Dissolution of Malaysia's sovereign wealth fund should support financial transactions in the next four to five years as the government uses the proceeds to pay off sovereign debt. We forecast IPO activity to rise to US$2.8 billion by 2019, easing thereafter. Domestic and inbound M&A activity will also remain strong, supported by Malaysia's strong GDP growth.

M&A AND IPO TRANSACTIONS

	2014	2015	2016	2017f	2018f	2019f	2020f
TOTAL M&A TRANSACTIONS (US$B)	**6.9**	**7.1**	**7.2**	**11.2**	**16.7**	**19.8**	**14.8**
% of Global M&A transactions	0.3	0.2	0.3	0.4	0.6	0.7	0.6
Domestic (US$B)	3.9	4.4	2.5	6.6	11.4	14.4	11.1
Cross-border, inbound (US$B)	3.0	2.7	4.7	4.6	5.4	5.5	3.6
TOTAL VOLUME OF M&A TRANSACTIONS (Number of deals)	**321**	**331**	**254**	**413**	**516**	**599**	**454**
Domestic (Number of deals)	230	259	183	333	421	502	390
Cross-border, inbound (Number of deals)	91	72	71	80	95	97	64
TOTAL IPO TRANSACTIONS (US$M)	**1,301.1**	**1,199.0**	**240.3**	**1,293.8**	**2,231.1**	**2,790.8**	**1,796.9**
% Global IPO transactions	0.5	0.6	0.2	0.8	0.8	1.0	0.9
Domestic (US$M)	1,301.1	1,199.0	240.3	1,293.8	2,231.1	2,790.8	1,796.9
Cross-border (US$M)	18.6	0.0	0.0	0.0	0.0	0.0	0.0

FORECAST FOR THE ECONOMY

	2014	2015	2016	2017f	2018f	2019f	2020f
MACROECONOMIC DRIVERS							
Real GDP growth (% yoy)	6.0	5.0	4.1	4.2	4.3	4.0	3.9
CPI (% yoy)	3.1	2.1	2.1	2.7	2.7	2.5	2.5
Merchandise trade (% of GDP)	112	109	103	105	101	99	98
FINANCIAL DRIVERS							
10-year government bond yield (%)	4.0	4.1	3.8	4.4	4.6	4.9	5.2
Equity prices (LCU, end of year % change)	-5.7	-3.9	-3.9	5.0	5.9	6.6	-15.4
Stock market capitalization (US$B)	459	383	346	344	381	419	403

KEY DRIVER SUMMARY (AVERAGE 2015-2020)

	Malaysia	Global
GDP growth (% annual)	4.2	2.6
Stock market capitalization (% of GDP)	115	98
Money supply (% of GDP)	129	124
Trade (% of GDP)	101	42
Ease of doing business (World Bank)	79	62
Legal structure (Fraser Institute)	6.9	6.4
Freedom to trade (Fraser Institute)	7.7	7.3

TRANSACTION ATTRACTIVENESS INDICATOR*

GDP per capita
Size of stock market
Legal structure
Money supply
Sovereign credit risk
Government effectiveness
Freedom to trade
Openness to trade
Ease of doing business
Business regulation

OVERALL SCORE **6.1**

*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.