*ECONOMIC AND INDUSTRIAL ANALYSIS*

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INTRODUCTION:

Fundamental analysis is a technique for determining an asset's inherent value and examining the variables that can affect its price in the future. This type of study is founded on outside factors, financial statements, and market trends. It is a technique for determining an asset's intrinsic worth and researching the variables that can affect its price in the future. This type of study is founded on outside factors, financial statements, and market trends. Fundamental analysis involves three analysis Economic analysis, industrial analysis, and corporate analysis are the three analyses that make up fundamental analysis.

ECONOMY ANALYSIS:

An economy analysis is carried out to comprehend the macro elements influencing the economy, which are sure to have an impact on all businesses operating in the economy. Based on research into the factors influencing the nation's economic outlook, a security market investor can forecast the share price of a company in the future. The following economic indicators provide a general overview of the state of the economy:

* Gross National Product (GNP)
* Gross Domestic Product (GDP)
* Inflation Rates
* Unemployment
* Interest Rates
* Exchange rate
* Government initiatives that have an impact on businesses, such as the economy's financial reforms, can affect how much money companies can make.

Macroeconomic analysis of Nestle

Nestlé S.A. is a multinational food and beverage corporation. Nestlé's offerings include snacks, infant food, dairy goods, breakfast cereals, bottled water, coffee, tea, medical food, and breakfast cereals. Vevey, Vaud, Switzerland serves as the global headquarters for the company.

Economic growth, unemployment, inflation, business cycle, the balance of payments, and exchange rate are macroeconomic variables that could have an impact on Nestlé's success. The high income per capita is correlated with high economic growth and vice versa. A country's overall consumption typically rises as its per capita income does. As a result, high economic growth will boost Nestlé's product demand, whilst low economic growth will decrease it. As a result, the company's profits will be high. Low unemployment rates are found in nations with strong global demand. In countries with low unemployment, Nestle product demand will therefore be high. during periods of rapid economic expansion and low periods of recession. Inflation refers to the percentage change in the prices of goods and services over a period such as a month. Due to the rise in the cost of its inputs, high inflation will drive up Nestlé's manufacturing expenses. Sales and profitability for the company will decline as a result of the product price rise. The balance of payment (BOP) is a record of the imports and exports that have taken place between a country and the rest of the world. A country's BOP deficit reveals how heavily it depends on imports. If the nation has a significant BOP deficit, import competition for Nestlé's products would certainly be intense. The demand for Nestle items in international markets will decline as the dollar's appreciation makes American goods more expensive there. The business cycle comprises four distinct phases: decline, recession, boom, and recovery. Nestle experiences losses during recessions due to low aggregate demand, but experiences huge profits during booms due to high aggregate demand.

INDUSTRY ANALYSIS:

Businesses and analysts use industry analysis as a tool to examine the market and comprehend the dynamics of a particular industry's competition. They can gain a better understanding of an industry's current situation by looking at statistics on demand and supply, levels of internal and external rivalry, the industry's future prospects in light of technical advancements, the industry's credit system, and the impact of external variables.

PEST Analysis

Political, Economic, Social, and Technological factors are considered in the broad factors analysis, often known as the PEST analysis. The PEST framework is helpful for studying the external environment.

* Political

In order to access the target market, Nestle should concentrate on a number of political factors, including import and export excise taxes and government approval. The company should consider international marketing strategies and food standards. Additionally, they ought to think about and acknowledge the stability of the government.

* Economic

Nestle should produce goods locally and set product prices in accordance with its target market. It is crucial to be aware of how inflation, consumer income levels, and economic growth rates are changing.

* Social

To earn the trust of its customers, the business upholds its core beliefs and ideals. In order to improve the health of Indian consumers, Nestle has committed to reducing the amount of salt, sugar, sodium, and trans-fats in its products.

* Technology

E-Commerce offers a huge range of marketing opportunities. It aids in bridging the gap between customers and businesses. They introduced innovative technology for the production of various commodities and used social media to raise awareness of their products.

SWOT Analysis

Strengths, Weaknesses, Opportunities, and Threats is often known as a SWOT analysis. It can be a great technique to summarise different industry factors and ascertain what they mean for a particular business.

* Strengths

The company has the ability to penetrate both urban and rural markets due to its locally tailored-distribution distribution strategies. It has more than 8000 goods and is the world's 37th-best brand as of 2016.

* Opportunities

Further growth might be facilitated by supply chain stability and market penetration in rural areas. collaborating with food industry titans will aid in future expansion

* Weakness

maintaining multiple brands poses challenges. Due to its harmful ingredients and controversies like Nestle baby formula boycott, chocolate price manipulation, etc., and the Maggie ban in India failed in upkeeping its brand name

* Threats

when regional and international players grow, the threat of counterfeit goods increases. Prices that are raised cause sales to decline. And when prices are increased sales will decline and consumers will shift to other brands.

PORTER’S 5 FORCES

One of the most famous models ever developed for industry analysis by Michael Porter and was first introduced in his 1980 book “Competitive Strategy: Techniques for Analysing Industries and Competitors.”

* Competitive rivalry

Kraft foods, P&G, and Group Danone are Nestle's rivals. All of these companies invest a lot of money in marketing and advertising, particularly when new products are introduced. Competition is focused on more than just product pricing; it also considers factors like product diversity, originality, promotional offers, etc. Despite being one of the biggest players in the market and having been around for more than 150 years, Nestle faces intense competition.

* Threat of new entrants

Every year, a number of new entrants enter the market in an effort to take a small portion of the market. The current businesses have created robust distribution networks and economies of scale that enable low-cost production and delivery. Nestle faces little competition from new entrants because it is a well-established company.

* Bargaining power of suppliers

The largest market share in the sector is held by Nestle. As a result, it needs supplies in enormous amounts. It is therefore the perfect customer for the vendors. As a result, the business needs long-term relationships with its suppliers since once they get going, they never try to meddle, haggle, or influence prices. Consequently, the switching cost for Nestling is low because it will need to sign new contracts and put up effort to ensure the supplier's quality.

* Threat from substitutes

There are alternatives for many Nestle products, including pasteurized milk and bottled water. Nestle is also the target of claims that certain of its goods are unhealthy, which will push consumers who care about their health to switch to a different brand. Nestle tries to combat the replacements by highlighting the beneficial features of their goods. so the company faces a serious threat from replacements.

* Bargaining power of consumers

Buyers have strong negotiating power as a result of intense competition. Since the cost of consumers switching brands is negligible, they can easily do so. Numerous company offers similar product. Nestle makes an effort to maintain the satisfaction of its customers.

CONCLUSION

In this essay, industrial and economic analyses are covered. Both of them are pillars of fundamental analysis. To ascertain an asset's intrinsic value and investigate the factors that can influence its price in the future, each of them employs a different methodology. Using the corporation Nestle as a point of reference, both analysis techniques are described.

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