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Sleepy Beginning to 2011 for M&A

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This year is off to a slow start for mergers and acquisitions.

For the first time in four quarters, M&A volumes declined in the first quarter, according to a report from investment banking firm Crosbie & Co.

There were 228 transactions with a value of $38-billion announced in the first quarter, compared with 328 deals worth $56-billion in the final three months of 2010.

The number of very large deals slipped by a third, and the number of transactions by private equity funds also declined, making it an across-the-board phenomenon.

One quarter is far too early to call a trend in mergers and acquisitions, which is always a lumpy business, where getting a deal announced is subject to many factors.

If the current quarter also comes in slow, then it will be time to seriously consider what is slowing the merger market. There are plenty of candidates to slow down deal making, including rocky markets and economic growth concerns. But on the flipside, liquidity is rampant and corporate profits are strong. It could go either way in 2011.