

Why is the Macedonian Stock Exchange Unsuccessful?

The Macedonian Stock Exchange (MSE) is not operating successfully. True, some of the parameters which we use to measure the success of a stock exchange have lately improved in the MSE. For instance, the monthly money volume has increased together with the number of transactions. But this is a far cry from success.

Who is to blame? Is the current management of the MSE incompetent?

I do not think so. Actually, I think the MSE has an excellent management team, doing their best to incorporate new trading techniques and to list new firms. The problems lie elsewhere.

A stock exchange is a very important financial market. It is a highly efficient and visible instrument of financing. In the West, it is used to finance most of the needs of corporations, way above financing available from banks. Individuals and firms save some of their income and invest it. The stock exchange is meeting grounds for savers wishing to invest their savings - and firms looking for investments.

Another function of stock exchanges is to assist governments in financing their internal borrowing requirements. Governments sell obligations (called bonds) to investors through the stock exchanges in their countries. A stock exchange is, therefore, an indispensable tool for re-financing national debt.

But a few conditions must prevail before a stock exchange functions properly.

The most important condition is the existence of a healthy, growing economy in the stock exchange's country. Investors flock to robust economies and shy away from sickly ones.

On the face of it, the Macedonian economy belongs to the latter category. High unemployment, low savings, retarded growth, a gaping trade and payments deficits. But this is an optical illusion. The economy is in much better conditions than most Macedonians would care to admit. The unemployment figures are skewed. They reflect efforts to evade paying social taxes - not real unemployment. The economy is growing, even by official estimates. The black economy is growing even faster. The deficits are covered by enormous capital infusions from donor countries. Macedonia is receiving more international credits per capita than Russia. It is always convenient to blame the worsening economic climate - but the cold, objective figures do not bear this out.

When an economy is growing - the profits of companies (including those listed in the MSE) will grow with it. This makes the shares of these companies an interesting buy.

Since no one is buying - we must look for the problem elsewhere.

A prospering stock exchange is linked to the existence of the right micro and macro economic management. Macedonia has more than its share of problems in this respect.

The process of transformation of businesses with social capital had four basic flaws:

first, it introduced no new management, ideas or capital to the beleaguered firms which were "transformed". The market simply does not believe that they were transformed. The same people run the same shows under a different hat.