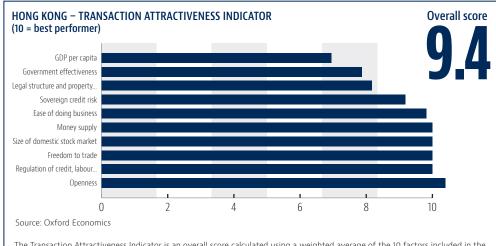


## Global Transactions Forecast 2020 | HONG KONG

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



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	
Total M&A transactions (US\$bn)	39.2	67.4	44.3	43.2	32.2	44.2	49.3	
% of Global M&A transactions	1.2	2.4	1.3	1.5	1.5	1.6	1.6	
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	
Total volume of M&A transactions (Number of deals)	543	567	381	327	300	349	373	
Domestic (Number of deals)	288	342	207	196	178	199	215	
Cross-border, inbound (Number of deals)	255	225	174	131	122	150	158	
Total IPO transactions (US\$bn)	21.3	13.9	32.7	15.9	64.8	24.2	27.0	
% Global IPO transactions	15.7	7.0	15.1	10.5	30.2	12.6	12.3	
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		
Macroeconomic drivers									
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%		
Financial drivers									
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.