

Domestic demand and sentiment have been hit hard by the ongoing political turmoil, while the external outlook has been further dampened by a re-escalation of US-China trade tensions. As the Chinese economy is affected by increasing trade headwinds and Hong Kong's political stability has deteriorated, we see total M&A trending down to \$43bn this year and \$32.2bn in 2020. We see IPOs dropping to \$15.9bn in 2019, but the potential listing of Saudi Aramco would provide a one-off (c.\$50bn) boost to cross-border IPOs in 2020, assuming the company chooses to list in Hong Kong.

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

	Hong Kong	Global
GDP growth (% annual)	1.7	2.8
Stock market capitalization (% of GDP)	1038	97
Money supply (% of GDP)	502	111
Trade (% of GDP)	315	45
Ease of doing business (World Bank, DTF score, higher=better)	84	77
Legal structure (Fraser Institute)	8.2	6.6
Freedom to trade (Fraser Institute)	10.0	7.4

Source: Oxford Economics

### HONG KONG – TRANSACTION ATTRACTIVENESS INDICATOR (10 = best performer)

Overall score  
**9.4**



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.

### HONG KONG – M&A AND IPO TRANSACTIONS

	2016	2017	2018	2019	2020	2021	2022
<b>Total M&amp;A transactions (US\$bn)</b>	<b>39.2</b>	<b>67.4</b>	<b>44.3</b>	<b>43.2</b>	<b>32.2</b>	<b>44.2</b>	<b>49.3</b>
<b>% of Global M&amp;A transactions</b>	<b>1.2</b>	<b>2.4</b>	<b>1.3</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>
Domestic (US\$bn)	15.5	36.7	24.4	21.5	16.0	18.4	20.4
Cross-border, inbound (US\$bn)	23.7	30.6	19.9	21.7	16.1	25.9	28.8
<b>Total volume of M&amp;A transactions (Number of deals)</b>	<b>543</b>	<b>567</b>	<b>381</b>	<b>327</b>	<b>300</b>	<b>349</b>	<b>373</b>
Domestic (Number of deals)	288	342	207	196	178	199	215
Cross-border, inbound (Number of deals)	255	225	174	131	122	150	158
<b>Total IPO transactions (US\$bn)</b>	<b>21.3</b>	<b>13.9</b>	<b>32.7</b>	<b>15.9</b>	<b>64.8</b>	<b>24.2</b>	<b>27.0</b>
<b>% Global IPO transactions</b>	<b>15.7</b>	<b>7.0</b>	<b>15.1</b>	<b>10.5</b>	<b>30.2</b>	<b>12.6</b>	<b>12.3</b>
Domestic (US\$bn)	1.5	2.1	2.0	1.0	1.0	2.0	2.2
Cross-border (US\$bn)	19.8	11.8	30.7	14.9	63.9	22.2	24.8

Source: Oxford Economics, Reuters

### HONG KONG – FORECAST FOR THE ECONOMY

	2016	2017	2018	2019	2020	2021	2022
<b>Macroeconomic drivers</b>							
Real GDP growth (% yoy)	2.1	3.9	3.1	0.8	1.7	2.1	2.1
CPI (% yoy)	2.4	1.5	2.4	2.8	2.4	2.2	2.0
Merchandise trade (% of GDP)	314%	323%	327%	311%	311%	315%	322%
<b>Financial drivers</b>							
10-year government bond yield (%)	1.3	1.6	2.2	1.7	1.7	1.9	2.1
Equity prices (LCU, end of year % change)	0.4	36.0	-13.6	9.2	-6.5	6.8	5.5
Stock market capitalisation (US\$bn)	3,193.2	4,350.5	3,819.2	4,185.6	3,936.4	4,205.8	4,436.1

Source: Oxford Economics

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