

ANALYSIS AND ASSESSMENT OF MACROECONOMIC FACTORS AFFECTING THE FORMATION OF THE MARKET-VALUE OF SHARES

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In this article the author answers the problems of forming the market value of shares that are examined under the influence of macroeconomic factors. The purpose of the analysis is the estimation of change to the investment attractiveness of Russia, Russian stock market and market value of national companies.

More and more participants are getting involved in the process of international capital integration and the development of financial and stock market. Nowadays the Russian market of shares is considered to be emerging; its development depends on the priority-driven choice for benefit of the Russian or international capital, the financial crises protection and overcoming of consequences, the elaboration of practical recommendation in order to manage the market and its capital.

The establishment of the market of shares in Russia led to the emergence of a new sector of economy, a regulative and servicing infrastructure, a proprietary; it also made conditional the necessity of solving the following problems: the legislative base improvement; the choice of the Russian or international capital; the financial crises protection and overcoming their consequences as well as the qualitative and efficient assessment of the capital stock value.

The foundations of the assessment of the market value of shares depend not only on the specific character of the issuer, but also on the factors of development of all financial and market state systems. The problem of the assessment of the market value of shares should be solved according to the features of the development of the Russian market of shares that is regarded as emerging and not finally set up. At present the shares of the majority of the Russian business-issuers either don't turn at the stock market or have a restricted shares circulation so that they are unknown to investors.

The whole set of factors; able to affect the formation of the market value of shares, can be united into three big groups:

◆ Macroeconomic factors covering political, economic, legal, infrastructural, social and

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moral-ethical features of the country - the location of the company-issuer;

◆ Factors of the middle level including the state of the sector in which the company works;

◆ Microeconomic factors embracing the financial business condition of the company; its productive potential, selective market, corporate and organizational structure of management, features and characteristics of shares (holding of stock): the conditions of capital stock distribution, the quantity of holding stock and its control state; the state influence playing the role of a shareholder; the loyalty and violation of shareholders and investors' rights, etc.

It is necessary to point out that the market value of freely turning shares is forming under the influence of the market participants' supply and demand focused on a great number of macroeconomic factors. The value of shares that do not turn or are restrictedly turned at the stock market is appraised by specialists according to the intrinsic value of shares taking into consideration macroeconomic and microeconomic factors. The intrinsic value is formed under the influence of the actual business state of the company and expectation of the prospects of its development.

On one hand the foundation of value appears to be the value of the artificial capital of the company that reflects the market value of all the range of property and other assets of the company, on the other hand it is the value (importance) of shareholders and investors' rights the shares are allotted

The market stock value of Russian companies is a parity rate of prices between a seller and a customer of shares, and the top of the value is determined and fixed by macroeconomic factors charactering financial and economic

state and prospects of business development of a company-issuer based on the microeconomic factors.

Analysis of the influence of the factors of social and economic state of the country on the formation of a market value of shares

The analysis of the relation between the dynamics of stock price and the GDP dynamics (an indicator of general economic market); between the dynamics of stock price and the dynamics of net profit of companies (a summary indicator of effectiveness of its functioning) doesn't give any answer about the existence of a linear relation between the dynamics of stock price and the indices of the development of economics, line and company. This relation is more difficult: the investors' expectation is based on the development prospects of the country, line, company and on the minimization of different risks. Differently directed expectations of certain investors' groups ensure their variability, though the general trend of stock market coincides with the trends of trade and country development.

The main macroeconomic characteristics of the state and the anticipation of the economic development of Russia affect the formation of the market value of shares greatly. Firstly, they rely on GDP as well as on the characteristics additional: data about the administration of the budget and its structure, the development of economic sectors, the population size and the employment-population ratio, the analysis of consumers' market, foreign exchange market, price index, rate of inflation, level of external debt and Public Sector Debt Repayment, movement of foreign investment, etc.

Equally with economic factors, political ones also have a great influence. One of the most important factors is a policy adopted by the President of Russia and the Cabinet council. The President and the Cabinet council's message isn't taken into consideration by the stock market players in advance and has a great influence as it consists of recommendations about, for instance, new taxes, arrangements relative to the influence on the economic development of the country, government spending and state budget, policy in the sphere of state sector of economy, programs of military defense, etc.

Elections, political murders and the President's health decline may lead to a considerable "bear" impact on the market.

So, the stock market participants should always be attentive towards economic and political events estimating their influence on the stock market in total and on the market value of certain shares.

◆ The total influence of macroeconomic factors specifies the change of investment attractiveness of Russia, the Russian stock market and market value of shares of national companies. Investment attractiveness is a summary characteristic calculated on the basis of economic and political, organizational and legal as well as social and cultural premises that determine the attractiveness and suitability of investing this or that economic system (country, region, company). The integrated assessment of factors of social and economic state of any country is reflected by credit rating appropriated by international rating agencies, Moody's, for instance.

