

Domestic M&A has softened in 2019, as the economic outlook is mixed and trade tensions weigh on business and consumer confidence. Inbound deal making is expected to remain relatively upbeat, thanks to the sharp depreciation of the Australia dollar. As increasing trade frictions affect Australia's main export markets in the near-term, we see total M&A declining to around \$50bn in 2020, followed by a pickup in 2021-22 when rising stock valuations create more favourable conditions.

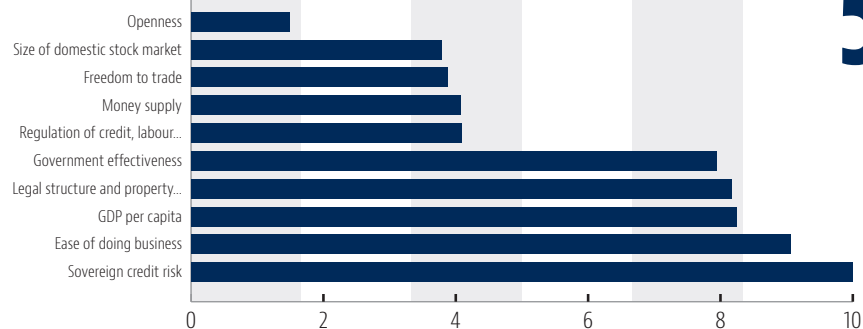
### SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)

	Australia	Global
GDP growth (% annual)	2.5	2.8
Stock market capitalization (% of GDP)	106	97
Money supply (% of GDP)	115	111
Trade (% of GDP)	33	45
Ease of doing business (World Bank, DTF score, higher=better)	80	77
Legal structure (Fraser Institute)	8.2	6.6
Freedom to trade (Fraser Institute)	3.9	7.4

Source: Oxford Economics

### AUSTRALIA – TRANSACTION ATTRACTIVENESS INDICATOR (10 = best performer)

Overall score  
**5.8**



Source: Oxford Economics

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 transaction activity in that country and data on key economic, financial and regulatory factors that drive M&A and IPO activity, such as a country's sovereign credit risk, level of trade restrictions and ease of doing business rating by the World Bank. 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.

### AUSTRALIA – M&A AND IPO TRANSACTIONS

	2016	2017	2018	2019	2020	2021	2022
<b>Total M&amp;A transactions (US\$bn)</b>	<b>69.4</b>	<b>50.8</b>	<b>94.2</b>	<b>63.8</b>	<b>52.8</b>	<b>69.2</b>	<b>81.9</b>
<b>% of Global M&amp;A transactions</b>	<b>2.1</b>	<b>1.8</b>	<b>2.8</b>	<b>2.2</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>
Domestic (US\$bn)	48.4	29.4	49.1	25.5	21.1	28.3	40.3
Cross-border, inbound (US\$bn)	21.0	21.3	45.1	38.3	31.7	40.9	41.6
<b>Total volume of M&amp;A transactions (Number of deals)</b>	<b>1,009</b>	<b>1,304</b>	<b>1,282</b>	<b>1,039</b>	<b>957</b>	<b>1,123</b>	<b>1,243</b>
Domestic (Number of deals)	630	817	781	612	571	659	776
Cross-border, inbound (Number of deals)	379	487	501	427	386	464	467
<b>Total IPO transactions (US\$bn)</b>	<b>5.5</b>	<b>4.8</b>	<b>6.1</b>	<b>2.4</b>	<b>2.2</b>	<b>4.2</b>	<b>5.0</b>
<b>% Global IPO transactions</b>	<b>4.0</b>	<b>2.4</b>	<b>2.8</b>	<b>1.6</b>	<b>1.0</b>	<b>2.2</b>	<b>2.3</b>
Domestic (US\$bn)	5.3	4.5	3.4	2.1	2.0	3.8	4.3
Cross-border (US\$bn)	0.2	0.3	2.7	0.2	0.2	0.4	0.7

Source: Oxford Economics, Reuters

### AUSTRALIA – FORECAST FOR THE ECONOMY

	2016	2017	2018	2019	2020	2021	2022
<b>Macroeconomic drivers</b>							
Real GDP growth (% yoy)	2.8	2.4	2.8	1.7	2.6	2.9	2.9
CPI (% yoy)	1.3	1.9	1.9	1.6	1.7	2.0	2.5
Merchandise trade (% of GDP)	32%	33%	33%	33%	33%	33%	33%
<b>Financial drivers</b>							
10-year government bond yield (%)	2.3	2.6	2.7	1.5	1.3	1.9	2.4
Equity prices (LCU, end of year % change)	7.0	7.0	-6.9	24.7	-5.3	3.5	3.3
Stock market capitalisation (US\$bn)	1,268.5	1,508.5	1,262.8	1,558.4	1,543.0	1,673.2	1,797.1

Source: Oxford Economics

IPO calculations account for the tentative Aramco listing in 2020 that has the potential to raise up to US 100 billion.