

M&A activity in Taiwan has slowed sharply this year as the US-China trade war and global recession fears have spooked investors. We expect the total value of M&A transactions to be just \$3.8bn in 2019, of which \$1.6bn is accounted for by the acquisition of LCY Chemical by Kai Rong. With the US-China trade war showing signs of escalation, it is likely to be some time before investors regain confidence and deal-making recovers substantially.

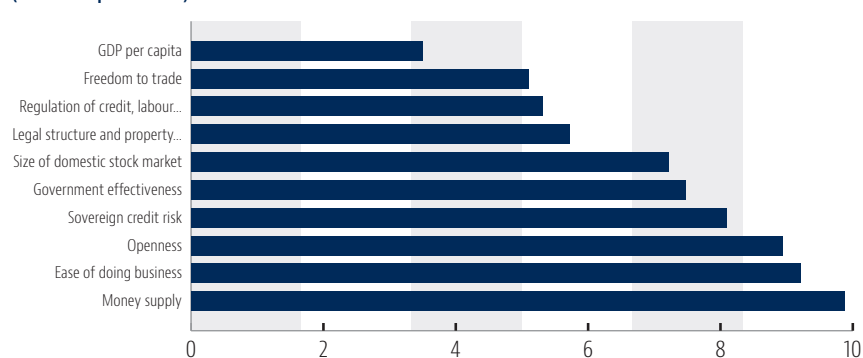
SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)

	Taiwan	Global
GDP growth (% annual)	1.8	2.8
Stock market capitalization (% of GDP)	191	97
Money supply (% of GDP)	253	111
Trade (% of GDP)	125	45
Ease of doing business (World Bank, DTF score, higher=better)	81	77
Legal structure (Fraser Institute)	5.7	6.6
Freedom to trade (Fraser Institute)	5.1	7.4

Source: Oxford Economics

TAIWAN – TRANSACTION ATTRACTIVENESS INDICATOR (10 = best performer)

Overall score
7.1



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.

TAIWAN – M&A AND IPO TRANSACTIONS

	2016	2017	2018	2019	2020	2021	2022
Total M&A transactions (US\$bn)	11.7	6.2	13.4	3.8	2.2	7.7	11.5
% of Global M&A transactions	0.4	0.2	0.4	0.1	0.1	0.3	0.4
Domestic (US\$bn)	4.2	4.1	12.1	1.8	1.5	6.6	10.1
Cross-border, inbound (US\$bn)	7.6	2.2	1.3	2.0	0.7	1.1	1.5
Total volume of M&A transactions (Number of deals)	185	185	145	72	64	142	168
Domestic (Number of deals)	131	141	111	57	52	124	144
Cross-border, inbound (Number of deals)	54	44	34	15	12	18	24
Total IPO transactions (US\$m)	831.0	441.7	699.2	546.9	546.3	766.0	840.8
% Global IPO transactions	0.6	0.2	0.3	0.4	0.3	0.4	0.4
Domestic (US\$m)	818.8	425.7	677.1	546.9	546.3	739.6	811.8
Cross-border (US\$m)	12.2	16.0	22.0	0.0	0.0	26.4	29.0

Source: Oxford Economics, Reuters

TAIWAN – FORECAST FOR THE ECONOMY

	2016	2017	2018	2019	2020	2021	2022
Macroeconomic drivers							
Real GDP growth (% yoy)	1.5	3.1	2.7	1.9	1.5	1.8	2.0
CPI (% yoy)	1.4	0.6	1.4	0.7	1.2	1.4	1.3
Merchandise trade (% of GDP)	118%	123%	125%	123%	124%	126%	128%
Financial drivers							
10-year government bond yield (%)	0.9	1.1	1.0	0.7	0.9	1.4	1.8
Equity prices (LCU, end of year % change)	11.0	15.0	-8.6	13.1	-8.7	6.9	6.0
Stock market capitalisation (US\$bn)	948.0	1,184.9	1,051.7	1,193.4	1,110.8	1,208.4	1,299.7

Source: Oxford Economics

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