Embargoed until: 10:00 (TAIPEI), 1 July 2013

HSBC Taiwan Manufacturing PMI™

Operating conditions deteriorate marginally in June

Key findings:

- Output contracts for second successive month, though only slightly
- Both new orders and new export orders decline at slower rates
- · Purchasing activity falls on the back of weaker client demand and lower production requirements

Operating conditions in Taiwan's manufacturing sector deteriorated for the second successive month in June, though only slightly. Manufacturers signalled reductions in both output and new orders, albeit at weaker rates. Lower volumes of new business led to a reduction in the level of work-in-hand, while purchasing activity declined to reflect lower production requirements. On the price front, input costs fell sharply as demand for raw materials softened, and output charges were cut at a solid pace in an attempt to attract new business.

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 at 49.5 in June, up from 47.1 in May, signalling only a marginal deterioration of operating conditions. Business conditions have now worsened for two consecutive months.

Production levels at manufacturing plants decreased for the second month in a row in June, albeit slightly. Anecdotal evidence linked the fall to reduced client demand, as both new orders and new export orders declined for the second month in a row, though at slower rates.

Fewer new orders led to a modest depletion of backlogged work.

The level of outstanding business at manufacturing firms has now fallen for three consecutive months.

Although output and new business declined over the month, employment levels increased in June, though only slightly.

Stocks of finished goods declined in June, extending the current trend to 12 months. Though modest, the rate of reduction was the second-quickest of 2013 so far. Anecdotal evidence suggested stocks were run down in response to fewer new orders.

Purchasing activity decreased for the second month in a row, and at a modest pace. The reduction in input buying was attributed to lower production requirements stemming from reduced client demand. Concurrently, stocks of purchases also fell in June, albeit marginally.

Average input costs decreased for the third successive month. The rate of reduction was sharp, despite easing since May, with approximately 21% of panellists recording lower input prices. Manufacturers passed on their savings to clients by discounting their own charges for the fifteenth month in a row. A number of firms also linked lower tariffs to competitive market pressures.

Finally, suppliers' delivery times shortened for the fifth month in a row, though only slightly. Improved vendor performance was generally associated with decreased demand for inputs.



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.

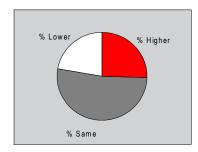




Output Index

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



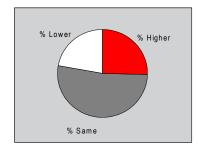


Output in the Taiwanese manufacturing sector decreased for the second successive month in June. However, after adjusting for seasonal factors, the rate of contraction eased to a marginal pace. A number of respondents attributed the reduction to lower new order volumes, stemming from weaker client demand.

New Orders Index

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



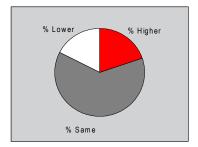


After adjusting for seasonality, the volume of new orders placed at Taiwanese manufacturing firms decreased for the second consecutive month in June. That said, the rate of reduction was only slight. Anecdotal evidence suggested that deteriorating global economic conditions softened both domestic and international client demand.

New Export Orders Index

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



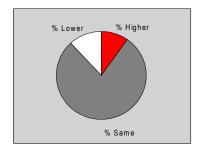


The seasonally adjusted New Export Orders Index signalled a reduced amount of new export orders placed at Taiwanese manufacturing firms for the second month in a row in June. However, the rate of contraction eased to a modest pace. A number of panellists linked the fall to reduced client demand, particularly 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.



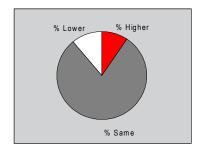


Backlogs of work declined for the third month in a row at manufacturing plants in June. The rate of depletion was modest, with approximately 12% of survey respondents recording a lower level of work-in-hand, compared to just under 10% that saw a rise. According to anecdotal evidence, reduced volumes of new orders enabled firms to clear backlogs over the month.

Stocks of Finished Goods Index

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



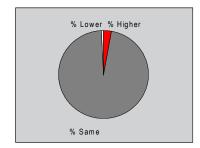


Stocks of post-production goods at manufacturing firms continued to decline in June, extending the current trend to 12 months. Furthermore, the rate of reduction quickened slightly to the second-fastest of the year so far. Anecdotal evidence suggested that softer client demand led to a readjustment of inventories at some plants.

Employment Index

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





Following a fractional reduction in May, employment levels in Taiwan's manufacturing sector increased in June. Although the rate of job creation was marginal, it was the joint-quickest in 2013 so far, with approximately 3% of respondents hiring additional workers over the month,. However, the vast majority (over 96%) of companies saw no change to workforce numbers.

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.



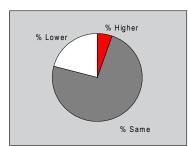


Taiwanese manufacturers reduced their average tariffs for the fifteenth successive month in June. After adjusting for seasonal factors, the rate of discounting was solid. More than 13% of panellists lowered their tariffs, compared with approximately 2% that signalled a rise. A number of respondents mentioned cutting output charges in response to competitive market pressures.

Input Prices Index

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



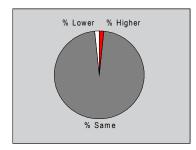


Average input costs decreased for the third consecutive month in June. The seasonally adjusted Input Prices Index signalled a sharp rate of reduction, despite easing since May. Approximately 21% of respondents recorded lower input costs in the latest survey period, compared with just over 5% that noted an increase. According to some panellists, weaker demand for inputs drove the overall reduction.

Suppliers' Delivery Times Index

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



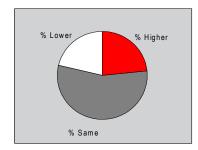


Suppliers' delivery times at manufacturing plants shortened for the fifth month in a row during June. That said, the rate of improvement was the weakest in the current sequence and only marginal. A number of panellists linked quicker delivery times to a combination of reduced demand for inputs and vendors responding to requests for faster lead times.

Quantity of Purchases Index

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

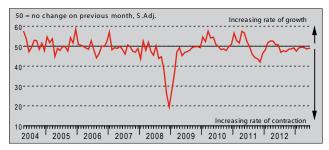


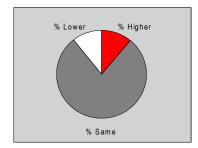


Purchasing activity at Taiwanese manufacturing firms fell for the second successive month in June. After adjusting for seasonality, the rate of reduction eased since May and was modest. Anecdotal evidence suggested that reduced input buying was a result of falling new order volumes.

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 further reduction in pre-production stocks during June. Stocks of purchases have now fallen for 12 consecutive months. The decline in inventories was generally associated with lower production requirements, stemming from reduced client demand.

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.

Warning

The intellectual property rights to the HSBCTaiwan 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*TM and *PMI*TM 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.