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SECTOR IN-DEPTH
25 June 2020

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Coronavirus – ASEAN-5

Policy response provides some support but unlikely to offset rising credit risk

Summary

The ASEAN-5 economies – Malaysia (A3 stable), the Philippines (Baa2 stable), Indonesia (Baa2 stable), Vietnam (Ba3 negative) and Thailand (Baa1 stable) – have taken steps to mitigate the economic damage of the coronavirus outbreak. The support packages vary in scale and scope, and are largely contingent in nature. While they will broadly help reduce some of the negative effects of the crisis, they will not offset the rising recessionary or credit risks for most sectors.

» **Policy measures will provide a degree of support, but the confluence of shocks will weigh on growth prospects.** The growth slowdown in the region will be significant relative to previous crisis episodes, but will still be moderate compared to other regions. Nonetheless, the ASEAN-5 are negatively impacted by sharp falls in external trade flows, sluggish commodity prices that weigh on the fiscal revenues of commodity exporters, and financial market volatility that can trigger capital outflows.

» **Policy measures will have significant fiscal costs.** Government revenue across the region will decline and spending will rise as countries try to mitigate the effects of the crisis. Fiscal costs of support measures will be significant, with debt burdens only stabilising from 2021 for most economies. However, the ASEAN-5 countries had adequate fiscal buffers before the pandemic that gives them fiscal space to respond to the crisis.

» **Credit risks for banks have increased, despite policy support.** Policy measures have mostly focused on providing liquidity to banks to support new lending, and through credit restructuring such as debt moratoriums. As moratoriums are lifted, banks' problem loans will likely increase.

» **Few corporate sectors will benefit directly from government support.** Strategically important state-owned enterprises will likely take priority in receiving direct financial support. Privately owned companies will get some support from broader policy measures such as temporary tax relief and lower interest rates.

» **Infrastructure sector will get limited policy support but essentiality of services may help shore up demand for some companies.** With the exception of Indonesia, few countries in the region have taken steps to support utilities and other infrastructure companies. Governments have instead shifted some of the burden related to policy support to the utilities and other infrastructure providers.

While policy measures will provide a degree of support, weaknesses in trade, commodities and sentiment will weigh on growth

Governments in the ASEAN-5 have responded promptly to the coronavirus pandemic with policies to support companies and workers amid a sharp contraction in economic activity. While these efforts will mitigate credit-negative pressure on companies, banks and the broader economy, they will not fully offset the economic damage and erosion of credit quality.

The announced packages share common features, such as increased social protection for workers, financial support for companies in the form of tax deferrals and subsidies, loan guarantees, and supported lending schemes to promote continued access to working capital (see Exhibit 1). While the scale of overall support across the region varies, the share accounted for by direct government spending is relatively modest. Most of the support are largely contingent in nature and take the form of indirect measures, such as guarantees. In conjunction with fiscal expansion, central banks have also taken steps to support financing and liquidity, which will mitigate some of the disruption to companies and banks.

Exhibit 1

Key policy measures announced in the ASEAN-5

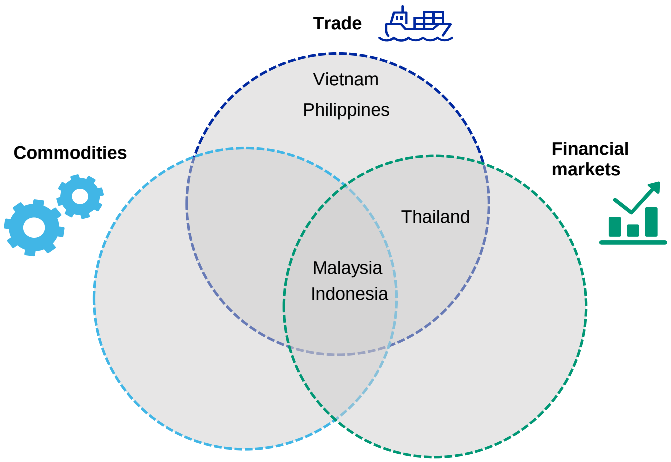
Economies	Debt repayment holiday	Monetary policy easing	Wage subsidies for companies	Credit guarantees for companies	Tax/social security relief	Direct cash to households (or in kind)	Withdrawals permitted from pension funds
Malaysia	x	x	x	x	x	x	x
Philippines	x	x		x	x	x	
Indonesia	x	x			x	x	
Vietnam	x	x			x		
Thailand	x	x		x	x	x	

