

M&A activity this year has picked up from 2018 lows, thanks to the \$10.3bn acquisition of Fibria Celulose by pulpmaker Suzano and the \$8.7bn sale of gas network owner TAG by Petrobras. We expect the broad economic recovery in 2020-2022 and market-friendly reforms to contribute to the resilience of Brazilian deal making in the next few years, with total M&A at \$37bn in 2020 and rising above \$40bn in 2021-22.

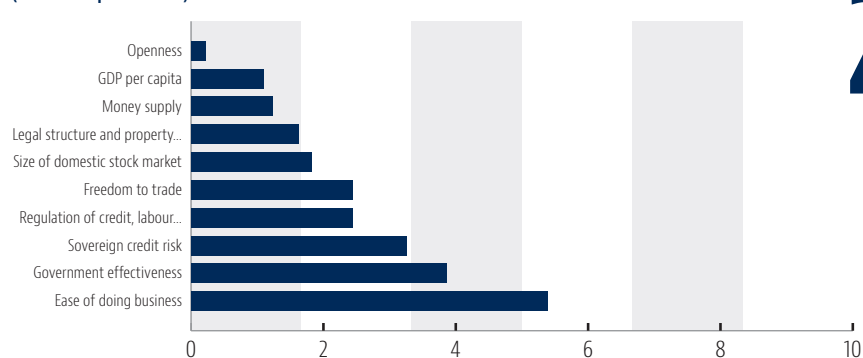
SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)

	Brazil	Global
GDP growth (% annual)	1.7	2.8
Stock market capitalization (% of GDP)	56	97
Money supply (% of GDP)	42	111
Trade (% of GDP)	27	45
Ease of doing business (World Bank, DTF score, higher=better)	60	77
Legal structure (Fraser Institute)	1.6	6.6
Freedom to trade (Fraser Institute)	2.4	7.4

Source: Oxford Economics

BRAZIL – TRANSACTION ATTRACTIVENESS INDICATOR (10 = best performer)

Overall score
2.3



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.

BRAZIL – M&A AND IPO TRANSACTIONS

	2016	2017	2018	2019	2020	2021	2022
Total M&A transactions (US\$bn)	29.5	64.6	33.0	40.4	37.0	42.8	47.4
% of Global M&A transactions	0.9	2.3	1.0	1.4	1.7	1.6	1.6
Domestic (US\$bn)	9.9	32.3	12.0	17.4	17.3	21.4	23.7
Cross-border, inbound (US\$bn)	19.5	32.4	21.0	23.0	19.7	21.4	23.6
Total volume of M&A transactions (Number of deals)	546	526	532	409	395	417	438
Domestic (Number of deals)	256	266	304	240	237	252	263
Cross-border, inbound (Number of deals)	290	260	228	169	158	165	175
Total IPO transactions (US\$m)	221.2	3,731.2	2,021.0	1,466.0	1,005.0	2,520.5	3,277.6
% Global IPO transactions	0.2	1.9	0.9	1.0	0.5	1.3	1.5
Domestic (US\$m)	221.2	1,889.3	1,312.7	488.4	418.5	1,731.8	2,088.6
Cross-border (US\$m)	0.0	1,841.9	708.3	977.6	586.5	788.7	1,189.0

Source: Oxford Economics, Reuters

BRAZIL – FORECAST FOR THE ECONOMY

	2016	2017	2018	2019	2020	2021	2022
Macroeconomic drivers							
Real GDP growth (% yoy)	-3.3	1.1	1.1	0.5	1.9	2.1	2.4
CPI (% yoy)	8.8	3.5	3.7	3.9	3.9	3.9	3.7
Merchandise trade (% of GDP)	24%	25%	27%	27%	27%	28%	28%
Financial drivers							
10-year government bond yield (%)	12.8	10.2	10.5	8.0	7.0	7.4	7.9
Equity prices (LCU, end of year % change)	38.9	26.9	15.0	21.2	-1.6	4.6	3.9
Stock market capitalisation (US\$bn)	758.6	954.7	916.8	1,130.4	1,103.5	1,144.6	1,175.7

Source: Oxford Economics

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