Table Of Contents

- Profits (NIPA) 1-7
- Profits (NIPA vs. S&P) 8
- Cash Flow 9
- Profit Margin 10-11
- Profits & Sales 12
- S&P 500 Operating Earnings 13
- S&P 500 Dividends 14
- S&P 500 Sectors Y/Y Operating EPS Growth 15
- Pricing & Unit Labor Costs 16
- Nonlabor Costs 17
- Unit Costs 18
- Capacity Utilization 19
- Leading/Lagging Ratio 20
- Productivity 21-22
- Unit Labor Costs 23
- Wages & Salaries 24
- Real Compensation Per Worker 25
- Relative Profit Margins: S&P 500 Sectors 26-27
- Relative Profit Margins: Consumer 28-30
- Relative Profit Margins: Energy 31
- Relative Profit Margins: Health Care 32
- Relative Profit Margins: Industrials 33
- Relative Profit Margins: Technology 34
- Relative Profit Margins: Materials 35
- Relative Profit Margins: Materials & Telecom 36
**Figure 1.**

CORPORATE PROFITS*
(billion dollars, saar, ratio scale)

Total Profits
- Pre-Tax
- After-Tax

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj).
Source: US Department of Commerce, Bureau of Economic Analysis.

**Figure 2.**

CORPORATE PROFITS*
(billion dollars, saar, ratio scale)

Nonfinancial Corporations
- Pre-Tax
- After-Tax

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj).
Source: US Department of Commerce, Bureau of Economic Analysis.
Figure 3.
CORPORATE PROFITS*
(billion dollars, saar, ratio scale)

Pre-Tax Profits
- All Corporations
- Nonfinancial Corporations

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj).
Source: US Department of Commerce, Bureau of Economic Analysis.

Figure 4.
CORPORATE PROFITS*
(billion dollars, saar, ratio scale)

After-Tax Profits
- All Corporations
- Nonfinancial Corporations

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj).
Source: US Department of Commerce, Bureau of Economic Analysis.
Figure 5.
CORPORATE PROFITS BY INDUSTRY*
(billion dollars, saar)

Pre-Tax By Industry
- Nonfinancial
- Financial
- Receipts from the Rest of the World

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj).
Source: US Department of Commerce, Bureau of Economic Analysis.

Figure 6.
CORPORATE PROFITS BY INDUSTRY
(as a percent of corporate profits)

Pre-Tax By Industry
- Nonfinancial
- Receipts from the Rest of the World
- Financial

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj).
Source: US Department of Commerce, Bureau of Economic Analysis.
Figure 7.
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)

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj.)
Source: Bureau of Economic Analysis and Federal Deposit Insurance Corporation, Quarterly Banking Profile.

Figure 8.
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.

---

Profits (NIPA) -

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

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj.)
Source: Bureau of Economic Analysis and Federal Deposit Insurance Corporation, Quarterly Banking Profile.

Figure 8.
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.

---

Profits, Productivity, Prosperity

Yardeni Research, Inc.
www.yardeni.com
Figure 9.
CORPORATE PRE-TAX PROFITS FROM THE REST OF THE WORLD* (billion dollars, saar)

Rest of world profits
- Net
- Receipts
- Payments

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj).
Source: US Department of Commerce, Bureau of Economic Analysis.

Figure 10.
CORPORATE PRE-TAX PROFITS FROM THE REST OF THE WORLD (as a percent of pre-tax corporate profits*)

Rest of world profits
- Net
- Receipts
- Payments

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj).
Source: US Department of Commerce, Bureau of Economic Analysis.
- Profits (NIPA) -

Figure 11.

CORPORATE PRE-TAX PROFITS* (yearly percent change)

- Nonfinancial
- Financial
- ROW Profits Receipts

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj.)

Source: Bureau of Economic Analysis.

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj.)

Source: Bureau of Economic Analysis.
Figure 12.

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

Receipts*

OECD Industrial Production

yardeni.com

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

Receipts*

Exports

yardeni.com

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

ROW Profits Receipts*

Trade Weighted Dollar
(inverted scale)

yardeni.com

* Includes Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj.)

Source: Bureau of Economic Analysis and Board of Governors of the Federal Reserve System, Census Bureau and OECD.
Figure 13.

S&P 500 & NIPA CORPORATE PROFITS*
(billion dollars)

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

S&P 500 Net Income
(4-quarter sum)
- Operating
- Reported

* 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.


Figure 14.

S&P 500 OPERATING NET INCOME (4-quarter sum)
(as a ratio of NIPA after-tax corporate profits based on tax returns, 4-quarter sum)*

Average = 0.60

* Excluding 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.

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

* After-tax retained earnings plus tax-reported depreciation.
** Corporate capital consumption allowances.
*** Corporate capital consumption allowances with capital consumption adjustment.

