

Given Brexit's impact on business confidence (and access to the European market in particular), we expect M&A values to fall by two-thirds in 2017 after numerous large deals in the first half of last year boosted 2016 totals. Activity should recover in 2018, as greater certainty emerges about the UK's new relationship with the EU and the rest of the world. Similarly, the potential for market volatility during the UK's exit from the EU is likely to impact the number of cross-border IPOs coming to market in London during 2017.

M&A AND IPO TRANSACTIONS							
	2014	2015	2016	2017f	2018f	2019f	2020f
<b>TOTAL M&amp;A TRANSACTIONS (US\$B)</b>	<b>126.9</b>	<b>141.3</b>	<b>340.3</b>	<b>124.9</b>	<b>135.4</b>	<b>144.8</b>	<b>150.3</b>
% of Global M&A transactions	5.1	4.2	12.1	5.0	4.6	5.2	6.5
Domestic (US\$B)	61.9	33.2	48.3	32.9	41.3	50.0	61.9
Cross-border, inbound (US\$B)	65.0	108.1	292.0	92.0	94.1	94.8	88.4
<b>TOTAL VOLUME OF M&amp;A TRANSACTIONS (Number of deals)</b>	<b>2,213</b>	<b>2,284</b>	<b>1,607</b>	<b>1,517</b>	<b>1,494</b>	<b>1,734</b>	<b>2,252</b>
Domestic (Number of deals)	1,382	1,358	859	905	915	1,107	1,470
Cross-border, inbound (Number of deals)	831	926	748	612	579	627	782
<b>TOTAL IPO TRANSACTIONS (US\$B)</b>	<b>26.1</b>	<b>19.8</b>	<b>6.9</b>	<b>8.3</b>	<b>12.1</b>	<b>14.9</b>	<b>10.5</b>
% Global IPO transactions	9.5	9.7	5.2	4.9	4.5	5.4	5.5
Domestic (US\$B)	17.5	14.6	5.3	4.6	7.5	9.2	6.1
Cross-border (US\$B)	8.6	5.2	1.6	3.7	4.6	5.7	4.4

FORECAST FOR THE ECONOMY							
	2014	2015	2016	2017f	2018f	2019f	2020f
<b>MACROECONOMIC DRIVERS</b>							
Real GDP growth (% yoy)	3.1	2.2	2.1	1.5	1.3	1.5	2.1
CPI (% yoy)	1.5	0.1	0.7	2.5	2.1	2.0	2.0
Merchandise trade (% of GDP)	39	37	38	40	40	40	41
<b>FINANCIAL DRIVERS</b>							
10-year government bond yield (%)	2.6	1.9	1.3	1.6	2.0	2.4	2.8
Equity prices (LCU, end of year % change)	-2.1	-2.5	9.6	-4.1	2.6	16.9	-3.7
Stock market capitalization (US\$B)	3,567	3,448	3,357	2,936	3,083	3,456	3,478

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

	United Kingdom	Global
<b>GDP growth</b> (% annual)	<b>1.8</b>	<b>2.6</b>
<b>Stock market capitalization</b> (% of GDP)	<b>123</b>	<b>98</b>
<b>Money supply</b> (% of GDP)	<b>118</b>	<b>124</b>
<b>Trade</b> (% of GDP)	<b>40</b>	<b>42</b>
<b>Ease of doing business</b> (World Bank)	<b>81</b>	<b>62</b>
<b>Legal structure</b> (Fraser Institute)	<b>7.8</b>	<b>6.4</b>
<b>Freedom to trade</b> (Fraser Institute)	<b>8.1</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.