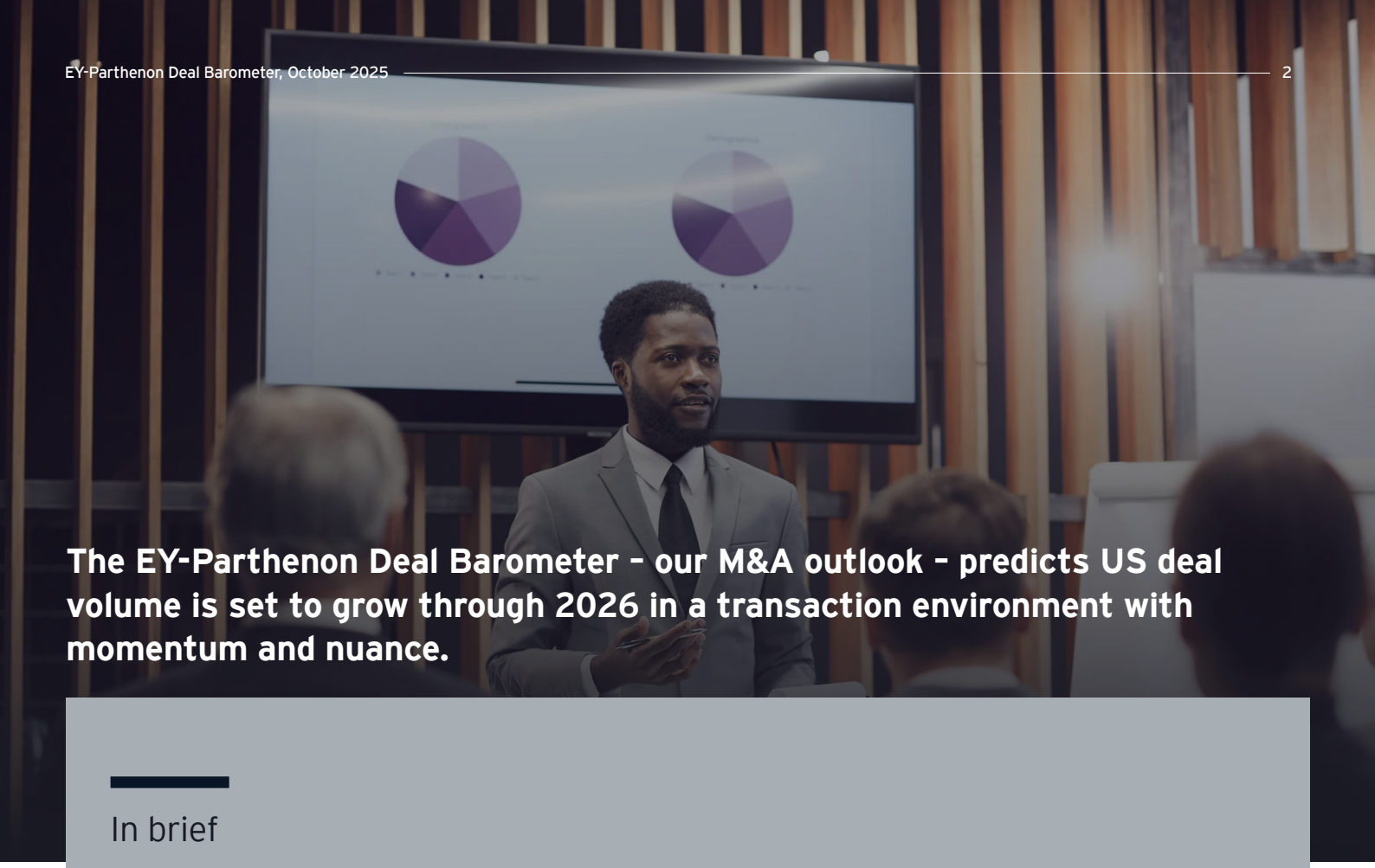
M&A outlook: stronger US deal market in 2026 despite mixed economic signals

Deal Barometer series

The better the question.
The better the answer.
The better the world works.

EY Parthenon

Shape the future with confidence



The EY-Parthenon Deal Barometer – our M&A outlook – predicts US deal volume is set to grow through 2026 in a transaction environment with momentum and nuance.

