

Companies hit pause button as coronavirus infects economy

March 17 2020, by Richard Lein



Companies are cutting down or ending production

Layoffs, cost cuts and scrapped dividends... companies scramble to adapt as the coronavirus emergency hits demand while draconian measures to contain it undercut production.

With the economic impact of COVID-19 threatening the very survival of many firms, governments have pledged hundreds of billions to help them limp along—or failing that, to bankroll rescues or outright nationalisation.

Here are some measures companies have taken:

Suspending production

Several industrial giants, in particular in the automobile industry, have reduced or even halted production.

America's "Big Three" carmakers—General Motors, Fiat Chrysler and Ford—are temporarily halting operations throughout North America through the end of the month, the companies said in conjunction with the auto workers' union.

Most European carmakers, including Daimler, VW, BMW, Renault, Peugeot Citroen and Fiat Chrysler have shut down most if not all of their manufacturing lines. Nissan and Ford have also shut facilities in Europe.

Sweden-based Volvo Cars said Friday it was closing its European and US factories, but has reopened its factories in China.

Truckmakers Scania and Volvo AB are halting most European production following disruptions in the supply chain.

Tyre giant Michelin is halting production in Spain, France and Italy for at least a week.

Airbus said it was suspending work at its French and Spanish plants for four days to improve workplace safety.

High-end fashion giant Gucci, part of the Kering group, is closing all sites until March 20, while Hermes is shutting its manufacturing sites until the end of March.

Forced leave, layoffs

A slew of American retailers have shut some or all of their outlets, including Nike, Macy's and Gap.

The iconic Saks Fifth Avenue flagship store in New York is closed, and Apple has shuttered all its stores outside China.



Saks's iconic New York store, shut

Adidas has shut its stores in Europe and North America, and on Friday London luxury store Harrods—which stayed open throughout the bombing of the capital during World War II—said it was also closing its doors.

The situation is especially catastrophic for the travel industry, with US hotel giant Marriott shutting down some of its properties and furloughing tens of thousands of workers.

Airlines have been hit by a double-whammy: plunging demand and sweeping travel restrictions imposed by governments.

They have taken different measures to adapt.

Russia's Aeroflot has asked employees who have accumulated extra time off to use it.

Air France says it will look at reducing working hours, which several countries have facilitated with easier access to state benefits for workers now forced to go part-time.

Low-cost airline Ryanair, which has announced the cancellation of "most if not all" of its flights from March 24, said it is looking at a similar move, along with voluntary departures and temporarily suspending work contracts.

Forcing workers into unemployment temporarily is also an option several countries have made easier,

Volkswagen's Spanish subsidiary Seat is also taking that course, Volvo AB for its 20,000 Swedish workers, and Air Canada for some 5,100 cabin crew staff, over half the total.

ADP, the company that runs the two main airports in Paris, is putting 80 percent of its staff on temporary unemployment.

Italian shipyard Fincantieri, which has also halted output, has asked its workers to use their annual leave.

Auto parts maker Bosch said Friday it would ask its staff to take vacation time, reduce working hours and beginning next month put some people on temporary unemployment as it cuts back production.

UK mobile phone retailer Dixons Carphone, however, is axing 2,900 jobs as it faces "turbulent times".

Cost cutting

Firms have also moved swiftly to cut costs.



For many airlines it's now about survival

Air France-KLM, which is slashing as many as 90 percent of flights, will reduce its planned investments for 2020 by 350 million euros (\$380 million) and make 200 million euros in savings elsewhere as it seeks to ensure it has enough cash on hand.

FedEx said it was parking its older planes as demand for shipping mail and packages by air drops and because newer planes are more fuel efficient.

Firms are not sparing shareholders from the pain, either.

Lufthansa said it would not distribute a dividend from 2019 earnings.

Inditex, which owns clothing brand Zara among others, has also put off a decision on dividends from the 3.6 billion euros it earned in its 2019-2020 fiscal year, while making a provision of 287 million euros for the crisis.

State support

Companies are not hesitating to take up offers of state support.

German tourism giant TUI, which employs 70,000 people worldwide and has suspended the "majority" of its operations, has made a request for state help.

Germany's government has promised "unlimited" loans to stricken firms

via state bank KfW.

The airline industry association said Thursday carriers will need up to \$200 billion to rescue them from collapse.

US airlines have asked for a \$50-billion bailout.

Meanwhile, US planemaker Boeing is seeking at least \$60 billion in federal support for the aerospace industry.

The Italian government said it intends to renationalise the bankrupt former national carrier Alitalia under an emergency economic rescue plan.

Air New Zealand has been offered a NZ\$900 million (US\$515 million) loan to help the flag carrier survive the crisis, the government said Friday.

France stands ready to nationalise large companies "if necessary", according to Finance Minister Bruno Le Maire.

© 2020 AFP

Citation: Companies hit pause button as coronavirus infects economy (2020, March 17) retrieved 19 April 2024 from

<https://techxplore.com/news/2020-03-companies-button-coronavirus-infects-economy.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.