In this file photo, a Thai Airways jet parks at Suvarnabhumi Airport in Bangkok, Thailand. (AP)

cash strapped Thai Airways to seek bankruptcy rehabilitation

Thailand's flag carrier Thai Airways International will file a plan for restructuring its business with the Central Bankruptcy Court, a government spokeswoman said Monday.

Narumon Pinyosinwat said the plan submitted by the State Enterprise Policy Office to salvage the airline will be submitted Tuesday to for Cabinet approval. She said she had no details of the plan.

Thai Airways had been suffering financially even before the coronavirus crisis brought travel and tourism in the country to a near standstill.

The airline initially sought a 54 billion baht ($1.7 billion) bailout loan from the government. There is speculation that its reorganization under bankruptcy could take the government's ownership share below 50%, effecting a form of privatization. All rescue options were likely to lead in cuts in staff, fleet and flights.

Thai Airways logged losses of 12 billion baht ($374.3 million) in 2019, 11.6 billion baht ($361.9 million) in 2018 and 2.11 billion baht ($65.8 million) in 2017.

Thai media reports say it is carrying a debt burden of almost 300 billion baht ($9.4 billion).

The airline stopped all its flights at the beginning of April as Thailand imposed strict precautions to curb the spread of the coronavirus.

Almost all its staff were put on leave at greatly reduced salaries. The government last week extended to the end of June a ban on arrivals on international passenger flights, ruling out their immediate resumption. (AP)

Credit misallocation causing lasting risks to economies, and needs course-correction

Banks' expertise critical to speed up recovery post COVID-19

DUBAI, May 18: The Global Financial Crisis of 2009 was called the "Credit Crisis" – but what we are facing now will be the "Real Credit Crisis" of our time, according to a new report by management consultancy Oliver Wyman.

Titled, The Real Credit Crisis: How Governments and Financial Services Can Work Together to Speed Economic Recovery, the new report looks at how the global economy is going to emerge from this crisis in desperate need of growth.

Public authorities will need to work with the financial services system to speed the economic recovery. Banks' expertise in restructuring will become increasingly important, as well as their critical function in traded debt and other financial markets.

Many households and companies, already highly leveraged, are taking on more debt; a situation in which many firms across industry sectors are unlikely to be able to sustain this debt.

Governments and the financial system need to work together to absorb some of the financial losses, keep businesses alive, and help speed the economic recovery.

Mathieu Vasseux, Head of Financial Services at Oliver Wyman (MEA), said: "The 2009 Financial Crisis had a very limited effect on the GCC given its banking system had limited exposure to subprime lending and hence was largely insulated from the Credit Crisis.

The current crisis will be the opposite - the GCC will be more affected than the rest of the world.

The GCC is impacted by COVID-19 like other countries, but on top of COVID the economic impact on GCC is compounded by the 60% drop in oil price. This will cause credit and solvency of corporates to be impacted more heavily."

To support the growth needed to emerge from the crisis, authorities must acknowledge the crucial role banks can play and take the below actions:

■ Course-correct on credit provision to small and midsized businesses: Much of the lending stimulus today is not getting to the right businesses. Fixing this requires an assessment of credit availability and the operational capacity of the banking system and finding fast solutions. When necessary, authorities must simplify existing measures or extend their scope to address blind spots.

■ Prepare to manage a potentially large corporate solvency crisis that will arise after the initial liquidity support: Authorities will need to assess the preparedness of their bankruptcy systems and the potential impact of credit losses on their banking systems, and make strategic decisions on how and where to stimulate equity capital support to troubled businesses that can drive future growth. New restructuring vehicles are likely to be required.

■ Prepare to intervene in parts of the financial system as second-order financial stability issues arise. Good decisions have been made on the use of capital buffers and forbearance. But the risks are rising that some financial institutions will remain structurally weak or even fail. Authorities will need to be ready for intervention. Resolution planning efforts carried out in the last 10 years may come to a real test for the first time in several countries.

