

Despite weaker commodity prices, Australia's economic outlook remains positive. A strong labor market, improved competitiveness and a rise in residential construction should drive GDP growth to 3% per year through 2020. Weaker commodity prices will create some drag on M&A and IPO activity, but the strength of the non-commodity economy will outweigh this, pushing transactions to a peak of US\$101 billion in 2019.

### M&A AND IPO TRANSACTIONS

	2014	2015	2016	2017f	2018f	2019f	2020f
<b>TOTAL M&amp;A TRANSACTIONS (US\$B)</b>	<b>73.7</b>	<b>71.9</b>	<b>54.2</b>	<b>75.7</b>	<b>100.7</b>	<b>116.6</b>	<b>100.4</b>
% of Global M&A transactions	3.0	2.1	1.9	3.0	3.4	4.2	4.3
Domestic (US\$B)	38.4	41.3	36.8	47.8	60.7	70.8	64.3
Cross-border, inbound (US\$B)	35.3	30.6	17.4	27.9	40.0	45.9	36.1
<b>TOTAL VOLUME OF M&amp;A TRANSACTIONS (Number of deals)</b>	<b>923</b>	<b>864</b>	<b>673</b>	<b>877</b>	<b>1,033</b>	<b>1,110</b>	<b>954</b>
Domestic (Number of deals)	580	530	417	502	586	628	570
Cross-border, inbound (Number of deals)	343	334	256	375	447	482	384
<b>TOTAL IPO TRANSACTIONS (US\$B)</b>	<b>15.4</b>	<b>6.4</b>	<b>4.3</b>	<b>3.8</b>	<b>7.5</b>	<b>8.8</b>	<b>6.1</b>
% Global IPO transactions	5.6	3.1	3.2	2.2	2.8	3.2	3.2
Domestic (US\$B)	12.1	5.5	4.1	3.2	6.0	6.7	5.2
Cross-border (US\$B)	3.4	1.0	0.2	0.6	1.5	2.0	1.0

### FORECAST FOR THE ECONOMY

	2014	2015	2016	2017f	2018f	2019f	2020f
<b>MACROECONOMIC DRIVERS</b>							
Real GDP growth (% yoy)	2.8	2.4	2.2	1.8	2.9	2.8	2.7
CPI (% yoy)	2.5	1.5	1.2	1.7	2.2	2.5	2.5
Merchandise trade (% of GDP)	33	32	31	31	32	32	32
<b>FINANCIAL DRIVERS</b>							
10-year government bond yield (%)	3.7	2.7	2.4	2.9	3.3	3.8	4.3
Equity prices (LCU, end of year % change)	1.1	-2.1	3.3	12.9	8.7	1.3	-9.3
Stock market capitalization (US\$B)	1,289	1,187	1,215	1,387	1,526	1,580	1,486

### KEY DRIVER SUMMARY (AVERAGE 2015-2020)

	Australia	Global
<b>GDP growth</b> (% annual)	<b>2.5</b>	<b>2.6</b>
<b>Stock market capitalization</b> (% of GDP)	<b>103</b>	<b>98</b>
<b>Money supply</b> (% of GDP)	<b>116</b>	<b>124</b>
<b>Trade</b> (% of GDP)	<b>32</b>	<b>42</b>
<b>Ease of doing business</b> (World Bank)	<b>81</b>	<b>62</b>
<b>Legal structure</b> (Fraser Institute)	<b>7.9</b>	<b>6.4</b>
<b>Freedom to trade</b> (Fraser Institute)	<b>7.6</b>	<b>7.3</b>

### TRANSACTION ATTRACTIVENESS INDICATOR\*



\*The Transaction Attractiveness Indicator is an overall score calculated using a weighted average of the 10 factors included in the chart above. The score reflects the attractiveness of a country's current environment for M&A and IPO activity on a scale from 0 to 10. It's based on past transactional activity in that country and data on key economic, financial and regulatory factors that drive M&A and IPO activity. Because many of these factors change slowly over time, a country's current score is a strong indicator of whether it will have the right features to attract transactional activity in the future.