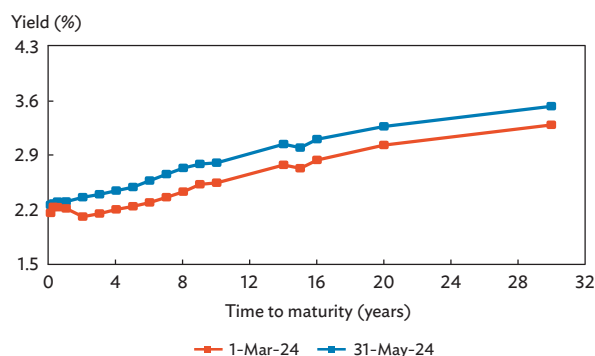


# Thailand

## Yield Movements

**Local currency (LCY) government bond yields in Thailand rose for all maturities between 1 March and 31 May (Figure 1).** Bond yields increased by an average of 22 basis points across all tenors as both the United States (US) Federal Reserve and the Bank of Thailand (BOT) maintained tight monetary policies during the review period. In its 30 April–1 May meeting, the Federal Reserve left its policy rate unchanged at 5.25%–5.50%, hinting that rates would remain elevated until inflation in the US sufficiently trended down toward its 2.0% target. Meanwhile, the BOT kept its policy rate at 2.50% at its 10 April meeting despite political pressure to lower rates, noting that monetary policy will have limited impact on structural issues affecting economic growth. Both central banks subsequently held their policy rates unchanged during their June monetary policy meetings.

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

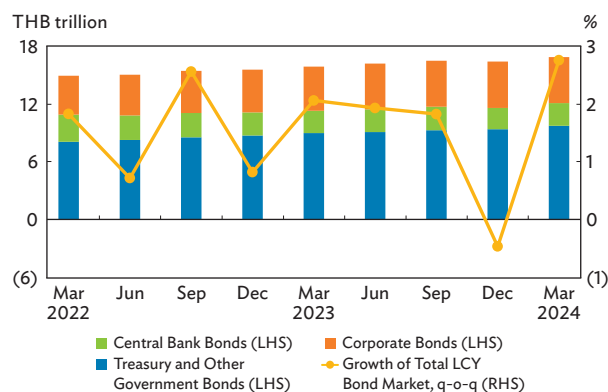


Sources: Based on data from Bloomberg LP and Thai Bond Market Association.

## Local Currency Bond Market Size and Issuance

**Thailand's LCY bond market rebounded in the first quarter (Q1) of 2024, led by faster growth in government bonds.** Outstanding LCY bonds totaled THB16.9 trillion at the end of March (Figure 2). This marked a 2.8% quarter-on-quarter (q-o-q) increase

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



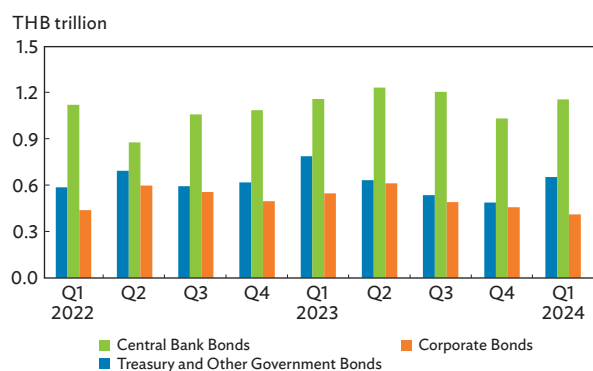
(-) = negative, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, THB = Thai baht.

Source: Bank of Thailand.

in Q1 2024, following a 0.5% q-o-q contraction in the fourth quarter (Q4) of 2023. Growth in Treasury and other government bonds edged up to 3.9% q-o-q in Q1 2024 from 1.0% q-o-q in Q4 2023 due to a rebound in issuances. BOT bonds outstanding also recovered, growing 5.7% q-o-q in Q1 2024. In contrast, outstanding corporate bonds fell 0.9% q-o-q, as issuance continued to contract amid elevated interest rates. At the end of March, Treasury and other government bonds (57.7%) remained a majority of Thailand's LCY bond market, followed by corporate bonds (28.3%) and BOT bonds (13.9%).