Sources: Government budget offices and Moody's Investors Service

Notwithstanding the range of policy support, the ASEAN-5 economies are confronting shocks on multiple fronts (see Exhibit 2). First, these economies are highly integrated in regional manufacturing supply chains and are experiencing sharp declines in external trade flows. Further, travel restrictions to mitigate the spread of the coronavirus will reduce tourism-related revenue and export earnings, which will weaken fiscal and external positions in tourism-dependent economies. The tourism slump will particularly affect the airport and gaming sectors. Second, sluggish commodity prices will weigh on fiscal revenues for commodity exporters. Third, financial market volatility resulted in capital outflows in March and April, although lower dependence on foreign-currency denominated debt for most governments will to some extent shield them from currency depreciation risk. A combination of these negative shocks will weigh on the region's growth prospects for the rest of the year (see Exhibit 3). Nonetheless, while we expect the growth slowdown in the region to be significant relative to previous crisis episodes, including the Global Financial Crisis, the slowdown is still moderate compared to other regions.

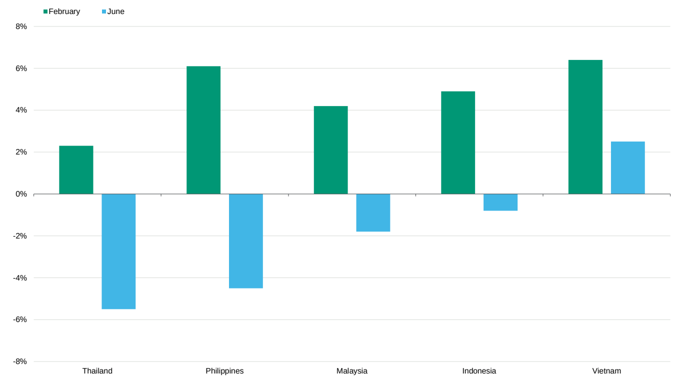
China relies on the ASEAN-5 for intermediate and final inputs for its production processes. As we discussed in a February report, the contribution of these trade linkages to domestic GDP of the ASEAN-5 is not insignificant (see Exhibit 4). Disruptions to production and logistics continue to weigh on the region's manufacturing activities, with PMI manufacturing readings in May still in negative territory even as activity in China gradually recovers.

Exhibit 2
ASEAN-5 are vulnerable to shocks to trade, commodities and financial market sentiment



Source: Moody's Investors Service

Exhibit 3
We have revised down 2020 growth projections for the ASEAN-5 from February
Real GDP growth



Source: Moody's Investors Service

Sluggish commodity prices will weigh on fiscal revenues. Indonesia is expected to see lower export earnings from key commodities such as palm oil and coal, weaker resource-related revenues will in turn have knock-on effects on the fiscal balance. The Malaysian government's exposure to petroleum revenue will also reduce its fiscal flexibility, as spending needs increase to support economic activity from the coronavirus outbreak.

The ASEAN-5 have taken a hit from capital outflows, which have led to some currency movements (see Exhibit 5). Indonesia saw the sharpest outflow in March, with the Indonesian rupiah depreciating by 18% year to date as of early April, and the Thai baht and Malaysian ringgit depreciating by 9% and 6%, respectively. The Philippine peso and Vietnamese dong have generally held up, partly reflecting a healthy build-up of foreign exchange reserve buffers in the Philippines and successful handling of the crisis in Vietnam. Since the start of the coronavirus crisis, central banks have generally intervened to support their currencies, but policymakers also have to grapple with the opposing forces of looser monetary policies to shore up their economies.

Exhibit 4
The contribution to ASEAN-5 GDP from supplying inputs to China's manufacturing exports is not insignificant

