

M&A outlook signals more subdued US deal market activity in 2025

EY-Parthenon Deal Barometer

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Based on cooling economic and market indicators, including tariff impacts, the EY-Parthenon Deal Barometer – our 2025 M&A outlook – forecasts subdued deal volumes.

In brief:

- 01 The EY-Parthenon Deal Barometer, informed by our US economic outlook, forecasts a very slight rise in total US deal volume in 2025 for deals over \$100m.
- 02 We predict corporate M&A deal volumes will be flat in 2025 after an 18% increase in 2024. This would still leave deal volumes 23% above the 2018-19 average.
- 03 For private equity (PE), we expect the number of deals will rise 1% in 2025 after a 23% increase in 2024 – still leaving deal volumes 13% below 2018-19 average.

Authors _____

Gregory Daco

EY-Parthenon Chief Economist,
Strategy and Transactions,
Ernst & Young LLP

Mitch Berlin

EY Americas Vice Chair,
EY-Parthenon

Contributors _____

Pete Witte,

Marko Jevtic

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01 Policy uncertainty and muted growth prospects slow deal activity

Soft GDP readings and trade policy uncertainty contribute to our lower deal volume projections.

In 2023 and 2024, the US economy benefited from a rare confluence of supportive fundamentals including strong income growth, resilient private sector balance sheets, expansive fiscal policy and notable gains in productivity. These forces helped position the US as a global growth leader and gradually fueled investor confidence with dealmaking activity rebounding in 2024 following two years of contraction.

However, over the past six to nine months, economic momentum has been moderating amid slower disposable income growth, fading fiscal support and still-elevated interest rates.

Today, private sector confidence is increasingly fragile in the face of escalating trade tensions, elevated policy uncertainty and heightened financial market volatility. The combination of these dynamics is weighing on business sentiment and decision-making.

President Trump's sweeping tariff announcements in early April have caused a material shift in the global economic and financial outlook. The 90-day pause on higher, country-specific tariffs has been temporarily replaced with a 10% universal tariff on all imports to the US, which is in effect for all US trading partners except China (145% as of April 15). These elevated tariff rates, at levels not seen in more than a century, mark a dramatic reversal from decades of liberalized trade and introduce significant uncertainty for global supply chains, pricing dynamics and corporate planning.

While there is possibility for exemptions by product and/or trade partner, the lack of clarity around implementation timelines, scope and retaliatory measures has prompted many business leaders across sectors to pause investment decisions, including capex and talent. This wait-and-see posture – coupled with market sensitivity to shifting policy signals – has heightened financial market volatility and raised the risk of broader economic disruption.

Taking into account the weak GDP growth in Q1 and the economic impact of tariffs, we have lowered our US real GDP growth projections to 1.1% for both 2025 and 2026, down from 1.7% and 1.6%, respectively, as per our team's earlier outlook from March 2025. The Fed is likely to remain highly reactive, leaning heavily on incoming data. This reactive stance supports holding rates steady through mid-year, with a potential tilt toward more aggressive easing in the second half of the year as the economy slows.

For US deal volume over \$100m, Q1 showed early positive signs relative to 2024, surpassing last year's levels by about 9% in total (6% for corporate M&A and 16% for PE). However, slower monthly momentum in dealmaking activity at the end of Q1 along with slower expected GDP growth, persistently elevated policy uncertainty and heightened financial market volatility, will challenge dealmaking through the rest of the year. We estimate that total US deal volume (PE plus corporate M&A) will only rise 1% in 2025, following a 19% advance in 2024.



02 Corporate M&A outlook

EY-Parthenon Deal Barometer forecasts that corporate M&A deal volumes will remain stable in 2025.

Over the decade preceding the COVID-19 pandemic, corporate M&A activity for deals over \$100 million typically ranged between 800 and 1,000 transactions annually. Although deal volumes rose 6% year-over-year (y/y) in Q1 2025, slower dealmaking momentum at the end of the quarter along with a cautious macroeconomic outlook suggests that momentum will likely slow.

According to the EY-Parthenon Deal Barometer, corporate M&A volumes are projected to remain flat in 2025 - totaling 1,142 deals - following a robust 18% rebound in 2024.

In our optimistic macroeconomic scenario - where GDP growth and corporate profits are stronger, inflation cooler and interest rates lower - we anticipate the total number of deals to increase by 6% in 2025.

In our pessimistic scenario - where GDP growth and corporate profits are weaker, inflation hotter and interest rates higher - deal volume is expected to contract by 6% in 2025.

