

Markets

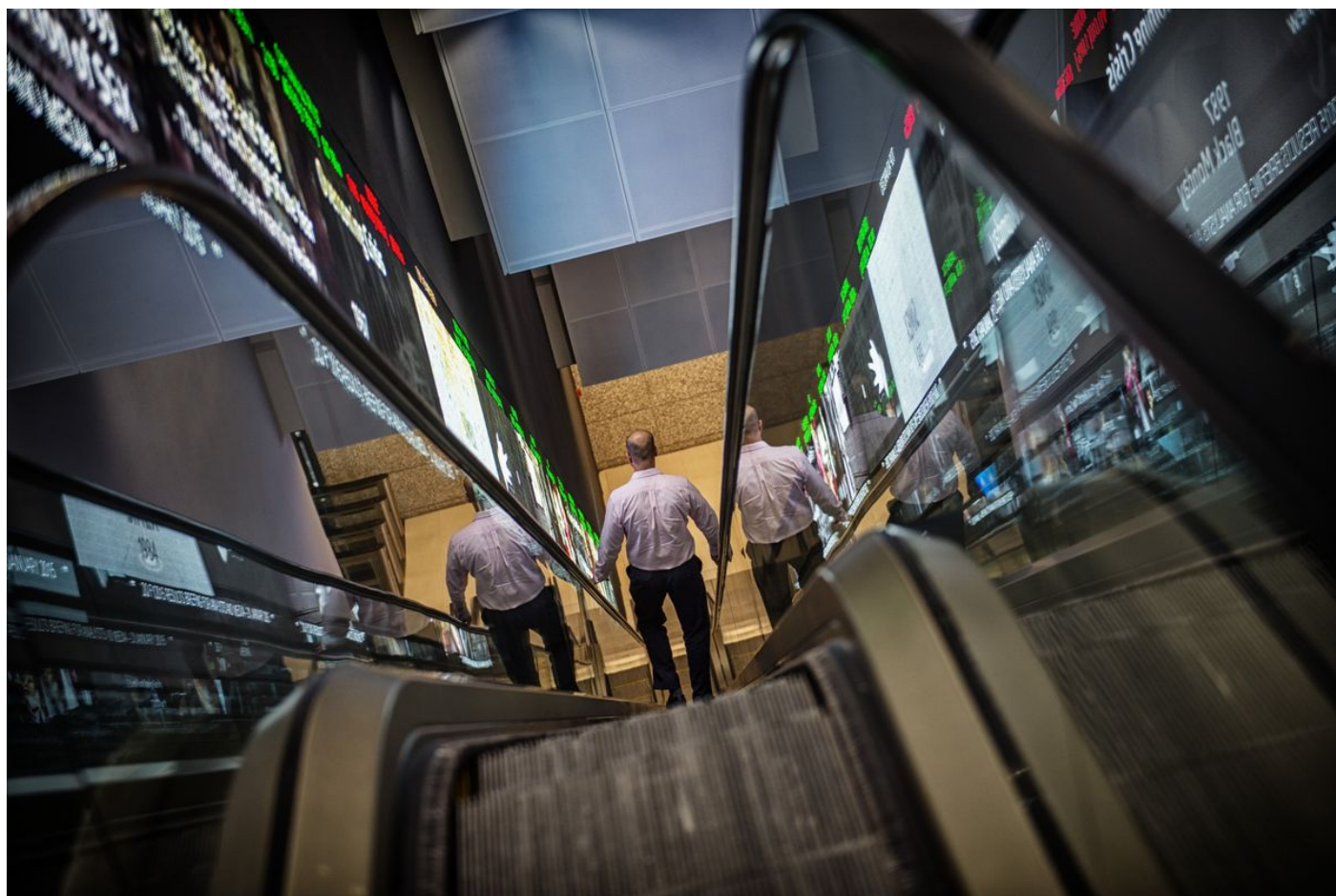
Singapore Faces Rising Tide of Bad Debt With Record Bonds Maturing

By Denise Wee

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- ▶ Growth forecast cut to almost zero, recession fears loom
 - ▶ Local currency bonds face record S\$12 billion maturing in 2020
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A man rides an escalator past an electronic screen and ticker board at the Singapore Exchange. *Photographer: Bryan van der Beek/Bloomberg*

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Singapore firms are likely to see more soured debt as the trade-reliant economy takes a hit from U.S.-China tensions.