So, the improvement of credit rating of Russia is going to lead to the growth of the stock market capitalization in total and to the growth of the market value of shares of national companies respectively.

The analysis of factors of social and economic state of Russia points out that the following changes have the greatest influence on the formation of the market value of national shares these days:

- ◆ the change of the volume of foreign liabilities of the country and schedule fulfillment of its repayment;
- ◆ the change of the volume of direct and portfolio investment in Russia;
- ◆ the price change of the export strategic raw materials: energy supply, fuel, nonferrous materials and ferrous metals;
- ◆ the change of Inflation Rate and a national rate of exchange.

The improvement of credit rating in Russia will lead to the growth of capitalization of stock market and to the growth of the market value of national companies shares relatively. For the purposes of rating growth of investment attractiveness of Russia the author finds out the following steps considered to be very important and necessary:

- ◆ the implementation of mining operations projects on terms of production-sharing agreement on the territory of Russia;
- ◆ Russia's joining the World Trade Organization having provided the policy of liberalization of trade regime and financial markets;

◆ The creation of a privileged and law-abiding attitude towards foreign investors.

The analysis of the influence of trade attractiveness factors on the formation of the market value of shares

During the last decade the concept “sector of the national economy” has changed a lot. Nowadays it means not only the production of definite articles, works and service, but also the financial and trade-marketing infrastructure allowing the promotion of articles (works and service) to the consumer, the implementation of production through wholesale and retail trade, the financing with communications facilities and means of transport.

At the same time it is useful to take into consideration the fact that the average sectoral rates may not agree with the rates of activity of separate companies. That’s why the average sectoral rates should be always updated according to the features of definite companies functioning.

The assessment of a sectoral attractiveness includes the analysis of the following indices: market capacity and the rate of its growth, the spheres of competitiveness (local, regional, national, global); the stage of the life-cycle of the sector; the number of business rivals at the market, their relative dimensions, the degree of concentration; the number of customers and their relative dimensions, the ease of entrance and going out; the degree of differentiation of service production of competitive companies; the level of technological changes in the course of the production of new articles; the existence of the relation of unit value and of the cumulative value of the amount of products; the requirements to the minimum level of capital; the profitability and the cost status; the personnel management; the duration of production cycle; the legislative regulation of the sector; the productive potential and the consumers’ ability to pay; structural changes; the main dynamics to the sector. The sectors having the highest total point among all the indices are considered to be the most attractive for investment.

Nowadays there are several approaches to the ranking of investment attractiveness of sectors:

◆ The approach based on the assessment of the interest of every sector in the volume of the GDP of the company;

◆ The approach based on the ranking of the indices of the economic state of sectors, for instance, on the indices of profitability, bill payable and accounts receivable, etc;

◆ The approach based on the ranking of shares tender volume of the companies functioning in different sectors.

The approach based on the assessment of the interest of every sector in the volume of the GDP of the company. Indirectly the interest points to the volume of assets functioning in the sector as well as to the cumulative volume of the production of the sectoral segment (services). However this approach doesn’t allow observing the efficiency of the functioning of the sectoral segments characterizing only their capacity and the value of the production for ultimate consumers.

The approach based on the ranking of the indices of the economic state of sectors reveals not only the absolute index of the state of the sector, but also it allows to determine the investment attractiveness of sectors for different groups of investors.

The amount of already invested investment also has the influence on the sectoral attractiveness. The most attractive economic sectors for foreign investors are the fuel and food industries, the mechanical engineering, the metal-working industry, transport and connections.

When a part of sectors succeeds in its development and the other part declines, the effort to attract foreign investors is a rather difficult task. It’s possible to attract foreign investment only to the sectors which output finds a ready market.

So, the assessment of the financial and economic situation of the sectors reveals that the sectors working on the guaranteed solvent demand are more advantageous: food and oil-refining industries, power industry, connections, the trade of production that has an industrial and technical function as well as export-oriented sectors such as oil, nonferrous-metals and iron industries.

Power industry, fuel industry, connections, mechanical engineering and metal-working manufacturing, metallurgy, chemistry and neurochemistry takes up the top positions. Investment attractiveness can be also estimated according to the number of companies - issuers representing the sector.

Nowadays there are no shares of the companies representing the following super-attractive sectoral segments at the Russian stock market: show-business, playing-entertaining sector, hotel business. The high profitability of these sectors advantages the concentration of stock capital of the companies among a limited number of owners.

The other highly attractive sectors may not exist at the stock market as they happen to be under a firm state regulation so that the leading companies are its property. These are the companies that function in such sectoral segments as medicine and pharmacology, communal-general and social services as well as the companies - producers of arm, enterprises of medical care, producers of alcoholic output, toxic agent and high explosive. These enterprises are either a state-maintained property or the ones having a limited access for the investors.

So, the sectoral attractiveness in Russian conditions is a rather important factor that affects the investment attractiveness and the liquidity of the shares of companies forming their market value.

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