# Table Of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</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>
Profs

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.
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**
* 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.
**Figure 5.**

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

* 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)

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

Total Profits

- After-Tax (-18.8)

* 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.

CORPORATE PROFITS REPORTED TO IRS* (yearly percent change)

Total Profits

- After-Tax (-19.7)

* 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.
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.
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)

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

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

* 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)
- Based on Tax Returns*
- From Current Production**

S&P 500
Net Income
(actual x 4, nsa)
- Operating (S&P data)
- 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)
- Operating (S&P data) (26.8)
- Reported (S&P data) (17.8)

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.
Figure 20.

**CORPORATE CASH FLOW**
(ratio scale, billion dollars, saar)

- Corporate Cash Flow* (2159.0)
- Economic Depreciation** (1934.1)
- Tax-Reported Depreciation*** (1916.0)

* 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.

Figure 21.

**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**

*Figure 22.*

**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 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)

- **Based on Tax Returns* (8.0)**
- **Based on Current Production** **(8.1)**

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.

---

Page 12 / October 6, 2020 / NIPA vs. S&P 500 Profits

Yardeni Research, Inc.

www.yardeni.com
* 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.

Source: Federal Reserve Board and US Department of Commerce, Bureau of Economic Analysis.
**Figure 26.**

**AFTER-TAX CORPORATE PROFITS: NIPA BOOK vs S&P 500 REPORTED**
(billion dollars, quarterly, ratio scale)

- **After-Tax Profits**
  - NIPA Book Profits*
  - S&P 500 Reported Net Income**

* NIPA book profits series excludes Inventory Valuation Adjustment and Capital Consumption Adjustment. Series is seasonally adjusted and annualized quarterly data.

** S&P 500 aggregate net income on GAAP basis using four-quarter sum.

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

**Figure 27.**

**S&P 500 AGGREGATE REPORTED NET INCOME (GAAP basis)**
(as a percent of NIPA after-tax book profits*)

* S&P 500 aggregate reported net income is on GAAP basis and shown as four-quarter sum. NIPA book profits exclude Inventory Valuation Adjustment and Capital Consumption Adjustment. NIPA series is shown using seasonally adjusted and annualized quarterly data.

Source: Bureau of Economic Analysis and Standard & Poor’s.
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) (8.0)
- S&P 500 Profit Margin: Reported (percent) (5.6)

* 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)

Q2

Latest (69.3)

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.
Copyright (c) Yardeni Research, Inc. 2020. All rights reserved. The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, or correctness of the information and opinions contained herein. The views and the other information provided are subject to change without notice. All reports and podcasts posted on www.yardeni.com, blog.yardeni.com, and YRI’s Apps are issued without regard to the specific investment objectives, financial situation, or particular needs of any specific recipient and are not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not necessarily a guide to future results. Company fundamentals and earnings may be mentioned occasionally, but should not be construed as a recommendation to buy, sell, or hold the company’s stock. Predictions, forecasts, and estimates for any and all markets should not be construed as recommendations to buy, sell, or hold any security--including mutual funds, futures contracts, and exchange traded funds, or any similar instruments.

The text, images, and other materials contained or displayed on any Yardeni Research, Inc. product, service, report, email or website are proprietary to Yardeni Research, Inc. and constitute valuable intellectual property. No material from any part of www.yardeni.com, blog.yardeni.com, and YRI’s Apps may be downloaded, transmitted, broadcast, transferred, assigned, reproduced or in any other way used or otherwise disseminated in any form to any person or entity, without the explicit written consent of Yardeni Research, Inc. All unauthorized reproduction or other use of material from Yardeni Research, Inc. shall be deemed willful infringement(s) of this copyright and other proprietary and intellectual property rights, including but not limited to, rights of privacy. Yardeni Research, Inc. expressly reserves all rights in connection with its intellectual property, including without limitation the right to block the transfer of its products and services and/or to track usage thereof, through electronic tracking technology, and all other lawful means, now known or hereafter devised. Yardeni Research, Inc. reserves the right, without further notice, to pursue to the fullest extent allowed by the law any and all criminal and civil remedies for the violation of its rights.

The recipient should check any email and any attachments for the presence of viruses. Yardeni Research, Inc. accepts no liability for any damage caused by any virus transmitted by this company’s emails, website, blog and Apps. Additional information available on request.