HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 10:00 (Taipei), 2 January 2013

HSBC Taiwan Manufacturing PMI™

Operating conditions improve for the first time since May

Summary

The HSBC Taiwan Purchasing Managers' IndexTM (PMITM) posted 50.6 in December, up from 47.4 in November and an eight-month high. This was the first time operating conditions in the Taiwanese manufacturing sector have improved since May.

Data for December signalled an expansion of output for the first time in seven months, albeit at a slight pace. New orders and new export orders also rose during December at relatively marginal rates. Nearly 20% of panellists recorded a higher volume of total new orders in the latest survey, a number of which attributed the rise to increased client demand, particularly in China and the US.

Backlogs of work were reduced for the seventh successive month in December and at a marked pace. Staffing levels were increased, albeit only slightly, for the second month in a row. However, a majority of respondents (nearly 98%) recorded no change to employment levels.

Suppliers' delivery times lengthened in December, following a fractional improvement in November. Although times lengthened at a modest pace, it was the fastest rate of deterioration in vendor performance since January.

On the price front, input prices increased for the third month in a row. The rate of input price inflation eased slightly from November, but remained modest overall, with 7% of respondents reporting higher input costs. Meanwhile, output charges fell for the ninth consecutive month in December, with the rate of reduction quickening from November. Over 9% of panellists noted lower average tariffs, a number of which attributed this to increased pressure from clients to discount sales.

Stocks of finished goods fell at manufacturing plants for the sixth successive month. The rate of reduction was moderate, remaining broadly similar to those recorded in October and November.

Stocks of purchases also fell in December, although only at a marginal pace, with nearly 15% of survey respondents signalling lower inventory levels. The reductions in both post- and pre-inventory stocks were attributed to fewer sales.

Meanwhile, purchasing activity increased for the first time since June, albeit marginally. The rise in input buying was linked to growth of new orders.

Comment

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

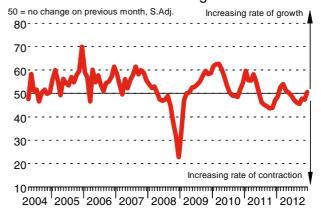
"China's recovery and firm US demand pushed Taiwan's manufacturing sector back into expansion for the first time since May, supporting local job market conditions and boosting fourth quarter GDP growth. However, with the external outlook still challenging (e.g. US growth could stumble again if the fiscal cliff issue is not resolved soon), we expect monetary conditions to stay accommodative into early 2013."

Key points

- Output expands for the first time in seven months
- New orders and new export orders both increase
- Purchasing activity picks up after a five-month period of reduction

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.