

Startup Sim Gazette

World 2019-2021

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Q5

BUSINESS CLIMATE



Are we turning the corner? The economic situation seems to improve. We now see the end of the decline that affected particularly this US and somewhat also Europe.

US: The bad news is: the actual index was slightly below our Q4 forecast for Q4 (100 vs. 101) and we degrade our forecast for this quarter Q5 (99 instead of 100). But we do see an improvement for Q6 both for chips and PCs with higher indexes.

EU: The same goes for the actual in Q4 (lower than our Q4 forecast), yet we maintain our Q5 forecast. And we see a turnaround in Q6 for chips and PCs.

Brazil: The market in Brazil keeps being stronger and stronger. Not only do we see growth, but we have to acknowledge that growth is stronger than our past forecast. Our Q5 forecast are therefore substantially higher both for Q5 and Q6.



X-index

	US	EU	BRA
Q3	102	104	103
Q4	100	105	105
Q5	99	105	108
Q6	103	106	110

Y-index

	US	EU	BRA
Q3	107	110	107
Q4	104	106	109
Q5	102	105	108
Q6	103	106	112

EXCHANGE RATES



The US Dollar lackluster performance against other currencies continues. The Euro also stays weak while the Real continues its appreciation. There are doubts about the future of the Swiss Franc's evolution.

Given the overall economic situation, monetary authorities expressed no intention to change their policy regarding interest rates. These are therefore expected to stay unchanged relative to Q4.

To/from	\$	€	Real	SF
\$		0,962	0,334	0,502
€	1,040		0,347	0,522
Real	2,996	2,881		1,504
CHF	1,992	1,915	0,665	

COST OF PLANTS NOT RISING

Increases in plant prices in US and EU are now history. Prices are expected to be quite steady from now on.

THREATS ON PLANT BUILDING IN BRAZIL?

The growth in Brazil is causing tensions in the construction industry. The number of permits needed to build a PC plant has recently risen from 98 to 173. Chip and other vendor markets are also somewhat disorganized locally. It is safer to consider that the construction time for a PC plant will double in the current quarter.

ADVERTISING IS PAYING OFF

Increases in advertising elasticities have been reported at 5 percent in the EU and 10 percent in Brazil. A growing portion of advertising coming from chip and PC makers goes to the web, and experts are expecting that it reaches potential consumers more effectively than conventional TV and magazine adverts.

BRAZIL "HIDDEN" EXPORT SUBSIDY



To promote exports of electronic goods, Brazil has decided to compensate airlines for any shipments of chips and PC to the EU and the US to the extent necessary to retain the current breakpoints for the 33 percent discount. In addition, the Brazilian government will subsidize both air and surface unit freight cost by 50 percent for both products when shipped abroad. Interested companies should apply to government for refunds. It is also rumored that Brazil considers also a lowering of the income

tax. We predict other countries will complain about this.

PRODUCTION COST UP IN US AND EU



In a pioneering cooperative development the US Consumer Products Safety Commission and the EU Commission jointly announced that new eye-protecting technologies will be an obligatory item on all locally produced PC as of Q6. This will be reflected in a production cost increase of 6%.

QUO VADIS X0?

Yep – as predicted last Q, demand for X0 is down 5 percent again (relative to all other grades), as the market has become aware of the tendency of X0 to get chipped. Forecast is still that this rate of decline in X0 demand will be cumulative.

SHOWDOWN ON SLOWDOWN?

The stagnation of the past few quarters in the US and EU has taken a toll on the nerves of Startup Sim executives. Forecasting future sales has never been an easy task. Experts recommend devoting more attention to inventory management and pricing policies.

Y0 JOINS X0



The best definition of a high-tech industry such as ours is change. Y0 has definitely joined X0 in creeping obsolescence, hit by the decline phase of the product life cycle. Do you wonder what will happen next?

HOME OFFICE BANK LOANS

The bank of the home office in Switzerland offers loans at 4.8% to all Startup Sim companies, up to 25% of total equity. Ask your facilitators.