Merger Monthly series

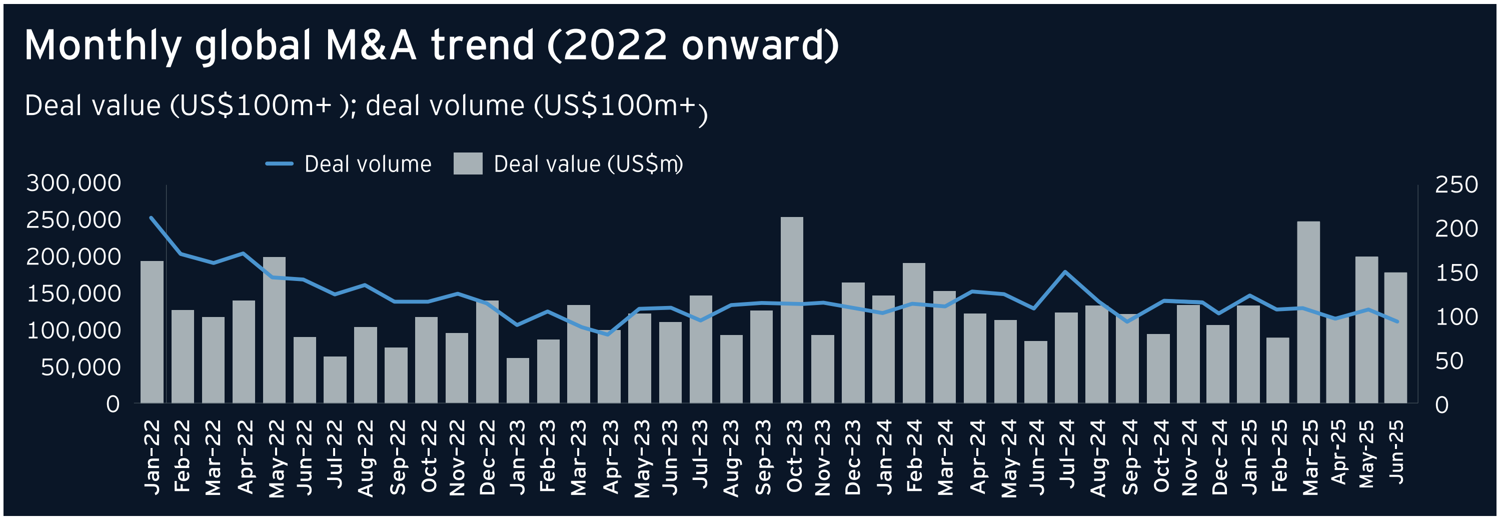
M&A activity insights

July 2025

US mergers and acquisitions (M&A) activity contracted in the second quarter of 2025 (2Q25) as dealmakers sought clarity on the Trump administration's evolving trade policies.

The volume of US deals above $100m in value fell 5% in the quarter, according to the EY-Parthenon analysis of Dealogic data. However, deal value increased by 6.4% in the three months ending June 2025 (2Q25) compared to the three months ending March 2025 (1Q25). In 2Q25, we saw 12 deals valued more than $10b with a total deal value of $198b. According to the most recent **US economic outlook**, US real GDP growth is expected to slow from 2.8% in 2024 to 1.5% and 1.3% in 2025 and 2026, respectively.

The probability of a US recession within the next 12 months stands at 35%, per the latest **US economic outlook**. Meanwhile, the Federal Reserve (the Fed) has kept the federal funds rate unchanged at 4.25%–4.50%, reinforcing the Fed's wait-and-see approach amid a cloudy economic outlook.



Source: EY Insights analysis and Dealogic

US June 2025 M&A activity dipped for transactions $100m+ in value

June 2025 transaction volume of 123 deals valued above $100m reflected a decline of 7.5% month-over-month (MoM), as compared to May 2025 and 1.6% year-over-year (YoY), as compared to June 2024. Total deal value decreased by 11% as compared to May 2025, however, there was an increase of 66% in value of deals as compared to June 2024.

