

Thailand

Yield Movements

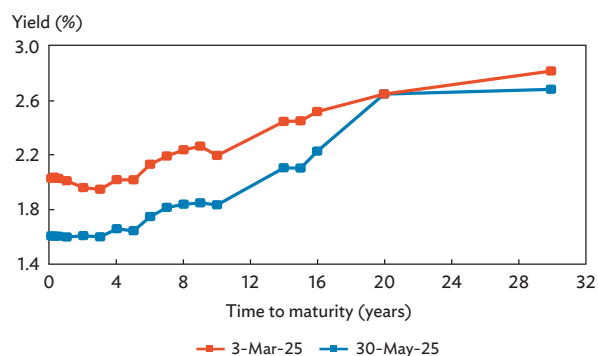
Between 3 March and 30 May, Thailand's local currency (LCY) government bond yields fell for all maturities amid monetary policy easing by the Bank of Thailand (BOT). Yields declined an average of 34 basis points across all maturities (Figure 1). The downtrend in yields was largely influenced by the BOT's continued monetary policy loosening to address downside risks to economic growth. The BOT reduced its policy rate by 25 basis points to 1.75% on 30 April, noting that the growth outlook faced further risks from global trade tensions. The central bank lowered its gross domestic product growth forecast for full-year 2025 to 1.3% (if trade negotiations with the United States result in lower tariffs) or 2.0% (if negotiations result in higher tariffs) from its December projection of 2.9%. Thailand's economy expanded 3.1% year-on-year in the first quarter (Q1) of 2025, down from 3.3% year-on-year in the previous quarter on slower growth in government and private consumption, and a contraction in private investment.

Local Currency Bond Market Size and Issuance

Thailand's LCY bonds outstanding rebounded in Q1 2025. The LCY bond market reached a size of THB17.4 trillion at the end of March, growing 1.8% quarter-on-quarter (q-o-q) in Q1 2025 after a nominal 0.1% q-o-q contraction in the fourth quarter (Q4) of 2024 (Figure 2). Growth in outstanding government bonds (THB10.4 trillion) quickened to 2.6% q-o-q in Q1 2025 from 0.8% q-o-q in Q4 2024, due to a smaller volume of maturities and a modest rise in issuance. BOT bonds outstanding (THB2.5 trillion) rebounded, rising 6.0% q-o-q in Q1 2025 after falling 0.8% q-o-q in the prior quarter due to increased issuance. Meanwhile, the LCY corporate bond stock (THB4.5 trillion) declined further, contracting 2.0% q-o-q in Q1 2025 after falling 1.6% q-o-q in Q4 2024, dragged down by declining issuance amid weak investor sentiment.

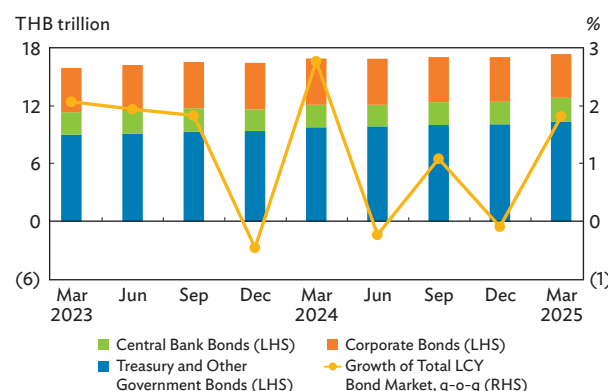
LCY bond sales rebounded in Q1 2025, supported by increased issuance of government and BOT bonds. Issuance of LCY bonds grew 2.4% q-o-q to THB2.1 trillion

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



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

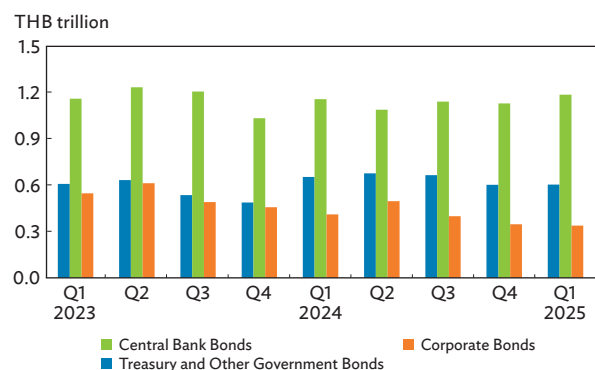
Figure 2: Composition of Local Currency Bonds Outstanding in Thailand



