# Table Of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profits</td>
<td>1-2</td>
</tr>
<tr>
<td>Profits (NIPA)</td>
<td>3-8</td>
</tr>
<tr>
<td>Profits (NIPA vs. S&amp;P)</td>
<td>9</td>
</tr>
<tr>
<td>Retained Earnings &amp; Dividends</td>
<td>10</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>11</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>12-16</td>
</tr>
</tbody>
</table>
Profits

Figure 1.
NOMINAL GNP & AFTER-TAX CORPORATE PROFITS
(1960=100, ratio scale)

* 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)

* 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.

Page 1 / January 31, 2020 / NIPA vs. S&P 500 Profits
Yardeni Research, Inc.
www.yardeni.com
Figure 3.

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

* 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)

* 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.
Profits (NIPA)

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)

**Corporation Profits from Current Production**

- Total Profits
  - After-Tax (-0.3)

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

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

---

**Corporate Profits Reported to IRS**

- Total Profits
  - After-Tax (-1.1)

* Excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profit 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.
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.

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.
**Figure 13.**

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

<table>
<thead>
<tr>
<th>Rest of World Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net</strong></td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
</tr>
<tr>
<td><strong>Payments</strong></td>
</tr>
</tbody>
</table>

* 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*)

<table>
<thead>
<tr>
<th>Rest of World Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net (26.2)</strong></td>
</tr>
<tr>
<td><strong>Payments (16.4)</strong></td>
</tr>
<tr>
<td><strong>Receipts (42.6)</strong></td>
</tr>
</tbody>
</table>

* 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.
* 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.
**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) (39.8)
- Green: Reported (S&P data) (34.0)

Source: Standard & Poor’s.
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** ** (1932.9)
- **Tax-Reported Depreciation** *** (1941.0)

* 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.

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

**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.
**Profit Margin**

*PRE-TAX CORPORATE PROFITS FROM CURRENT PRODUCTION*:

- As a Percent of National Income
- As a Percent of Nominal GDP

*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 denote recessions according to the National Bureau of Economic Research.

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

---

**CORPORATE PROFITS MARGINS IN GDP**

(after-tax profits as a percent of nominal GDP)

*Based on Tax Returns* (8.5)
*Based on Current Production* (8.7)

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

*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.
Figure 24.

PROFIT MARGIN* FROM CURRENT PRODUCTION (percent)

- All Corporations
- Nonfinancial Corporations

* 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

After-Tax Nonfinancial Corporate Profit Margin

Capacity Utilization: All Industries

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.

Figure 26.

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

Figure 27.
**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) (9.6)

* After-tax profits as reported to IRS (without IVA and CCAdj). 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)

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.