



Annual PDMO Market Dialogue for FY2018

Public Debt Management Office (PDMO) announced the funding plan for FY2018 in the annual PDMO Market Dialogue, which was held on the 14th September 2017. The objectives of the dialogue are to exchange the information and opinions regarding to the current state of Thai bond market, investment demand and Thai bond market development plan in the future so that PDMO is able to provide the government funding strategy for FY2017, to correspond with the investors' desire and current bond market situation. Around one hundred and fifty market participants joined this Annual PDMO Market Dialogue, including representatives from Bank of Thailand (BOT), The Securities and Exchange Commission (SEC), Thai Bond Market Association (ThaiBMA), Ministry of Finance's Outright Primary Dealers (MOF Outright PD), and institutional investors. The main topics discussed in the meeting are shown below.

1. Government Funding Needs and Borrowing Plans for FY2018

1.1 Government funding needs for FY2018 is approximately THB 1,024,006 million, which consist of the following:

1.1.1 New Borrowing in FY2018 THB 507,251 million (50%)

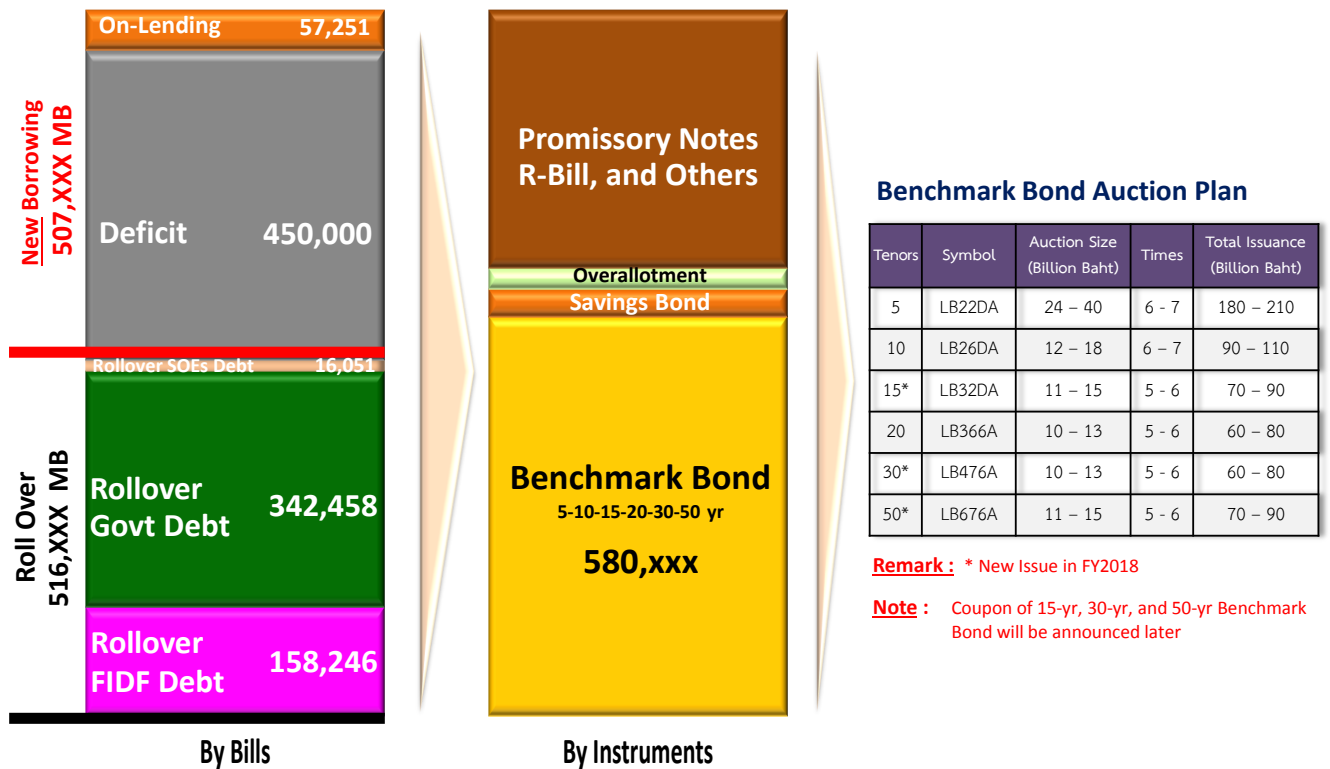
a. Budget Deficit Financing	THB 450,000 million
b. On-Lending	THB 57,251 million

