HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 10:00 (Taipei), 2 May 2013

HSBC Taiwan Manufacturing PMI™

Marginal improvement in operating conditions during April

Summary

April data signalled an expansion of output in the Taiwanese manufacturing sector for the fifth month in a row, but growth was slower as new orders rose at a weaker pace. Input costs declined for the first time since last September as metal prices reportedly fell, with the decline the sharpest since last July. Meanwhile, output charges were cut for the thirteenth successive month, and at a modest pace.

The HSBC Taiwan *Purchasing Managers' Index*TM (*PMI*TM), a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector. PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration. The PMI posted 50.7 in April, down from 51.2 in March, signalling marginal growth. Operating conditions in the Taiwanese manufacturing sector have now improved for five successive months.

Production at Taiwanese manufacturing firms increased for the fifth consecutive survey period, but the rate of expansion eased since March and was modest overall. This partly reflected a similar trend for new orders. Total order books continued to expand, but at a softer pace, while export sales also grew modestly over the month.

Average input costs fell in April, and for the first time since last September. Furthermore, the rate of reduction was the sharpest since last July. Average tariffs also declined in April, and for the thirteenth month in a row. A number of respondents linked output charge reductions to competitive market pressures.

Backlogs of work at manufacturing plants declined in April following a slight accumulation in March. The modest rate of depletion was nonetheless the fastest since last December. Meanwhile, employment levels were little changed compared to the previous month.

Purchasing activity in the Taiwanese manufacturing sector increased for the fifth successive month in April, but only marginally. Conversely, stocks of purchases fell for the tenth month running. However, the rate of depletion was similar to March, remaining slight overall. Inventories of finished goods also declined in April at a modest rate.

Comment

Commenting on the Taiwan Manufacturing PMI™ survey, Donna Kwok, Economist at HSBC in Asia said:

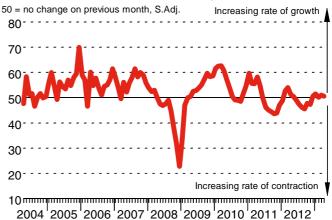
"Client demand from the US, Europe and at home enabled Taiwan manufacturers to weather a lull in Mainland demand. Effective cost reduction efforts also helped to push the new orders minus inventory reading up to a three month high, and keep employment conditions stable. The outlook remains challenging for Taiwan, but this is a good start to Q2."

Key points

- Output and total new orders increase, albeit at weaker rates
- Input prices fall sharply and for the first time in seven months
- Little pressure on capacity as backlogs decline

Historical Overview

HSBC Taiwan Manufacturing PMI



Sources: Markit, HSBC.





For further information, please contact:

HSBC

Hongbin Qu, Chief Economist, China & Co-Head of Asian Economic Research
Telephone +852-2822-2025
Email hongbinqu@hsbc.com.hk

Donna Kwok, Greater China Economist Telephone +852-2996-6621 Email donnahjkwok@hsbc.com.hk

Corporate Communications:
Jamie Chen, Communications Taiwan
Telephone +886-2-6631-7913
E-mail jamietychen@hsbc.com.tw

Amber Chung, Communications Taiwan Telephone +886-2-6631-7915 E-mail ambertcchung@hsbc.com.tw

Markit

Annabel Fiddes, Economist Telephone +44-149-146-1010 Email annabel.fiddes@markit.com Caroline Lumley, Corporate Communications Telephone +44 20 7260 2047 Mobile +44 781 5812162 Email caroline.lumley@markit.com

Notes to Editors:

The HSBC Taiwan Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 300 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Taiwanese GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' IndexTM (PMITM)* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

HSBC Holdings plc:

HSBC is one of the world's largest banking and financial services organisations, with around 6,600 offices in both established and faster-growing markets. We aim to be where the economic growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 58 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 81 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 220,000 shareholders in 129 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

About PMIs:

Purchasing Managers' IndexTM (PMITM) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics

The intellectual property rights to the HSBC Taiwan Manufacturing *PMI*[™] provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*[™] and *PMI*[™] are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.