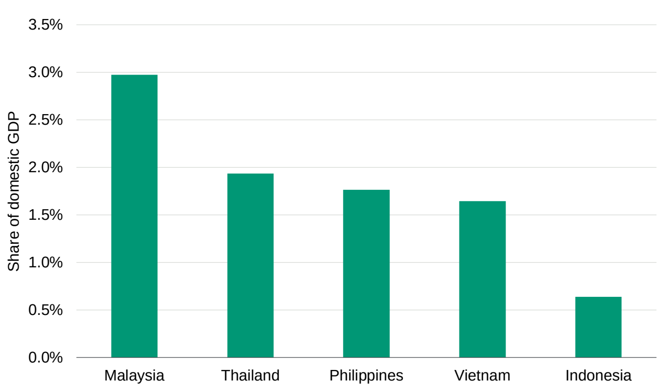
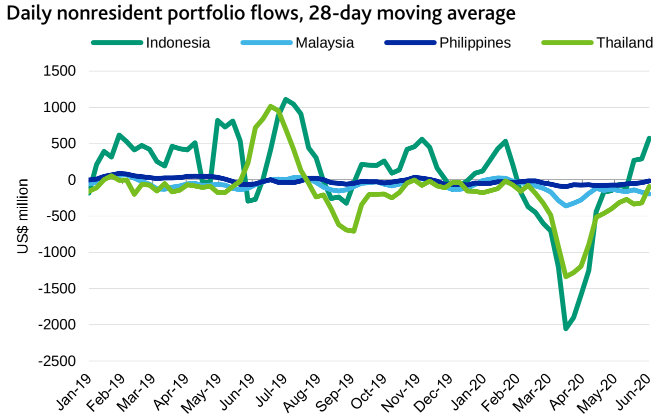


Exhibit refers to value added from ASEAN-5 embedded within China's manufacturing exports to the world
Source: OECD Trade in Value Added (2015)

Exhibit 5
The region's portfolio outflows have been sizeable, except for the Philippines'
Daily nonresident portfolio flows, 28-day moving average



Sources: Institute of International Finance and Moody's Investors Service

The region's currencies have largely recovered most of their losses on a year-to-date basis, lower dependence on foreign-currency denominated debt for most governments will to some extent shield them from currency depreciation risk. Most rated companies have natural hedges in place to mitigate unfavourable currency movements, such as financial hedges or dollar revenues and cash reserves. Companies that are more susceptible to foreign-exchange volatility already reflect this in their ratings. Banks in the ASEAN-5 are mainly funded by domestic deposits and do not have a high reliance on foreign currency deposits and market funds. On the lending side, the vast majority of loans is also provided in domestic currency.

Remittances for economies such as the Philippines will likely soften substantially, reflecting not only job losses and falling income of its residents living overseas, but also lower opportunities for new workers to find employment abroad due to travel restrictions. Remittances from overseas Filipino workers contracted 4.7% in March. However, overall growth in remittances to the Philippines has slowed over the years, as the country becomes less reliant on remittances to fund its modest current-account deficit.

Key policy support measures in the ASEAN-5

- **Vietnam**: Key measures include deferring payment of tax obligations, lowering business registration fees for small and medium-sized enterprises (SMEs), and allowing companies and workers to defer pension fund contributions without interest penalties. The government also approved a cash transfer package worth VND36 trillion for affected workers and households. The central bank has also cut its refinancing rate by 50 basis points to 4.5%. As a result of its success in containment efforts, Vietnam eased lockdowns earlier than did other countries. The country's domestic economy has almost completely reopened, with the government now encouraging domestic tourism.
- **Thailand:** Key components include health-related spending, financial assistance for about 24 million people who have lost income because of the pandemic, and soft loans and tax relief for individuals and businesses. The central bank has also announced several monetary easing measures, having cut its policy rate by 75 basis points to 0.5% this year. The government began easing lockdown measures in early May. Shopping malls and retail shops are now allowed to operate as usual; however, a ban remains on all international flights until the end of June.
- **Malaysia:** Four stimulus packages total RM295 billion (19.7% of GDP), with measures including cash transfers to low-income households, wage subsidies, rural infrastructure spending and grants for micro SMEs (MSMEs). This includes a RM50bn fund for working capital loan guarantees for all coronavirus-affected businesses. The central bank has taken monetary easing measures that include cutting its policy rate twice by a total of 75 basis points to 2%, and lowering reserve requirement ratios by 100 basis points to 2%. The country allowed most economic and social activities to resume as of June 9.
- **Indonesia:** Key components include broader coverage of existing social assistance schemes, increased tax relief, capital injection into state-owned enterprises (SOEs), and interest subsidies for MSMEs. The central bank has also reduced the policy rate by 75 basis points cumulatively to 4.25%. Other measures to ease liquidity conditions include lowering reserve requirement ratios for banks, increasing the frequency of foreign-exchange swap auctions, and increasing the maximum duration and size of repo and reverse repo operations. The government has taken a more cautious approach regarding the resumption of economic activity compared to its ASEAN-5 counterparts, with restaurants and cafes likely to reopen only in July.
- **The Philippines:** Measures largely focus on support for individuals, with PHP205 billion channelled toward a cash aid program for 18 million low-income households and more than PHP56 billion in social protections for vulnerable workers. Other measures include credit guarantees for small businesses and loan restructuring for MSMEs. A corporate tax cut is being planned. The central bank has also reduced its policy rate three times in 2020 by a cumulative 125 basis points to 2.75% and lowered the reserve requirement ratio for commercial banks by 200 basis points to 12%. Additionally, it has injected liquidity into the system by purchasing PHP300 billion in government securities. While the government has taken preliminary steps toward an end to "enhanced community quarantine," which has been in place since mid-March, many businesses in Metro Manila remain shut or are operating at reduced capacity.