In brief

01 Our M&A outlook predicts US deal volumes over $100m to grow 9% in 2025 and 3% in 2026.

02 We predict corporate M&A deals will rise 10% in 2025 and 3% in 2026, and PE volume will increase 8% in 2025 and 5% in 2026.

03 An increased share of large deals will likely translate into notably stronger growth in deal value on track to surpass $2t.

Authors

Gregory Daco
Chief Economist, EY-Parthenon

Mitch Berlin
EY Americas Vice Chair, EY-Parthenon

Contributors
Pete Witte,
Marko Jevtic

This edition features:

1 Strong momentum despite policy uncertainty ---- 3
2 Corporate M&A outlook ---- 4
3 Private equity deal outlook ---- 5
4 Market perspective ---- 6
5 How is the Deal Barometer constructed? ---- 6

Please visit our website for more macroeconomic insights.

1. Strong dealmaking activity supported by rising valuations and Fed easing

While deal activity has faced economic headwinds, US volume and value have surged through Q3 2025.

Dealmaking reaccelerated in Q3, capped by an exceptionally busy month of September in both volume and value. Year-to-date, US deal volume for transactions of over $100m is up 9%, reflecting low credit spreads, rising valuations and a turn in sentiment as CEOs position strategically into 2026.

The rise in deal value year-to-date is even more impressive, up 36% over 2024 – on track to surpass $2t in 2025 – owing to a strong uptick in larger deals this year. The share of deals larger than $1b has grown from a 2016-19 average of 22% to 27% in the first three quarters of 2025.

The macro backdrop remains broadly supportive even if there are mixed signals regarding the outlook. Real GDP growth has proved resilient, and the Fed is signaling further rate cuts, easing financing conditions and lowering the opportunity cost of acting now rather than waiting.

Beneath the surface, however, the economic expansion rests on three narrow, interrelated – and potentially fragile – "A-pillars" of growth:

- Affluent consumers: High-income households continue to spend, buoyed by solid income growth, accumulated savings and wealth gains — propping up premium categories and discretionary services.
- AI-led investment boom: A capex super-cycle in computing, data centers and enabling infrastructure is lifting equipment outlays, cloud/services revenues and select industrial niches, while supporting tech-sector valuations.
- Asset-price appreciation: Elevated equity indices have bolstered investor confidence and lifted household wealth – concentrated among higher-income households.

These pillars reinforce one another through a clear wealth-effect channel. When equities rise, household net worth increases. That boosts confidence and lowers precautionary saving, lifting discretionary and premium spending. Stronger demand, together with AI-driven capex, supports revenues and margins, which in turn validate elevated valuations. The corollary is a shared vulnerability: if a portion of the equity rally proves exuberant and deflates, household wealth shrinks, saving rates rise and wealth-sensitive consumption slows. A rising risk premia and higher funding costs lead to reduced capex (including AI programs) and widening valuation gaps widen, complicating deal execution.

Overall, our US economic outlook remains measured. We project US real GDP growth of 2.0% in 2025 and 1.7% in 2026. The unemployment rate is expected to drift higher toward 4.8% as labor demand cools, while inflation peaks near 3.2% before easing to 2.3% by year-end 2026. Amid this backdrop, we expect the Fed to ease 25 basis points (bps) in October and 25bps in December, followed by an additional 50bps of cuts in 2026 – a gradual recalibration that supports activity but keeps financing conditions from becoming exuberant.

Across sectors, technology, financial services and life sciences have remained the most active arenas through 2025, consistent with CEOs' push to acquire capabilities that accelerate transformation. This emphasis on transactions that "move the strategic dial" aligns with the EY-Parthenon CEO survey: deal decisions over the next 12 months are primarily growth-driven and explicitly tied to transformation roadmaps.

Recent deal flow underscores both momentum and nuance. While elevated policy uncertainty and market volatility remain headwinds, stronger monthly momentum into late Q3 and moderating — but resilient — GDP growth should support activity into 2026. We estimate that total US deal volume (PE plus corporate M&A) will rise 3% in 2026, following an anticipated 9% gain in 2025.

Scenario analysis indicates risks are tilted to the downside. In a pessimistic scenario — higher US tariffs worsen inflation dynamics, geopolitical tensions lift input costs and tighter immigration policies reduce labor-force participation — wage pressures intensify, margins compress and the economy slips into a stagflationary episode. Rates remain higher for longer, and total deal volume contracts by roughly 3% in 2026.

