



Urgent Policy Challenges for Asian Debt Manager : Thailand

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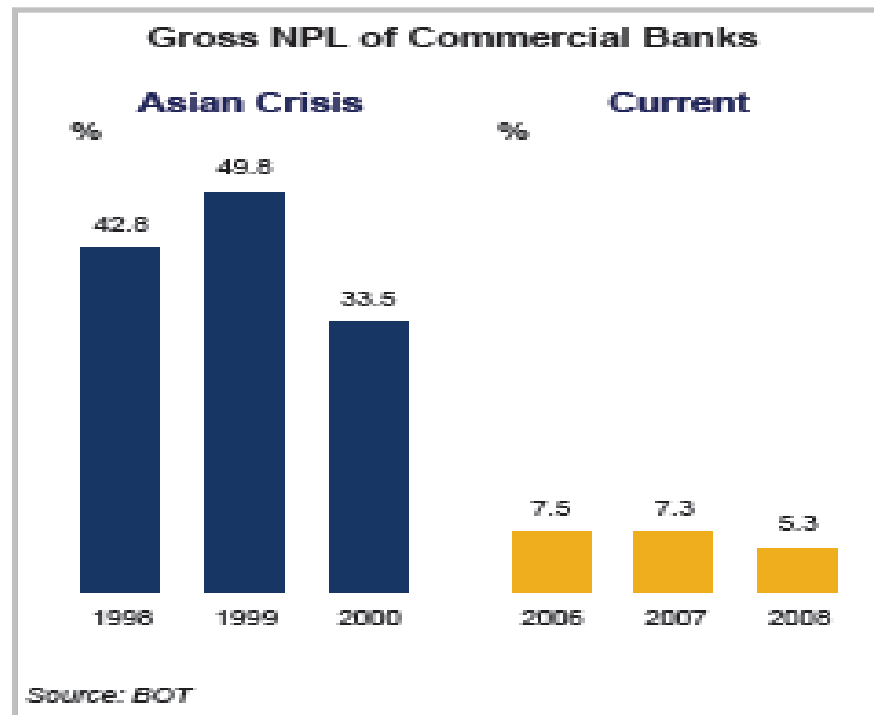
19th OECD Global Forum on Public Debt Management

OECD Headquarters, Paris, November 25, 2009



In spite of financial crisis, the Thai financial sector remains healthy

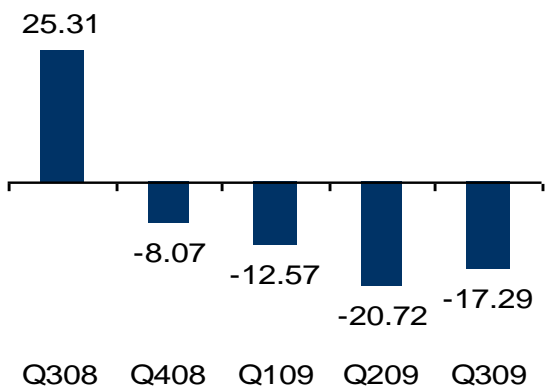
- Limited impact on Thai banks as only 0.4% assets are related to CDOs
- Unlike the 1997 financial crisis, Thai banks generally have stronger balance sheets



