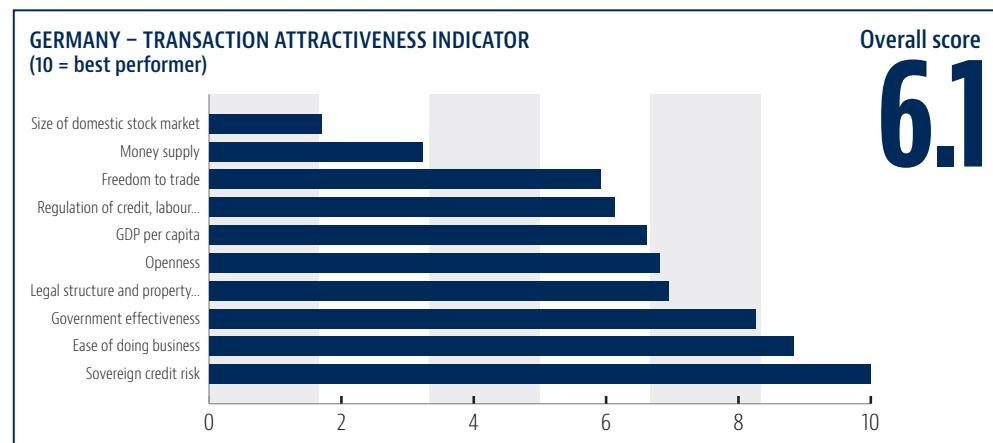


The macroeconomic backdrop is rather gloomy in the near-term, with GDP growth slowing to below 1% this year and 1.3% in 2020 as trade tensions dampen the prospects of Germany's export-driven industrial sector. We see total M&A closing 2019 at \$73bn, thanks to Vodafone's \$21.8bn acquisition of Unitymedia, and declining further to \$67.6bn 2020. We expect a bounce back in deal making from 2021, when more favourable global trade dynamics and stronger stock market valuations should push total M&A close to \$90bn.

SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)		
	Germany	Global
GDP growth (% annual)	1.0	2.8
Stock market capitalization (% of GDP)	49	97
Money supply (% of GDP)	93	111
Trade (% of GDP)	78	45
Ease of doing business (World Bank, DTF score, higher=better)	79	77
Legal structure (Fraser Institute)	6.9	6.6
Freedom to trade (Fraser Institute)	5.9	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.

GERMANY – M&A AND IPO TRANSACTIONS							
	2016	2017	2018	2019	2020	2021	2022
Total M&A transactions (US\$bn)	47.5	68.6	99.9	73.3	67.6	79.2	88.5
% of Global M&A transactions	1.4	2.4	3.0	2.6	3.2	2.9	3.0
Domestic (US\$bn)	15.6	20.7	18.2	12.7	12.2	19.6	26.6
Cross-border, inbound (US\$bn)	31.9	47.9	81.7	60.6	55.4	59.5	61.9
Total volume of M&A transactions (Number of deals)	1,448	1,366	1,272	1,072	1,054	1,150	1,197
Domestic (Number of deals)	719	674	620	499	488	561	590
Cross-border, inbound (Number of deals)	729	692	652	573	566	589	607
Total IPO transactions (US\$bn)	5.8	3.2	13.9	2.7	2.1	3.5	4.4
% Global IPO transactions	4.2	1.6	6.5	1.8	1.0	1.8	2.0
Domestic (US\$bn)	5.3	2.2	13.6	2.3	1.8	2.9	3.6
Cross-border (US\$bn)	0.4	1.1	0.3	0.4	0.3	0.6	0.8

Source: Oxford Economics, Reuters

GERMANY – FORECAST FOR THE ECONOMY							
	2016	2017	2018	2019	2020	2021	2022
Macroeconomic drivers							
Real GDP growth (% yoy)	2.1	2.8	1.6	0.6	0.9	1.2	1.2
CPI (% yoy)	0.5	1.5	1.7	1.4	1.5	1.5	1.8
Merchandise trade (% of GDP)	73%	75%	76%	76%	77%	78%	79%
Financial drivers							
10-year government bond yield (%)	0.1	0.4	0.4	-0.3	-0.2	0.3	0.7
Equity prices (LCU, end of year % change)	6.9	12.5	-18.3	16.4	-3.5	4.3	2.9
Stock market capitalisation (US\$bn)	1,716.0	2,262.2	1,755.2	1,997.8	1,976.3	2,112.4	2,225.1

Source: Oxford Economics

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