

The Saudi economy has slowed sharply against a backdrop of oil production cutbacks, but growth should recover from 2020 as oil output normalises and structural economic reforms start to take hold. The M&A market received a boost in 2019 from three large transactions, but we assume deal values return to more normal levels in coming years. And while we have seen relatively subdued IPO activity this year, the anticipated listing of Saudi Aramco should provide a one-off (c.\$40bn) boost to IPO proceeds in 2020.

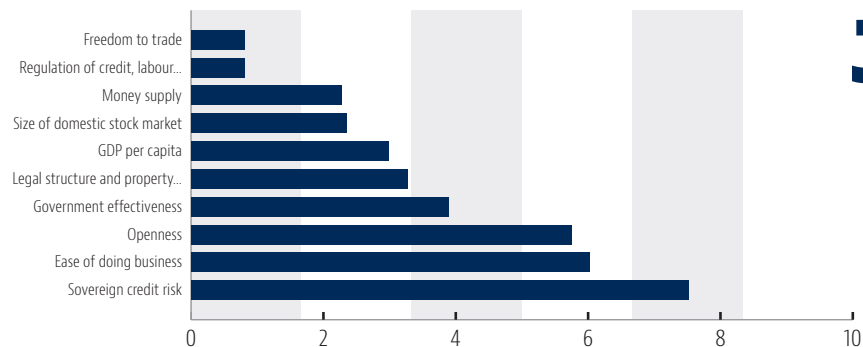
SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)

	Saudi Arabia	Global
GDP growth (% annual)	1.6	2.8
Stock market capitalization (% of GDP)	68	97
Money supply (% of GDP)	71	111
Trade (% of GDP)	66	45
Ease of doing business (World Bank, DTF score, higher=better)	64	77
Legal structure (Fraser Institute)	3.3	6.6
Freedom to trade (Fraser Institute)	0.8	7.4

Source: Oxford Economics

SAUDI ARABIA – TRANSACTION ATTRACTIVENESS INDICATOR (10 = best performer)

Overall score
3.3



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.

SAUDI ARABIA – M&A AND IPO TRANSACTIONS

	2016	2017	2018	2019	2020	2021	2022
Total M&A transactions (US\$bn)	1.2	3.3	1.6	11.5	1.5	2.0	2.2
% of Global M&A transactions	0.0	0.1	0.0	0.4	0.1	0.1	0.1
Domestic (US\$bn)	0.7	2.7	0.7	7.6	0.8	1.2	1.2
Cross-border, inbound (US\$bn)	0.5	0.6	0.8	3.9	0.7	0.9	0.9
Total volume of M&A transactions (Number of deals)	38	46	42	49	29	35	37
Domestic (Number of deals)	24	22	16	34	16	19	20
Cross-border, inbound (Number of deals)	14	24	26	15	13	16	17
Total IPO transactions (US\$m)	6393	255.9	737.6	1,102.1	40,616.1	941.6	1,014.7
% Global IPO transactions	0.5	0.1	0.3	0.7	18.9	0.5	0.5
Domestic (US\$m)	639.3	255.9	737.6	1,102.1	40,616.1	941.6	1,014.7
Cross-border (US\$m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Oxford Economics, Reuters

SAUDI ARABIA – FORECAST FOR THE ECONOMY

	2016	2017	2018	2019	2020	2021	2022
Macroeconomic drivers							
Real GDP growth (% yoy)	1.7	-0.7	2.2	0.5	2.0	1.9	2.0
CPI (% yoy)	2.0	-0.9	3.1	-0.8	1.7	1.8	1.9
Merchandise trade (% of GDP)	65%	63%	66%	65%	66%	66%	66%
Financial drivers							
10-year government bond yield (%)	1.3	1.4	2.3	2.8	2.9	3.4	3.9
Equity prices (LCU, end of year % change)	4.6	-0.2	8.5	13.2	-6.8	8.2	7.8
Stock market capitalisation (US\$bn)	448.8	451.4	496.4	561.9	523.5	566.3	610.3

Source: Oxford Economics

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