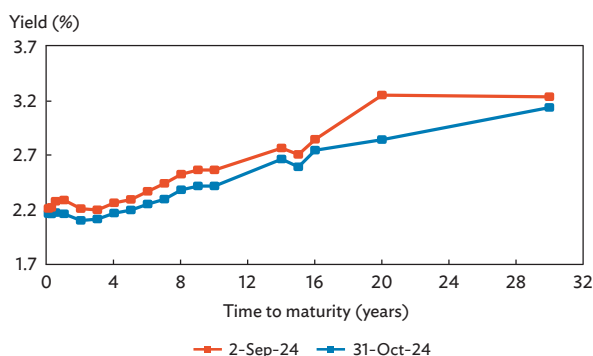


Thailand

Yield Movements

Between 2 September and 31 October, Thailand’s local currency (LCY) government bond yields edged down amid monetary policy easing by the Bank of Thailand (BOT). Yields fell an average of 12 basis points across all maturities, with the 20-year bond yield posting the steepest drop (**Figure 1**). The decline in yields was primarily driven by the BOT’s move to reduce its policy rate by 25 basis points at its 16 October meeting to ease the debt servicing burden for borrowers. The BOT upgraded its gross domestic product growth forecast for 2024 to 2.7% (from its June projection of 2.6%) and trimmed its forecast for average headline inflation in 2024 to 0.5% (from 0.6% in June). Thailand’s year-on-year consumer price inflation inched up to 0.8% in October from 0.6% in September and 0.4% in August, but remained below the BOT target of 1.0%–3.0%. Nonetheless, the central bank expects headline inflation to return within its target range by the end of the year.

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



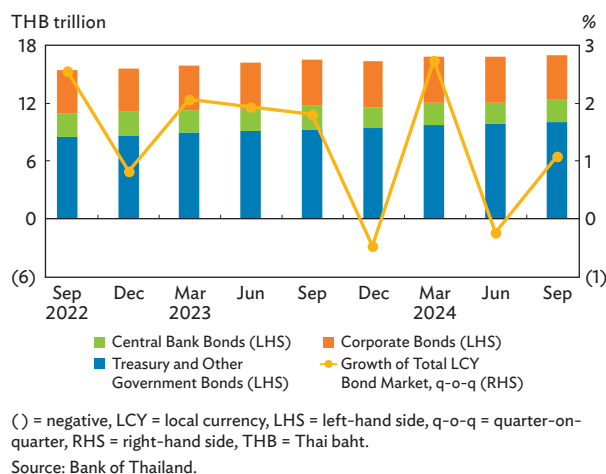
Sources: Based on data from Bloomberg LP and Thai Bond Market Association.

Local Currency Bond Market Size and Issuance

Thailand’s LCY bond market rebounded in the third quarter (Q3) of 2024, supported by growth in government and BOT bonds. Total LCY bonds outstanding reached a size of THB17.1 trillion at the end

of September, rising 1.1% quarter-on-quarter (q-o-q) in Q3 2024 after a nominal contraction of 0.2% q-o-q in the prior quarter (**Figure 2**). The stock of Treasury and other government bonds grew 1.5% q-o-q to THB10.0 trillion as the government continued to issue debt to help finance its stimulus measures. Outstanding BOT bonds rose to THB2.4 trillion on 5.4% q-o-q growth, supported by robust issuance. Meanwhile, outstanding corporate bonds fell 1.8% q-o-q to THB4.7 trillion as issuance contracted amid political uncertainties brought about by the recent change in the Thai government. Thailand’s bond market continued to be dominated by Treasury and government bonds, which comprised 58.7% of the total LCY bond stock at the end of September.

Figure 2: Composition of Local Currency Bonds Outstanding in Thailand

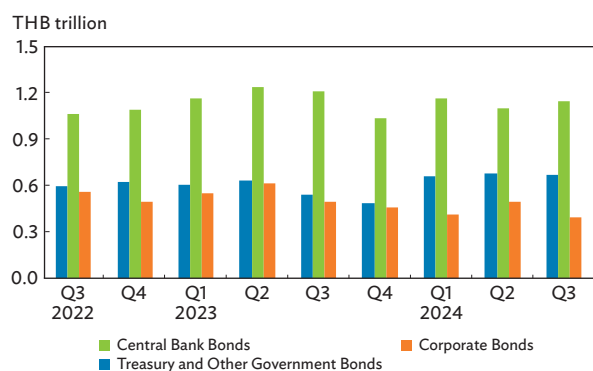


() = negative, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, THB = Thai baht.