**LCY bond issuance in Thailand rebounded in Q1 2024, fueled by a recovery in government bond sales.** LCY bond issuance (THB2.2 trillion) posted strong growth of 12.2% q-o-q in Q1 2024, recovering from an 11.3% q-o-q contraction in Q4 2023 (Figure 3). The growth was led by Treasury and other bond issuance, which expanded 33.9% q-o-q to THB654.0 billion in Q1 2024, as the government increased debt issuance to help finance the budget deficit for fiscal year 2024. BOT bond issuance also increased 11.9% q-o-q to THB1.2 trillion in Q1 2024. However, corporate bond sales contracted 10.3% q-o-q in Q1 2024 due to high borrowing rates and weak investor confidence amid the slow economic recovery.

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



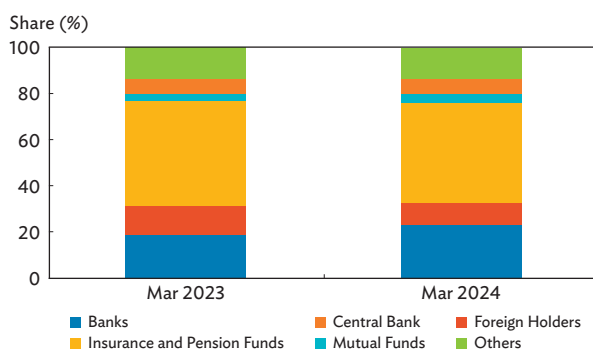
Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, THB = Thai baht. Source: Bank of Thailand.

Thai Beverage, Global Power Synergy, and CP ALL were the top three issuers of corporate debt in Q1 2024, with total issuances of THB22.0 billion, THB15.0 billion, and THB15.0 billion, respectively.

## Investor Profile

**Domestic investors held a majority of Thai LCY government bonds, with foreign holders' share falling below 10% at the end of March 2024.** Domestic investors' share of LCY government bonds increased to 90.1% at the end of March, up from 87.7% a year earlier, driven by increased holdings among banks and mutual

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



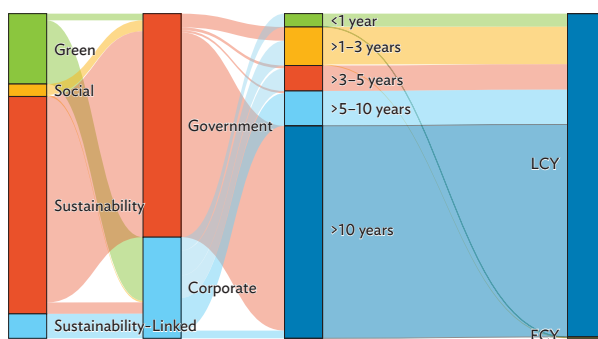
Source: Bank of Thailand.

funds. Meanwhile, foreign investors' holdings of Thai LCY government bonds declined to 9.9% from 12.3% during the same period, as interest rate differentials between US Treasury bonds and Thai bonds remained wide (Figure 4). The BOT's share of LCY government bond holdings was steady at 6.4% between March 2023 and March 2024.

## Sustainable Bond Market

**At the end of March, the sustainable bond market in Thailand primarily comprised sustainability bonds issued by the government.** Government-issued sustainability bonds generally have long-term tenors and are denominated in Thai baht (Figure 5). The size of the sustainable bond market fell to USD19.4 billion at the end of March, contracting 1.9% q-o-q due to a slowdown in issuance during the quarter. Sustainability bonds comprised 67.0% of total sustainable bonds outstanding at the end of March, followed by green bonds (21.7%). Thailand's sustainable bond market is dominated by government bonds (68.9%), and over three-quarters (76.2%) carry maturities longer than 5 years. Over 90% of government sustainable bonds carry maturities longer than 10 years, while the largest share (32.3%) of corporate sustainable bonds have tenors of over 5 years to 10 years. As a result, the size-weighted average tenor of Thai sustainable bonds stood at 9.5 years at the end of March, the third-longest average among ASEAN+3 markets.<sup>18</sup> The majority of sustainable bonds are denominated in Thai baht, with only 0.4% denominated in a foreign currency.

**Figure 5: Market Profile of Outstanding Sustainable Bonds in Thailand at the End of March 2024**



FCY = foreign currency, LCY = local currency. Source: AsianBondsOnline calculations based on Bloomberg LP data.

<sup>18</sup> ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.