Figure 1: US corporate M&A deal volume



Year-over-year growth	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
■ Baseline		-4%	14%	-12%	13%	92%	-35%	-22%	18%	0%
○ Optimistic										6%
● Pessimistic										-6%

Source: EY-Parthenon

Close chart description -

US corporate M&A deal volume (count of deals) for disclosed deals \$100m+, with historical data from 2016 through 2025 Q1 from Dealogic and forecasted values from EY-Parthenon.

03 PE deal outlook

We forecast a modest 1% increase in PE deal volumes in 2025.

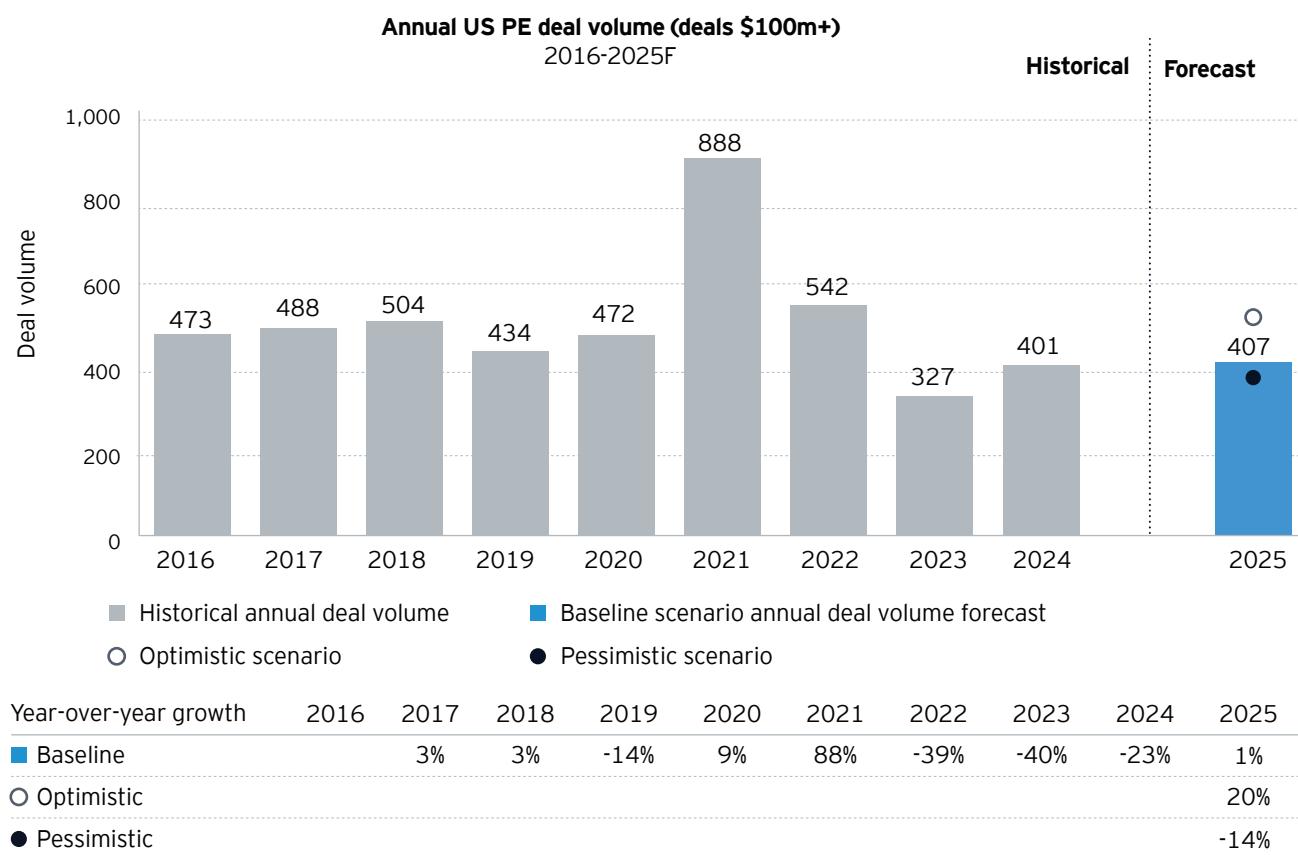
Over the pre-COVID-19 pandemic decade, PE deal volumes consistently averaged between 375 and 500 transactions exceeding \$100 million annually. While deal volumes were up 16% y/y in the first quarter of 2025, slower dealmaking momentum at the end of the quarter along with a subdued broader US economic outlook point to a more restrained pace ahead.

As a result, the EY-Parthenon Deal Barometer projects only a modest 1% increase in PE deal volumes for the full year, totaling 407 transactions. This tepid growth follows a strong 23% rebound in 2024, reflecting the interplay between cyclical headwinds and persistent uncertainty in dealmaking conditions.