Policy measures will have significant fiscal costs

The ASEAN-5 economies have implemented varying policy measures to mitigate the economic effects of the crisis, which will have significant fiscal costs. We expect fiscal deficits throughout the region to widen by more than 3 percentage points of GDP, on average, and debt burdens to rise between 3.5 percentage points to 11.1 percentage points of GDP between 2019 and 2020.

Malaysia's measures to support the economy amount to 19.7% of GDP but will not materially drive fiscal spending as only around 3% of GDP of the measures will be directly funded by the government. The support packages of the other economies amount to less than 10% of GDP. Thailand will record the largest increase in debt burden in 2020, primarily driven by a large economic contraction. By contrast, we project the increase in the debt burden to be limited to just over 6 percentage points of GDP in Malaysia. Vietnam's debt burden will increase the least, consistent with the limited stimulus measures announced and the comparatively modest slowdown in growth that we project for 2020.

In light of our expectation for a rebound in economic activity in the second half of the year, we expect fiscal deterioration to begin reversing in 2021 for all of the ASEAN-5 economies. However, gradual fiscal adjustment to pre-coronavirus levels will keep debt on a rising trajectory until 2023 for Indonesia, while for the Philippines and Thailand, the debt burden will peak in 2021. Malaysia will record a peak debt ratio in 2020, given that the on-balance sheet impact of the fiscal stimulus is relatively limited and all measures are one-off and will be unwound next year. In general, debt ratios of the five countries will remain well above 2019 levels and only start peaking from 2021 for most economies. Still, fiscal and debt deterioration, while significant relative to historical performance, remain materially contained among the ASEAN- 5 in comparison with sovereigns elsewhere.

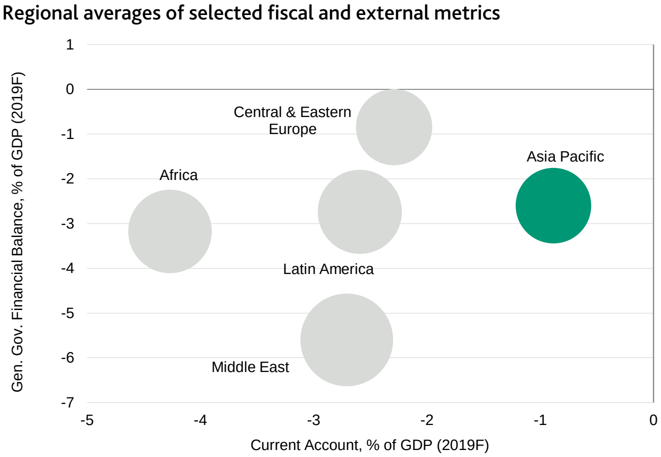
Stronger starting points for external and fiscal metrics, and low vulnerabilities to event risk will serve as buffers against weakening credit quality

While stimulus measures will have a significant effect on fiscal metrics, the impact will not be markedly different from the likely deterioration in other regions. Moreover, the ASEAN-5 economies, along with most Asia-Pacific economies, entered the crisis with fiscal buffers that were comparatively strong (see Exhibits 6 and 7). These buffers have afforded governments some fiscal space to react to the crisis. Apart from Malaysia, where the debt ratio has historically trended above the median, the increase in debt ratios would still leave debt burdens below the median rating levels for these sovereigns. However, we expect debt affordability metrics for each of these sovereigns to worsen, particularly as revenue collection drops in a slower growth environment. In particular, the deterioration will hurt the fiscal strength of Malaysia and Indonesia, where debt affordability was already weak.

