

Mexico's economy is one of the most vulnerable to the new US administration's potential swing toward protectionism. As a result, we expect only a small recovery in Mexico's deal values in 2017 as investors wait for greater clarity. Assuming the US's trade and investment policies maintain relatively liberal, we forecast inbound and domestic M&A activity to rebound more vigorously in 2018. IPO activity will also strengthen, reaching a peak of \$1.8 billion in 2019.

M&A AND IPO TRANSACTIONS							
	2014	2015	2016	2017f	2018f	2019f	2020f
TOTAL M&A TRANSACTIONS (US\$B)	11.7	18.2	10.9	18.1	23.2	26.4	21.6
% of Global M&A transactions	0.5	0.5	0.4	0.7	0.8	1.0	0.9
Domestic (US\$B)	4.9	8.7	3.9	7.7	10.8	12.5	10.7
Cross-border, inbound (US\$B)	6.8	9.5	7.0	10.3	12.4	13.9	10.9
TOTAL VOLUME OF M&A TRANSACTIONS (Number of deals)	150	174	102	176	228	257	217
Domestic (Number of deals)	75	89	52	86	121	139	120
Cross-border, inbound (Number of deals)	75	85	50	90	107	118	97
TOTAL IPO TRANSACTIONS (US\$M)	1,543.8	1,764.4	280.0	1,078.1	1,508.0	1,812.9	1,440.1
% Global IPO transactions	0.6	0.9	0.2	0.6	0.6	0.7	0.8
Domestic (US\$M)	941.7	1,764.4	179.4	1,078.1	1,508.0	1,812.9	1,440.1
Cross-border (US\$M)	602.1	0.0	100.5	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)	2.3	2.6	2.0	2.1	2.2	2.5	2.5
CPI (% yoy)	4.0	2.7	2.8	3.6	3.2	3.1	3.0
Merchandise trade (% of GDP)	62	67	72	72	72	73	74
FINANCIAL DRIVERS							
10-year government bond yield (%)	6.0	5.9	6.2	7.2	7.0	7.0	7.0
Equity prices (LCU, end of year % change)	1.0	-0.4	6.6	9.4	12.4	10.4	-10.5
Stock market capitalization (US\$B)	480	402	354	353	396	427	390

KEY DRIVER SUMMARY (AVERAGE 2015-2020)

	Mexico	Global
GDP growth (% annual)	2.3	2.6
Stock market capitalization (% of GDP)	35	98
Money supply (% of GDP)	64	124
Trade (% of GDP)	72	42
Ease of doing business (World Bank)	72	62
Legal structure (Fraser Institute)	4.4	6.4
Freedom to trade (Fraser Institute)	7.2	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.