Corporate Finance Briefing: NIPA vs. S&P 500 Dividends

January 7, 2021

Dr. Edward Yardeni
516-972-7683
eyardeni@yardeni.com

Joe Abbott
732-497-5306
jabbott@yardeni.com

Mali Quintana
480-664-1333
aquintana@yardeni.com

Please visit our sites at
www.yardeni.com
blog.yardeni.com

thinking outside the box
Figure 1.

DIVIDENDS IN CORPORATE PROFITS
(billion dollars, 4-quarter sum)

Dividends
- All Corporations (1361.3)
- Nonfinancial Corporations (669.9)
- S&P 500 (484.7)

Source: Federal Reserve Board, Financial Accounts of the United States, Standard & Poor’s and Bureau of Economic Analysis.

Figure 2.

S&P 500 DIVIDEND YIELD
(trailing 4-quarter sum)

Source: Standard & Poor’s Corporation.
Figure 3.

TREASURY BILL YIELD VS S&P 500 DIVIDEND YIELD

(permit)

* S&P 500 four-quarter trailing dividends per share divided by quarterly closing value of the S&P 500 index.
Source: Standard & Poor’s and Federal Reserve Board.

Figure 4.

S&P 500 DIVIDENDS & RETAINED EARNINGS PER SHARE

(dollars, trailing 4-quarter sum, ratio scale)

* Reported earnings minus dividends per share.
Source: Standard & Poor’s.
Dividends

Figure 5.

S&P DIVIDEND PAYOUT RATIOS*
(Percent)

- S&P 500
- S&P Industrials

Figure 6.

DIVIDEND PAYOUT RATIOS
(Percent)

- NIPA Dividends (as a percentage of NIPA After-Tax Profits*) (66.6)
- S&P 500 Dividends (as a percentage of S&P 500 reported net income) (42.4)

* Four-quarter trailing dividends per share divided by four-quarter trailing reported earnings.
Source: Standard & Poor’s Corporation and FactSet.

* From Current Production. 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: Federal Reserve Board, Financial Accounts of the United States, Standard & Poor’s and Bureau of Economic Analysis.
Dividends

Figure 7. S&P 500 DIVIDEND YIELD vs. S&P 500 FORWARD EARNINGS YIELD (percent)

- S&P 500 Dividend Yield* (1.55)
- S&P 500 Forward Earnings Yield** (4.52)

* S&P 500 four-quarter trailing dividends per share divided by quarterly closing value of the S&P 500 index.
** S&P 500 12-month forward consensus expected operating earnings divided by S&P 500 stock price index.
Source: Standard & Poor’s and Federal Reserve Board.

Figure 8. THREE-MONTH TREASURY BILL YIELD vs. S&P 500 FORWARD EARNINGS YIELD (percent)

- Three-Month Treasury Bill Yield (0.09)
- S&P 500 Forward Earnings Yield* (4.52)

* S&P 500 12-month forward consensus expected operating earnings divided by S&P 500 stock price index.
Source: Standard & Poor’s and Federal Reserve Board.
BLUE ANGELS: S&P 500 INDEX AND DIVIDEND YIELD
(ratio scale)

S&P 500 Index
01/06/21

Blue Angels S&P 500 Using Implied Dividend Yield*

* Blue lines show hypothetical values of S&P 500 stock price index using actual S&P 500 dividend (4-quarter trailing sum) divided by dividend yields from 1.0% to 6.0%.
Source: Standard & Poor’s.

S&P 500 INDEX AND DIVIDEND YIELD
(ratio scale)

S&P 500 Index
01/06/21

S&P 500 Blue Angels Implied Price Index*

* Blue lines show hypothetical values of S&P 500 stock price index using actual S&P 500 dividend (4-quarter trailing sum) divided by dividend yields from 1% to 6%.
Source: Standard & Poor’s.
**Figure 11.**

CORPORATE DIVIDENDS: TOTAL vs S CORPORATIONS
(billion dollars)

- Corporate Dividends*
- S Corporations Dividends

* Annual sum of quarterly data.
Source: Bureau of Economic Analysis and IRS Statistics of Income.

**Figure 12.**

S CORPORATION DIVIDENDS
(as a percent of Corporate Dividends*)

* Annual sum of quarterly data.
Source: Bureau of Economic Analysis and IRS Statistics of Income.
Figure 13.

**S&P 500 DIVIDEND PAYOUT RATIO***

(Percent)

* Four-quarter trailing total dividends divided by four-quarter aggregate operating earnings.

Source: Standard & Poor’s.

Figure 14.

**S&P 500 DIVIDEND YIELD vs 10-YEAR TREASURY BOND YIELD**

(Percent)

* S&P 500 four-quarter trailing dividends per share divided by quarterly closing value of the S&P 500 index.

Source: Standard & Poor’s Corporation and Board of Governors of the Federal Reserve System.
Figure 15.

S&P 500 DIVIDENDS
(billion dollars, 4-quarter sum, ratio scale)

S&P 500 Dividends
- Nominal (484.7)
- Real* (437.3)

* Deflated by GDP Personal Consumption Expenditures Deflator.
Source: Federal Reserve Board, Financial Accounts of the United States, Standard & Poor’s and Bureau of Economic Analysis.