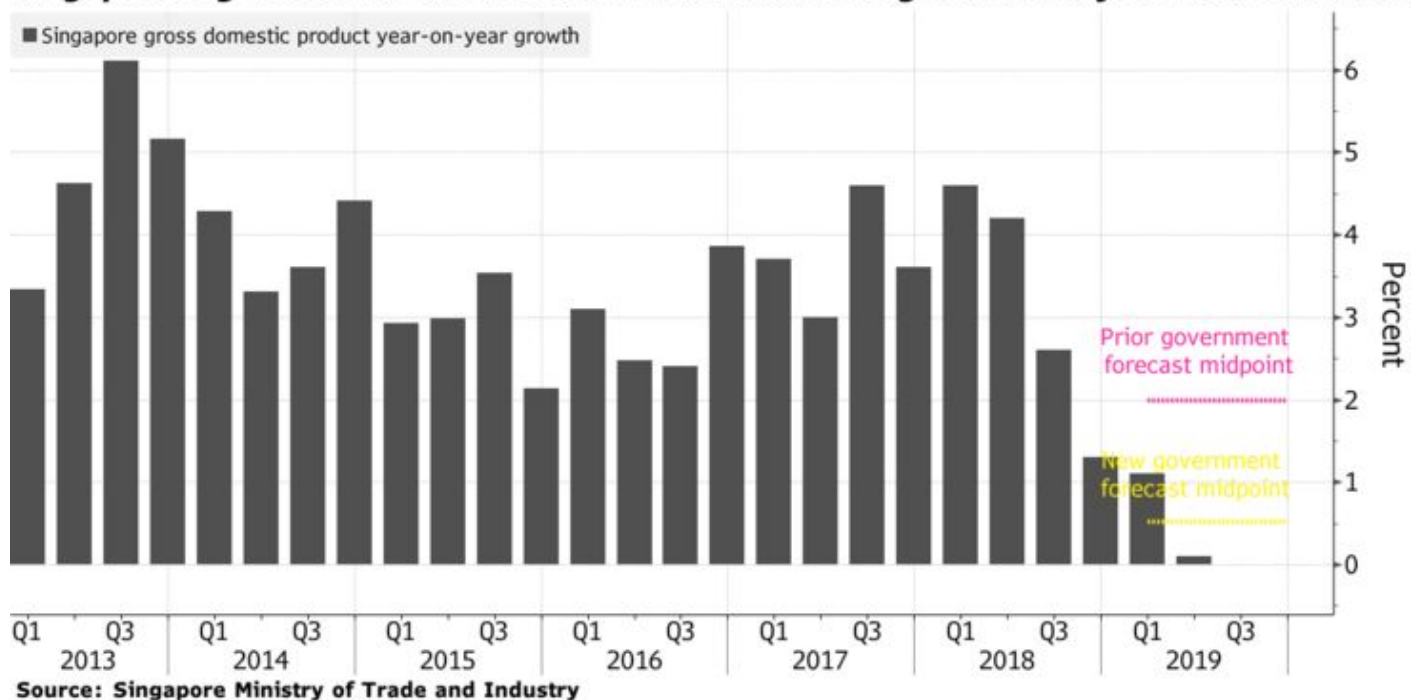
That's the view of debt restructuring experts, for whom more bad debt could mean increased business. Singapore's government cut its forecast for economic growth this year to almost zero, and weak export data have stoked fears of a recession. The nation has already been rocked by the high-profile collapse of water treatment firm Hyflux Ltd.

"We could see a tide of distressed debt in Singapore," said Shaun Langhorne, a restructuring lawyer and partner in Singapore at Hogan Lovells Lee & Lee. "A number of companies have significant amounts of debt."

An increase in soured debt is likely to spell more pain for lenders and bond investors. Excluding banks, borrowers in the Singapore dollar bond market face a record S\$12 billion (\$8.6 billion) of bonds maturing next year, according to Bloomberg-compiled data. Repayment may be a challenge for some companies at a time when Singapore's manufacturing sector contracted 3.1% in the second quarter from the previous year, while the wholesale and retail trade sector shrank 3.2%.

Outlook Slashed

Singapore's government cut its forecast for economic growth this year to almost zero



Singapore's prime minister said this month that there is no need yet for economic stimulus, but the government will "promptly respond" if the situation worsens. To be sure, some economic

indicators recently have been brighter. The contraction in Singapore's electronics production eased dramatically in July, for example.

Stress is likely to emerge in sectors such as logistics, in addition to others that have already been struggling, such as oil and gas and construction, according to Angela Ee, a Singapore-based partner at EY with over two decades of restructuring experience. Given the weakness of the economy, "more defaults" in the local currency bond market are likely, she said.

KrisEnergy Ltd., a Singapore-listed oil and gas explorer that's partly held by Keppel Corp. and had sought to restructure its debt in 2016, said last week that it will "temporarily cease repayment" on some of its financial obligations. This includes interest payable under its S\$200 million bond due 2023. Singapore hard-drive component maker MMI International Ltd. last month missed repayments on a \$580 million loan.

More lenders and investors are "getting increasingly aggressive" in preparing for defaults and enforcing, according to Danny Ong, a partner at Rajah & Tann Singapore LLP, one of the largest law firms in the city.

KrisEnergy last week said it received a letter from HSBC Holdings Plc for "acceleration" of their term facility agreement. Meanwhile, Singapore-listed Triyards Holdings Ltd. said in July that its subsidiary was ordered by Singapore's high court to be wound up.

"We expect to see more distress in Singapore and the larger Asian region," said Ong.

– With assistance by Michelle Jamrisko, and Joanna Ossinger

(Adds chart.)

In this article

HYF

HYFLUX LTD

SGD ▼ +null +null%

CL1

WTI Crude

54.02 USD/bbl. ▲ +0.38 +0.71%

SGD

Singapore Dollar Spot

1.3880 SGD ▼ -0.0001 -0.0072%

KRIS

KRISENERGY LTD

0.03 SGD ▼ -0.00 -3.23%

KEP

KEPPEL CORP LTD

5.80 SGD ▼ -0.02 -0.34%

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