



News release

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Persistent productivity issues and new U.S. administration create challenging backdrop

PwC's 2025 Canadian M&A Outlook signals gradual recovery and modest uptick in Financial Services and Private Equity sectors

TORONTO, January 7, 2025: The Canadian mergers and acquisitions (M&A) market in 2025 is navigating a complex landscape marked by long-standing productivity challenges and potential policy changes from the new U.S. administration. Despite these hurdles, there is cautious optimism as the market shows signs of a modest uptick in deals activity.

The increase in activity from July to November 2024 reflects a gradual recovery rather than a rapid surge, as ongoing concerns about the productivity crisis continue to weigh down the industry.

"Addressing Canada's productivity crisis is essential for fueling economic growth and enhancing our competitiveness on the global stage," **said Sean Rowe, National Deals Markets and Value Creation Leader at PwC Canada.** "Dealmakers should look to embrace technological transformation and invest in innovation to drive sustainable progress."

Canada's productivity issues, which have persisted since the 1980s digital revolution, continue to impede economic progress. Additionally, the country's slow adoption of digital transformation and the underutilization of natural resources have led to declining labor productivity and stagnant capital investment.

The recent U.S. election also introduces new challenges for Canadian dealmakers amid potential changes in trade policies, including uncertainty around tariffs and the continuation of free trade in North America. These shifts may delay transactions as businesses reassess strategies to mitigate risks and maintain market share in the U.S.

"Canada's productivity crisis means that Canadian businesses need to take immediate actions to ensure their long-term success. The uncertainty brought about by potential policy changes from the new U.S. administration coupled with the acceleration of the digital revolution and the rise in geopolitical risks adds another layer of challenges for Canadian businesses," **said Michael Dobner, National Economics Leader at PwC Canada.** "However, these multiple challenges also present a unique opportunity for dealmakers to be a key part of the solution, by developing and implementing acquisition strategies that address these challenges."

Financial services sector as a front runner: In this evolving landscape, the financial services sector emerges as a leader in harnessing technology to drive transformation. With a strong appetite for growth through inorganic strategies, this sector is actively acquiring technology-enabled businesses to optimize operations, reduce costs, and enhance customer engagement.

Similarly, sectors like advanced manufacturing, hi-tech, and healthcare technology are also set for expansion, fueled by the imperative for innovation and efficiency. Addressing the productivity crisis through the development of intellectual property and technological solutions will be key to unlocking growth and establishing leadership in these fields.

Key Takeaways:

1. **Technological Integration:** There is a strong focus on acquiring technology-enabled businesses, particularly in the financial services sector, to optimize operations and enhance customer engagement through cloud-based platforms, artificial intelligence, and machine learning.
2. **Sector-Specific Growth:** Sectors such as advanced manufacturing, hi-tech, and healthcare technology are expected to see increased M&A activity as they leverage innovation and efficiency to drive growth.
3. **Private Equity Influence:** Private equity investments are anticipated to play a significant role in addressing productivity challenges, with a focus on consolidating smaller businesses to achieve scale and support investment in automation and technology.
4. **Economic Transformation:** As businesses and governments address national productivity issues, M&A activities are likely to align with economic transformation efforts, including scaling businesses in advanced manufacturing and hi-tech, and consolidating companies vulnerable to technological disruption.

5. **Geopolitical Uncertainty:** Potential policy changes from the new U.S. administration may introduce uncertainty, particularly concerning trade policies, which could delay transactions as companies reassess strategies to mitigate risks.

To learn more, click here.

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