



Annual PDMO Market Dialogue for FY2019

Public Debt Management Office (PDMO) announced the funding plan for FY2019 in the annual PDMO Market Dialogue, which was held on the 12nd September 2018. 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 FY2019, to correspond with the investors' desire and current bond market situation. More than one hundred 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.

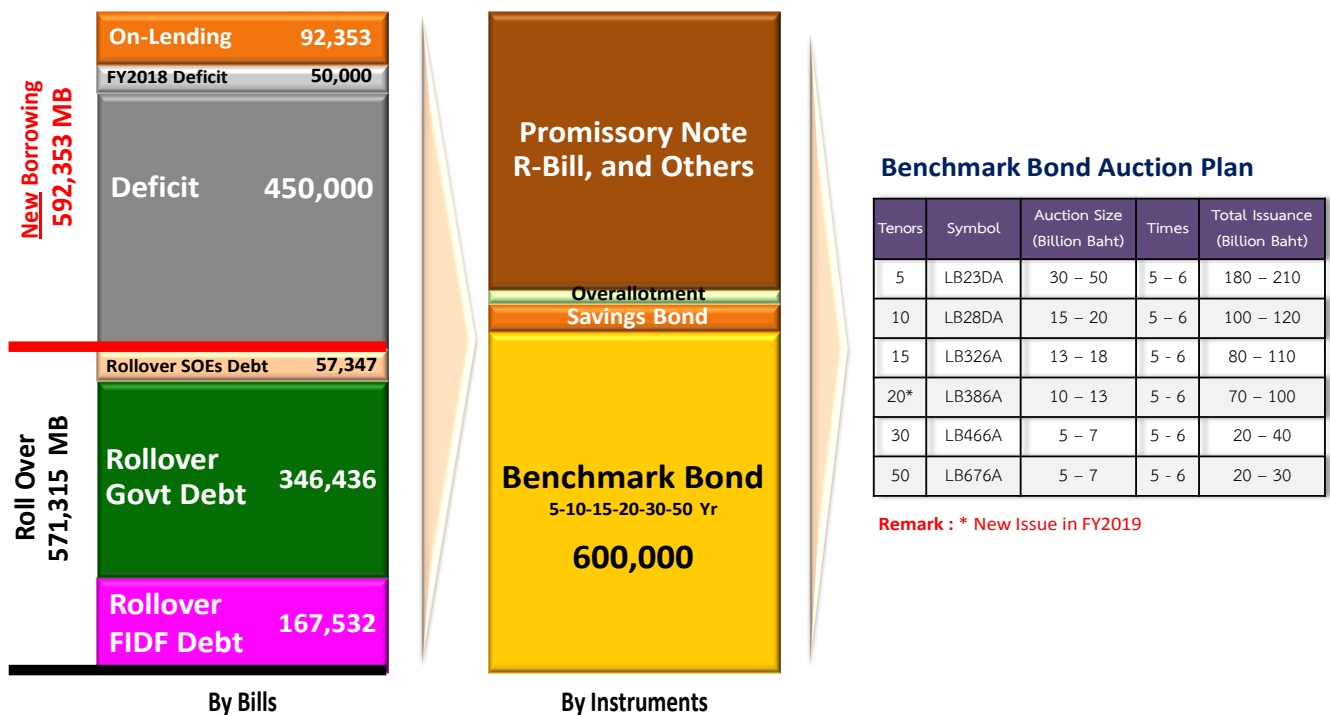
Government Funding Needs and Borrowing Plans for FY2019

1. Government funding needs for FY2019 is approximately THB 1,163,668 million, which consist of the following:

1.1 <u>New</u> Borrowing in FY2019	THB 592,353 million
a. Budget Deficit Financing in FY2019	THB 450,000 million
b. On-Lending	THB 92,353 million
c. Budget Deficit Financing in FY2018	THB 50,000 million
1.2 Refinancing of maturing debt	THB 571,315 million
a. Direct Government Debt	THB 346,436 million
b. Government Debt for FIDF	THB 167,532 million
c. Government Guaranteed Debt	THB 57,347 million

2. Government Borrowing Plan for Fiscal Year 2019

Figure 1: Estimated Government Funding Needs and Funding instrument in FY2019



Remark :

1. Exclude SOEs' direct borrowing and external borrowing of government
2. Exclude borrowing for cash management purpose with an amount of 90,000 THB mil

2.1 Benchmark bond issuances

PDMO will continue to use benchmark bond as the primary tool to raise fund in FY2019. Six tenors of benchmark bonds, comprising of the Re-open of 5-year (LB23DA), 10-year (LB28DA), 15-year (LB326A), 30-year (LB466A) and 50-year (LB676A) and the New-Issue of 20-year (LB386A) at the total amount of THB 600,000 million.

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, and 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 proportion on each auction size, if the bond market condition is favorable.

2.2 Savings Bond (SB) issuances

In FY2019, 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.

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.

3. Bond Switching Program in FY2019

In order to reduce the refinancing risk, extend time to maturity of debt and enhance the liquidity of targeted benchmark bond, PDMO plans to conduct Bond Switching Program in FY2019 at the amount of not exceed THB 100,000 million through both Syndication, in which PDMO will announce for the arranger's proposal at the end of 2018, and E-Switching, in which 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, the details will be announced later on.