Exhibit 6

External and fiscal buffers are generally stronger in Asia across emerging markets

Regional averages of selected fiscal and external metrics

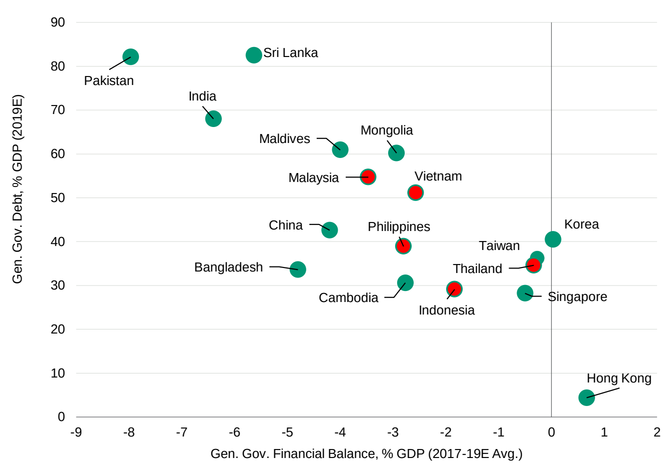


To strip out outliers, regional aggregates use a trimmed mean that excludes the lowest 5% and highest 5% of values for each region. Bubble size is equivalent to the estimated general government debt-to-GDP ratio in 2019.
Source: Moody's Investors Service

Exhibit 7

ASEAN-5 have adequate fiscal policy space

Fiscal metrics of Asian economies



Source: Moody's Investors Service

Some key credit strengths of the ASEAN-5 economies will remain, including strong foreign-exchange positions relative to forthcoming external debt repayments and generally low levels of foreign-currency denominated debt as a share of GDP. Despite relatively low per capita income levels, the large size of these economies relative to median and their generally diversified economies offer considerable shock-absorption capacity. We expect GDP growth of the bloc to recover to pre-coronavirus growth rates by 2021, in part reflecting base effects, and growth to be sustained close to pre-coronavirus growth rates beyond the initial recovery in 2021.

All of the ASEAN-5 countries have strong foreign-exchange reserve positions, reflected in their modest External Vulnerability Index (EVI) ratios. Even for Malaysia, where the reading exceeds 100%, short-term liabilities arise mainly from intra-bank liabilities that present less of a risk or claim on foreign reserves. Moreover, the high foreign-investor participation in domestic markets is mitigated by a deep domestic capital market, the country's surplus net investment position and sizeable export proceeds. Foreign exchange reserves are also sufficient to cover more than 5 months of imports.

Although trade, commodities and capital flight risks have led to an increase in external vulnerabilities, these factors are unlikely to drive significant credit pressures for any of the ASEAN-5 economies. In particular, currency depreciation now presents less of a risk for sovereigns such as Malaysia and Thailand that have a lower proportion of foreign-currency denominated government debt, while the share of overseas government borrowings for the Philippines and Vietnam has fallen owing to deeper domestic markets. In comparison, Indonesia, where about 38% of total government debt is foreign currency-denominated and an equally large share of local currency-denominated debt is owed to non-residents, has larger debt servicing costs and more exposure to market volatility.

Credit risks for banks have risen, despite large public support

In line with our global view, we expect government support measures to mitigate but not eliminate pandemic-induced difficulties for ASEAN-5 banks.

Government support for the financial sector in the wake of the pandemic has focused mainly on ensuring that banks have abundant liquidity to support new lending, and avoiding the possibility of a credit crunch through loan restructurings and soft loans. The Thai central bank has also started buying private-sector bonds (a THB400 billion programme) to support the functioning of the domestic debt capital market and asset management industry.

Most of the liquidity support has come from lower liquidity requirements, and the widening and lengthening of central bank discount and swap facilities. The liquidity support measures, coupled with the cash accumulation strategy of domestic corporate and retail depositors, have resulted in an increase in banks' liquidity buffers. While they have deployed some of the liquidity in new loans, banks lowered their loan-to-deposit ratios in the first quarter of 2020, indicating that they have good capacity to provide new loans this year. We expect ASEAN-5 banks to maintain robust liquidity buffers of 25%-30% of their total assets over 2020-21.