US sector breakdown for top deals (US$100m+) – June 2025

Sectors that fueled this month's M&A market deal activity:

	Deal value (US$100m+)			Deal volume (US$100m+)		
Target sector	June 2025 value (US$b)	June 2024 value (US$b)	% change in value	June 2025 volume	June 2024 volume	% change in volume
Technology	38	37	2.4%	40	37	8.1%
Infrastructure	36	5	639.2%	3	5	-40.0%
Industrial products	25	5	346.6%	10	5	100%
Life Sciences	23	10	137.3%	19	15	26.7%
Oil & Gas, Chemicals	22	13	74.3%	10	14	-28.6%

Corporate spin-offs accelerate amid push for agility and performance

Companies are increasingly pursuing spin-offs as a strategic lever to sharpen their focus on core operations and unlock shareholder value. This trend gained momentum in 2Q25 as spin-off deal activity doubled and total transaction value for deals above $100m reached ~$43b. A similar trend was observed this month as spin-offs contributed to ~$39b in deal value or about 21% of total June 2025 value, for M&A market transactions exceeding $100m.

This strategic move can allow firms to streamline their activities, making them more agile in responding to market demands and investor expectations. Increased shareholder activism is also one of the driving factors for companies to pursue strategic combinations or separations. As a result, this trend is significantly contributing to increased M&A activity across various sectors.

Consolidation drives growth in high-cost industries under pressure

High-fixed-cost industries, such as industrials, oil and gas, and chemicals, are increasingly pursuing consolidation due to market pressures. Companies are leveraging M&A to achieve scale efficiencies, streamline cost structures and enhance resilience. M&A has become a crucial strategy for growth in these industries as it not only enables companies to expand market share and reach new customer segments, but also provides a faster route to innovation, advanced capabilities and stronger competitive positioning.

US private equity (PE) activity declined in both volume and value in June 2025

In 2Q25, PE deal activity was primarily focused on the technology, power, and oil and gas sectors. The availability of substantial capital has enabled these firms to engage in high-value transactions. PE activity as a percentage of total deals was strong during the first two months of the quarter but experienced a decline in June. Compared to the previous quarter (1Q25), PE M&A activity decreased, with deal volume falling by approximately 16% and deal value decreasing by around 7%.

Key deal drivers for this month:

- Companies leveraged M&A to gain a technological edge and expand into new markets, as AI capabilities continued to be a key driver of innovation and competitiveness.
- Businesses used spin-offs as a strategic tool to gain momentum, enabling companies to sharpen their focus on core operations, enhance shareholder value and drive targeted M&A activity.
- Consolidation and portfolio rebalancing were key, as companies sought to strengthen market position, and diversify offerings amid economic uncertainty and rising investor pressure.

Additional risks to US dealmaking in 2Q25 and beyond included:

- High US interest rates remained a drag on deal activity, raising financing costs and dampening buyer appetite.
- Unpredictable tariff policy, plus regulatory uncertainty, has complicated cross-border transactions and strategic planning.
- Despite recent disinflation trends, the US is expected to see a renewed rise in inflation by year-end due to tariff-driven supply shocks. According to the **EY-Parthenon US economic outlook June 2025**, core personal consumption expenditures (PCE) inflation is projected to climb toward 3.1% by year-end.

Looking ahead

The tariff environment remains uncertain. On July 9, the Trump administration sent more letters to countries about considering adjusting new US tariff levels. If the new tariffs go into effect, the duty rates for the 21 countries identified thus far may vary.