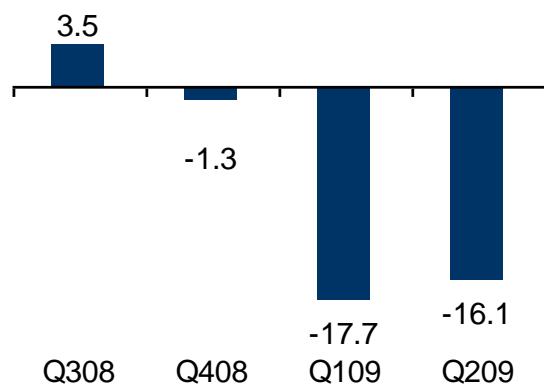


Real sector was most affected as Thai economy is mainly export-driven

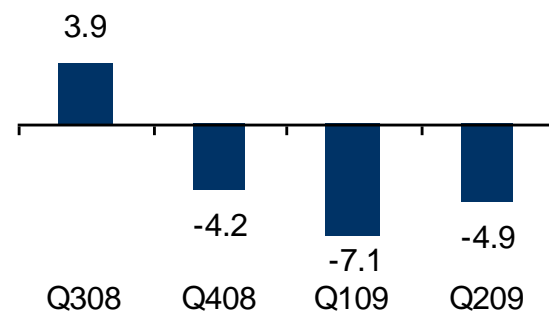
Export YoY %



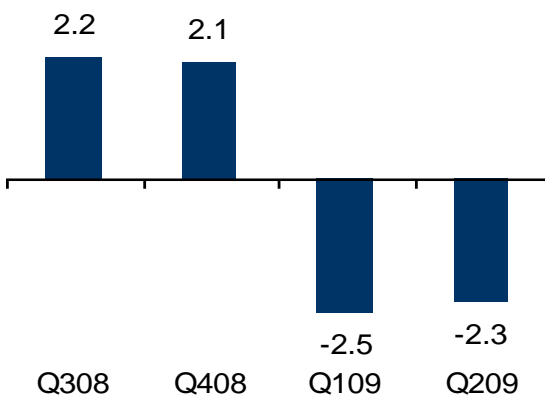
Private Investment YoY %



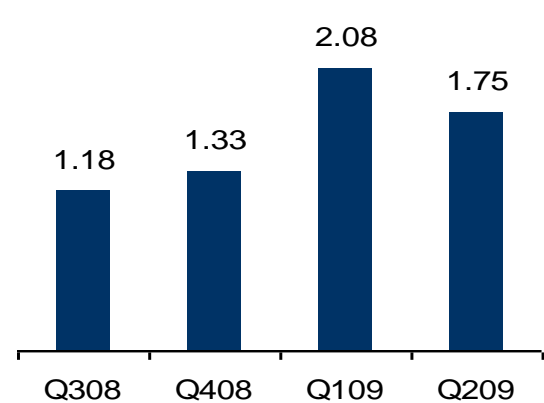
GDP YoY %



Private Consumption YoY %



Unemployment YoY %



Source : BOT, NESDB



Stimulus Measures (SP I & SP II) were swiftly implemented to combat impact of financial crisis and to stimulate growth

Stimulus Package 1

Background

- Approved on January 13, 2009
- Amount: 115 B THB (US\$ 3.3 B THB) as a mid-year supplementary budget

Objectives

- To reinvigorate the economy through urgent short-term policies aimed at the most affected sectors of the economy

Key Programs / Projects

1
Restoration of economic confidence

- Tourism promotion
- Village roads construction
- Water supply development for farmers
- Alleviation of cost of living for low income individuals and civil servant
- Support for food industries and SMEs

2
Income generation, enhance quality of lives & social security

- Free education programs
- Income securities (senior citizens)
- Capacity building for unemployed
- Improvement of rural health stations

3
Emergencies

- Reserve budget for emergency expenses
- Funds to cover the treasury account withdrawals



Stimulus Measures (SP I & SP II) were swiftly implemented to combat impact of financial crisis and stimulate growth

Stimulus Package 2

- Approved on 15 June 2009
- Total amount is 1.43 T THB to be invested over 2009-2012
 - 1.06 T THB is ready for immediate implementation
- Expected to deliver immediate and long term benefits:
 - “Shovel-ready” projects are ready for immediate implementation and therefore will drive growth over the next 3-4 years
 - Reduce transportation cost through reduction in reliance on fuel inefficient road transportation
 - Job creation : 1.6 – 2 m jobs
 - Improve the quality of lives of the Thai citizen



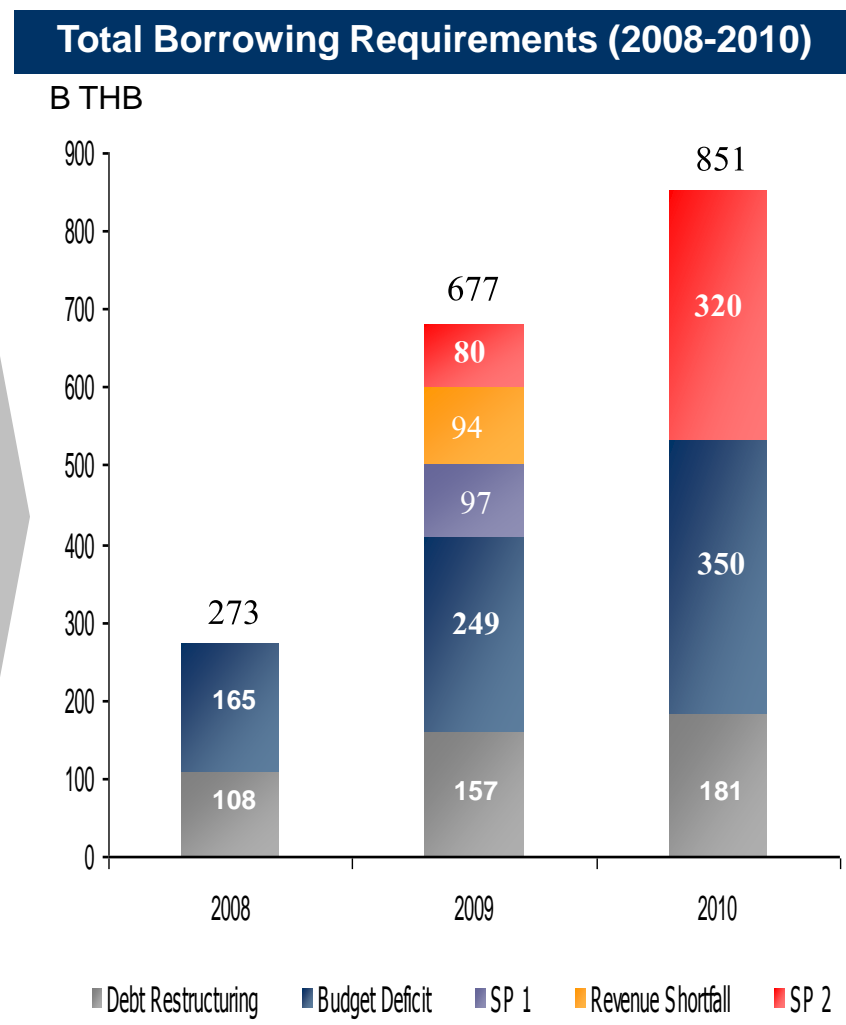
Investment in “Shovel-Ready” Projects under SP2 (2009 – 2012)

Sectors	2009/2010	2011	2012	Total	%	Project Description
Water resources	56	70	75	201	19	Reservoirs / irrigation
Logistic	62	118	128	308	29	MRT / Rural roads / Motorway
Energy / Alternative energy	134	34	30	198	19	Transmission lines / Gas pipelines
Telecommunications	35	5	0	40	4	3G Network
Tourism infrastructures	1	3	1	5	0.5	Enhance basic infrastructures
Education facilities	44	42	43	129	12	Facilities / teacher training
Healthcare facilities	31	36	31	98	9	Facilities upgrade / Excellence centres
Social well being	7	2	1	10	1	Housing
Science / Technology	3	3	5	11	1	New production technologies
Natural resources / Environment	1	2	1	4	0	Forest conservation and replanting
Tourism	4	1	0	5	0.5	Develop new attractions (nature reserves)
Creative economy	2	1	1	4	0	Entertainment industry
Community investment	31	10	10	52	5	Increase income / Improve quality of life
Total	411	327	326	1,064	100	



The stimulus measures resulted in a significant increase in funding requirements

	Stimulus Measures
FY2009	1) SP1: Supplementary budget : 97 B THB 2) Revenue shortfall : 94 B THB Borrowing ceiling reached: 20% of budget/ expenditures
FY 2009 – FY2012	3) SP2: Investment in infrastructure projects: 1.4 T THB – Ceiling for borrowings reached but further stimulus needed – Additional off budget funding approved : 800 B THB – Borrowings spread over 4 years: - 2009 : 80 B THB - 2010: 320 B THB - 2011: 300 B THB - 2012: 100 B THB



Note: Fiscal Year (FY): 1 October – 30 September



Responsive debt/issuance strategies introduced to meet immediate funding requirements

2008

Tools	Maturity (Yrs)	Amount (B THB)
Benchmark Bonds	5	72
	10	53
	15	24
	20	24
	30	5
	FRB	
Non-Benchmark Bond	2	
	3	13
	8	10
	12	8
	14	15
Saving Bond		18
P/N	>5	31
T-Bill		
Bank Loans	>5	
TOTAL		273

Strategy

Benchmark Bonds

- Issuance of 5, 10, 15, 20 years to:
 - Establish benchmark yield
 - Liquidity in the secondary market
- First launch of 30 yrs LB
 - Alternative maturity
 - Meet demand from long term investors
 - Market development : extend yield curve



Responsive debt/issuance strategies introduced to meet immediate funding requirements

2009

Tools	Maturity (Yrs)	Amount (B THB)
Benchmark Bonds	5	74
	10	63
	15	27
	20	38
	30	6
	FRB	22
Non-Benchmark Bond	2	88
	3	50
	8	
	12	16
	14	
Saving Bonds		80
P/N	>5	80
T-Bill		134
Bank Loans	>5	
TOTAL		677

Strategy
<p>Benchmark Bonds</p> <ul style="list-style-type: none"> Continued issuance for bond market development Amount is maintained at similar level to 2009
<p>Short term Instruments (LB: 2 & 3 yrs + T-Bills)</p> <ul style="list-style-type: none"> Urgent need of funding to stimulate economy Interest rates on downward trend More demand for short term instruments because of measure to lengthen credit guarantee
<p>FRN</p> <ul style="list-style-type: none"> Reduce interest rates Miss-match Meet demand from investors
<p>Saving Bond</p> <ul style="list-style-type: none"> Increased amount to meet growing demand



Floating Rate Bond (FRB)...

- Issue FRB in order to :
 - Provide government with additional funding tool
 - Reduce interest risk for investors

Amount (THB)	4 – 6 B
Issuance Frequency	Every odd month
Maturity (Yrs)	4
Pricing	BIBOR* – 10 bps
Remarks	BCR: 3-4

** BIBOR denotes Bangkok Interbank Offered Rate: average of borrowing rates quoted by predetermined banks.*



Saving Bond...

Amount	<ul style="list-style-type: none">• 30 B THB (exclusive for elderly)• 50 B THB (for individual and non-profit organisation)
Coupon	<ul style="list-style-type: none">• Step-up<ul style="list-style-type: none">– First two years: 3%– Third year: 4%– Fourth and Fifth year: 5%– Average over five years: 4% (5 year bond yield + 15%)
Cap	<ul style="list-style-type: none">• 1 M THB
Remarks	<ul style="list-style-type: none">• 7 banks as selling agents• Widely distributed geographically• BOT follow



Responsive debt/issuance strategies introduced to meet immediate funding requirements

2010

Tools	Maturity (Yrs)	Amount (B THB)
Benchmark Bonds	5	143
	10	69
	15	42
	20	42
	30	18
	FRB	36
Non-Benchmark Bond	2	
	3	
	8	30
	12	
	14	
Saving Bonds		94
P/N	>5	57
T-Bill		
SP2 Financing*	>5	320
TOTAL		851

Strategy

Benchmark Bonds

- Continued issuance for bond market development
- Amount maintained at similar level to 2009
- 5 yr increased to 2 series

No Short Term Instruments

- Lengthen duration

SP2 Financing

- Bank Loans(1-10yrs) : 120 B THB
 - More flexible as projects disbursements very uncertain
 - Converted in P/N +4 yrs and/or LB
- P/N (> 5 yrs) : 130 B THB
 - Products diversification
- Saving Bond (> 5 yrs) : 70 B THB
 - To meet growing demand



Next Steps...

- Issuance Policies
 - Continue to support domestic bond market development through issuance of benchmark bonds (5, 10, 15, 20 & 30 yrs)
 - Lengthen maturity (currently at around 5.5%)
 - Introduce Inflation Linked to provide PDMO with additional alternative funding tool
- Restructuring of maturity profile
 - Pre-funding to restructure maturing bonds with very large amount that can not be refinanced on the maturity date
 - Bond Market Development Fund established as “investment arm” to manage proceeds resulting from pre-funding