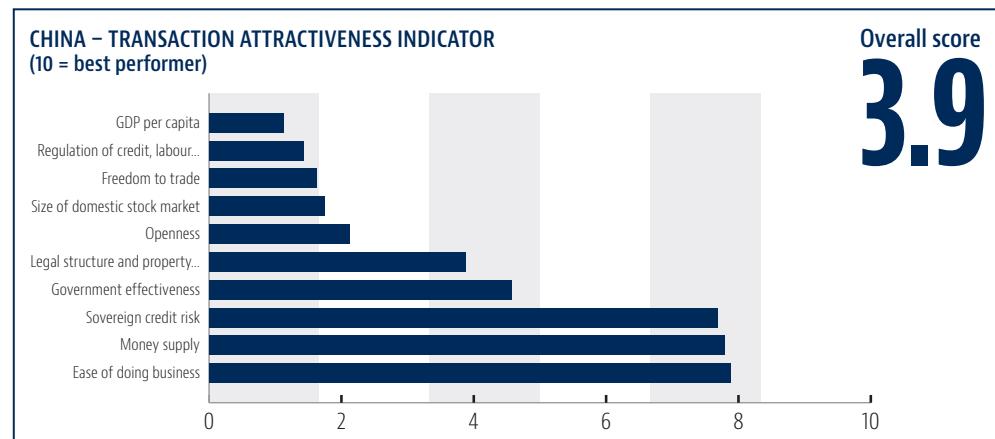


The economic outlook remains challenging in the near term amid the re-escalation of trade tensions with the US, while the impact of domestic policy easing so far has been muted. Slower growth and trade headwinds continue to weigh on M&A activity, with total M&A expected to decline to \$248bn this year and \$218bn in 2020. We see a more supportive global trade backdrop and favourable stock market valuations supporting an upswing in deal making in 2021-22.

SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)		
	China	Global
GDP growth (% annual)	5.8	2.8
Stock market capitalization (% of GDP)	48	97
Money supply (% of GDP)	203	111
Trade (% of GDP)	35	45
Ease of doing business (World Bank, DTF score, higher=better)	74	77
Legal structure (Fraser Institute)	3.9	6.6
Freedom to trade (Fraser Institute)	1.6	7.4

Source: Oxford Economics



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.

CHINA – M&A AND IPO TRANSACTIONS							
	2016	2017	2018	2019	2020	2021	2022
Total M&A transactions (US\$bn)	476.2	315.5	301.3	248.2	218.1	287.8	338.4
% of Global M&A transactions	14.4	11.1	9.0	8.7	10.3	10.6	11.3
Domestic (US\$bn)	435.5	284.9	264.1	223.3	194.6	254.3	299.0
Cross-border, inbound (US\$bn)	40.7	30.5	37.1	24.8	23.5	33.5	39.4
Total volume of M&A transactions (Number of deals)	3,932	3,373	2,869	3,108	2,772	3,118	3,176
Domestic (Number of deals)	3,407	2,926	2,533	2,858	2,527	2,825	2,848
Cross-border, inbound (Number of deals)	525	447	336	250	245	293	328
Total IPO transactions (US\$bn)	24.2	30.7	16.9	16.4	15.6	22.2	26.1
% Global IPO transactions	17.8	15.5	7.8	10.8	7.3	11.6	11.9
Domestic (US\$bn)	23.8	30.3	16.0	16.1	15.2	21.7	25.5
Cross-border (US\$bn)	0.4	0.4	0.9	0.3	0.3	0.5	0.6

Source: Oxford Economics, Reuters

CHINA – FORECAST FOR THE ECONOMY							
	2016	2017	2018	2019	2020	2021	2022
Macroeconomic drivers							
Real GDP growth (% yoy)	6.7	6.8	6.6	6.2	5.9	5.7	5.6
CPI (% yoy)	2.0	1.5	2.1	2.5	2.6	2.6	2.7
Merchandise trade (% of GDP)	38%	39%	38%	37%	36%	35%	35%
Financial drivers							
10-year government bond yield (%)	2.9	3.6	3.6	3.2	3.2	3.5	3.8
Equity prices (LCU, end of year % change)	-12.3	6.6	-24.6	20.5	-6.1	7.1	6.4
Stock market capitalisation (US\$bn)	7,320.7	8,711.3	6,324.9	7,726.3	7,393.6	8,099.8	8,850.6

Source: Oxford Economics

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