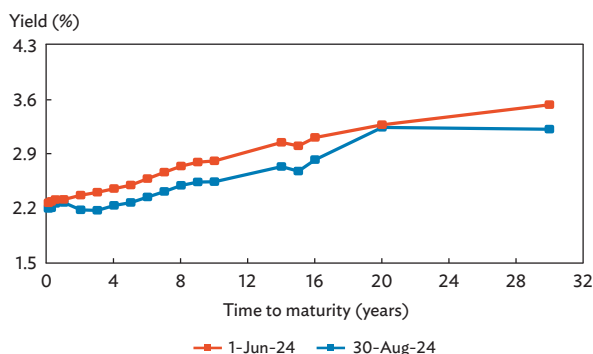


Thailand

Yield Movements

Between 1 June and 30 August, local currency (LCY) government bond yields in Thailand fell for all maturities amid heightened expectations of monetary policy easing in the United States (US). Yields fell an average of 20 basis points across all tenors during the review period (Figure 1). The decline in yields followed trends in US Treasuries and other regional government bond yields, as markets priced in a rate cut by the Federal Reserve at its forthcoming September meeting amid slowing inflation and weak employment data in the US. Meanwhile, the Bank of Thailand (BOT) held its policy rate steady for a fifth straight meeting on 21 August, stating that the current rate was consistent with the economy's growth potential. Thailand's consumer price inflation eased to 0.4% year-on-year in August from 0.8% year-on-year in July. The BOT expects inflation to rise to its target range of 1.0%–3.0% by the end of 2024.

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

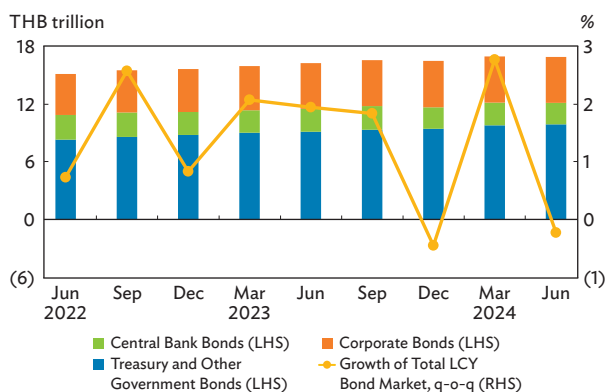


Sources: Based on data from Bloomberg LP and Thai Bond Market Association.

Local Currency Bond Market Size and Issuance

Thailand's LCY bond market posted a nominal contraction in the second quarter (Q2) of 2024 due to declines in the stocks of BOT bonds and corporate bonds. LCY bonds outstanding fell 0.2% quarter-on-

Figure 2: Composition of Local Currency Bonds Outstanding in Thailand



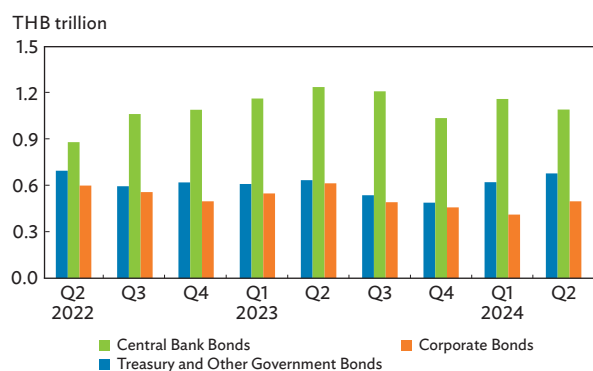
(-) = negative, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, THB = Thai baht.

Source: Bank of Thailand.

quarter (q-o-q) in Q2 2024, amounting to THB16.9 trillion at the end of June (Figure 2). Treasury and other government bonds outstanding rose 1.1% q-o-q to THB9.9 trillion, supported by increased issuance as the delayed fiscal year 2024 budget came into effect in April. Meanwhile, outstanding BOT bonds fell 5.3% q-o-q to THB2.2 trillion due to a contraction in issuance. The stock of corporate bonds inched down 0.4% q-o-q to THB4.8 trillion despite a rebound in issuance, owing to a high volume of maturities. Treasury and other government bonds continued to comprise a majority (58.5%) of Thailand's LCY bond market at the end of June.

