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thinking outside the box
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Figure 1.

**NOMINAL GNP & AFTER-TAX CORPORATE PROFITS**
(1960=100, ratio scale)

- **7% Growth Path***
- Nominal GNP
- After-Tax Corporate Profits
  - Reported to IRS
  - From Current Production**

* Compounded monthly to yield 7% annually.
** Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: Bureau of Economic Analysis.

Figure 2.

**S&P 500 EARNINGS PER SHARE**
(dollars, ratio scale)

- **S&P 500 Earnings Per Share***
  - Reported (4-quarter sum)
  - Operating** (4-quarter sum)
  - Forward***

* Growth paths are compounded monthly to yield 5% and 7% annually.
** Excludes write-offs.
*** S&P 500 12-month forward consensus expected operating earnings per share. Time-weighted average of consensus earnings estimates for current and next year.
Source: Standard & Poor’s and I/B/E/S data by Refinitiv.
**Profits**

**Figure 3.**

NOMINAL GDP & AFTER-TAX CORPORATE PROFITS
(1960=100, ratio scale)

- **7% Growth Path***
- After-Tax Corporate Profits
  - Reported to IRS
  - From Current Production**

* Compounded monthly to yield 7% annually.
** Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: Bureau of Economic Analysis.

**Figure 4.**

S&P 500 FORWARD EARNINGS* & 7% Growth Trend
(ratio scale)

- S&P 500 Forward Earnings (178.4)
- 7% Trend**

* 52-week forward consensus expected S&P 500 operating earnings per share. Monthly through April 1994, then weekly.
** Compounded monthly to yield 7% annually.

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: I/B/E/S data by Refinitiv.

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**Figure 5.**

**CORPORATE PROFITS FROM CURRENT PRODUCTION***
(billion dollars, saar, ratio scale)

Total Profits
- Pre-Tax
- After-Tax

* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: Bureau of Economic Analysis.

**Figure 6.**

**CORPORATE PROFITS REPORTED TO IRS***
(billion dollars, saar, ratio scale)

Total Profits
- Pre-Tax
- After-Tax

* Excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: US Department of Commerce, Bureau of Economic Analysis.
**Profits (NIPA)**

**Figure 7.**

CORPORATE PROFITS FROM CURRENT PRODUCTION*  
(*yearly percent change*)

**Total Profits**  
After-Tax (-0.3)

* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.  
Source: US Department of Commerce, Bureau of Economic Analysis.

**Figure 8.**

CORPORATE PROFITS REPORTED TO IRS*  
(*yearly percent change*)

**Total Profits**  
After-Tax (-1.1)

* Excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.  
Source: US Department of Commerce, Bureau of Economic Analysis.
**Figure 9.**

CORPORATE PROFITS BY INDUSTRY*

(billion dollars, saar)

**Pre-Tax By Industry**

- **Nonfinancial**
- **Financial**
- **Net Receipts from the Rest of the World**

* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: US Department of Commerce, Bureau of Economic Analysis.

**Figure 10.**

CORPORATE PROFITS BY INDUSTRY*

(as a percent of corporate profits)

**Pre-Tax By Industry**

- **Nonfinancial**
- **Financial**
- **Net Receipts from the Rest of the World**

* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: US Department of Commerce, Bureau of Economic Analysis.
Figure 11.

MEASURES OF PROFITS IN FINANCIAL SECTOR
(billion dollars)

- Pre-Tax Profits: Financial* (saar)
- S&P 500 Financials 12-month Forward Earnings
- FDIC Commercial Banks: Net Income (annualized, nsa)

* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: Bureau of Economic Analysis and Federal Deposit Insurance Corporation, Quarterly Banking Profile.

Figure 12.

FINANCIAL PROFITS SHARE OF TOTAL PROFITS

Financial Profits as a Percent of
- Pre-Tax Corporate Profits
- S&P 500 Forward Earnings*

* Using consensus 12-month forward earnings forecasts.
Source: US Department of Commerce, Bureau of Economic Analysis, and I/B/E/S data by Refinitiv.
Profits (NIPA)

Figure 13.
CORPORATE PRE-TAX PROFITS FROM THE REST OF THE WORLD*
(billion dollars, saar)

Rest of World Profits
- Net
- Receipts
- Payments

* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: US Department of Commerce, Bureau of Economic Analysis.

Figure 14.
CORPORATE PRE-TAX PROFITS FROM THE REST OF THE WORLD
(as a percent of pre-tax corporate profits*)

* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: US Department of Commerce, Bureau of Economic Analysis.
Figure 15.

CORPORATE PRE-TAX PROFITS RECEIPTS FROM REST OF WORLD vs. GLOBAL INDUSTRIAL PRODUCTION
(yearly percent change)

Receipts*
OECD Industrial Production

CORPORATE PRE-TAX PROFITS RECEIPTS FROM REST OF WORLD vs. US MERCHANDISE EXPORTS
(yearly percent change)

Receipts*
Exports

CORPORATE PRE-TAX PROFITS RECEIPTS FROM REST OF WORLD vs. TRADE WEIGHTED DOLLAR
(yearly percent change)

ROW Profits Receipts*
Trade Weighted Dollar

* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: Bureau of Economic Analysis and Board of Governors of the Federal Reserve System, Census Bureau and OECD.
**Profits (NIPA vs. S&P)**

**Figure 16.**

**AFTER-TAX CORPORATE PROFITS: NIPA vs. S&P 500**
(billion dollars, quarterly)

**NIPA After-Tax Profits**
(saar)
- Red: Based on Tax Returns*
- Blue: From Current Production**

**S&P 500**
Net Income
(actual x 4, nsa)
- Green: Operating (S&P data)
- Orange: Reported on GAAP basis (S&P data)

* Excluding IVA & CCadj.
** Including IVA & CCadj. These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: Bureau of Economic Analysis and Standard & Poor’s.