Conversely, in an optimistic scenario — a meaningful reduction in US tariffs, easing global trade tensions and stronger productivity growth lift sentiment, lower input costs and accelerated investment and hiring — the economy grows faster with firmer corporate profits, cooler inflation and lower interest rates. In this case, total deal volume rises by about 7% in 2026.

2. Corporate M&A outlook

US corporate M&A activity is expected to wrap 2025 up 10% and see another 3% growth in 2026.

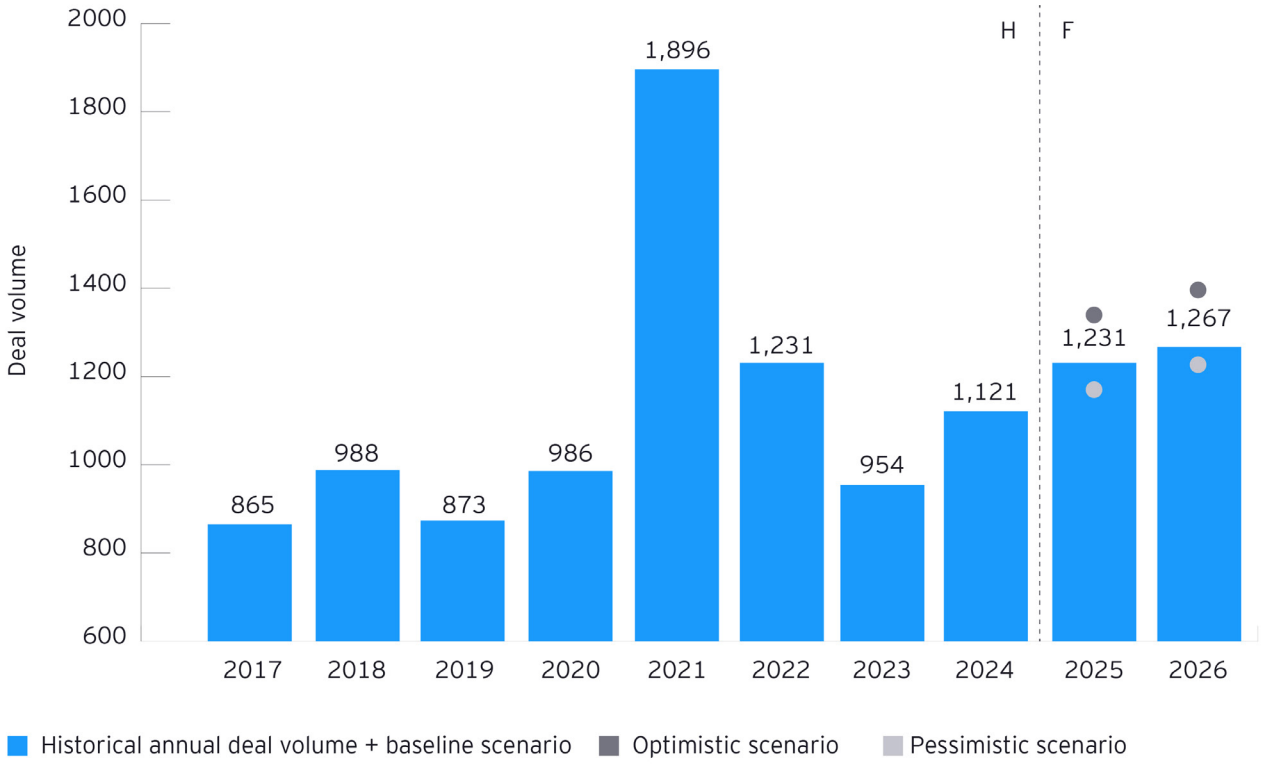
Over the decade preceding the pandemic, corporate M&A activity for deals over $100 million averaged just under 900 transactions per year. Through September, deal volumes have risen 10% compared with 2024 – reaching an annual pace of 1,200 deals – underscoring renewed confidence and sustained momentum in the market.

Meanwhile, the value of corporate M&A deals year-to-date is up 23% over 2024 owing to a modest uptick in larger deals this year. The share of deals larger than $1b has grown from a pre-COVID 2016-19 average of 20% to 21% in the first three quarters of 2025 with a skew toward deals over $5b.

Looking ahead, the Deal Barometer projects that corporate M&A volumes will conclude 2025 about 10% above last year and experience 3% growth in 2026. This steady expansion reflects a constructive environment for strategic deals, supported by resilient corporate balance sheets, and easing financial conditions.

