

As China shifts from an export-based to a consumer-based economy, Hong Kong continues to lose a key source of economic and financial growth. Nevertheless, Hong Kong remains among the best regulated financial centers in the region, with deep capital markets that will continue to attract IPO activity and M&A transactions because of its position as a gateway to Asian markets.

M&A AND IPO TRANSACTIONS							
	2014	2015	2016	2017f	2018f	2019f	2020f
TOTAL M&A TRANSACTIONS (US\$B)	38.1	104.8	31.4	41.0	48.6	50.8	36.9
% of Global M&A transactions	1.5	3.2	1.1	1.6	1.6	1.8	1.6
Domestic (US\$B)	9.6	68.4	13.0	15.5	18.1	18.9	11.3
Cross-border, inbound (US\$B)	28.5	39.9	18.5	25.6	30.5	32.0	25.5
TOTAL VOLUME OF M&A TRANSACTIONS (Number of deals)	314	331	394	313	361	371	261
Domestic (Number of deals)	168	180	220	148	174	181	109
Cross-border, inbound (Number of deals)	146	151	174	165	187	190	152
TOTAL IPO TRANSACTIONS (US\$B)	28.9	23.6	21.1	23.2	34.4	41.9	24.4
% Global IPO transactions	10.6	11.5	15.8	13.7	12.7	15.3	12.9
Domestic (US\$B)	4.6	2.4	1.6	4.1	5.1	5.9	4.5
Cross-border (US\$B)	24.3	21.2	19.4	19.1	29.2	36.0	19.9

FORECAST FOR THE ECONOMY							
	2014	2015	2016	2017f	2018f	2019f	2020f
MACROECONOMIC DRIVERS							
Real GDP growth (% yoy)	2.7	2.4	1.5	1.9	2.4	2.5	2.6
CPI (% yoy)	4.4	3.0	2.4	2.5	2.4	2.2	2.0
Merchandise trade (% of GDP)	365	334	318	312	307	309	314
FINANCIAL DRIVERS							
10-year government bond yield (%)	2.1	1.7	1.3	2.0	2.6	3.0	3.2
Equity prices (LCU, end of year % change)	1.3	-7.2	3.4	5.2	4.0	7.0	-8.9
Stock market capitalization (US\$B)	3,233	3,185	3,290	3,461	3,619	3,879	3,549

KEY DRIVER SUMMARY (AVERAGE 2015-2020)

	Hong Kong	Global
GDP growth (% annual)	2.2	2.6
Stock market capitalization (% of GDP)	1,015	98
Money supply (% of GDP)	506	124
Trade (% of GDP)	312	42
Ease of doing business (World Bank)	85	62
Legal structure (Fraser Institute)	7.9	6.4
Freedom to trade (Fraser Institute)	9.1	7.3

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.