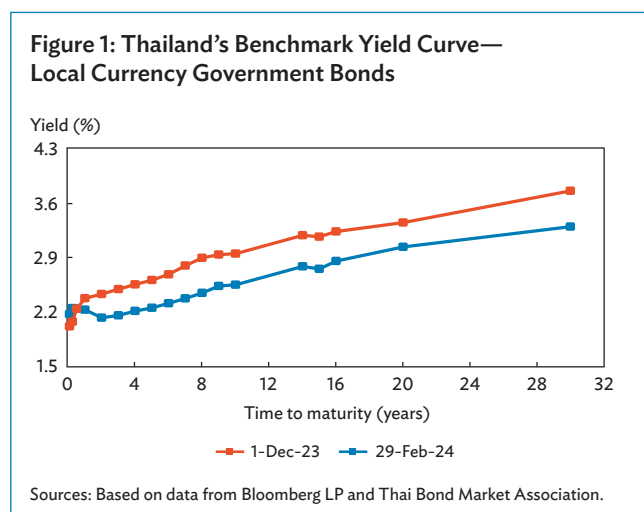


Thailand

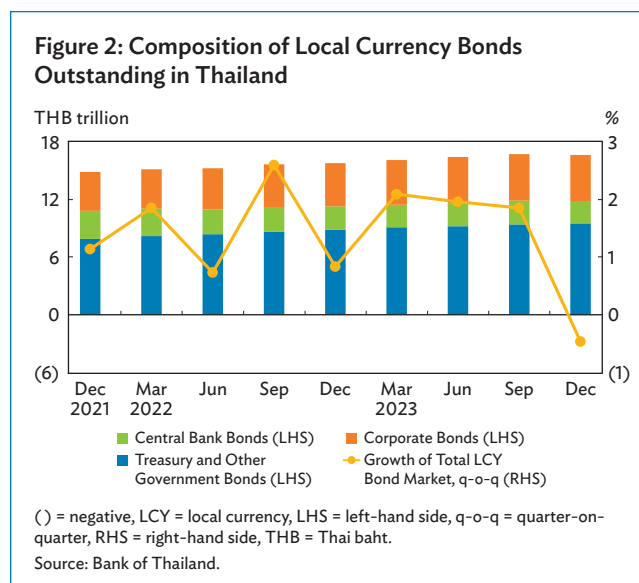
Yield Movements

Between 1 December 2023 and 29 February 2024, Thailand’s local currency (LCY) government bond yields fell for all tenors except short-term bonds (Figure 1). The decline in yields for most bonds followed the regional trend of falling bond yields amid moderating inflation and market expectations that the United States Federal Reserve would start cutting interest rates in the second half of 2024. Meanwhile, short-term bond yields in Thailand increased as interest rates remained elevated in the near term, with the Bank of Thailand (BOT) holding its policy rate unchanged at a record high of 2.50% during its 7 February meeting. Weak inflation also contributed to the decline in bond yields. Thailand’s headline inflation was -0.8% year-on-year in February, marking the fourth consecutive month of deflation.



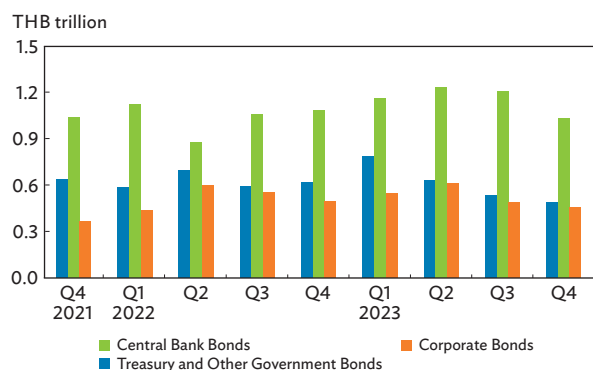
Local Currency Bond Market Size and Issuance

Thailand’s LCY bond market contracted 0.5% quarter-on-quarter (q-o-q) in the fourth quarter (Q4) of 2023, totaling THB16.5 trillion at the end of December (Figure 2). Due to weak issuance and a high volume of maturities, outstanding BOT bonds contracted 8.9% q-o-q in Q4 2023, outweighing tepid growth in outstanding Treasury and other government bonds (1.0% q-o-q) and corporate bonds (1.1% q-o-q). At the end of December, Treasury and other government bonds (THB9.4 trillion) comprised 57.1% of Thailand’s LCY bond market. Corporate bonds (THB4.8 trillion) and BOT bonds (THB2.2 trillion) accounted for the remaining shares of 29.4% and 13.5%, respectively.



LCY bond issuance fell 11.3% q-o-q to THB2.0 trillion in Q4 2023 as bond sales contracted for all bond market segments. Treasury and other government bond issuance declined 8.9% q-o-q to THB488.3 billion in Q4 2023, partly due to the delayed approval of the fiscal year 2024 budget (**Figure 3**). Meanwhile, BOT bond issuance totaled THB1.0 trillion in Q4 2023, down 14.3% q-o-q. Corporate debt issuance also fell 6.7% q-o-q to THB457.8 billion in Q4 2023 amid elevated borrowing rates. BTS Group was the top issuer in Q4 2023, with a total of THB15.1 billion in new issuance.

Figure 3: Composition of Local Currency Bond Issuance in Thailand

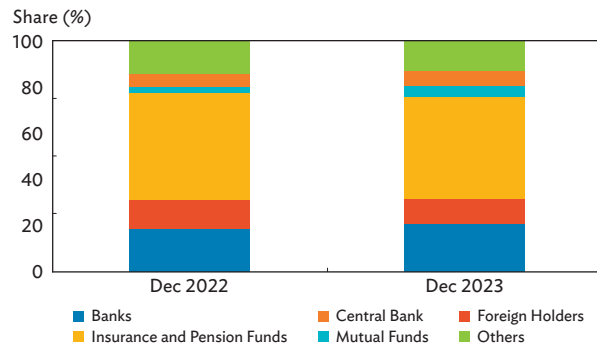


Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, THB = Thai baht.
Source: Bank of Thailand.

Investor Profile

Domestic investors still dominate the Thai LCY government bond market. The share of Thai LCY government bonds held by domestic investors rose to 89.3% at the end of December 2023 from 87.2% a year earlier, driven primarily by increased holdings among banks, and insurance and pension funds (**Figure 4**). In contrast, foreign holders’ share decreased to 10.7% from 12.8% during the same period, largely due to relatively higher returns in developed markets like the United States as global rates remained elevated. Meanwhile, the BOT’s holdings of LCY government bonds increased from 5.8% to 6.5% from December 2022 to December 2023, as the central bank purchased a total of THB76.5 billion of government bonds in 2023 to help stabilize the LCY bond market. Among investor groups, insurance and pension funds held the largest share of LCY government bonds at 44.5% at the end of December 2023.

Figure 4: Investor Profile of Government Bonds in Thailand



Source: Bank of Thailand.