Thailand's LCY bond issuance gained pace in Q2 2024, supported by increased issuance of Treasury and corporate bonds. Issuance of LCY bonds tallied THB2.3 trillion in Q2 2024, rising 3.5% q-o-q (Figure 3). Treasury and other government bond issuance rose 9.1% q-o-q to THB677.1 billion, as the government continued to accelerate debt issuance to fund its budget deficit. Corporate bond issuance rebounded to THB497.2 billion in Q2 2024, expanding 21.1% q-o-q after a 10.3% q-o-q contraction in the previous quarter. Improving economic conditions fueled by a revival of tourism and domestic demand boosted investor confidence, leading to increased corporate debt sales in

Figure 3: Composition of Local Currency Bond Issuance in Thailand



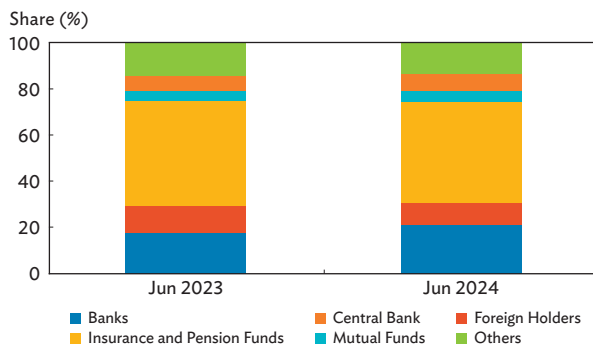
Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, THB = Thai baht. Source: Bank of Thailand.

Q2 2024. Siam Commercial Bank was the top corporate bond issuer in Q2 2024 with cumulative issuance of THB42.0 billion (8.4% of total corporate issuance). Siam Cement and Gulf Energy Development were the next largest issuers, each with cumulative issuance of THB20.0 billion (4.0% of total corporate issuance).

Investor Profile

Domestic investors held over 90% of Thailand’s government bonds at the end of June. Domestic holders’ share of LCY government bonds rose to 90.4%

Figure 4: Investor Profile of Government Bonds in Thailand



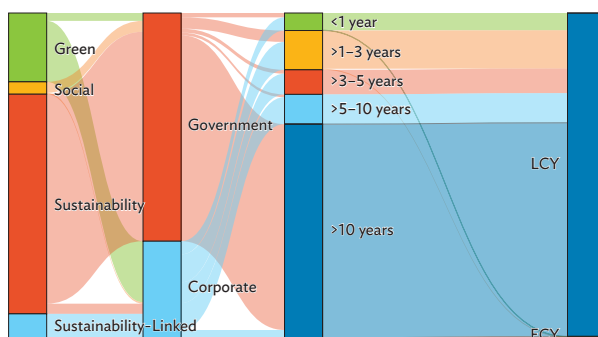
Source: Bank of Thailand.

at the end of June from 88.4% a year earlier (**Figure 4**). The increase was largely driven by increased holdings among banks, which rose to a 21.4% share in June from 18.0% in the prior year. In contrast, foreign investors’ holdings of Thai sovereign bonds fell to 9.6% from 11.6% during the same period, as interest rates differentials between US Treasury bonds and Thai sovereign bonds remained high.

Sustainable Bond Market

A majority of Thailand’s outstanding sustainable bonds are sustainability bonds issued by the government. At the end of June, total sustainable bonds outstanding tallied USD21.1 billion (**Figure 5**). Sustainability bonds comprised a majority of outstanding sustainable bonds (67.6%), followed by green bonds (21.2%). Government-issued instruments accounted for over 70% of outstanding sustainable bonds. Thailand’s sustainable bonds outstanding are primarily long-term instruments denominated in baht. At the end of June, the size-weighted average tenor of outstanding sustainable bonds was 9.3 years, among the longest in emerging East Asia.¹⁷ Over 65% of outstanding sustainable bonds had remaining maturities over 10 years, while over 99% of outstanding sustainable bonds were denominated in Thai baht. In Q2 2024, issuance of sustainable bonds amounted to USD244.8 million worth of sustainability and green bonds.

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



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

¹⁷ Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea.