Thailand’s Bond Market Has Grown Strongly for More Than a Decade

Absence of Domestic Bond Market (12% of GDP in 1997)

Bond Market is at The Same Level as Bank Loan and Equity Market
Controllable Public Debt Level

Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

Asian Fin. Crisis

Direct Government
Non-Financial State Enterprise Debt
Special Financial Institutions Guaranteed Debt
FIDF Debt (Liabilities)
Autonomous Agency Debt

% to GDP

Millions Baht


14.23 35.33 48.71 60.53 60.79 60.26 55.82 50.99 49.64 47.80 42.65 44.22 42.30 41.66

% of GDP

41.66
42.30
44.22
47.80
49.64
50.99
55.82
60.26
60.79
60.53
48.71
35.33
14.23
The Thai Bond Market Has Developed Rapidly and Efficiently

**Post Crisis – 2000**:
- **Volume Oriented**
  - Bond Market Capitalisation tripled
  - Government Bonds
    - Outstanding grew by 50 times
  - Government Bond Market
    - Share jumped from 3% in 1997 to 44% in 2000

**2007 – 2011**: Development Oriented
- Regular Benchmark Issuance
- New Product Development
- Regular Market Dialogue with BoT and PD
- Fixed Rate P/N, 50-yr Bond, ILB, Electronic Retail Bond

**Pre-Crisis**
- Illiquid Bond Market
- Absence of Benchmark Bond
- Dominated by SoE’s Bonds
- Retail Market

**Next Step 2012**:
- Market Deepening Oriented
  - 3 Yr Benchmark Bond, Amortized Bond
  - Global THB Bond
  - Upgrade PD Privileges
  - Bond Switching & Consolidation
  - PDDF Fund
  - Regional Linkage (CGIF)

The Thai Bond Market has developed rapidly and efficiently.
3 Main Strategies of Thailand Bond Market Development

1. Benchmark Bond
   - Build Government Bond Yield Curve
   - Enhance Secondary Market Liquidity

   **Strategies**
   - Decrease Bond Auction Frequency
   - Increase Bond Auction Size
   - Increase Bond Outstanding Value

   **Goals**
   - Government Bond Yield Curve that can Effectively be Reference Rate for Private Sector Bond Issuance
   - Heighten Liquidity in the Secondary Market

   **Current Status**
   - Thailand Government Bond Yield Curve is Up to 50 Years

2. Varieties of Instruments
   - Broaden Investor Base

   **2007**
   - Benchmark Bond 5, 10, 15 and 20 yrs

   **2008 – 2010**
   - Benchmark Bond 30 yrs
   - Floating Rate Bond (FRB)
   - Step-up rate Savings Bond

   **2011**
   - Benchmark Bond 50 yrs
   - Fixed – rate Promissory Note
   - Inflation Linked Bond (ILB)
   - Electronic Retail Bond @ ATM

   **2012 Onward**
   - Benchmark Bond 3 yrs
   - Amortized Bond
   - Global THB Bond

3. Solid Infrastructure
   - Facilitate Bond Market Development

   **Baht Bond**
   - Increase Non-residents Issuance in Domestic Market

   **Public Debt Restructuring and Domestic Bond Market Development Fund (PDDF)**
   - Enhance Public Debt Management System and Bond Market Development Process

   **Credit Guaranteed and Investment Facilities (CGiF)**
   - Encourage Bond Issuance of Both, Onshore and Offshore Issuers (ASEAN + 3 and ADB)

   **Bond Consolidation & Switching**
   - Develop Bond Market Along with Maintain Fiscal Stability
Thailand Local Currency Government Bond Structure

Government Debt Securities (Classified by Types of Investors)

- Depository Corporation: 34%
- Household and Non-profit: 13%
- Insurance and Other Corporation: 38%
- NR: 9%
- CB: 6%

Source: Central Bank (as of Sep 2011)
Remark: Government Debt Securities are
1. Local Currency Bonds (LCY Bonds)
2. Promissory Notes and
3. Treasury Bills
Issued by Government

Foreign Holdings in LCY Government Bonds

Source: AsianBondsOnline (as of Sep 2011)