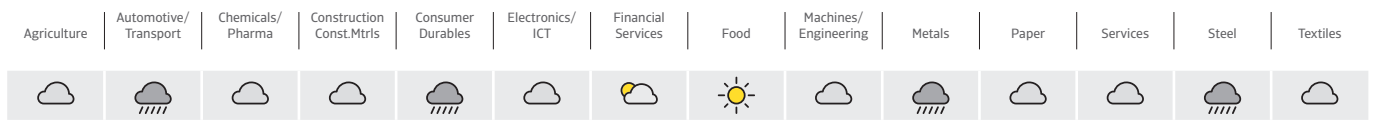




Taiwan

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Automotive/Transport



Remains Poor

Due to the economic downturn, sales of passenger cars and commercial vehicles are decreasing, and automotive valued added is forecast to decline by more than 6%. The transport segment has been impacted by lockdown measures and decreased demand for logistics, with value added expected to contract by about 4% in 2020.

Chemicals/Pharmaceuticals



Remains Fair

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates. However, the deteriorating demand from key buyer sectors has a negative impact on chemicals performance, and sector value added is forecast to decrease by about 4% in 2020. Pharmaceuticals demand should benefit from rising health expenses, with value added expected to grow by about 1.6%.

Construction/ Construction Materials



Remains Fair

Construction orders and output will be impacted by the economic downturn. Construction value added is expected to increase modestly or to level off in 2020 after two years of annual growth.

Consumer Durables



Remains Poor

Consumption of non-food consumer goods has decreased due to lockdown measures, and household consumption is expected to contract this year. Retail value added is expected to decline by 1.5% in 2020 after growing 2.5% in 2019.

Electronics/ICT



Remains Fair

Until recently, the financial profile of ICT producers and service providers has been generally good, with the majority of companies generating high revenues and profits, coupled with strong balance sheets. Payment behavior over the past two years has been good, and the number of protracted payments low.

However, electronics/ICT exports (which account for about 33% of total Taiwanese exports) already decreased in 2019, due to less global demand and the impact of the Sino-US trade dispute. In early 2020, the lockdowns of several Chinese cities hampered the flow of electronics/ICT related goods to and from Taiwan, leading to delays in downstream production and shortage of upstream raw materials.

In H1 of 2020, shipments of both tablets and smart phones decreased by double-digit rates, while robust growth in the PC market was observed due to the global surge of remote working. ICT value added is forecast to level off in 2020, as demand will remain subdued due to the economic slowdown in mainland China, followed by a modest 2.5% increase in 2021.

The increasing US restrictions on several Chinese ICT businesses are affecting some major Taiwanese suppliers of semiconductors and chips. However, it is currently expected that Taiwanese ICT businesses can compensate by supplying their items to other smartphone producers.

Financial Services



Remains Good

The sector remains relatively robust. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions. Finance value added is expected to level off or to decrease slightly in 2020.

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food



Remains Excellent

Despite ongoing sales, the sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). After two years of growth, value added is forecast to decrease by 3% in 2020. However, businesses' financials are resilient for the time being.

Metals



Remains Poor

In 2019 the metals industry already showed a subdued performance, with lower demand from key sectors and rising pressure on margins. In 2020 the situation has further worsened, due to the economic downturn triggered by the coronavirus pandemic. Metal manufacturing value added is expected to decline by more than 4% in 2020, and payment delays and insolvencies will increase in the coming months. However, thanks to a diversified product portfolio, key players in this sector still recorded a positive profit and loss accounts in H1 of 2020.

Services



Remains Fair

Service sector value added is expected to level off in 2021, after growing 2.3% in 2019. However, due to comprehensive lockdown measures in early 2020 and the ongoing global coronavirus pandemic, some service segments are suffering. Amongst these are hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. In Q1 of 2020, the hotel occupancy rate in major cities decreased by more than 70%. Despite a recovery in Q2 of 2020 supported by government incentives, the hotel segment recorded a wave of bankruptcies in H1 of 2020. Hotel and catering value added is expected to contract by more than 5% in 2020, and both payment delays and insolvencies are expected to increase further in all tourism-related segments. A rebound in those segments strongly depends on a global containment of the pandemic.

Steel



Remains Poor

In 2019 the steel industry already showed a subdued performance, with lower demand from key sectors and rising pressure on margins. In 2020 the situation has further worsened, due to the global economic downturn triggered by the coronavirus pandemic (steel exports account for about 40% of domestic production). Steel value added is expected to decline by 3% in 2020, and payment delays and insolvencies could increase in the coming months, especially among businesses dependent on exports. That said, key players still recorded a positive profit and loss accounts in H1 of 2020, due to relatively stable domestic demand.