

# M&A outlook signals firming US deal market activity in 2025

EY-Parthenon Deal Barometer  
November 2024



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# Based on economic and market indicators, our M&A outlook – the EY-Parthenon Deal Barometer – forecasts a steady boost in deal volume.

## In brief:

- 01 Based on the latest EY-Parthenon Macroeconomic outlook, M&A activity is expected to rise 10% in 2025, following an expected 13% advance in 2024.
- 02 For private equity, our M&A outlook predicts a 16% rise in 2025
- 03 For corporate M&A, we see 8% growth in 2025

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According to the EY-Parthenon Deal Barometer, M&A activity in 2025 is expected to build on this year's gains as uncertainty over the US election wanes, economic activity remains robust and interest rates continue to move lower.

Through September 2024, volumes for both private equity (PE) and corporate M&A deals are up an impressive 17% year-to-date versus 2023; however, momentum slowed, in part due to elevated uncertainty. We estimate that total US deal volume (PE plus corporate M&A) will rise 10% in 2025, following an expected 13% advance in 2024.

This perspective aligns with the [EY CEO outlook survey](#), which points to CEOs and institutional investors having a positive outlook for corporate M&A deals and PE activity in 2025. While there is a slight CEO preference for organic transformation compared to inorganic, there is a clear link between higher CEO confidence and a desire to transact. Nearly two-thirds (59%) of the most confident CEOs, as defined by their optimistic outlook for growth, talent, inflation and investment according to our CEO Confidence Index, are planning a transaction over the next 12 months compared with just 16% of the least confident CEOs.

US deal activity shows a continuing rebound after remarkable fluctuation seen in dealmaking over the last three years. In 2021 and early 2022, the M&A market surged to record levels thanks to low inflation, strong economies, high company profits and particularly low interest rates. But with the Fed's aggressive policy tightening to combat high inflation beginning in March 2022, the higher cost of capital, increased economic uncertainty, geopolitical strife and widening bid-ask spreads amid valuation uncertainty caused a sharp decline in deals in 2022 and 2023.

To put things in perspective, total deal volume surged 91% in 2021 and fell a cumulative 54% in 2022 and 2023. For corporate M&A, deal volume rose 92% in 2021 and fell a cumulative 49% in 2022 and 2023. For PE deals, the increase in 2021 was 88%, and the subsequent two-year decline was 64%.



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01

A robust US economy with ongoing disinflation favors Fed easing

Data shows a strong US economy with a likely soft landing, but with future economic activity likely more prudent amid high costs and rates.

Recent economic data confirms the US economy remains on solid footing. Upward revisions to income growth and historically robust productivity growth remain the key pillars to the US economic outperformance while selective consumer prudence in the face of high prices continues to drive disinflation. What appears to be unfolding before our eyes is a soft-landing scenario that only the most optimistic dream of. With hurricanes and strikes likely to inject volatility in economic data in coming weeks, Fed officials will likely illustrate policy gradualism following an outsized 50bps “catch-up” rate cut in September and a 25bps cut in November.

Looking ahead, the EY Macroeconomics team’s US economic outlook foresees consumers and businesses still spending but doing so more prudently amid still-elevated costs and rates. We continue to expect a bifurcated consumer spending outlook with lower-income households with larger debt burdens exercising more spending restraint, while families at the higher end of the income spectrum still spend, albeit with more discretion. We foresee real GDP growth averaging 2.7% in 2024 and easing to 2.0% in 2025 but note the unusually elevated level of policy uncertainty. Given robust but gently decelerating economic activity, strong productivity growth and softening inflation, we continue to anticipate measured monetary policy easing. As policymakers more carefully feel their way to a neutral policy stance, the Fed may decide to slow the recalibration process. We anticipate a rate cut at every other meeting in 2025, for a total of 100bps of easing.









## 04 M&A market perspective

### Increased optimism, Fed rate cuts and reduced valuation disconnect are expected to drive growth.

As illustrated in our latest EY PE Pulse survey, rising sentiment is translating more directly into M&A activity while the valuation disconnect - one of the primary market impediments - is beginning to narrow enough that an increasing proportion of transactions is reaching the finish line. However, exits continue to seek the more fulsome recovery evident on the buy-side.

Fed rate cuts can be a strong tailwind for sponsors and for the M&A market more broadly - not only by lowering PE's cost of capital and making it easier to underwrite investments, but also in building transactors' confidence around the macro flightpath and target valuations.

In our latest PE Pulse survey, 74% of general partners expect that deployment activity will increase over the next six months; that's up from 63% at the beginning of the year. Survey respondents also cited an increased volume of assets coming to market as the most critical factor needed to jumpstart additional deployment activity, ahead of financing issues, fundraising concerns and even valuations.

For much of the last year, there's been a broad sense that too few high-quality assets were coming to market, and those that did were bid aggressively by sponsors looking to deploy capital. Reduced borrowing costs and positive momentum across the broader capital markets should help encourage a normalization of transaction flow over the coming months.

