

# Covid-19 weakens airlines' credit quality

The pandemic is causing unprecedented stress, intensifying risks — Moody's

KUALA LUMPUR: Passenger airline is one of the most adversely affected industries as Covid-19 widens and deepens, given its exposure to travel restrictions and sensitivity of consumer demand and sentiments, says Moody's Investors Service.

In a statement, Moody's said the initial shock's breadth and severity, the expected ensuing deterioration in credit quality and the significance of lingering uncertainties have intensified risks that the passenger airline sector faces due to the pandemic.

Moody's senior vice-president Jonathan Root believes capacity would be cut 40% to 60% or more in the second quarter of 2020 (2Q20), and in some instances, more than 75% compared with that in 2Q19.

"On a full-year basis, we expect global industry capacity to fall 25% to 35%, assuming the virus spread slows by end-June and, subsequently, passenger demand returns," he added.

Moody's senior vice-president Martin Hallmark said key drivers of how significantly credit quality

would ultimately be affected are the demand trough duration and whether airlines have sufficient liquidity to cope until schedules start returning to normal.

While weaker airlines may be pushed to default, he said even the strongest companies would not likely emerge unscathed, notwithstanding many of its rated airline companies entered the crisis with reasonably strong liquidity buffers.

After first revising its outlook for the global airline industry to nega-

tive in early March, Moody's reassessed the evolving risk profile of its rated issuers and, beginning earlier this week, initiated reviews for downgrades of its ratings for most of the airline companies that it rates.

Moody's said its preliminary assessment is the large airlines have adequate liquidity to manage through a fairly significant short-term disruption through June, and a continuing but more moderate disruption through 3Q.

However, it expects more mod-

est-sized and/or less liquid airlines to be more exposed, noting the potential of some airlines collapsing within a short period without additional support from shareholders and/or central governments.

"Finally, Moody's noted the extent of government intervention is critical. The rating agency believes many airlines will require financial support from federal and state governments, particularly if more aggressive measures to contain the virus are implemented," it added. — *Bernama*

**MOVEMENT CONTROL ORDER**

**ARE MALAYSIANS WORKING IN SINGAPORE ALLOWED TO ENTER & EXIT AS USUAL?**

No, but Malaysians & permanent residents are allowed to go to Singapore if they have a valid work permit, letter from their Singapore employer to come to work & written agreement from their employer that housing will be provided till **March 31, 2020**

Source: Ministry of Foreign Affairs Bernama Infographics

## Harassed freight forwarders seek clarity on whether logistics are essential services

BY AHMAD NAQIB IDRIS

KUALA LUMPUR: The Federation of Malaysian Freight Forwarders (FMFF) is urging the government for clear directions and guidelines on whether logistic services, including transportation and warehousing, are deemed as essential services.

In a statement yesterday, the federation cited many contradicting statements by different ministries that the former is unable to properly advise its members on whether operations can continue.

Further, enforcement agencies have been stopping FMFF members' trucks and directing that their offices be closed.

According to the FMFF, the police have also said their drivers must possess work travel passes and also provide proof they have undergone Covid-19 testing. Their drivers and member companies have also been told that they need the National Security

Council's approval to transport goods, and that only medicine and food may be transported.

The FMFF said this contradicts the international trade and investment ministry's announcement on the approval for a continued provision of logistic services by manufacturers of essential and non-essential goods.

"We have written to the transport and home affairs ministries to confirm whether we are essential services, as in item 12 of the essential services issued by the National Security Council.

"We had yet to receive a reply from these ministries. The Port Klang Authority is in agreement that logistic services are essential but enforcement agencies' actions seem to suggest otherwise," said the FMFF, representing over 1,300 freight forwarding companies in Malaysia.

It also noted the defence minister had said companies need to issue work travel passes to employees.

As such, the FMFF has written to the transport and home affairs ministries for approval to issue work travel passes to its members and staff to head to their workplaces, but had yet to get a reply.

"Meanwhile, goods imported before the movement control order (MCO) implementation have arrived at ports. If these goods are not under the approved list, they cannot be moved out from the ports.

"Each container that cannot be delivered will incur demurrage charges from shipping lines and storage and removal charges from ports. This will add to the final costs of delivered goods to manufacturers and importers," said the federation.

"Inevitably, the final consumer bears all these additional costs and manufacturers may face disrupted production schedules and loss of market. Similarly, exports of non-approved goods cannot be sent to ports for shipment, result-

ing in cancelled contracts and loss of business."

It added that essential goods make up only about 20% to 30% of the total cargo throughput at ports, with the rest being non-essential goods. Therefore, not delivering these may max out ports' storage capacities and result in a huge backlog of containers to be delivered after the MCO.

However, given the contradicting guidelines, harassment from the authorities and the relevant ministries' lack of response, the FMFF said it may end up advising its members to cease operations immediately, until the government is able to approve and facilitate the logistics industry's operations.

"Notwithstanding the above, our members will still facilitate the clearance and transport of medicine, medical products, foodstuff and other products deemed as very essential to the country," said the federation.

## 'Glovemakers to donate 19 million gloves to govt for virus fight'

KUALA LUMPUR: Local rubber glovemakers have pledged to donate a total of 19 million medical gloves to the Malaysian government to aid the fight against Covid-19, according to Malaysian Rubber Glove Manufacturers Association (Margma).

Margma president Denis Low, in a statement yesterday, said among the donors are Smart Glove Corp Sdn Bhd, Top Glove Corp Bhd, YTY Group, Kossan Latex Industries (M) Sdn Bhd, Hartalega Holdings Bhd, Supermax Corp Bhd and Comfort Rubber Gloves Industries Sdn Bhd.

Other donors include Brightway Holdings Sdn Bhd, Riverstone Resources Sdn Bhd, Careplus Group of Companies, Latexx Partners Bhd, Tekmedic (M) Sdn Bhd, Ansell, Shield Scientific Sdn Bhd, Intco Medical Group (M) Sdn Bhd, Professional Latex Sdn Bhd, Bonric Sdn Bhd, Koon Seng Sdn Bhd, Multisafe Sdn Bhd, Central Destar (M) Sdn Bhd and VIP Glove Sdn Bhd.

"The donation of 19 million gloves also includes the many batches of gloves donated by our members to hospitals, police stations and local authorities within their vicinities in the last few days.

"Margma hopes and prays that this Covid-19 pandemic will be contained and arrested quickly in Malaysia and around the world," Low said.

Low also reiterated his call for the government to allow Margma members to resume full production capacity, instead of limiting their production capacity to 50% in the movement control order period, as an essential service industry.

"This had led to a shortfall of gloves worldwide. Margma urges the government to allow the rubber gloves industry to operate at 100%, so we can meet a surge in demand for rubber gloves from many parts of the world," he added.