HSBC Purchasing Managers' Index™ Press Release
Embargoed until: 10:00 (TAIPEI), 31 January 2011

compiled by markit

HSBC Taiwan Manufacturing PMI™

January PMI signalled fastest expansion of Taiwanese manufacturing sector in nine months, but inflationary pressures continued to build

Summary

The HSBC Taiwan PMI™ – a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector – posted 59.8 in January, up sharply from 54.7 in December. The latest reading signalled a strengthening of business conditions that was the third in successive months, and the fastest since April 2010.

New order volumes received by manufacturers in Taiwan expanded substantially during January. Panellists attributed this to an improvement in customer demand, with the increase in new business strong in the context of historical data. New orders received from overseas markets also rose sharply, with anecdotal evidence particularly citing Europe and China as sources of new export business growth.

January data signalled a strong rise in output at manufacturers in Taiwan, reflective of the steep growth in overall new order volumes. Nonetheless, backlogs of work also increased, and at the fastest rate since April 2010. Panellists commented that operating capacity had not been sufficient to meet the rise in new order requirements. Some companies also noted that delayed shipments had acted to increase outstanding business.

Employment in the Taiwanese manufacturing sector rose at the strongest pace in ten months during January. The latest job creation was driven by the need to expand operating capacity amid sustained new business growth. However, some panellists noted that they had filled positions previously left vacant, in part due to improving economic conditions.

Purchasing activity at manufacturers in Taiwan increased markedly during January. Anecdotal evidence suggested that this reflected both a rise in new orders and initiatives to increase stocks of pre-production inventories. Growth in input buying led to a sharp lengthening in suppliers' delivery times, as operating capacity and stock levels at vendors were strained.

Input costs faced by manufacturers in Taiwan increased at the fastest rate in the series history during January. The considerable rise in input prices was driven by further increases in raw material prices. Charges also rose, reflective of the increase in costs, and at a pace above the long-run trend. However, this remained relatively modest compared to the rise in costs.

Comment

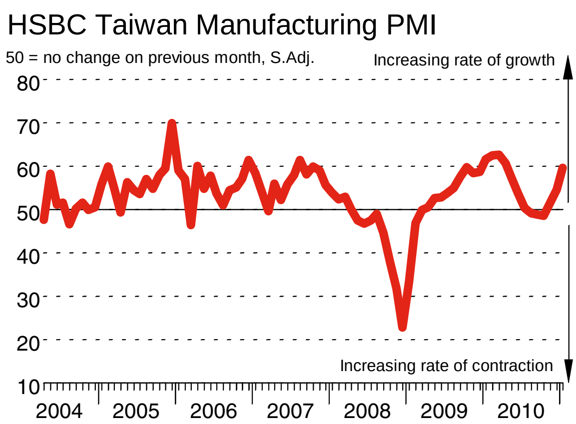
Commenting on the Taiwan Manufacturing PMI survey, Donna Kwok, Economist at HSBC in Asia said:

"Taiwan's customers are back in business. As a high-beta economy hugely exposed to the global trade cycle, the island's manufacturers and workers are reaping the fruits of stabilizing Western demand. Rising global commodity prices are stoking inflationary pressures which, for now, remain contained."

Key points

- New export orders increased sharply, particularly from Europe and China.
- Job creation strongest since March 2010.
- Input costs rose at fastest rate in series history.

Historical Overview



markit™

HSBC
The world's local bank

For further information, please contact:

HSBC

Hongbin Qu
HSBC Global Research Managing Director and Chief Economist Greater China
Telephone +852 2822 2025
Email hongbinqu@hsbc.com.hk

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

Corporate Communications :
Jamie T Y Chen, Group Communications Taiwan
Telephone +886-2-2725-7733
E-mail jamietychen@hsbc.com.tw

Markit

Sarah Ledger, Economist
Telephone +44-1491-461-050
Email sarah.ledger@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
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 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' 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.

The Hongkong and Shanghai Banking Corporation Limited:

The Hongkong and Shanghai Banking Corporation Limited is the founding and a principal member of the HSBC Group which, with over 8,000 offices in 87 countries and territories and assets of US$2,418 billion at 30 June 2010, is one of the world's largest banking and financial services organizations.

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.