It's very likely that tech will continue to be a powerful theme, driven by both a rotation back into more growth-oriented assets in light of Fed rate cuts and the long-term secular promise of the sector. Spaces like data infrastructure also continue to attract significant attention driven by long-term secular themes, including companies' continued transition to the cloud, growth in the Internet of Things space and rapidly growing data needs from artificial intelligence adoption.

## What's the 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 over \$100 million[1]. Our macro-econometric framework considers factors such as US GDP growth, corporate profits, corporate bond spreads, changes in short- and long-term interest rates, and CEO confidence as drivers of deal activity.

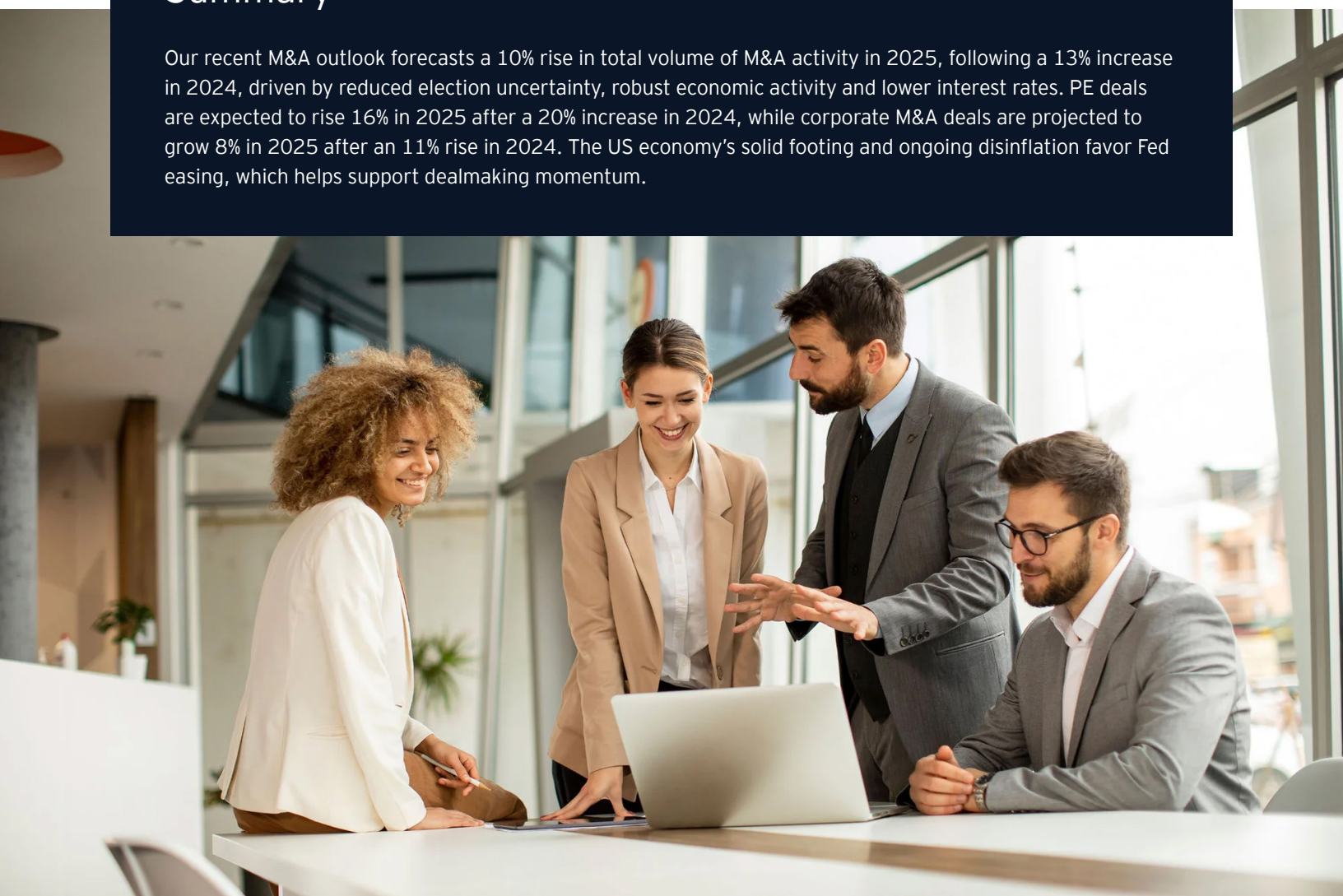
Over the last 20 years, we find an 82% correlation between PE M&A activity and GDP growth, corporate profits, corporate bond spreads, and short and long-run interest rates. The correlation between corporate M&A activity and these economic indicators plus a measure of CEO confidence is around 65%, pointing 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 informed decisions to stay ahead of market shifts and enhance value from their transactions.

### 1. Dealogic

## Summary

Our recent M&A outlook forecasts a 10% rise in total volume of M&A activity in 2025, following a 13% increase in 2024, driven by reduced election uncertainty, robust economic activity and lower interest rates. PE deals are expected to rise 16% in 2025 after a 20% increase in 2024, while corporate M&A deals are projected to grow 8% in 2025 after an 11% rise in 2024. The US economy's solid footing and ongoing disinflation favor Fed easing, which helps support dealmaking momentum.



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