

Political risk in Brazil has subsided and the new government has taken steps to restore fiscal credibility. This has improved market confidence, supported the exchange rate and enabled the Central Bank of Brazil to cut interest rates for the first time in four years. But Brazil continues to face economic policy challenges, such as the need for tax, pension and labor law reforms to boost its manufacturing and export competitiveness. Without continued progress, Brazil's transactional activity will likely fall below our forecast.

M&A AND IPO TRANSACTIONS							
	2014	2015	2016	2017f	2018f	2019f	2020f
<b>TOTAL M&amp;A TRANSACTIONS (US\$B)</b>	<b>44.4</b>	<b>40.3</b>	<b>21.7</b>	<b>22.6</b>	<b>42.9</b>	<b>59.7</b>	<b>49.3</b>
% of Global M&A transactions	1.8	1.2	0.8	0.9	1.4	2.2	2.1
Domestic (US\$B)	24.0	23.8	7.5	11.7	26.2	38.3	34.2
Cross-border, inbound (US\$B)	20.4	16.5	14.2	11.0	16.7	21.3	15.1
<b>TOTAL VOLUME OF M&amp;A TRANSACTIONS (Number of deals)</b>	<b>440</b>	<b>488</b>	<b>315</b>	<b>471</b>	<b>624</b>	<b>721</b>	<b>572</b>
Domestic (Number of deals)	207	192	135	206	231	252	230
Cross-border, inbound (Number of deals)	233	296	180	265	393	469	342
<b>TOTAL IPO TRANSACTIONS (US\$M)</b>	<b>171.6</b>	<b>192.6</b>	<b>214.9</b>	<b>405.0</b>	<b>2,126.7</b>	<b>3,973.1</b>	<b>3,059.0</b>
% Global IPO transactions	0.1	0.1	0.2	0.2	0.8	1.5	1.6
Domestic (US\$M)	171.6	192.6	214.9	405.0	2,126.7	3,973.1	3,059.0
Cross-border (US\$M)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FORECAST FOR THE ECONOMY							
	2014	2015	2016	2017f	2018f	2019f	2020f
<b>MACROECONOMIC DRIVERS</b>							
Real GDP growth (% yoy)	0.5	-3.8	-3.4	0.4	2.4	3.4	3.3
CPI (% yoy)	6.3	9.0	8.8	5.4	4.4	4.2	4.0
Merchandise trade (% of GDP)	18	20	18	17	17	18	18
<b>FINANCIAL DRIVERS</b>							
10-year government bond yield (%)	12.3	13.7	13.0	11.3	10.3	9.9	9.9
Equity prices (LCU, end of year % change)	-2.9	-13.3	38.9	7.6	9.8	7.3	-4.1
Stock market capitalization (US\$B)	844	491	649	729	787	802	747

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

	Brazil	Global
<b>GDP growth</b> (% annual)	<b>0.4</b>	<b>2.6</b>
<b>Stock market capitalization</b> (% of GDP)	<b>35</b>	<b>98</b>
<b>Money supply</b> (% of GDP)	<b>39</b>	<b>124</b>
<b>Trade</b> (% of GDP)	<b>18</b>	<b>42</b>
<b>Ease of doing business</b> (World Bank)	<b>58</b>	<b>62</b>
<b>Legal structure</b> (Fraser Institute)	<b>4.9</b>	<b>6.4</b>
<b>Freedom to trade</b> (Fraser Institute)	<b>6.9</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.