legislation could have a positive impact on their deal plans.

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A new Grant Thornton LLP survey of merger and acquisition (M&A) professionals finds that almost three-fourths (72%) expect deal volume to increase over the next six months, despite rising interest rates threatening access to capital and uncertainty about a potential increase in capital gains taxes.

Almost two-thirds (63%) of the more than 150 respondents said pending tax

the end of the year."

The anticipated rise in deal volume follows a cooling-off period over the summer after a remarkable surge at the end of 2021.

"Deal activity was unprecedented last year," said **Elliot Findlay**, Grant Thornton's national managing principal of Mergers and Acquisitions. "This summer, volume plateaued from previous levels as never-before-seen volume in 2021 began to slow."

A positive outlook despite high inflation and rising interest rates

The Grant Thornton M&A survey also found that more than two-thirds (69%) of those surveyed have a remarkably positive outlook for the U.S. economy despite high inflation and rising interest rates. This outlook stands in stark contrast to the pessimism reflected in Grant Thornton's Q2 2022 CFO survey, which showed just 39% of respondents have a positive outlook for the U.S. economy over the next six months.

While CFOs are fretting over inflation, over half (55%) of M&A professionals say inflation has a positive impact on deal activity. **Eric Burgess**, a partner in Grant Thornton's Mergers and Acquisitions practice, said companies that can pass on inflationary effects to the consumer are maintaining their margin percentages and, in effect, boosting deal activity. In other words, inflation is having vastly different effects on companies depending on whether customers deem their services essential.

The industries reporting the most positive effects of inflation for M&A were transportation, warehousing and logistics (80% positive), healthcare and life sciences (72%) and banking (67%). More negative effects of inflation on M&A were reported in hospitality and restaurants (73% negative), services (67%) and insurance

The slightly softening valuation trend is in line with Burgess's comments in Grant Thornton's 2021 M&A survey conducted last October, when he said valuations **were at unprecedented levels** and he did not expect continued significant increases to purchase prices.

Burgess added that some deals are being put on hold in the retail and consumer goods sector as companies struggle to move their inventory.

Dealmakers are also watching for the SEC's climate change disclosure rules to be issued later this year. Enthusiasm for due diligence on environmental, social and governance (ESG) issues seems to be growing after a brief fade. Last October, 97% of respondents said a target's ESG program and reporting capabilities mattered when considering a deal. That number dropped to 77% in the spring, but it rebounded to 86% in the new survey.

"Dealmakers are cautiously optimistic about the rest of the year and are trying to be nimble in preparation for any changes that could skew the outlook for 2023," said Findlay.

To see additional findings from Grant Thornton's recent M&A survey, visit **here**.

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