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HSBC Taiwan Manufacturing PMI™

Marginal improvement in operating conditions during April

Key findings:

- 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

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' IndexTM (PMITM)* is a composite indicator designed to provide a single-figure snapshot 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, with more than 15% of panellists recording lower input costs. Anecdotal evidence suggested that input costs had fallen due to both reduced metal prices and the depreciation of the Japanese yen (which lowered the relative price of imported goods from Japan). Average tariffs also declined in April, and for the thirteenth month in a row (although the rate of discounting eased slightly since March to a moderate pace). A number of respondents linked output charge reductions to competitive market pressures.

Manufacturers were again able to keep on top of workloads, with backlogs of work at manufacturing plants decreasing 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. Some respondents attributed the depletion of both stocks of purchases and finished goods to new order growth.

Finally, suppliers' delivery times shortened for the third month in a row, and at a modest pace.



The HSBC Taiwan Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Purchasing Managers' Index™ and PMI™ are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

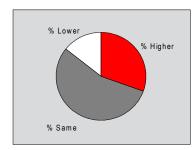




Output Index

Q. Please compare your production/output this month with the situation one month ago.



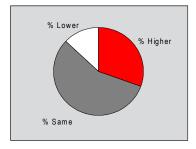


Production levels increased in the Taiwanese manufacturing sector for the fifth month in a row during April. The seasonally adjusted Output Index signalled a modest rate of expansion overall, despite having weakened since March. Furthermore, over 30% of survey respondents reported increased output in the latest survey period, compared with around 14% that noted a contraction. Output growth was generally associated with higher new order volumes.

New Orders Index

Q. Please compare the level of new orders received (Taiwan and export) this month with the situation one month ago.



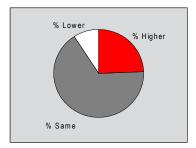


Total new orders placed at Taiwanese manufacturing plants rose for the fifth successive month in April. After adjusting for seasonality, new order growth eased slightly from March, and was moderate overall. Around 30% of panellists reported an increased volume of new orders in April, while 13% signalled a decline. Stronger demand, from both domestic and international clients, was linked to new order growth.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.



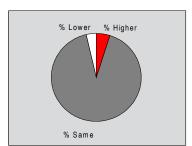


The seasonally adjusted New Export Orders Index signalled an increased level of new export orders placed at manufacturing firms for the fifth consecutive month in April. However, the rate of expansion slowed from March to a marginal pace. According to some panellists, export sales were primarily emanating from Europe and the US.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



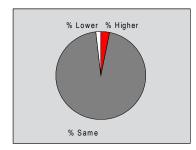


The volume of outstanding business at manufacturing plants in Taiwan decreased in April, following a slight accumulation in March. The rate of backlog depletion was modest, but nonetheless the sharpest since last December. Anecdotal evidence suggested increased production at some plants led to the overall reduction in work-in-hand.

Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



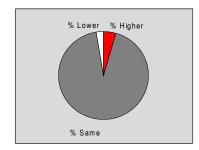


Stocks of finished goods at Taiwanese manufacturing firms decreased for the tenth successive month in April. Moreover, the rate of reduction strengthened since March to a moderate pace that was the sharpest since last December. According to some survey respondents, stocks were depleted as part of efforts to lower operating costs.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.





Employment in Taiwan's manufacturing sector increased in April, following a slight reduction in March. That said, the seasonally adjusted Employment Index posted only slightly above the 50.0 no-change mark, to indicate only a fractional change in payroll numbers. The vast majority of panellists (nearly 93%) noted no change in employment since the previous month.

Output Prices Index

Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



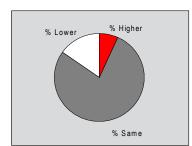


Average tariffs set by Taiwanese manufacturing firms decreased for the thirteenth month in a row in April. After adjusting for seasonal factors, the rate of discounting eased since March, and was modest overall. Some respondents mentioned that tariffs were cut as a result of competitive market conditions.

Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.

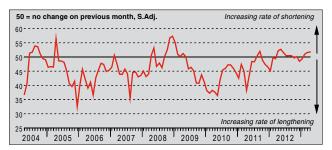


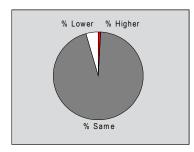


Input prices faced by manufacturers fell during April, and for the first time since last September. The seasonally adjusted Input Prices Index signalled that the rate of reduction was sharp, with more than 15% of survey respondents recording lower average input costs. Furthermore, it was the quickest decline in input prices since last July. A number of panellists suggested that lower metal prices and the depreciation of the Japanese yen, which reduced the relative price of imported goods from Japan, led to a fall in overall input costs.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



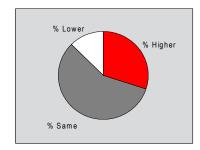


Average vendor performance improved for the third consecutive month in April. After adjusting for seasonality, the rate of improvement was broadly similar to that seen in March, and remained modest overall. However, a majority of panellists (nearly 95%) saw no change to average delivery times. Some survey respondents suggested sufficient levels of stock held by vendors resulted in quicker delivery times.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.





The quantity of purchases made by Taiwanese manufacturers increased for the fifth month in a row during April. That said, the seasonally adjusted rate of growth eased since March and was slight. Exactly 30% of respondents recorded increased input buying in April, compared with nearly 13% that noted a reduction. Growth in purchasing activity was linked by a number of panellists to higher new order volumes and associated rises in production requirements.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.





The seasonally adjusted Stocks of Purchases Index signalled a decline in stocks of purchases in the Taiwanese manufacturing sector for the tenth successive month in April. However, the rate of contraction was similar to March's slight decline as a majority of panellists (nearly 95%) recorded no change to stocks of purchases over the latest survey period.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index 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 regional and industry contribution to Taiwanese Industrial Production. 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 derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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.

Data collected prior to May 2009 are based exclusively on survey responses from companies operating in the electronics sector.

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