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Taiwanese Corporates Cling On To Profitability Amid Weakening Demand

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TAIPEI (S&P Global Ratings) Sept. 1, 2016--Taiwan's top 50 corporates face weakening profitability and cash flow protection in 2016. But most have sufficient financial buffers to protect their credit quality, given their generally high cash balances and ample liquidity in Taiwan's banking sector. That's according to a series of articles published by Taiwan Ratings Corp. today on S&P Global Ratings' Global Credit Portal. Taiwan Ratings is the Taipei-based subsidiary of S&P Global Ratings.

The commentaries take a close look at Taiwan's top 50 corporates by revenue in 2015, their credit strengths and weaknesses, and the difficulties they face amid an enduring economic downturn.

The five individual articles are:
- Taiwan's Top Corporates Face Rising Risks As Economic Woes Persist;
- Emerging Chinese High-Techs Still Pose A Significant Threat To Established Regional Peers;
- Strong Financials Support Taiwanese High-Techs' Merger And Acquisition Plans;
- Opportunities Are Calling For Taiwan's Telecom Providers; and
- Overcapacity And Dwindling Profitability Constrain Credit Growth For Taiwan's Container Shippers.

"Profitability recovered slightly in 2015, on the back of falling crude oil

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and other key raw material costs," said Taiwan Ratings' credit analyst Daniel Hsiao. "This helped to strengthen financial risk profiles in the non-tech sector to be comparable to those of local tech peers in 2015. But volatility in commodity prices could pose some headwind for corporates to sustain their profitability over the coming year."

Taiwan's corporate sector and the country's GDP are highly reliant on exports, particularly for electronics and petrochemical products. However, exports face intensifying competition from nearby economies that may have more favorable tariff rates and trade agreements with Taiwan's key export markets of China and the U.S. Rising technology competition from China as well as the country's weaker GDP growth and continuing overcapacity further exacerbate these risks.

The articles also reveal that the weakest stand-alone credit profiles among the top 50 corporates are in the transportation cyclical, regulated utilities, and oil refining and marketing sectors, while retailing, semiconductor, and telecom sectors have the strongest.

Only a rating committee may determine a rating action and this report does not constitute a rating action.

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