■ Planning loss absorption for future outbreaks. Systemic risks are rising relative to diversifiable risks, and this means greater government steering of loss absorption is here to stay and needs planning. Specifically, to stimulate confidence in the right growth credit and capital now, we believe a better-designed sharing of loss absorption between government, business, investors, banks, and insurers is required. The urgent priority today is to put in place a systemic solution to pandemic re-insurance.

Oliver Wyman believes the global economic impact of the COVID-19 outbreak depends on its duration, how far it spreads and the extent quarantine disrupts the labour market.

Quarantine measures could further damage 'confidence' in air travel: de Juniac

Don't make a slow recovery more difficult, warns IATA

GENEVA, May 18: The International Air Transport Association (IATA) released new analysis showing that the damage to air travel from COVID-19 extends into the medium-term, with long-haul / international travel being the most severely impacted. Quarantine measures on arrival would further damage confidence in air travel. A risk-based layered approach of globally harmonized biosecurity measures is critical for the restart.

Air travel scenarios

IATA and Tourism Economics modeled two air travel scenarios.

Baseline Scenario

■ This is contingent on domestic markets opening in Q3, with a much slower phased opening of international markets. This would limit the air travel recovery, despite most forecasts pointing toward a strong economic rebound late this year and during 2021.

■ In 2021 we expect global passenger demand (measured in revenue passenger kilometers, RPKs) to be 24% below 2019 levels and 32% lower than IATA's October 2019 Air Passenger forecast for 2021.

■ We don't expect 2019 levels to be exceeded until 2023.

■ As international markets open and economies recover, there will be further growth in air travel from the 2020 low point. But even by 2025 we would expect global RPKs to be 10% lower than the previous forecast.

Pessimistic Scenario

■ This is based on a slower opening of economies and relaxation of travel restrictions, with lockdowns extending into Q3, possibly due to a second wave of the virus. This would further delay the recovery of air travel.

■ In this case, global RPKs in 2021 could be 34% lower than 2019 levels and 41% below our previous forecast for 2021.

"Major stimulus from governments combined with liquidity injections by central banks will boost the economic recovery once the pandemic is under control. But rebuilding passenger confidence will take longer. And even then, individual and corporate travelers are likely to carefully manage travel spend and stay closer to home," said Alexandre de Juniac, IATA's Director General and CEO.

Long-Haul Travel Impact will be Longer Lasting

When the recovery begins, it is expected to be led by domestic travel.

■ An IATA survey of recent air travelers conducted in April 2020 found that 58% are somewhat or very likely to restrict their initial travel to domestic journeys.

■ Domestic Revenue Passenger Kilometers (RPKs) will only recover to 2019 levels by 2022. International RPKs are only expected to return to 2019 levels in 2024.

"The impacts of the crisis on long-haul travel will be much more severe and of a longer duration than what is expected in domestic markets. This makes globally agreed and implemented biosecurity standards for the travel process all the more critical. We have a small window to avoid the consequences of uncoordinated unilateral measures that marked the post-9.11 period. We must act fast," said de Juniac.

Avoid Quarantine Measures

IATA strongly urges governments to find alternatives to maintaining or introducing arrival quarantine measures as part of post-pandemic travel restrictions. IATA's April survey of recent air travelers showed that

■ 86% of travelers were somewhat or very concerned about being quarantined while traveling, and

■ 69% of recent travelers would not consider travelling if it involved a 14-day quarantine period.

"Even in the best of circumstances this crisis will cost many jobs and rob the economy of years of aviation-stimulated growth. To protect aviation's ability to be a catalyst for the economic recovery, we must not make that prognosis worse by making travel impracticable with quarantine measures. We need a solution for safe travel that addresses two challenges. It must give passengers confidence to travel safely and without undue hassle. And it must give governments confidence that they are protected from importing the virus. Our proposal is for a layering of temporary non-quarantine measures until we have a vaccine, immunity passports or nearly instant COVID-19 testing available at scale," said de Juniac.

IATA's proposal for a temporary risk-based layered approach to provide governments with the confidence to open their border without quarantining arrivals includes:

■ Preventing travel by those who are symptomatic with temperature screening and other measures

■ Addressing the risks of asymptomatic travelers with governments managing a robust system of health declarations and vigorous contact tracing.