Credit restructuring is another important measure that supports banks and their borrowers. ASEAN-5 regulators have rolled out debt moratoriums to avoid a wave of defaults as cash flows of some companies and SMEs have fallen significantly amid coronavirus lockdowns, while employment conditions have deteriorated. This approach can lead to lower expected losses for banks, as opposed to a more negative scenario in which banks have a high level of problem loans in a short period of time, and low recovery rates on repossessed collateral. At the same time, extensive moratoriums – particularly automatic ones – prohibit banks from dealing with problem borrowers at an early stage, a credit negative.

Within the region, Malaysia makes the most extensive use of debt moratoriums. Its central bank introduced an automatic six-month moratorium on all ringgit-denominated retail (excluding credit cards) and SME loans that were not in arrears for more than 90 days as of 1 April, although borrowers can choose to opt out of this arrangement. More than 70% of the Malaysian banking system loans as of the end of 2019 will fall under the moratorium. The central bank has also permitted bank to restructure loans until the end of the year. Similarly, Indonesia's central bank has allowed banks to restructure loans until March 2021. Such restructured loans, in Malaysia and Indonesia, do not need to be classified as nonperforming and banks do not need to make additional loan loss provisioning against them.

Vietnam is on the other side of the spectrum, with only about 5% of loans falling under moratoriums, because the economic impact of the coronavirus has been less severe compared with that in most other Asian economies. Most of the region's debt moratoriums will expire in the second half of 2020, and the authorities will likely assess the need to renew them if the economic recovery remains muted or if a negative scenario develops, such as a second wave of infections.

We expect an increase in problem loans after the lifting of the moratoriums, however the magnitude of the increase is difficult to assess at this stage. Based on our analysis, most rated banks in the ASEAN-5 can weather at least a doubling of problem loans, provided that the credit provisions are spread over two to three years. In such a scenario, regulators would likely allow a gradual build-up of provisions or relax capital norms, or both.

Authorities are also ensuring that new bank loans are channelled into industries that banks might shun in times of crisis, such as SMEs. Thailand introduced a soft loan scheme so that SMEs receive loans at a concessional 2% rate, whereby the government covers the first six months of interest and guarantees up to 70% of principal. Malaysia and the Philippines have also set up SME support programmes.

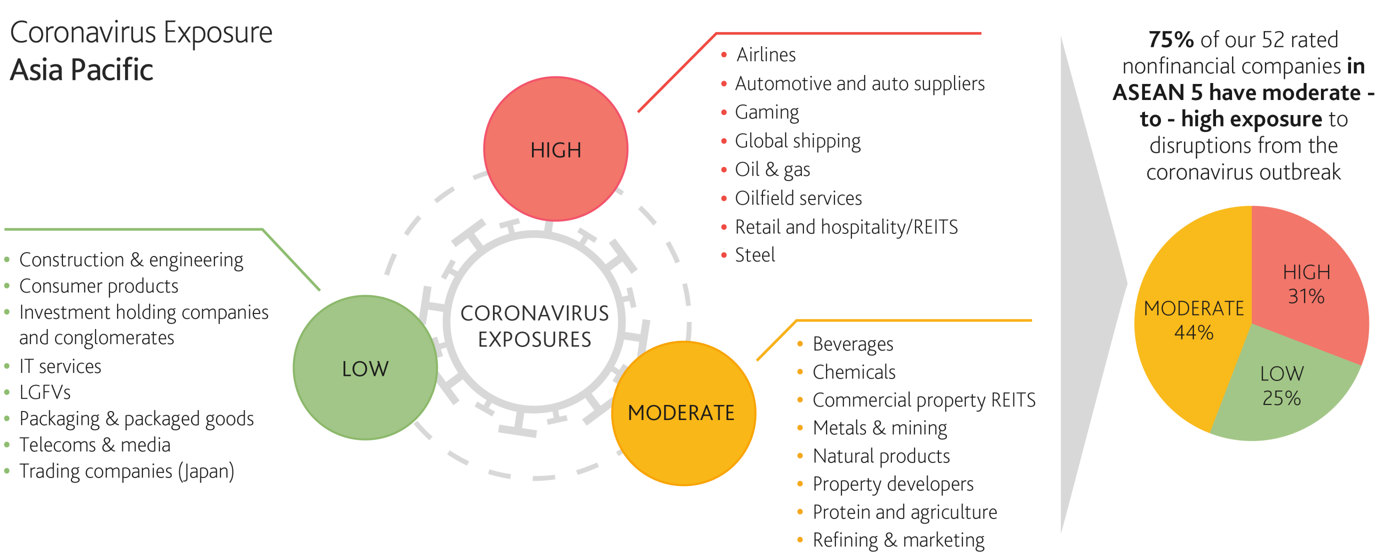
Most rated companies are unlikely to benefit from direct government support

