

# **A QUANTITATIVE ANALYSIS OF THE INTERACTION BETWEEN CORPORATE PAYOUTS AND MACROECONOMIC FACTORS**

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## **ABSTRACT**

Corporate payouts are a heavily researched area of corporate finance; however the emphasis for over fifty years has been examining firm specific characteristics as the primary determinants of payout policy and payout activity. This research enhances these findings and examines corporate payouts through a macroeconomic lens. It is generally agreed upon that earnings are the primary determinant of corporate payouts, and the relation between earnings and macroeconomic factors is thoroughly documented. This work examines the relation between aggregate payouts and macroeconomic factors. More firms are becoming aware of the importance of macroeconomic factors and express concern about these influences. In hand collected data from annual reports of the DOW 30 firms, the mention of macroeconomic factors has increased significantly in the last decade. This motivates an interest in examining a variety of corporate finance activities within the context of the macro economy.

We find evidence that there are simultaneous long and short run relations among aggregate payout variables and macroeconomic factors after applying a Vector Error Correction Model (VECM). This work contributes to existing literature by examining aggregate payouts and shifting the focus from firm specific payout activity and firm specific characteristics to aggregate payout activity within a macroeconomic environment.

Key Words: aggregate payouts, dividends, repurchases, macroeconomic factors, VECM