

Although the Spanish economy continues to grow well above the eurozone average, cooling domestic demand and an adverse external environment mean that we expect a gradual slowing in the pace of expansion. A handful of large transactions supported the M&A market in 2018, but deal-making is proving sluggish this year and we expect a further moderation of activity in 2020 alongside the slowing economy.

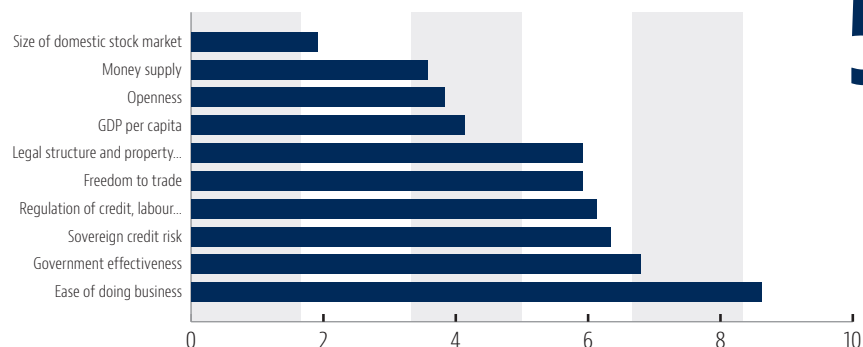
SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)

	SPAIN	Global
GDP growth (% annual)	1.8	2.8
Stock market capitalization (% of GDP)	54	97
Money supply (% of GDP)	100	111
Trade (% of GDP)	46	45
Ease of doing business (World Bank, DTF score, higher=better)	78	77
Legal structure (Fraser Institute)	5.9	6.6
Freedom to trade (Fraser Institute)	5.9	7.4

Source: Oxford Economics

SPAIN – TRANSACTION ATTRACTIVENESS INDICATOR (10 = best performer)

Overall score
5.2



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.

SPAIN – M&A AND IPO TRANSACTIONS

	2016	2017	2018	2019	2020	2021	2022
Total M&A transactions (US\$bn)	33.1	39.2	91.3	24.1	22.5	29.3	37.3
% of Global M&A transactions	1.0	1.4	2.7	0.8	1.1	1.1	1.2
Domestic (US\$bn)	9.9	14.1	7.6	6.8	6.4	8.4	11.3
Cross-border, inbound (US\$bn)	23.2	25.2	83.7	17.4	16.1	20.9	26.0
Total volume of M&A transactions (Number of deals)	888	927	1,042	937	892	958	1,036
Domestic (Number of deals)	422	479	536	511	489	494	563
Cross-border, inbound (Number of deals)	466	448	506	426	403	464	473
Total IPO transactions (US\$m)	1,769.4	4,316.4	1,044.5	678.9	664.4	2,013.7	2,758.7
% Global IPO transactions	1.3	2.2	0.5	0.4	0.3	1.1	1.3
Domestic (US\$m)	321.0	3,529.4	1,044.5	678.9	664.4	1,426.1	2,004.8
Cross-border (US\$m)	1,448.4	787.0	0.0	0.0	0.0	587.6	753.8

Source: Oxford Economics, Reuters

SPAIN – FORECAST FOR THE ECONOMY

	2016	2017	2018	2019	2020	2021	2022
Macroeconomic drivers							
Real GDP growth (% yoy)	3.2	3.0	2.6	2.3	1.9	1.7	1.4
CPI (% yoy)	-0.2	2.0	1.7	0.8	1.3	1.8	1.8
Merchandise trade (% of GDP)	46%	47%	46%	46%	46%	46%	47%
Financial drivers							
10-year government bond yield (%)	1.4	1.6	1.4	0.7	0.7	1.5	2.0
Equity prices (LCU, end of year % change)	-2.2	7.6	-15.0	11.3	-4.4	5.7	4.2
Stock market capitalisation (US\$bn)	704.6	888.8	723.7	787.9	771.8	835.5	891.2

Source: Oxford Economics

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