HSBC Purchasing Managers' Index™ Press Release
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compiled by markit

HSBC South Korea Manufacturing PMI™

Further contraction of South Korean manufacturing output recorded in October

Summary

October survey data, compiled by Markit for HSBC, signalled an overall monthly deterioration in business conditions in the South Korean manufacturing sector. The HSBC South Korea PMI™ posted 46.7, down from September's reading of 48.8. This was the second consecutive month where the headline PMI posted below the 50.0 neutral level.

October data signalled a reduction in new orders received by manufacturers in South Korea. The pace at which new work intakes fell was marked, and in contrast to the long-run series average (which indicates solid growth). New export orders were also reduced during the month, with panellists attributing this to weaker global economic conditions.

Output was reported to have decreased again during October, reflective of the decline in new business. Nonetheless, backlogs of work fell for a second straight month, suggesting that a degree of spare capacity persisted. Panellists also indicated that finished goods stocks had contracted, as inventories were utilised to meet current order obligations.

Employment at South Korean manufacturers rose during October, despite contractions in production and new business. Some companies noted that they expect conditions to improve going forward, although weaker growth in headcounts compared to recent months also reflected the current slowdown in the sector.

October data signalled a reduction in purchasing activity at South Korean manufacturers. This was attributed to lower output requirements. Subsequently, suppliers' delivery times improved.

Input prices faced by manufacturing companies in South Korea increased markedly during October, driven by rising raw material costs. Moreover, the rate of inflation was the fastest in three months. In contrast, output prices fell for the first time since December 2009 due to strong competition for new business.

Comment

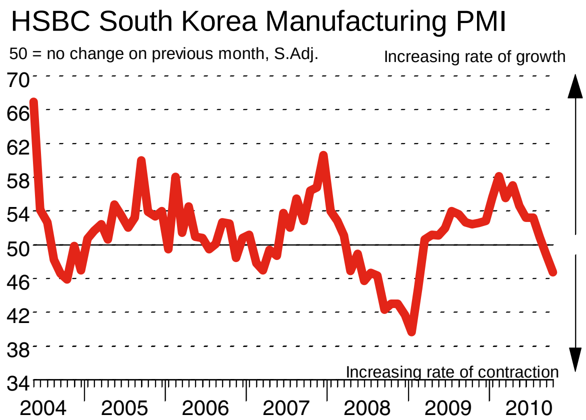
Commenting on the South Korea Manufacturing PMI survey, Song Yi Kim, Economist at HSBC in Asia said:

"The global restocking bounce has finally come to an end and Korea is feeling the chill. Already grappling with falling output prices, especially in tech products, Korean exporters have also seen a slump in their orders amid fading demand overseas. This will weigh on economic activity in the fourth quarter. Still, domestic demand looks set to remain robust, with positive employment growth and low interest rates lending a welcome hand to consumers. Korea's economy will sail on, but at slightly reduced speed in the coming months."

Key points

- Overall new order volumes fell at marked rate.
- Employment rose, but at weakest pace since June 2009.
- Output prices cut for first time in ten months.

Historical Overview



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Notes to Editors:

The HSBC South Korea Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on regional and industry contribution to South Korean 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' Index (PMI) 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:

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About Markit:

Markit is a leading, global financial information services company with over 1,900 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:

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (PMIs™) have become 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.