

Thailand

Yield Movements

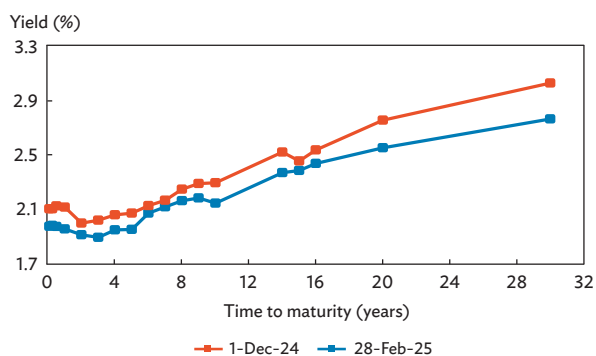
Between 1 December 2024 and 28 February 2025, Thailand's local currency (LCY) government bond yields fell on the Bank of Thailand's (BOT) monetary policy easing amid weaker-than-expected economic performance. Yields declined an average of 12 basis points across all maturities following the BOT's decision to reduce its policy rate by 25 basis points to 2.00% during its 26 February meeting (Figure 1). The central bank cited weaker-than-expected economic growth and rising uncertainty from major economies' trade policies as reasons for the rate cut. Thailand's economy grew 3.2% year-on-year (y-o-y) in the fourth quarter (Q4) of 2024, up from 3.0% y-o-y in the previous quarter. Nonetheless, the full-year 2024 gross domestic product growth of 2.5% was below the BOT forecast of 2.7% and also among the slowest in emerging East Asia.²⁴

Local Currency Bond Market Size and Issuance

Thailand's LCY bond stock inched down in Q4 2024 due to contractions in corporate and BOT bonds. At the end of December, total LCY bonds outstanding amounted to THB17.1 trillion, down 0.1% quarter-on-quarter (q-o-q) (Figure 2). The stock of corporate bonds continued to decline, falling 1.6% q-o-q to THB4.6 trillion in Q4 2024 after contracting 1.8% q-o-q in the third quarter as investors remained cautious amid slow economic growth and rising uncertainties. BOT bonds outstanding also contracted 0.8% q-o-q to THB2.3 trillion in Q4 2024. Meanwhile, Treasury and other government bonds rose 0.8% q-o-q to THB10.1 trillion despite a contraction in issuance due to a relatively smaller volume of maturities.

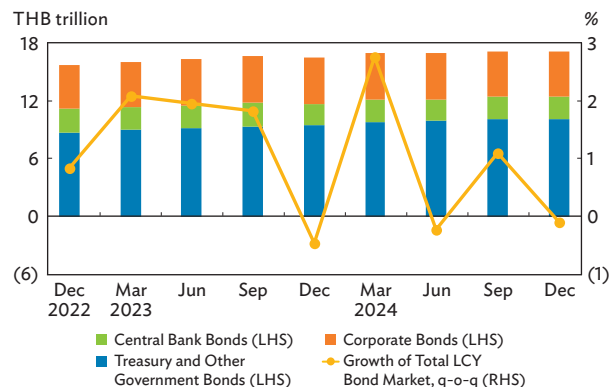
LCY bond issuance continued to decline in Q4 2024, dragged down by weak debt sales from both the public and private sectors. Total issuance of LCY bonds tallied THB2.1 trillion in Q4 2024, down 5.7% q-o-q after posting a 2.6% q-o-q contraction in the previous quarter (Figure 3). Treasury and other government bond issuance

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



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

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.

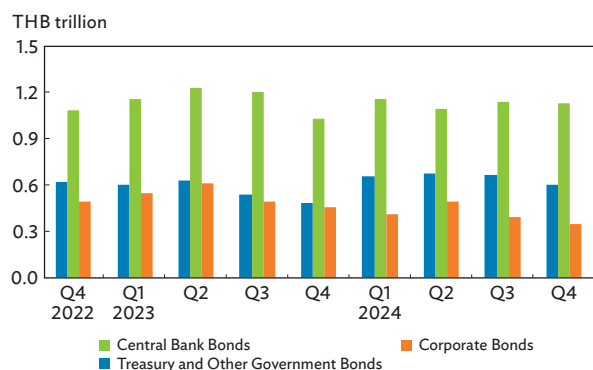
Source: Bank of Thailand.

