

Spain's efforts to become a more competitive economy have led to a surge in foreign direct investment, with inbound M&A forecast to account for more than half of the country's total M&A activity in the next four years. Although unemployment remains high, labor reforms enacted in 2012 have resulted in a rapid job creation and restored business confidence. This should drive M&A and IPO activity higher in 2017 and 2018, before dropping in 2019. A disorderly Brexit could weaken Spain's economy by threatening the status of 1 million UK citizens who live there. But Spain could also benefit from UK firms relocating to Spain to maintain their access to the European single market.

M&A AND IPO TRANSACTIONS							
	2014	2015	2016	2017f	2018f	2019f	2020f
<b>TOTAL M&amp;A TRANSACTIONS (US\$B)</b>	<b>42.4</b>	<b>37.4</b>	<b>29.6</b>	<b>31.1</b>	<b>41.9</b>	<b>39.5</b>	<b>36.3</b>
% of Global M&A transactions	1.7	1.1	1.1	1.2	1.4	1.4	1.6
Domestic (US\$B)	12.9	14.2	8.9	13.7	16.6	15.9	13.6
Cross-border, inbound (US\$B)	29.5	23.2	20.7	17.4	25.3	23.5	22.7
<b>TOTAL VOLUME OF M&amp;A TRANSACTIONS (Number of deals)</b>	<b>853</b>	<b>890</b>	<b>509</b>	<b>666</b>	<b>805</b>	<b>762</b>	<b>686</b>
Domestic (Number of deals)	451	475	234	393	452	433	369
Cross-border, inbound (Number of deals)	402	415	275	273	353	329	317
<b>TOTAL IPO TRANSACTIONS (US\$M)</b>	<b>6,520</b>	<b>9,528.7</b>	<b>957.6</b>	<b>3,582.3</b>	<b>6,562.9</b>	<b>4,385.0</b>	<b>2,535.6</b>
% Global IPO transactions	2.4	4.6	0.7	2.1	2.4	1.6	1.3
Domestic (US\$M)	3,577.5	8,882.4	192.9	3,582.3	6,562.9	4,385.0	2,535.6
Cross-border (US\$M)	2,942.6	646.4	764.7	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)	1.4	3.2	3.3	2.4	1.9	1.8	1.6
CPI (% yoy)	-0.1	-0.5	-0.3	1.5	1.2	1.4	1.6
Merchandise trade (% of GDP)	48	49	47	47	48	50	51
<b>FINANCIAL DRIVERS</b>							
10-year government bond yield (%)	2.7	1.7	1.4	1.7	2.1	2.5	2.9
Equity prices (LCU, end of year % change)	3.0	-7.4	-6.7	9.7	5.5	-7.4	-3.3
Stock market capitalization (US\$B)	993	787	733	744	776	737	732

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

	Spain	Global
<b>GDP growth</b> (% annual)	<b>2.4</b>	<b>2.6</b>
<b>Stock market capitalization</b> (% of GDP)	<b>59</b>	<b>98</b>
<b>Money supply</b> (% of GDP)	<b>91</b>	<b>124</b>
<b>Trade</b> (% of GDP)	<b>49</b>	<b>42</b>
<b>Ease of doing business</b> (World Bank)	<b>73</b>	<b>62</b>
<b>Legal structure</b> (Fraser Institute)	<b>6.4</b>	<b>6.4</b>
<b>Freedom to trade</b> (Fraser Institute)	<b>7.6</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.