

# MOODY'S

## INVESTORS SERVICE

### OUTLOOK

21 April 2020



#### Contacts

Walter J. Winrow +1.212.553.7943  
MD-Gbl Proj and Infra Fin  
walter.winrow@moodys.com

Terry Fanous +65.6398.8307  
MD-Public Proj & Infstr Fin  
terry.fanous@moodys.com

Jim Hempstead +1.212.553.4318  
MD-Utilities  
james.hempstead@moodys.com

Michael Mulvaney +1.212.553.3665  
MD-Project Finance  
michael.mulvaney@moodys.com

Douglas Segars, CFA +44.20.7772.1584  
MD-Infrastructure Finance  
douglas.segars@moodys.com

#### CLIENT SERVICES

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454

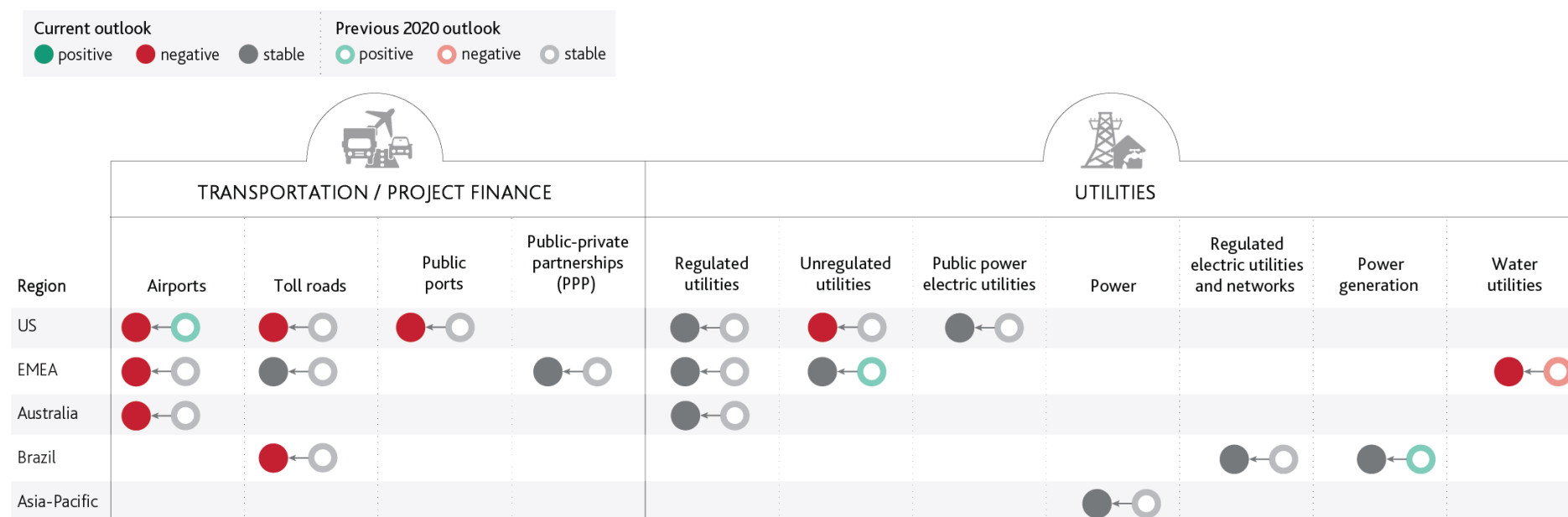
### Infrastructure & Project Finance – Global

## Transportation outlooks largely negative as coronavirus saps demand; utilities outlooks remain mostly stable

- » **Since the [coronavirus crisis](#) emerged in late January, we have revised downward nine of our 18 industry outlooks globally.** Our outlooks reflect our expectations for the fundamental business conditions in the sectors over the next 12 to 18 months. Our outlooks will continue to change as the operating environments evolve.
- » **Most of our outlook changes are within the transportation sectors of airports, toll roads and seaports where demand has dropped precipitously.** Social distancing, travel bans, work-from-home orders and other public health measures have kept passengers and drivers at home. Although we expect use levels to improve as the crisis abates, the return to normalcy will be gradual and we expect effects to last through 2020 and into 2021.
- » **All of our regional sector outlooks for airports are negative.** Airlines' financial stress is an additional pressure because capacity cuts directly affect enplanement levels and, in several jurisdictions, airports rely on passenger throughput for a large portion of revenue. In the US, [deteriorating airline credit quality](#) will pose a threat to airports' ability to use cost recovery models to recover lost nonairline revenue such as parking and retail sales. Elsewhere, airports are particularly exposed to airline failures because the replacement of routes serviced by failed airlines will prove difficult given continuing uncertainty about demand, delaying a recovery in traffic and revenues.
- » **Our utilities outlooks are largely stable.** Demand has fallen, especially from commercial customers, but regulatory support is generally strong. Regulated utilities — water, gas and electric — are more resilient because revenues are designed to recover costs associated with the rate base. Volumes are increasingly decoupled from revenue, a positive, and regulatory intervention is likely because of the critical nature of the services. The US public power business model enables them to independently set sufficient rates to cover costs including annual debt service.
- » **Government support will vary by country and industry.** Recently passed US aid legislation includes \$10 billion of funding for US airports, an important support while nonairline revenue is severely reduced during the outbreak. In some cases, support of related sectors, like airlines, will help support infrastructure and project finance credit quality. Support of some commercial users — key customers for utilities — will help businesses to continue to function once recovery takes hold.

