2025 mid-year outlook

Global M&A trends in industrials and services

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Industrials and services M&A: Back to the core, forward with tech

By Michelle Ritchie

Strategic M&A is expected to accelerate in industrials and services, with a focus on core capabilities and tech enablement.

For the second half of 2025, M&A in industrials and services (I&S) continues moving ahead. Strong activity is likely in some sectors, including in aerospace and defence and in engineering and construction—but the outlook varies according to specific conditions in each subsector.

Companies across I&S are sharpening their focus on core competencies. Dealmakers are pursuing strategic portfolio realignment, optimisation and growth through selective acquisitions. Even amid the current market uncertainty, firms are accelerating tech adoption, reevaluating business models, and targeting deals that enhance resilience and long-term value.

At a glance, here's what we expect M&A activity will look like across the industrials and services sectors over the remainder of 2025 and into 2026:

- **Business services** remains an attractive sector for M&A activity with continued strong interest in HVAC, legal and consulting
- Engineering services as well as global infrastructure investment are supporting deal activity within **engineering and construction** (E&C)
- **Aerospace and defence** (A&D) firms are divesting non-core assets to reinvest in mission-critical technologies such as AI, drones and cybersecurity

Electrification and digital mobility are leading **automotive** companies to restructure, with rising costs and overcapacity triggering divestitures

Industrial manufacturing is focused on accelerating technology investment and building supply chain resilience.

> ‘Industrials and services dealmakers can’t afford to stand still. And, frankly, most aren’t. Despite uncertainties, they’re doubling down on portfolio refinement, reallocating capital to better align with strategic direction and leaning into targeted growth areas’.
>
> **Michelle Ritchie,** Global Industrials and Services Deals Leader, PwC US

Index

Alongside the varying individual sector trends, we observe increasing examples of convergence among I&S companies, such as industrial manufacturers aligning themselves more closely with defence budgets and national security priorities by prioritising regional realignment and dual-use capabilities. For their part, automakers are looking to team up in joint ventures and partnerships in areas such as batteries, software and autonomous vehicle technologies, given that the capital requirements are too significant for any one single player to manage alone. At the same time, some automotive players are expanding into adjacent sectors such as mining to secure access to critical raw materials. The blurring of boundaries between these subsectors is part of a broader trend—a reconfiguration of the business landscape into domains of growth—creating potential for **value in motion** as companies collaborate in imaginative ways to boost growth and profitability.

The uncertain policy and macroeconomic landscape will continue to challenge dealmakers over the coming months. Indeed, in our recent US Pulse Survey, 32% of I&S respondents said they have paused or revisited pending deals due to the current tariff and trade environment. But bold players are taking decisive action by refining core competencies, shedding non-core assets and doubling down on tech-led innovation to build long-term growth and resilience.

32%

of industrials and services companies have paused or revisited pending deals due to the current tariff and trade environment.

