

After a record year in 2018, we see total M&A at \$85bn this year, before softening to around \$70bn in 2020 as global trade tensions and sub-par domestic business investment spark a deceleration in the economy. M&A activity in 2019 has been supported by some large transactions in the resources sector including Newmont Mining's \$10bn acquisition of Canada's Goldcorp and Canadian Natural's \$2.8bn acquisition of Devon Energy; but there has also been fairly broad-based activity in other sectors including Industrials, Financial Services (Fintech) and Information Technology. While the weaker global growth outlook is expected to drag on Canadian deal making next year, we expect more supportive stock valuations to stimulate a broader recovery in 2021-22.

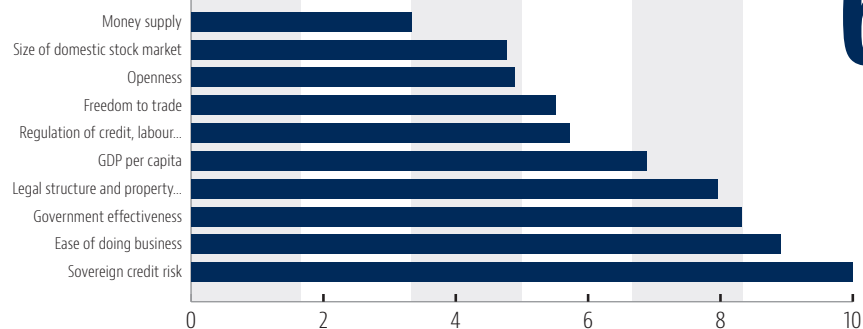
SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)

	Canada	Global
GDP growth (% annual)	1.4	2.8
Stock market capitalization (% of GDP)	129	97
Money supply (% of GDP)	95	111
Trade (% of GDP)	52	45
Ease of doing business (World Bank, DTF score, higher=better)	79	77
Legal structure (Fraser Institute)	8.0	6.6
Freedom to trade (Fraser Institute)	5.5	7.4

Source: Oxford Economics

CANADA – TRANSACTION ATTRACTIVENESS INDICATOR (10 = best performer)

Overall score
6.4



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.

CANADA – M&A AND IPO TRANSACTIONS

	2016	2017	2018	2019	2020	2021	2022
Total M&A transactions (US\$bn)	52.8	79.2	101.0	85.4	69.8	88.8	98.1
% of Global M&A transactions	1.6	2.8	3.0	3.0	3.3	3.3	3.3
Domestic (US\$bn)	30.7	54.5	62.6	47.4	36.7	46.6	53.9
Cross-border, inbound (US\$bn)	22.0	24.7	38.4	38.0	33.1	42.1	44.2
Total volume of M&A transactions (Number of deals)	1,265	2,088	1,799	1,540	1,461	1,685	1,784
Domestic (Number of deals)	770	870	879	613	564	576	649
Cross-border, inbound (Number of deals)	495	1,218	920	927	897	1,109	1,135
Total IPO transactions (US\$m)	569.4	3,773.5	1,278.8	2,257.9	1,925.7	3,835.9	4,713.9
% Global IPO transactions	0.4	1.9	0.6	1.5	0.9	2.0	2.1
Domestic (US\$m)	569.2	3,765.5	1,263.9	1,588.4	1,537.0	3,259.0	4,107.9
Cross-border (US\$m)	0.2	8.0	14.9	669.5	388.7	576.9	606.0

Source: Oxford Economics, Reuters

CANADA – FORECAST FOR THE ECONOMY

	2016	2017	2018	2019	2020	2021	2022
Macroeconomic drivers							
Real GDP growth (% yoy)	1.1	3.0	1.9	1.3	1.2	1.5	1.6
CPI (% yoy)	1.4	1.6	2.2	2.1	2.1	2.1	2.1
Merchandise trade (% of GDP)	52%	52%	53%	52%	52%	52%	51%
Financial drivers							
10-year government bond yield (%)	1.3	1.8	2.3	1.6	1.5	1.7	1.9
Equity prices (LCU, end of year % change)	17.5	6.0	-11.6	16.4	-4.3	5.0	3.3
Stock market capitalisation (US\$bn)	1,993.5	2,367.1	1,937.9	2,374.8	2,306.2	2,457.9	2,577.2

Source: Oxford Economics

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