Taiwan's Financing Sector Faces Short-Term Pain Before Long-Term Gain, Chartbook Says

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This report does not constitute a rating action.

Taiwan finance companies are unlikely to reap higher profits in 2024. That's despite the potential for tighter credit controls to stem deterioration in the sector's asset quality.

This is according to a chartbook-style commentary published by Taiwan Ratings Corp. today, titled, "2024 Taiwan Finance Sector Credit Trends."

Key takeaways:
- Taiwan-based finance companies can adapt to short-term challenges to limit asset quality deterioration.
- A more stringent playbook for Taiwan's leasing sector will curb initial growth. However, the tightening of risk controls will likely bring net benefits for the sector.
- Tighter credit controls should help to slow the rise in delinquencies over the next two to three quarters.
- Profitability remains muted, given that additional credit costs will offset the benefits from a recovering interest spread.
- Proactive capital management cushions the sector from potential volatility.

The full report is available to subscribers of TRC's Rating Research Service (https://rrs.taiwanratings.com.tw/) and for members of the media by contacting Simon Chen at +886-2-2175-6871 or via email at simon.chen@taiwanratings.com.tw.
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