LCY bonds registered 1.9% quarter-on-quarter (q-o-q) growth in Q3 2023, roughly unchanged from the previous quarter (Figure 2). Outstanding Treasury and other government bonds and corporate bonds posted modest growth of 2.3% q-o-q and 0.4% q-o-q, respectively, due to subdued issuance during the quarter. Treasury and other government bonds outstanding (THB9.3 trillion) comprised over half of Thailand’s LCY bond market at the end of September. Outstanding corporate bonds (THB4.8 trillion) and BOT bonds (THB2.4 trillion) represented the remaining 28.9% and 14.8%, respectively.



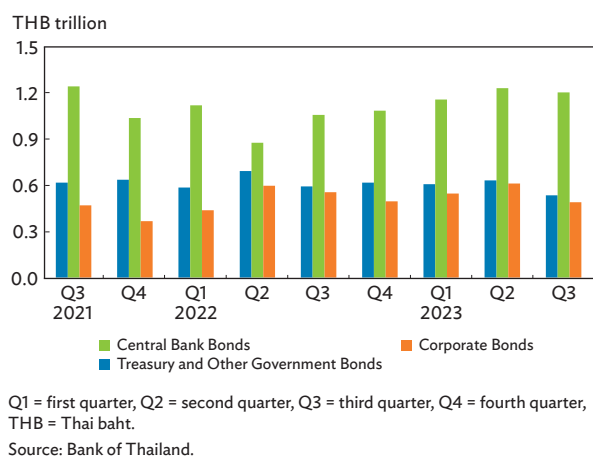
<sup>12</sup> Thai citizens aged 16 and above earning less than THB70,000 per month or with total bank deposits less than THB500,000 qualify for the cash handout.

**LCY bond issuance declined in Q3 2023 as bond sales contracted in both the public and corporate bond markets.** LCY bond issuance in Q3 2023 tallied THB2.2 trillion, down 10.0% from the second quarter of 2023 (**Figure 3**). Issuance of Treasury and other government bonds declined 15.4% q-o-q to THB535.8 billion as the government had previously frontloaded borrowing during preceding quarters. Meanwhile, corporate debt issuance totaled THB490.7 billion, down 19.9% q-o-q amid tighter BOT regulation of bond rollovers following an uptick in bond defaults. True Corporation was the largest issuer during the quarter with debt sales totaling THB29.1 billion.

## Investor Profile

**Domestic investors continued to hold a dominant share of Thai government bonds (Figure 4).** At the end of September, domestic investors' holdings accounted for nearly 90% of outstanding government bonds, up from 87.3% a year earlier. The sizable share of domestic investors contributes to Thai sovereign bonds' resilience to external shocks. During the same period, foreign investors' holdings of Thai government bonds declined slightly to 10.9% from 12.7%. Meanwhile, the BOT's holdings of government bonds increased from 5.3% to 6.6% from September 2022 to September 2023, as the central bank purchased a total of THB89.7 billion of government bonds to help stabilize the LCY bond market.

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



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