The mutual recognition of agreed measures is critical for the resumption of international travel. This is a key deliverable of the COVID-19 Aviation Recovery Task Force (CART) of the International Civil Aviation Organization (ICAO).

A currency trader walks by the screens showing foreign exchange rates at the foreign exchange dealing room in Seoul, South Korea, Monday, May 18, 2020. Asian stock markets rose Monday after the chief U.S. central banker expressed optimism the American economy might start to recover this year from the coronavirus pandemic. (AP)

Asian markets rise after US Fed chief optimistic about recovery

Market sentiment will likely remain fragile – report

BEIJING, May 18, (AP): Asian stock markets rose Monday after the chief U.S. central banker expressed optimism the the American economy might start to recover this year from the coronavirus pandemic.

Benchmarks in Shanghai, Tokyo, Hong Kong and Australia all advanced.

That came despite Japan's announcement that its economy contracted in the first quarter and the Trump administration's decision to step up a technology conflict with Beijing by tightening restrictions on Chinese tech giant Huawei.

Investors appear to be looking past the outbreak to a recovery despite rising infection numbers in the United States, Brazil and some other countries. Forecasters warn the the latest market buoyancy might be premature and a return to normal could be some way off.

Market sentiment "will likely remain fragile" as investors weigh government stimulus plans against rising U.S.-Chinese tension and poor economic data, said Riki Ogawa of Mizuho Bank in a report.

The Shanghai Composite Index rose 0.7% to 2,888.78 and Tokyo's Nikkei 225 gained 0.6% to 20,158.20. The Hang Seng in Hong Kong advanced 0.4% to 23,886.13.

The Kospi in Seoul was 0.5% higher at 1,936.13 and Australia's S&P-ASX 200 gained 1.1% to 5,464.20. India's Sensex opened down 3.1% at 30,132.92. Markets in New Zealand and Singapore also advanced.

Federal Reserve Chair Jerome Powell expressed optimism Sunday that the U.S. economy can begin to rebound in the second half, assuming the coronavirus doesn't erupt in a second wave, but said a full recovery won't likely be possible before the arrival of a vaccine.

That appeared to encourage investors who are looking for signs of when global economies might return to normal.

In an interview with CBS's "60 Minutes," Powell said the U.S. economy was fundamentally healthy before the virus forced widespread business shutdowns and tens of millions of layoffs. Once the outbreak has been contained, he said, the economy should be able to rebound "substantially."

The U.S. downturn was the result of an external event instead of problems such as the financial instabilities that led to the 2008 crisis, which may mean "we can get back to a healthy economy fairly quickly," Powell said.

Powell and Treasury Secretary Steven Mnuchin are due to appear Thursday before a Senate panel to report on recovery efforts.

"Expect policymakers to strike a more cautious tone, emphasizing that we are not out of the woods yet and that more will be more stimulus in the offing," Stephen Innes of Axi-Corp said in a report.

Meanwhile, Japan's government reported Monday the world's third-largest economy contracted by 0.9% in the three months ending in March compared with the previous quarter.

That "sharp fall" suggests there is "much worse to come" in the current quarter, Tom Learmouth of Capital Economics said in a report.

On Wall Street, U.S. stocks turned in their biggest weekly loss in nearly two months.

The S&P 500 index rose 11.20 points to 2,863.70. It ended down 2.3% for the week.

The Dow Jones Industrial Average gained 0.3% to 23,685.42. The Nasdaq composite added 0.8% to 9,014.56.

Meanwhile, the White House added to trade uncertainty by tightening restrictions on Huawei Technologies Ltd. American officials say Huawei, one of the biggest makers of smartphones and network equipment, is a security risk, which the company denies.

Washington said non-U.S. companies that make processor chips for Huawei must obtain permission to use American technology, a move that threatens to disrupt sales. Huawei warned earlier that additional U.S. sanctions on the company might trigger Chinese government retaliation against American enterprises.

