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COVID IMPACT ON CROSS-BORDER M&A: EVIDENCE FROM EUROPEAN UNION

Abstract:

This paper investigates trends in cross-border Mergers and Acquisitions (M&A) in the European Union (EU), both pre-COVID and during the COVID epidemic, in its correlations with several major macroeconomic and financial factors. We established that EU cross-border M&A transaction volume during the 2000-2023 period was positively correlated to European stock market performance, exchange rate (Euro/US dollar), and EU economic uncertainty, and inversely correlated to stock market valuations and cost of debt capital. All these correlations were found to be highly statistically significant. COVID's overall impact could be split into two different phases: first, the initial massive "shock" (March - June 2020) with its highly disruptive effect to all types of economic activities (including cross-border M&A). In the later, longer phase (July 2020 - April 2022), COVID itself had no statistically significant impact on a strong rebound in the economy and M&A activity despite two larger waves of COVID epidemic (winters of 2020-21 and 2021-22). The latter could be explained by the rapid adjustment of economies and societies to effective remote work and by the massive monetary and fiscal interventions by EU governments. This unprecedented government stimulus had a rapid, positive, and sustainable effect on the economies and the stock market more than just offsetting the initial negative impact of COVID, and temporarily distorted historical relationships of M&A activity with macroeconomic factors.

Keywords:

EU mergers and acquisitions (M&A), Cross-border M&A, COVID-19

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