(THB602.3 billion) eased 9.4% q-o-q in Q4 2024 due in part to slightly smaller planned issuance of government bonds at the start of fiscal year 2025, which started in October. BOT issuance (THB1.1 trillion) posted a nominal 1.0% decline during the quarter. Corporate debt sales (THB346.2 billion) fell 13.2% q-o-q in Q4 2024 as investor confidence remained tepid amid downside risks to economic growth posed by the new United States

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²⁴ 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.

Figure 3: Composition of Local Currency Bond Issuance in Thailand



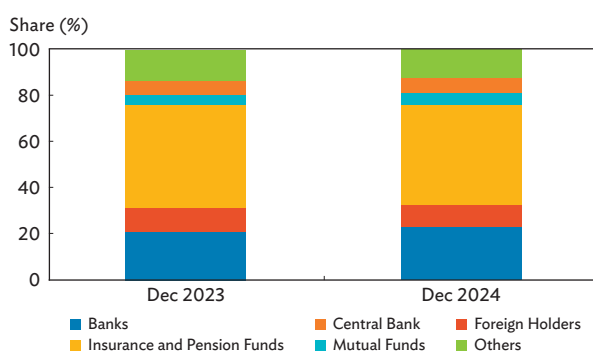
Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, THB = Thai baht.
Source: Bank of Thailand.

administration’s trade policies. Siam Cement was the top corporate issuer in Q4 2024 with total bond sales amounting to THB40.0 billion, representing 11.6% of total corporate issuance during the quarter.

Investor Profile

Domestic investors’ holdings of LCY government bonds increased. Holdings of domestic investors rose to 90.7% of total LCY government bonds at the end of December, up from 89.3% a year earlier (Figure 4). Meanwhile, foreign holdings fell to 9.3% from 10.7% during the same period as weak economic performance and global uncertainties capped demand for Thai government bonds.

Figure 4: Investor Profile of Government Bonds in Thailand

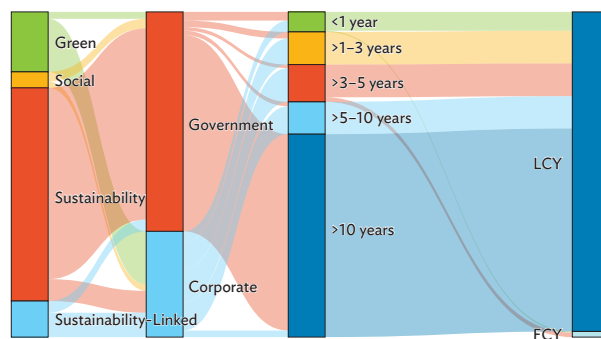


Source: Bank of Thailand.

Sustainable Bond Market

Thailand’s sustainable bonds are predominantly instruments issued by the public sector. Thailand’s sustainable bond market grew 6.3% q-o-q and 18.1% y-o-y to reach a size of USD24.1 billion at the end of December. Sustainability bonds (USD15.8 billion) comprised a majority of sustainable instruments, accounting for 65.6% of the market (Figure 5). Green bonds (USD4.4 billion) followed, with an 18.4% share of total sustainable bonds. Over two-thirds of outstanding sustainable bonds were government-issued instruments, which typically have longer maturities. Nearly 90% of outstanding government sustainable bonds had remaining maturities of longer than 10 years. As a result, the size-weighted average tenor of outstanding sustainable bonds in Thailand was among the longest in the region at 8.9 years. Over 98% of sustainable bonds in Thailand were denominated in local currency, which remained the highest share among all emerging East Asian markets.

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



FCY = foreign currency, LCY = local currency.

Source: AsianBondsOnline calculations based on Bloomberg LP data.