In our optimistic macroeconomic scenario - where GDP growth and corporate profits are stronger, inflation cooler and interest rates lower - PE deal volumes would rise faster in 2025, up 20% y/y. This would put deal volumes 3% above the 2018-19 average.

In our pessimistic macroeconomic scenario - where GDP growth and corporate profits are weaker, inflation hotter and interest rates higher - PE deal volumes would decline in 2025, down 14%.

Figure 2: US PE deal volume



Source: EY-Parthenon

Close chart description -

US private equity deal volume (count of deals) for disclosed deals \$100m+, with historical data from 2016 through 2025 Q1 from Dealogic and forecasted values from EY-Parthenon.

04 Global market perspective

Trade tensions drive deal delays, portcos focus on supply chain and opportunities emerge for private credit and sectors such as defense.

Firms entered the year with strong momentum, buoyed by accommodative financing markets and a strong desire to deploy significant amounts of dry powder. Recent trade escalations, however, are leading to headwinds in valuing assets and have the potential to sideline near-term deal activity. According to the latest [EY Private Equity Pulse survey](#), about 25% of general partners say their portfolio companies have had deals withdrawn or delayed as a result of tariff concerns. And a greater proportion - 43% - say they're worried about being able to put together financing packages as spreads begin to widen in the leveraged finance markets.

Firms are laser-focused on helping their portfolio companies assess and respond to market changes. Right now, 87% of general partner respondents say they're working with portfolio companies to understand the impacts across the supply chain - up 17% from when we polled just three months prior. Sponsors are helping companies to understand and execute against near-term supply chain imperatives, plan optimizations for the medium-term, and where appropriate, consider longer-term strategic moves. Similarly, a majority now say that they're helping portfolio companies to assess their manufacturing footprints, versus just 40% in January.

And while uncertainty may cause firms to refrain from deploying capital at scale over the next several months, market dislocations often lead firms to become more opportunistic as they look to capitalize on potential mispricing in sectors and strategies with long-term secular tailwinds.

Sustained volatility in public markets may drive a renewed wave of corporate delistings. In the first quarter alone, there were 10 take-private transactions valued at more than \$1 billion each. Collectively, these accounted for 37% of total deal value - an unusually high share that signals growing interest in private ownership amid public market dislocation.

Additionally, periods of financial market disruption also tend to favor private credit. When traditional sources of financing, such as syndicated loans or high-yield bonds, become constrained, private credit funds are well-positioned to step in. Should investor appetite for syndicated debt weaken due to continued uncertainty, credit funds could see significant deployment opportunities in both sponsor-backed and opportunistic lending.

Finally, aerospace and defense has not traditionally been a major focus for PE investment. However, that may be changing. In Europe, governments are significantly increasing defense budgets in response to heightened geopolitical tensions. Several countries are targeting additional outlays of 1%-2% of GDP – amounting to tens of billions of euros annually. This step-change in defense spending could open a range of investment opportunities, from advanced manufacturing and dual-use technologies to logistics and supply chain services, potentially attracting substantial PE capital.



What's the EY-Parthenon Deal Barometer?

The EY-Parthenon Deal Barometer uses the **EY Macroeconomics** US economic outlook to predict future trends in corporate M&A and PE deal activity. For our analysis, we focus on US deals, excluding real estate deals, that are publicly disclosed and have a value of more than \$100 million¹. Our macroeconomic framework considers factors such as US GDP growth, corporate profits, corporate bond spreads, changes in short- and long-term interest rates and CEO confidence² as drivers of deal activity.

Over the last 20 years, we find an 82% correlation between PE deal activity and GDP growth, corporate profits, corporate bond spreads and short and long-run interest rates. The correlation between corporate M&A activity and these economic indicators plus a measure of CEO confidence is around 57%, pointing to robust predictive power.

By using this framework, we provide business executives with an objective outlook for volume of PE and corporate M&A deal activity in the coming quarters. Executives can use these insights to plan M&A activities, optimize strategies and make more informed decisions to stay ahead of market shifts and enhance value from their transactions.

Footnotes -

¹Data sourced from Dealogic.

²The Measure of CEO Confidence is based on a quarterly survey of US chief executives on their expectations for the economy six months ahead.

Summary

In an evolving environment of trade uncertainty, our US M&A outlook for 2025 forecasts that M&A activity will be subdued. As a result, we predict flat corporate volumes and a modest increase in private equity deals.

Additional EY contributors to this report include:

Dan Moody of Ernst & Young LLP

Neeraj Kishor Dhakephalkar of EY Global Delivery Services India LLP



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