European governments are reopening factories, shops and other businesses but forecasters warn an economic recovery could be slow.

Chinese data reported last week showed manufacturing and auto sales are recovering but consumer spending, the biggest driver of growth for the second-largest global economy, is still declining amid widespread job losses.

In energy markets, benchmark U.S. crude gained $1.19 to $30.72 per barrel in electronic trading on the New York Mercantile Exchange. The contract rose $1.87 to $29.43 on Friday. Brent crude, used to price international oils, advanced $1.07 to $33.57 per barrel in London. It rose $1.37 the previous session to $32.50.

The dollar gained to 107.13 yen from Friday's 107.08 yen. The euro declined to $1.0823 from $1.0828.

NBK rallies 8 fils, Humansoft Holding slips

Kuwait index extends gains, volume rises

By John Mathews

Arab Times Staff

KUWAIT CITY, May 18: Kuwait stocks moved higher on Monday extending last session's upswing. The All Shares Index climbed 38.37 points in slightly volatile session to 4825.37 pts paced by some of the blue chips.

The Premier Market rallied 49.26 points to 5196.30 pts while Main Market climbed 16.58 points to 4095.92 pts. The BK 50 Main index was up 24.54 points to 3985.04 pts. The volume turnover meanwhile rose for the second straight session. Over 106 million shares changed hands – a 19 pct increase from the day before.

All sectors closed in green turf. Basic Materials outshone the rest with 1.27 percent gain while Telecommunication stood next with 0.87 pct rise. Banking sector continued to top in both volume and value with over 71 million shares worth KD 18.4 million.

Among the standouts, National Bank of Kuwait rallied 9 fils to 735 fils on back of 3.9 million shares while Kuwait Finance House extended Sunday's gains with 7 fils jump to 587 fils and the counter pushed 8.7 million shares during the session. Kuwait Foundry Co climbed 10 fils to 230 fils.

Zain rose 4 fils to 522 fils on back of 1.9 million shares and Ooredoo followed suit to end at 627 fils. STC sprinted 13 fils to 835 fils recouping last session's losses while Agility climbed 8 fils to 633 fils after pushing 1.8 million shares. Humansoft Holding however dropped 31 fils to KD 2.610.

The market opened firm and pushed higher in early trade. The main index sagged slightly before heading north again and scaled the day's highest level of 4841 points almost half way into the session. It gave up some of the gains in the second half and closed with moderate gains.

Top gainer of the day, Sultan Centre rallied 8.9 pct to 59.8 fils and National Investment Co scaled 8.3 percent to stand next. Al Deera Holding skidded 7.1 pct, the steepest decliner of the day and Ahli United Bank topped the volume with 42.5 million shares.

Reflecting the day's gains, the winners outnumbered the losers. 54 stocks advanced whereas 26 closed lower. Of the 87 counters active on Monday, 17 closed flat. 5965 deals worth KD 106 million were transacted during the session.

National Industries Group rose 4 fils to 162 fils on back of over 4 million shares and Mezzan Holding followed suit to wind up to 569 fils. Boubyan Petrochemical Co sprinted 9 fils to 492 fils and Al Qurain Petrochemical Co dialed up 2 fils. Educational Holding Group gave up 6 fils to settle at 270 fils.

Jazeera Airways was unchanged at 528 fils off early highs and ALAFCO clipped 2 fils. Combined Group Contracting Co and NAPESCO took in 2 fils each whereas Heavy Engineering Industries and Shipping Co fell 2 fils. ACICO Industries slipped 5 fils to 109 fils and Kuwait Cement Co added 4 fils. Gulf Cable closed 3 fils in green.

In the banking sector, Gulf Bank fell 3 fils to 206 fils and Kuwait International Bank dialed up 2 fils on back of over 4 million shares. Burgan Bank eased 1 fils after trading 4.4 million shares and Boubyan Bank closed 3 fils in green

The market has been upbeat so far during the week gaining 125 points in last two sessions. It is down 150 points from start of the month and has retreated 1475 points year-to-date.