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

Sources: Bank of Thailand and Thai Bond Market Association.

in Q1 2025, reversing a 5.7% q-o-q contraction in the previous quarter (Figure 3). Treasury and other government bond issuance (THB0.6 trillion) posted modest growth of 0.2% q-o-q in Q1 2025 versus a 9.4% q-o-q fall in the prior quarter, driven by increased issuance of Treasury bills and state-owned enterprise bonds. BOT issuance (THB1.2 trillion) also rebounded, rising 5.0% q-o-q in Q1 2025 versus a 1.0% q-o-q contraction in Q4 2024, mainly due to increased issuance of short-term securities in response to market

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.

Sources: Bank of Thailand and Thai Bond Market Association.

conditions. Meanwhile, corporate bond sales continued to contract, falling 2.5% q-o-q in Q1 2025 amid heightened uncertainty over the economic outlook. Gulf Energy Development was the largest corporate bond issuer in Q1 2025 with aggregate issuance of THB30.0 billion, which accounted for 8.9% of total corporate debt sales.

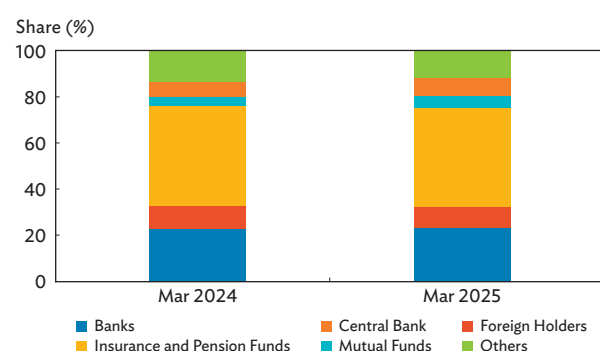
Investor Profile

Institutional investors remained the primary holders of Thai LCY government bonds. The combined holdings of insurance and pension funds, banks, and mutual funds rose slightly to 71.6% at the end of March 2025 from 70.4% a year earlier (**Figure 4**). BOT holdings rose to 7.6% from 6.4% during the same period as the central bank purchased a total of THB92.3 billion of government securities in line with monetary operations.

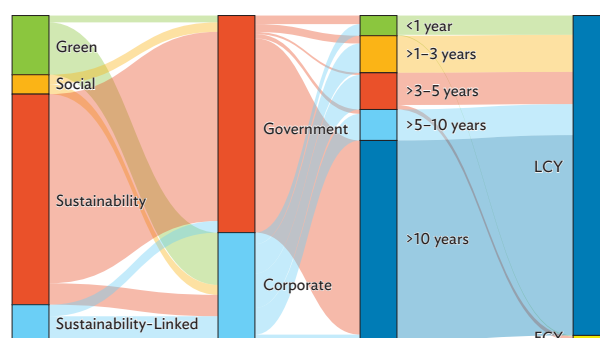
Sustainable Bond Market

Thailand's sustainable bond market largely comprised sustainability instruments issued by the public sector and denominated in local currency.

Thailand's sustainable bond market rose 1.0% q-o-q to USD24.3 billion at the end of March. Sustainability instruments (USD15.7 billion) were the predominant

Figure 4: Investor Profile of Government Bonds in Thailand

Source: Bank of Thailand.

Figure 5: Market Profile of Outstanding Sustainable Bonds in Thailand at the End of March 2025

FCY = foreign currency, LCY = local currency.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

bond type, comprising 64.8% of the total (**Figure 5**). Green bonds (USD4.4 billion) followed, accounting for 18.2% of outstanding sustainable bonds. About 66.7% of all outstanding sustainable bonds were issued by the public sector. Government-issued bonds were largely sustainability instruments, while corporate-issued instruments were dominated by green bonds. Over 60% of outstanding sustainable bonds had a remaining tenor longer than 10 years, resulting in a size-weighted average tenor of 8.6 years at the end of March. About 98.4% of Thai sustainable bonds were LCY-denominated, which remained among the highest shares in emerging East Asian markets.¹⁶

¹⁶ 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.