HSBC Purchasing Managers' Index[™] Press Release

Embargoed until: 10:00 (Taipei), 3 December 2012

HSBC Taiwan Manufacturing PMI™

Operating conditions deteriorate at slightly quicker pace in November

Summary

The HSBC Taiwan Purchasing Managers' IndexTM (PMITM) is 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 47.4 in November, down from 47.8 in October and a two-month Operating conditions in the Taiwanese manufacturing sector have now deteriorated in each of the past six months.

Output continued to fall markedly at manufacturing plants in November, with the pace of contraction quickening from the previous month. Behind the fall in output, new orders and new export orders also fell during November at marked rates. Over 34% of respondents reported a lower level of new orders and anecdotal evidence suggested that total new orders had declined as demand both at home and abroad remained weak.

The level of outstanding business at manufacturing plants decreased during November, and for the sixth month in a row. Nearly 24% of respondents indicated backlog depletion in November, with some panellists attributing excess capacity to fewer new orders. Stocks of finished goods also fell in November. The rate of stock depletion was slightly faster than in October and remained solid. A number of panellists suggested that stocks had been adjusted to reflect lower market

Employment levels at manufacturing firms rose in November for the first time since April, albeit marginally. However, a majority of panellists (nearly 90%) reported no change.

On the price front, input costs rose for the second successive month. However, the pace of input price inflation eased from the previous month to a more modest rate. Meanwhile, average tariffs fell in November for the eighth consecutive month. Nearly 9% of respondents reduced output charges, a number of which linked the reduction to attempts to attract new business.

Average lead times shortened in November, following a slight deterioration in October. However, the rate of improvement was only marginal, with just over 4% of panellists reporting shorter average lead times.

Quantity of purchases declined for the fifth month in a row. The pace of reduction quickened from October and remained marked. Stocks of purchases also fell at manufacturing plants in November. The rate of stock depletion eased slightly from October, remaining modest overall. A number of respondents linked the falls in input buying and stocks to weak market demand and fewer new orders.

Comment

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

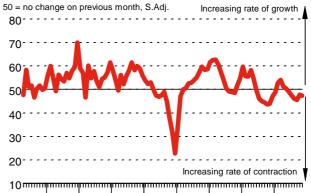
"Weakening demand at home and abroad caused a slight deterioration in Taiwan's manufacturing conditions last month. That said, employment levels crept up slightly on the back of employer expectations for an output recovery soon. With China slowly resuming its role as a counterbalance for sluggish Western demand, manufacturing still looks on track to strengthen in Q4 compared to a quarter earlier."

Key points

- Production levels continue to fall
- New orders and new export orders both decline at solid rates
- Input prices increase, but output charges cut again

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:

HSBC is one of the world's largest banking and financial services organisations. With around 6,900 offices in both established and faster-growing markets, we aim to be where the 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 60 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 84 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 over 221,000 shareholders in 134 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,300 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.