

Startup Sim Gazette

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Q6

BUSINESS CLIMATE

The latest indexes regarding the chip and PC markets confirm what we suspected. Indeed, the turnaround is taking place in the US as well as in Europe, while Brazil keeps its upwards trajectory.

US: Although we still overestimated the US market in Q5 (actuals are lower than our Q5 forecasts), we are not quite keen to raise our forecast for Q6 for both products. And Q7 figures show even better prospects.

EU: The profile is somewhat similar in the old continent, with Q5 actuals disappointing, but the future is also rosy with brisk growth in both markets for Q6 and Q7.

Brazil: The party goes on in Brazil with strong expansion of the PC and chip markets. The chip and the PC markets will go up 4% and 5% per quarter respectively. We are talking about 18-22% growth per annum!

X-index

		US	EU	BRA
Actual	Q4	100	105	105
Actual	Q5	98	104	107
Forecast	Q6	102	107	112
Forecast	Q7	104	110	116

Y-index

		US	EU	BRA
Actual	Q4	104	106	109
Actual	Q5	100	103	108
Forecast	Q6	104	107	114
Forecast	Q7	106	112	120

EXCHANGE RATES

The US Dollar finally stops sliding against other currencies, except the Swiss Franc. The CHF is expected to get stronger in the coming quarters as investors find Geneva and Zurich attractive again. The stronger inflow of cash in Switzerland results in a lower interest rate, while in Europe money is getting more expensive due to a surge in loan applications (see last page of this Gazette).

To/from	\$	€	Real	SF
\$		0,980	0,334	0,501
€	1,020		0,341	0,511
Real	2,994	2,935		1,498
CHF	1,998	1,959	0,667	

BRAZILIAN AGENT'S HIKE FEES

Brazilian agents have been successful in imposing higher agency fees per unit for Q6: for chips to RL50 (58) and for PC to 240 (275) per unit (isolated in parentheses).

NO MORE THREAT ON PLANT IN BRAZIL

The Brazilian government and the IT industry have succeeded in finding solution to the rising crunch in construction capabilities: permits have been released faster and foreign civil engineering providers have been allowed in the country. Fortunately, it won't take longer to build new chip and PC plants than in previous years.

PRODUCTION COST UP

This coming quarter, experts estimate that the worldwide increases in energy prices will cause a 6% increase of production costs in plants in the United States and European factories. Fortunately, thanks to productivity gain, the unit cost is expected to rise by only 4% in North America. On the other hand, the productivity gain will continue in the near future.

SERVICE PAYMENTS TO HOME OFFICE

The limit imposed by EU to service payment to the Home Offices in Liechtenstein will increase in Q6. It will move from the current 10% of home office control to 12%. A similar move is taking place in the US. In Brazil, following a series of protests against tax evasion, the government decided to reduce that percentage to 5%.

MARKET TRENDS

X2 and Y0 demand is expected to be down 5% in Q6 in the US and EU. It is expected that this decline will go on in the following quarters.

As for X0, the slide gets steeper and demand is expected to decline at a much faster rate of about 8% in EU and US. In Brazil, this product demand will go down at a 5% rate quarterly, and this is expected to continue in the future.

PROTECTING KITS ASSEMBLERS

The Brazil government is moving to stop hungry foreign manufacturers that import products to grab a bite of its dynamic domestic market. A tax will be imposed on airfreighted PCs from abroad. The new result is an added RL 12 per unit.

THE COMPUTER INDUSTRY ASSOCIATION ANNOUNCES A RETURN TO NORMAL PRODUCTION CAPACITY

The president the CIA, the international trade association of the computer industry, announces that, following end of shortages in key component supplies, production capacities return to their level prior to the Q4 and Q5 reduction. Chip and PC maximum production capacity in the US and EU, will be respectively: 50 000 units; 25 000 units; 30 000 units; 18 000 units.

FINANCE AND CREDIT

INTEREST RATES AND SWITCHOVER AMOUNTS
(000s, IN LOCAL CURRENCY) FOR SUPPLIER CREDITS
(SC) IN AREAS AND HOME OFFICE, QUARTERLY

	US	EU	Brazil	HO
Below Switchover, %	7,50	8,75	15,00	7,50
Switchover Amount	1200,00	1500,00	5000,00	3000,00
Above Switchover, %	8,50	9,75	16,00	8,50

INTEREST RATES ON LOCAL CURRENCY
OVERDRAFT (NEGATIVE BALANCE)

	US	EU	Brazil	HO
Below Switchover, %	3,50	3,55	6,50	3,50
Switchover Amount	1200,00	1500,00	5000,00	2500,00
Above Switchover, %	7,00	7,10	13,00	7,00

LOWER INCOME TAX IN BRAZIL

The strong growth in Brazil has a side benefit: taxes flow in so much that the government agreed to lower its income tax by three percent to 27 percent. The US and EU may follow the suit.