Exhibit 1

## Outlook changes since coronavirus outbreak began



Previous 2020 outlooks were mostly published in November and December 2019.

Source: Moody's Investors Service

## Coronavirus and credit

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. We expect that credit quality around the world will continue to deteriorate, especially for those companies in the most vulnerable sectors that are most affected by prospectively reduced revenues, margins and disrupted supply chains. At this time, the sectors most exposed to the shock are those that are most sensitive to consumer demand and sentiment, including global passenger airlines, lodging and cruise, autos, as well as those in the oil & gas sector most negatively affected by the oil price shock. Lower rated issuers are most vulnerable to these unprecedented operating conditions and to shifts in market sentiment that curtail credit availability. We will take rating actions as warranted to reflect the breadth and severity of the shock, and the broad deterioration in credit quality that it has triggered.

For more information on research on and ratings affected by the coronavirus outbreak, please see [moodys.com/coronavirus](https://www.moodys.com/coronavirus).

## Moody's related publications

### Moodys.com Topic Page

- » [Coronavirus Effects: Monitoring the effects of the outbreak](#)

### Series

- » [Credit Risks in Turbulent Times](#)

### Transportation infrastructure and project finance outlooks

- » [Privately managed toll roads – Brazil: Outlook update: Changing to negative as coronavirus drives sharp decline in traffic](#), 8 April 2020
- » [Airport Services – Europe: Outlook revised to negative as coronavirus hits passenger demand](#), 7 April 2020
- » [Airports – Australia: 2020 outlook turns negative as deep airline capacity cuts reduce earnings](#), 3 April 2020
- » [Ports – US: Outlook revised to negative on weakened demand, persistent supply chain risk](#), 25 March 2020
- » [Airports – US: Outlook revised to negative as expectation of enplanements drops](#), 20 March 2020
- » [Toll Roads – US: Outlook revised to negative as response to coronavirus outbreak reduces traffic and revenue](#), 20 March 2020
- » [Public-private partnerships \(PPP\) - EMEA: 2020 outlook stable reflecting continued satisfactory performance](#), 16 January 2020
- » [Transportation infrastructure and project finance – Global: 2020 outlooks largely stable as demand remains steady \(Slides\)](#), 16 December 2019

### Utilities outlooks

- » [Unregulated utility and power generation – US: Outlook moves to negative as coronavirus spurs dual demand, supply shocks](#), 7 April 2020
- » [Power Generation Industry – Brazil: Outlook stable amid weaker dynamics for power contracting, rising counterparty risk](#), 7 April 2020
- » [Regulated electric utilities and networks — Brazil: Coronavirus delays investments and gains in efficiency, but credit quality remains stable](#), 6 April 2020
- » [Unregulated electric and gas utilities – EMEA: Outlook changed to stable as coronavirus hits power prices, political intervention rises](#), 2 April 2020
- » [Utilities and power - Global: 2020 outlooks mostly stable \(Slides\)](#), 16 December 2019
- » [Regulated electric and gas networks — EMEA: 2020 outlook stable, underpinned by transparent and predictable regulation](#), 6 December 2019
- » [Public Power Electric Utilities – US: 2020 outlook stable with mostly steady and strong financial metrics](#), 5 December 2019
- » [Power — Asia-Pacific: 2020 outlook stable on steady cash flow amid regulatory challenges](#), 5 December 2019
- » [Regulated Electric & Gas Networks – Australia: 2020 outlook stable as regulatory changes and evolving conditions remain manageable](#), 27 November 2019
- » [Regulated electric and gas utilities – US: 2020 outlook moves to stable on supportive regulation, weaker but steady credit metrics](#), 7 November 2019

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REPORT NUMBER

1223506