We analyzed exposure to disruptions from the coronavirus outbreak for 476 rated companies across 15 countries in Asia Pacific, based on a set of factors. We then placed the companies in three categories: high exposure, moderate exposure or low exposure. The level of exposure indicates the potential implications for each company's credit quality or ratings. Fore more information, see Nonfinancial companies – Asia-Pacific: Heat map update: More companies have high exposure to coronavirus disruptions, 25 May 2020.

Based on our findings, of the 52 companies that we rate in ASEAN-5 countries, 75% have moderate or high exposure to coronavirus-related disruption (see Exhibit 8). Among the most-affected sectors are those that are sensitive to slowing economic growth, weak consumer sentiment and demand and low commodity prices. These sectors include manufacturing, gaming, oil and gas, metals and mining, and steel.

Of the 25% of companies that have low exposure, most are in the telecommunications sector, which is less susceptible to coronavirus-related disruption given the essential nature of the services it provides.

Exhibit 8
Asia Pacific sector exposure to coronavirus disruptions



Our Asia-Pacific heat map is based on a bottom-up assessment of 476 rated companies across 15 countries to disruptions from the coronavirus pandemic as of 15 May 2020. We looked at several factors including: (1) exposure to affected regions through manufacturing or sales - either through direct presence or joint ventures and affiliates; (2) reliance on affected regions for raw materials; (3) potential for supply chain disruptions; (4) potential effect of pandemic on demand and pricing; (5) liquidity (cash on hand, committed funding, access to additional funding). We did not consider government support measures (implicit or explicit) directly related to the coronavirus in our assessments. We then placed the companies in three categories: high exposure, moderate exposure or low exposure. The level of exposure indicates the potential implications for each company's credit quality or ratings.
Source: Moody's Investors Service

A company's exposure can differ from the exposure of the sector in which it operates, and companies' exposure can differ within a sector. These differences can reflect company-specific factors including balance-sheet strength, the strategic importance of the company or sector, and the likelihood of receiving direct financial assistance from the government.

Low oil prices this year will weaken earnings and cash flow for state-owned oil and gas companies in ASEAN-5 including Indonesia's Pertamina (Persero) (P.T.) (Baa2 stable), Malaysia's Petroliam Nasional Berhad (PETRONAS, A2 stable) and Thailand's PTT Public Company Limited (PTT, Baa1 stable). Despite our negative outlook for the integrated oil and gas sector and the fact that the oil and gas sector has high exposure to coronavirus-related disruption, we have maintained the ratings and stable outlook on the three companies. They all have large cash reserves and we expect their governments would provide extraordinary support if needed, given their strategic importance to their countries.

Given the financial burden of funding fiscal stimulus plans, governments will likely prioritise direct financial support, if required, toward strategically important state-owned companies. We do not expect governments to provide direct financial support for privately owned companies. Instead, these companies will likely benefit from broad policy measures such as temporary tax relief and lower interest rates.

Broad government policy measures are unlikely to prevent a deterioration of credit quality for smaller companies, particularly those with weak liquidity and near-term refinancing risk given the difficult market conditions. There has been no rated high-yield corporate issuance in ASEAN-5 countries since February.

In Malaysia**,** in addition to the stimulus packages, the government also allowed certain strategically important sectors to operate during the national lockdown that ended 9 June. This policy helped prevent material operational disruptions for companies in the oil and gas and palm oil sectors, which are important contributors to the Malaysian economy in terms of government revenue and employment.

To support the economic stimulus, the Malaysian government has requested that state-owned PETRONAS consider increasing its 2020 dividend payment above the previously announced MYR24 billion. The amount and timing of the dividend is subject to the approval of the company's board of directors. We expect PETRONAS to continue to maintain its net cash position despite the likely increase in dividend payments and lower operating cash flow resulting from weak petroleum prices. With regard to the palm oil sector, the government announced in its latest stimulus package on 5 June that it would fully exempt export duties through the rest of the year. The exemption will boost palm oil exports and benefit producers such as Sime Darby Plantation Berhad (Baa2 stable) and IOI Corporation Berhad (Baa2 stable).