Source: Bank of Thailand.

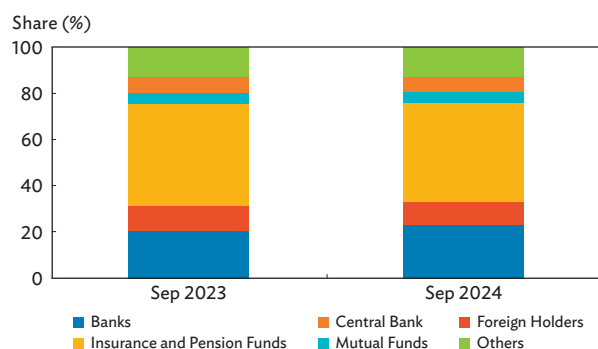
Weak corporate bond sales amid elevated political risks capped overall growth in LCY bond issuance in Q3 2024. Issuance of LCY bonds fell 2.6% q-o-q to THB2.2 trillion in Q3 2024 (**Figure 3**). Corporate bond sales amounted to THB0.4 trillion in Q3 2024, down 19.8% q-o-q as political uncertainties surrounding the change in government dampened investor confidence. Energy and utility companies were the top issuers in Q3 2024, with aggregate issuance of THB48.7 billion, comprising 12.2% of total corporate bond sales.

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.

Figure 4: Investor Profile of Government Bonds in Thailand



Source: Bank of Thailand.

Meanwhile, Treasury and other government bond issuance inched down 1.8% q-o-q in Q3 2024 as debt sales moderated. The government continued to issue debt to finance its fiscal deficit, but at a lesser volume than the prior quarter. In contrast, issuance of BOT bonds posted robust growth of 4.7% q-o-q, totaling THB1.1 billion.

Investor Profile

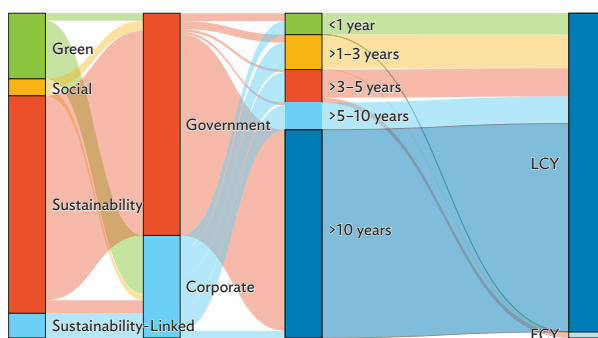
Insurance and pension funds and banks remained the primary holders of LCY government bonds at the end of September. LCY government bond holdings of the top two investor groups rose to 66.2% of total outstanding LCY government bonds at the end of September from 65.0% a year earlier (Figure 4). In contrast, foreign holdings inched down to a share of 10.1% from 10.9% during the same period as heightened political risks dampened foreign demand for Thai sovereign bonds.

Sustainable Bond Market

Thailand’s sustainable bond market reached a size of USD22.3 billion at the end of September. Sustainability bonds continued to be the predominant bond type, comprising 67.0% of the sustainable bond market, followed by green bonds with a 20.2% share (Figure 5). A majority (68.4%) of outstanding sustainable bonds were government-issued instruments, which tend to have long-term maturities. As a result, the size-weighted

average tenor of outstanding sustainable bonds at the end of September was 8.9 years, and over 64% of total outstanding sustainable bonds had remaining maturities of longer than 10 years at the end of September. Sustainable bonds in Thailand are primarily issued in Thai baht. Among all emerging East Asian markets, Thailand had the highest share of LCY-denominated sustainable bonds at the end of September with 98.1%.¹⁹ For the rest of emerging East Asian markets, the share of LCY-denominated bonds to total sustainable bonds ranged from 21.9% to 83.4%. New issuances of sustainable bonds in Q3 2024 totaled USD1.3 billion of sustainability, social, green, and sustainability-linked instruments.

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



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

¹⁹ 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.