1.1.2 Refinancing of maturing debt THB 516,755 million (50%)

a. Direct Government Debt	THB 342,458 million
b. Government Debt for FIDF	THB 158,246 million
c. Government Guaranteed Debt	THB 16,051 million

1.2 Government Borrowing Plan for Fiscal Year 2018

Figure 1: Estimated Government Funding Needs and Funding instrument in FY2018



Remark : 1. Exclude external funding for both new borrowing and rollover debt with amount of 111,xxx THB mil
2. Exclude T-Bill rollover debt with amount of 80,000 THB mil

1.2.1 Benchmark bond issuances

PDMO will continue to use benchmark bond as the primary tool to raise fund in FY2018. Six tenors of benchmark bonds, including 5-year (LB22DA), 10-year (LB26DA), 15-year (LB32DA), 20-year (LB366A), 30-year (LB476A) and 50-year (LB676A) will be issued in the amount of THB 580,000 million or 56% of government funding needs. PDMO continuously provides sufficient benchmark bond supply to the market in order to build up the efficient government bond yield curve as a reference rate for both the public and private sectors, enhancing the liquidity in the secondary market, responding to the entire groups of investors' demand as well as bond market development in the long term.

Only MOF Outright PDs also have exclusive rights to enter 5-year benchmark bond auction and Greenshoe Option, which allows MOF Outright PDs to make additional purchase of 5-year benchmark bond not exceeding 20% of the total allocated bond at the average accepted yield (AAY). The right needs to be exercised between 11.00 – 11.30 am on the auction day.

Finally, PDMO is able to make a decision to conduct Overallotment in order to allocate additional 10% of each original auction size, if the bond market condition is favorable.

1.2.2 Savings Bond (SB) issuances

In FY2018, PDMO will continue to promote savings amongst the general public by offering access to quality investment tools and encourage the public to participate in the government fundraising for country development. The Ministry of Finance will issue the savings bonds in 2 rounds, of which the details will be announced later during the fiscal year.

1.2.3 Short-Term Debt Securities issuances

In order to increase PDMO's flexibility, reduce cost of funding, match with the project's financing, and increase the fund raising ability during the volatile financial market, short-term debt securities such as Treasury-Bill (T-Bill), Promissory Note (PN), and Term Loan (T/L) are also in PDMO's issuance plan, of which the details will be announced later during the fiscal year.

1.3 Bond Switching Program in FY2018

PDMO plans to conduct Bond Switching Program in FY2018 in order to reduce the refinancing risk, extend time to maturity of debt and enhance the liquidity of targeted benchmark bond. Furthermore, PDMO together with BOT have developed Bond Switching on electronic platform (E-Switching), which aims to reduce operational risk, improve the ease of transaction, and broaden the investor base. Eventually, both Syndication and E-Switching are going to be conducted within this fiscal year, of which the details will be announced later.

2. Permission to Issue Baht-denominated Bonds or Debentures by Foreign Entity in Thailand

The Ministry of Finance is pleased to inform that there will be a special supplementary submission during the 6th September – 6th October 2017 for permission to issue Baht-dominated bonds or debentures, with tenor not longer than 3 years, from the 1st November 2017 to 31st March 2018. The issuers will be allowed to use the proceeds in the followings; 1) domestic transaction in Baht and 2) onshore USD/THB spot exchange.

The Ministry of Finance extends its sincere appreciation to all applicants for their interests in Baht-denominated bonds in the Thai bond market. For the next submission periods, qualified entities who may be interested in issuing Baht-dominated bonds or debentures are able to submit their applications three times a year in March, July and November.