Most of Thailand's fiscal stimulus measures and monetary policies will directly benefit SMEs. The Bank of Thailand will provide a THB500 billion credit line to financial institutions for on-lending to SMEs. The government will cover the first six months of interest on these loans, and will guarantee up to 70% of the principal. SMEs will also benefit from a temporary loan repayment moratoriums of six months. Thailand had also set up government funds to purchase corporate bonds and other eligible securities. These measures will help mitigate liquidity risk and alleviate funding constraints in the credit markets.

Indonesia's support package also includes liquidity support in the form of loans, capital injections and working capital investments worth around IDR152 trillion for SOEs. The government will prioritise SOE funding based on factors including the level of state ownership and the importance of the SOE in carrying out the government's mandate.

As mentioned above, the Philippines has targeted its fiscal stimulus and monetary policy primarily for individuals and SMEs. However, a planned corporate tax reduction will also benefit larger companies, such as integrated telecommunications provider PLDT Inc. (Baa2 stable).

In Vietnam, the government's support package includes measures to help temporarily alleviate liquidity pressure for companies. These include payment deferrals of value added tax, corporate income tax and land rental fees by five months. The government is also targeting the full disbursement of public-investment capital worth around VND686 trillion in 2020, a 58% increase from VND434 trillion disbursed in 2019.[1] The disbursement should help drive infrastructure spending, which will benefit the domestic building material, construction and steel sectors.

Limited policy support but essentiality of services will help insulate most infrastructure companies

The governments of Malaysia, Vietnam, Thailand and the Philippines have not yet announced any specific direct support for utilities and infrastructure companies. In Indonesia, the government has announced capital injections and compensation payments for the national utility Perusahaan Listrik Negara (Baa2 stable) and toll road operator Hutama Karya (Baa3 stable). Other than for these two companies, the government has not announced any material support for other rated Indonesian infrastructure companies.

Policy support in the region has mostly tended to shift part of the burden to utilities and other infrastructure providers. Regulators and governments have implemented relief measures for utility customers facing financial hardship resulting from the pandemic. Such measures include temporary tariff reductions or freezes, and payment deferrals. The Malaysian government for instance has introduced an electricity discount initiative to end users, with additional discounts offered to tourism-related sectors. The government and Tenaga Nasional Berhad (A3 stable) will fund the discounts.

State-owned infrastructure companies may also play a key role in stimulus measures to aid economic recovery, such as capital spending on infrastructure upgrades and replacement.

Utilities and infrastructure companies provide essential services to residents, public services and businesses, which are vital to maintain now and in the subsequent recovery. The risk exposure for regulated utilities remains low because demand is largely inelastic. The temporary tariff relief measures that utilities have put in place likely will have limited effects on financial metrics. Project finance issuers, such as power projects in Indonesia and Vietnam, have take-or-pay arrangements with their respective national utilities. We expect these features to continue to mitigate demand risks.

However, issuers in transport sectors such as airports, ports, and toll road operators will likely suffer sharp declines in revenue amid lower traffic and trade flows.

For airports, operating conditions remain particularly difficult. Governments are easing domestic movement restrictions ahead of our previous expectations but wide-ranging international travel restrictions remain in place, the latter being a key driver of certain airport revenues. Governments are providing some support to the aviation sector through lower fuel taxes, security charge waivers and subsidies for regional routes — but not to airports directly. In Malaysia for instance, Malaysian Airport Holdings Berhad (A3 negative) is providing credit extensions of 90 days on all gazetted aeronautical charges to support the airlines as well as commercial tenants at the airport.

For ports, we continue to expect declining trade volumes this year amid weak consumer demand, a sharp decline in domestic and global economic activity and a disruption in the supply chain. We expect a severe decline in volumes in the current quarter, before a progressive recovery in the second half of the year.

Longer-term recovery of toll road volumes will reflect the broader economic recovery. But it will remain vulnerable to disruption risk from potential changes to consumer preferences, such as increased work from home.

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1 The planned disbursement in 2020 includes VND225 trillion carried over from previous years.

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