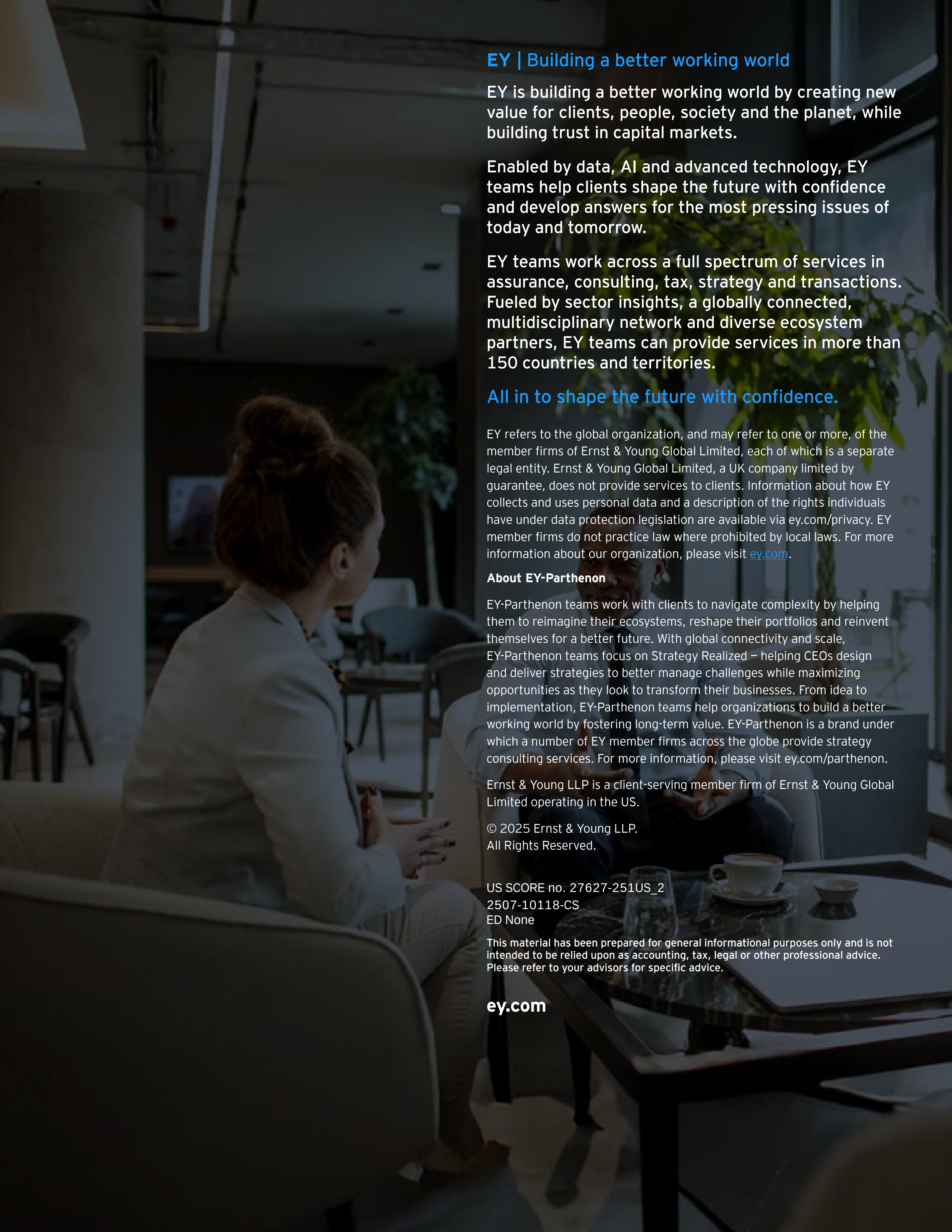
Per the latest **EY-Parthenon US economic outlook**, inflation is increasingly being driven by policy choices – particularly tariffs and trade fragmentation – rather than traditional demand or commodity factors. These trade barriers are acting as supply shocks, raising input costs, distorting resource allocation and forcing firms to prioritize political risk over efficiency. This shift is undermining productivity and long-term competitiveness, especially in trade-dependent sectors.

Meanwhile, PE firms are entering the second half of 2025 with a mix of cautious optimism. While Initial Public Offering (IPO) activity remains subdued – limiting traditional exit pathways and delaying fund distributions – the accumulation of dry powder is intensifying pressure to deploy capital efficiently.

Conclusion

In 2Q25, US M&A activity saw a decline as dealmakers awaited clarity on US trade policies, with deal volume down but deal value up compared to 2Q24. The M&A outlook remains cautious due to economic uncertainties, including a projected GDP slowdown and high interest rates. Spin-offs are gaining traction as companies aim to enhance focus and agility, while consolidation in high-fixed-cost industries is driven by operational pressures. Overall, the M&A landscape is influenced by regulatory challenges and evolving market dynamics, impacting future deal-making strategies.

Thank you to **Sudhanshu Wasan**, Associate Director, Ernst & Young LLP and **Karan Chowdhary**, Assistant Director, Ernst & Young LLP, who contributed to this article.



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