Declining Mergers and Acquisitions Activity Could Portend Lower Investment

by: Bethany Greene, David Rodziewicz and Nicholas Sly

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Higher interest rates and tighter financial conditions tend to slow firms’ growth and reduce mergers and acquisitions (M&A) activity. M&A deal activity (blue line) complements business fixed investments and tends to lead changes in spending on equipment (green line) and structures (orange line). The sharp decline in M&A deals in late 2022 and throughout 2023 may be a reversal of the sharp rise in M&A activity in the second half of 2021 but could also portend a decline in capital investment in the coming quarters. To learn more, see Rodziewicz and Sly (2019).
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Nicholas Sly is Vice President and Denver Branch Executive at the Federal Reserve Bank of Kansas City. In this role, he serves as the Bank's regional economist and its representative in the states of Colorado, Wyoming and in northern New Mexico. Mr. Sly works closely with the Branch's board of directors and is responsible for briefing the President of the Federal Reserve Bank of Kansas City on economic conditions in the Denver branch's region. Before joining the Bank in 2015, Mr. Sly was associate professor of economics at the University of Oregon. He graduated from the University of Northern Iowa with a degree in mathematics and economics and earned his Ph.D. in economics from Michigan State University. Mr. Sly is also a graduate of the Stonier Graduate School of Banking.