**Figure 17.**

**S&P 500 OPERATING & REPORTED EARNINGS PER SHARE (S&P data)**
(dollars, quarterly)
- Blue: Operating (S&P data) (39.2)
- Green: Reported (S&P data) (35.8)

Source: Standard & Poor’s.
Retained Earnings & Dividends

Figure 18.

UNDISTRIBUTED CORPORATE PROFITS WITH IVA & CCAdj
(billion dollars, saar, ratio scale)

Source: Bureau of Economic Analysis.

Figure 19.

DIVIDENDS IN CORPORATE PROFITS
(billion dollars, saar, ratio scale)

Source: Bureau of Economic Analysis.
**CORPORATE CASH FLOW**
(ratio scale, billion dollars, saar)

- **Corporate Cash Flow** (2443.5)
- Economic Depreciation** (1933.3)
- Tax-Reported Depreciation*** (1940.7)

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**INVENTORY VALUATION ADJUSTMENT**
(billion dollars, saar)

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**CAPITAL CONSUMPTION ADJUSTMENT**
(billion dollars, saar)

* These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: Bureau of Economic Analysis.

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* After-tax undistributed corporate profits with IVA & CCAdj plus tax-reported depreciation.
** Corporate capital consumption allowances.
*** Corporate capital consumption allowances with capital consumption adjustment.
Source: Bureau of Economic Analysis.
Figure 22.

PRE-TAX CORPORATE PROFITS FROM CURRENT PRODUCTION*

* Includes IVA & CCAdj. These two adjustments restate the historical-cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current-cost measures used in GDP.

Note: Shaded areas are recessions according to the National Bureau of Economic Research.

Source: US Department of Commerce, Bureau of Economic Analysis.

Figure 23.

CORPORATE PROFITS MARGINS IN GDP
(after-tax profits as a percent of nominal GDP)

* Excluding IVA & CCAdj.

** Including IVA & CCAdj. These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.

Source: Bureau of Economic Analysis.
Figure 24. PROFIT MARGIN* FROM CURRENT PRODUCTION (percent)

* After-tax profits including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj) divided by Gross Value Added of Corporate Business.

Note: Shaded areas are recessions according to the National Bureau of Economic Research, which determined that a peak in business activity occurred in the U.S. economy in March 2001.

Source: US Department of Commerce, Bureau of Economic Analysis.

Figure 25. AFTER-TAX PROFIT MARGIN & CAPACITY UTILIZATION

Source: Federal Reserve Board and US Department of Commerce, Bureau of Economic Analysis.
**After-Tax Corporate Profits: NIPA Book vs S&P 500**

(billion dollars, quarterly, ratio scale)

- **After-Tax Reported Profits**
  - Book Profits (NIPA data)*
  - S&P 500 Reported Net Income (S&P GAAP data)**

* Annualized and seasonally adjusted. Excluding Inventory Valuation Adjustment and Capital Consumption Adjustment.

** Annualized and not seasonally adjusted. Q4-2008 not shown because of large negative value.

Source: Bureau of Economic Analysis and Standard & Poor’s.

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**S&P 500 Aggregate Reported Net Income (GAAP basis)**

(four-quarter sum as a percent of four-quarter sum of NIPA after-tax book profits*)

* Profits reported on tax returns.

Capped in Q4-2008

Source: Bureau of Economic Analysis and Standard & Poor’s.
Profit Margin

Figure 28.

S&P 500 REPORTED PROFIT MARGIN & AFTER-TAX CORPORATE PROFITS MARGIN
(without IVA & CCAdj)

Corporate Profits After Tax* (as a percent of nominal GDP) (8.5)
S&P 500 Profit Margin: Reported (percent) (9.7)

* After-tax profits as reported to IRS excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research. Q4-2008 not shown because of large negative value.
Source: Standard & Poor’s, I/B/E/S data by Refinitiv, and Bureau of Economic Analysis.

Figure 29.

AFTER-TAX CORPORATE PROFIT MARGIN & COSTS

Compensation of Employees Plus Private Fixed Investment (as a percent of nominal GDP)
Corporate Profits After Tax* (as a percent of nominal GDP)

* After-tax profits as reported to IRS (without IVA and CCAdj).
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.
Figure 30.

COMPENSATION OF EMPLOYEES + PRIVATE NONRESIDENTIAL FIXED INVESTMENT
(as a percent of nominal GDP)

Latest (66.3)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.

Figure 31.

COMPENSATION OF EMPLOYEES
(as a percent of nominal GDP)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: US Department of Commerce, Bureau of Economic Analysis.
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