

Major policy challenges continue to weigh on South Africa's economic outlook. The South African Reserve Bank's recent rate hikes to offset inflation caused by depreciation of the rand will continue to undermine investment financing through 2017, but should unwind thereafter. Rising commodity prices and gradual reform efforts should also stimulate transactional activity, albeit more so among domestic investors. Inbound M&A activity will remain low compared to other emerging markets.

M&A AND IPO TRANSACTIONS							
	2014	2015	2016	2017f	2018f	2019f	2020f
TOTAL M&A TRANSACTIONS (US\$B)	4.1	29.7	10.7	5.5	8.2	9.1	4.1
% of Global M&A transactions	0.2	0.9	0.4	0.2	0.3	0.3	0.2
· Domestic (US\$B)	3.0	8.2	1.0	4.4	6.3	7.1	3.1
· Cross-border, inbound (US\$B)	1.1	21.5	9.7	1.1	1.9	2.0	1.0
TOTAL VOLUME OF M&A TRANSACTIONS (Number of deals)	181	211	115	190	274	295	186
· Domestic (Number of deals)	111	126	70	119	171	184	106
· Cross-border, inbound (Number of deals)	70	85	45	71	103	111	80
TOTAL IPO TRANSACTIONS (US\$M)	822.6	476.8	718.6	514.8	649.9	798.9	178.0
% Global IPO transactions	0.3	0.2	0.5	0.3	0.2	0.3	0.1
· Domestic (US\$M)	822.6	476.8	718.6	514.8	649.9	798.9	178.0
· 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
MACROECONOMIC DRIVERS							
Real GDP growth (% yoy)	1.6	1.3	0.4	1.2	2.0	2.5	2.4
CPI (% yoy)	6.1	4.6	6.3	5.8	5.4	5.3	5.2
Merchandise trade (% of GDP)	54	53	50	49	52	54	55
FINANCIAL DRIVERS							
10-year government bond yield (%)	8.1	8.1	9.0	9.0	9.2	9.2	9.2
Equity prices (LCU, end of year % change)	7.6	1.9	-1.6	8.8	7.3	6.1	-11.9
Stock market capitalization (US\$B)	934	736	607	638	669	697	627

KEY DRIVER SUMMARY (AVERAGE 2015-2020)

	South Africa	Global
GDP growth (% annual)	1.6	2.6
Stock market capitalization (% of GDP)	203	98
Money supply (% of GDP)	62	124
Trade (% of GDP)	52	42
Ease of doing business (World Bank)	71	62
Legal structure (Fraser Institute)	5.8	6.4
Freedom to trade (Fraser Institute)	7.0	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.