Under an optimistic scenario as described above, the total number of deals could rise by 5%. Conversely, in a pessimistic scenario as outlined above, deal volume could contract by around 2%.

Figure 1: Annual US corporate M&A deal volume



Source: Dealogic; EY-Parthenon

Year-over-year growth	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Baseline		14%	-12%	13%	92%	-35%	-23%	18%	10%	3%
Optimistic									11%	5%
Pessimistic									9%	-2%

In our baseline, US corporate M&A deal volumes are expected to finish 2025 registering 10% annual growth followed by an incremental 3% growth in 2026.

3. Private equity deal outlook

PE deal volumes are expected to finish 2025 up 8% and subsequently gain 5% in 2026.

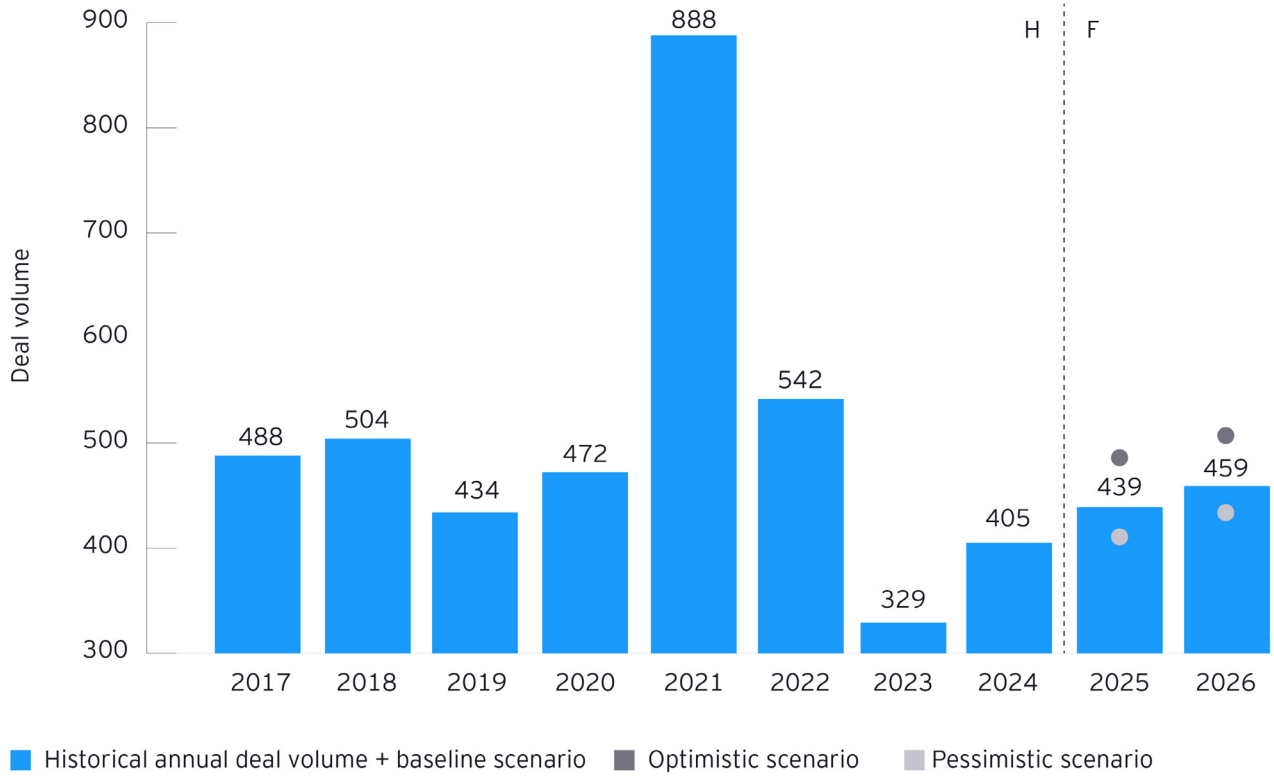
Over the decade preceding the pandemic, PE deal volumes consistently averaged around 450 exceeding $100 million per year. Through September, deal volumes rose 8% compared with 2024 – reaching an annual pace of 440 deals – underscoring solid momentum as funds deploy capital amid improving financing conditions and stabilizing valuations.