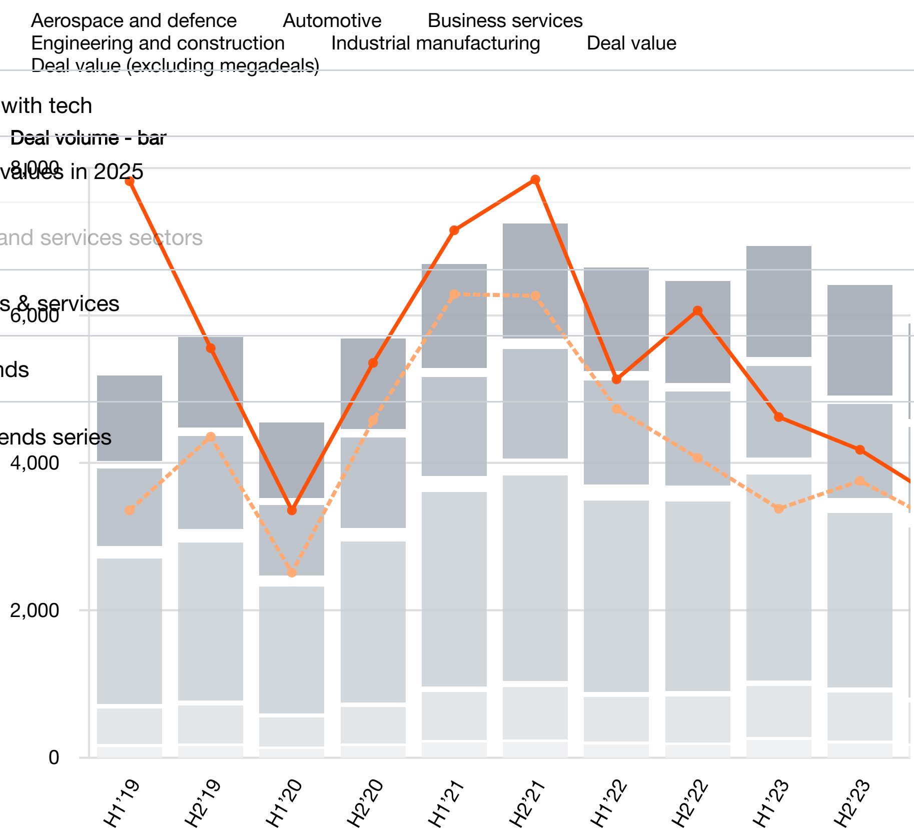
Source: PwC US Pulse Survey, May 2025

Global M&A volumes and values in 2025

Industrials and services deal volumes and values, H1’19-H1’25e

Click on the tabs below to view deal volumes and values by region.

Global | Asia Pacific | EMEA | Americas



Note: To facilitate meaningful comparisons with prior half-yearly periods, the data for the first half of 2025 (H1’25e) is an estimate based on the first five months of the year, extrapolated to represent a six-month period. Refer to the “about the data” note below for further information.
Sources: LSEG and PwC analysis

Global deal volumes in I&S declined 9% between the first half of 2024 and the first half of 2025, although deal values increased 9% over the same period.

Regional performance varied, with deal volumes down 16% in the Americas and down 6% in both Asia Pacific and Europe, the Middle East and Africa (EMEA). In Asia Pacific, India saw an increase in deal volumes of 10%, and in China, deal volumes increased by 6% over the prior year period but trended below the second half of 2024, indicating that deals activity hasn’t yet stabilised despite three years of decreasing deal volumes.

Deal values were up more than 50% in the Americas, up 5% in Asia Pacific and down 13% in EMEA. The regional variation was primarily because of megadeal (deals greater than $5bn in value) activity in the Americas, with three megadeals announced in the region in the first half of 2025 compared with only one in the first half of 2024.

Performance also varied across sectors. Deal volumes increased 11% in A&D and 2% in E&C, supported by stronger market conditions. Although deal volumes in the business services sector were 15% lower, this is likely more a feature of the limited supply of assets coming to market and a continuing valuation gap between buyers and sellers for some assets. The deals that did close in the sector were larger in size, suggesting that investor appetite remains strong for high-quality assets. Automotive and industrial manufacturing sectors saw deal volumes decrease 8% and 12%, respectively, but both sectors saw deal values increase.

Global M&A trends in industrials and services

Index

Back to the core, forward with tech

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M&A trends in industrials and services sectors

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Below we outline the trends we expect to drive M&A activity in the aerospace and defence, automotive, business services, engineering and construction, and industrial manufacturing sectors during the second half of 2025.

Refining focus: A&D's pivot to mission-critical capabilities

Automotive M&A: Reshape, refocus and reload

Business services M&A: Private equity bets on stability and scale

From grid to growth: E&C bets big on infrastructure and innovation

Manufacturing M&A: Navigating uncertainty, investing in innovation

M&A outlook for industrials & services in the second half of 2025

The global M&A landscape in the I&S sector remains cautiously optimistic as companies and investors navigate ongoing macroeconomic and geopolitical uncertainty. Businesses are sharpening their focusing on core capabilities, accelerating strategic divestitures, and pursuing targeted acquisitions that enhance operational resilience and long-term growth. Investors are prioritising assets with stable cash flows, regulatory insulation and strong potential for technological innovation.

In response to rising national protectionism, dealmakers are adapting their strategies—favouring domestic transactions, regional plays and dual-use technologies. While PE remains active, firms are exercising greater discipline, reassessing exit strategies, and recalibrating valuation models to reflect today's market conditions.

Companies that move decisively by proactively reassessing their portfolios for strategic fit, targeting tech-enabled platforms and aligning M&A strategies with long-term value creation will be best positioned to seize emerging opportunities and lead in this evolving environment.

About the data

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Index

Please select

Back to the core, forward with tech

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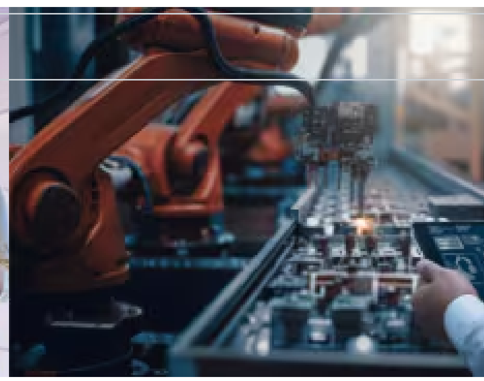

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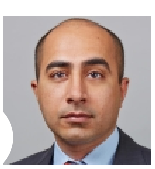

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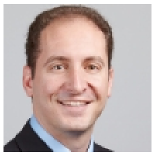

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Index

Index