

Lingering uncertainty around Brexit appears to have dampened investor enthusiasm for deal-making, with a significant slowdown in both M&A and IPO activity this year. Our forecast assumes that the UK eventually secures an orderly departure from the EU, leading to a recovery of investor confidence. But the threat of a no-deal Brexit is a significant downside risk.

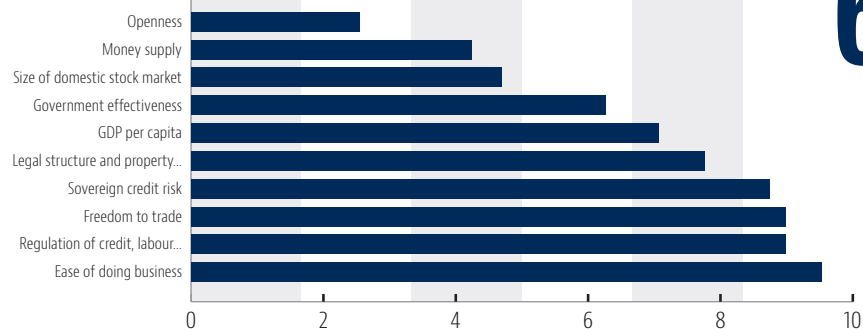
SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)

	UK	Global
GDP growth (% annual)	1.6	2.8
Stock market capitalization (% of GDP)	129	97
Money supply (% of GDP)	116	111
Trade (% of GDP)	37	45
Ease of doing business (World Bank, DTF score, higher=better)	83	77
Legal structure (Fraser Institute)	78	6.6
Freedom to trade (Fraser Institute)	9.0	74

Source: Oxford Economics

UNITED KINGDOM – TRANSACTION ATTRACTIVENESS INDICATOR (10 = best performer)

Overall score
6.9



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.

UNITED KINGDOM – M&A AND IPO TRANSACTIONS

	2016	2017	2018	2019	2020	2021	2022
Total M&A transactions (US\$bn)	358.7	139.8	207.0	101.5	103.9	134.8	154.0
% of Global M&A transactions	10.8	4.9	6.2	3.6	4.9	5.0	5.2
Domestic (US\$bn)	41.4	50.3	78.1	30.7	39.7	56.8	61.4
Cross-border, inbound (US\$bn)	317.4	89.5	128.8	70.7	64.2	77.9	92.6
Total volume of M&A transactions (Number of deals)	2,363	2,937	3,346	2,670	2,695	2,943	3,043
Domestic (Number of deals)	1,337	1,838	2,204	1,708	1,803	1,960	1,981
Cross-border, inbound (Number of deals)	1,026	1,099	1,142	962	892	983	1,062
Total IPO transactions (US\$bn)	7.1	13.7	12.1	8.7	7.2	12.4	16.1
% Global IPO transactions	5.2	6.9	5.6	5.7	3.3	6.5	7.3
Domestic (US\$bn)	5.5	9.1	10.4	4.6	4.7	7.2	9.4
Cross-border (US\$bn)	1.6	4.6	1.8	4.1	2.5	5.2	6.7

Source: Oxford Economics, Reuters

UNITED KINGDOM – FORECAST FOR THE ECONOMY

	2016	2017	2018	2019	2020	2021	2022
Macroeconomic drivers							
Real GDP growth (% yoy)	1.8	1.8	1.4	1.3	1.4	1.8	1.9
CPI (% yoy)	0.6	2.7	2.5	1.9	1.9	1.6	1.8
Merchandise trade (% of GDP)	37%	38%	38%	38%	37%	37%	37%
Financial drivers							
10-year government bond yield (%)	1.3	1.2	1.5	1.0	0.9	1.3	1.7
Equity prices (LCU, end of year % change)	12.5	9.0	-13.0	14.9	5.8	6.6	5.2
Stock market capitalisation (US\$bn)	2,913.1	3,690.5	3,011.1	3,247.0	3,736.7	4,156.2	4,534.4

Source: Oxford Economics

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