Meanwhile, the value of PE deals year-to-date is up 60% over 2024 owing to a strong uptick in larger deals this year. The share of deals larger than $1b has grown from a pre-COVID 2016-19 average of 28% to 44% in the first three quarters of 2025.

Looking ahead, the Deal Barometer projects PE deal volumes to conclude 2025 up 8% relative to the prior year, followed by a 5% gain in 2026. This trajectory reflects a gradual recovery in sponsor activity as exit markets reopen, dry powder remains abundant and debt markets become more accommodating.

Scenario analysis highlights the range of potential outcomes for 2026. Under an optimistic macroeconomic scenario as defined above, PE deal volumes would rise by 13% year-over-year. Conversely, in a pessimistic scenario as outlined above, deal volumes would decline by around 7%.

Figure 2: Annual US PE deal volume



Source: Dealogic; EY-Parthenon

Year-over-year growth	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Baseline		35	-14%	9%	88%	-39%	-39%	23%	8%	5%
Optimistic									11%	13%
Pessimistic									5%	-7%

In our baseline, US private equity deal volumes are expected to finish 2025 registering 8% annual growth followed by an incremental 5% growth in 2026.

4. Market perspective

The EY Pulse Survey shows Q3 2025 deal momentum surged as PE firms embraced new approaches, easing valuation gaps and boosting optimism.

Our EY Pulse Survey shows that deal momentum built further in Q3 2025 as sentiment improved and PE firms moved beyond the cautious optimism that characterized the first half of the year. Deployment reached its highest quarterly level in more than three years in value terms, with sponsors largely looking through looming growth headwinds.

To keep transactions moving in an uncertain environment, firms are leaning on new approaches — earnouts, tariff-related material adverse change (MAC) clauses and other contingent mechanisms — to mitigate risk and bridge gaps. This flexibility has sustained momentum even as longer-term macro questions remain unresolved.

Valuation mismatches, the biggest obstacle to dealmaking in recent quarters, appear to be easing. As recently as last December, investors cited the valuation gap as the single largest impediment to transactions. Today, that barrier has meaningfully receded: in our latest global general partner (GP) survey, two-thirds of respondents report the gap has narrowed, enabling buyers and sellers to find common ground and move forward with confidence.

Exits have not yet matched the record pace of deployment, but activity has accelerated materially in recent months — a welcome development for an industry with more than 30,000 PE-backed companies globally, many held well beyond the typical three- to five-year period.

Most importantly, sponsors remain optimistic about the next six months. About three-quarters of US GPs anticipate continued increases in deal activity — a five-point jump from midyear — and the share expecting exit activity to rise has surged from 44% to 73%, the highest level since we began tracking GP sentiment more than two years ago. That renewed confidence in liquidity marks a critical turning point, with more sellers bringing assets to market and buyers demonstrating appetite for scaled opportunities.

5. How is the Deal Barometer constructed?

The EY-Parthenon Deal Barometer uses the EY-Parthenon 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[2] 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 56%, 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.

1. Data sourced from Dealogic.
2. The measure of CEO Confidence based on a quarterly survey of US chief executives on their expectations for the economy six months ahead.

Summary

Despite a mixed and nuanced economic backdrop, the profile for the US M&A outlook shows strength. Thus far in 2025, the deal market, including corporate M&A and private equity activity, has registered increased deal volume and value, especially for larger transactions. Resilient GDP growth, easing financial conditions and bolstered CEO confidence and transaction prioritization are contributing to the stronger profile. Valuation gaps are narrowing, and optimism is building among sponsors, suggesting further expansion in deal volume through 2026 despite some risks and sector-specific nuances.

Additional EY contributors to this report include:

- Dan Moody of Ernst & Young LLP
- Aditi Bakshi of EY Global Delivery Services India LLP

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

About EY-Parthenon

Our unique combination of transformative strategy, transactions and corporate finance delivers real-world value — solutions that work in practice, not just on paper.

Benefiting from EY's full spectrum of services, we've reimagined strategic consulting to work in a world of increasing complexity. With deep functional and sector expertise, paired with innovative AI-powered technology and an investor mindset, we partner with CEOs, boards, private equity and governments every step of the way — enabling you to shape your future with confidence.

EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit www.ey.com/parthenon.

© 2025 Ernst & Young LLP.
All Rights Reserved.

2511-10393-CS
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com