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

**INVENTORY VALUATION 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: US Department of Commerce, Bureau of Economic Analysis.

**CAPITAL CONSUMPTION ADJUSTMENT**
(billion dollars, saar)
Figure 17.

PRE-TAX CORPORATE PROFITS FROM CURRENT PRODUCTION*

As a percent of National Income

As a percent of Nominal GDP

AFTER-TAX PROFIT MARGIN FROM CURRENT PRODUCTION*

(percent)

AFTER-TAX PROFIT MARGIN & CAPACITY UTILIZATION

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

yardeni.com
- Profit Margin -

Figure 18.

PROFIT MARGIN* FROM CURRENT PRODUCTION
(percent)

All Corporations
Nonfinancial Corporations

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 19.

S&P 500 INDUSTRIALS COMPOSITE PROFIT MARGIN
(trailing 4-quarter EPS, percent)

Operating
Reported

Source: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.
**Figure 20.**

NOMINAL GDP & AFTER-TAX CORPORATE PROFITS

(1960=100, ratio scale)

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

* Compounded monthly to yield 7% annually.
** Includes IVA & CCAdj. These two adjustments restate the historical costs 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 21.**

S&P 500 EARNINGS PER SHARE

(ratio scale, dollars)

- 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.
*** 52-week forward consensus expected S&P 500 operating earnings per share. Time-weighted average of current and next year’s consensus earnings estimates. Monthly through April 1994; weekly thereafter.
Source: Standard & Poor’s Corporation and Thomson Financial.
Figure 22.

S&P 500 OPERATING VS REPORTED EARNINGS PER SHARE
(dollars)

Source: Standard & Poor's Corporation.

Figure 23.

S&P 500 WRITE-OFFS PER SHARE*
(dollars)

* Operating less reported earnings per share.
Source: Standard & Poor's Corporation.
Figure 24.

S&P 500 DIVIDENDS & RETAINED EARNINGS PER SHARE
(dollars, trailing 4-quarter sum)

- Dividends
- Retained Earnings*

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

Figure 25.

S&P DIVIDEND PAYOUT RATIOS*
(percent)

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

S&P 500 COMPANIES PAYING A DIVIDEND
(percentage of total)

* Four-quarter trailing dividends per share divided by four-quarter trailing reported earnings.
Source: Standard & Poor’s Corporation and FactSet.
Figure 26.

- S&P 500 Sectors Y/Y Operating EPS Growth -

Source: Standard & Poors.
Figure 27.

NONFINANCIAL CORPORATE BUSINESS

- Implicit Price Deflator (as a ratio of Unit Labor Costs)
- Unit Profits


Figure 28.

NONFINANCIAL CORPORATE BUSINESS
(yearly percent change)

- Implicit Price Deflator
- Unit Labor Costs

**Figure 29.**

UNIT NONLABOR COSTS (2005=100)


**Figure 30.**

UNIT NONLABOR COSTS (yearly percent change)

Figure 31. NONFARM BUSINESS (yearly percent change)


Figure 32. NONFINANCIAL CORPORATIONS (yearly percent change)

**Figure 33.**

**PROFIT MARGIN & CAPACITY UTILIZATION**

- **Nonfinancial Corporate Profit Margin***

- **Capacity Utilization: All Industries**

* After-tax profits including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj) divided by nominal GDP.

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 and Board of Governors of the FRS.

**Figure 34.**

**PRICING-POWER RATIO**

- **Prices Received/Prices Paid***

- **Nonfinancial Corporate Profit Margin**

* Prices received & prices paid plus 100.

**Figure 35.**

**LEADING/LAGGING RATIO & PROFIT MARGIN**

Leading Economic Indicators/
Lagging Economic Indicators
(solid line, left scale)

After-Tax Corporate Profit Margin
(using current production profits)
(dotted line, right scale)

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

**Figure 36.**

**LEADING/LAGGING RATIO & PROFIT MARGIN**

Leading Economic Indicators/
Lagging Economic Indicators
(solid line, left scale)

After-Tax Nonfinancial
Corporate Profit Margin
(dotted line, right scale)

Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Figure 37.

PRODUCTIVITY MEASURES
(2005=100, ratio scale)

- Nonfarm Business
- Nonfinancial Corporations
- Manufacturing


Figure 38.

PRODUCTIVITY: NONFARM BUSINESS
(yearly percent change)

- in four-quarter moving average

Figure 39.

PRODUCTIVITY MEASURES
(yearly percent change)

- Nonfarm Business
- Nonfinancial Corporations


Figure 40.

NONFARM BUSINESS MINUS NONFINANCIAL CORPORATE PRODUCTIVITY
(yearly percent change)

Figure 41.

LABOR COST MEASURES
(yearly percent change)


Figure 42.

UNIT LABOR COSTS
(yearly percent change)

Figure 43.

WAGES & SALARIES
(as a percent of personal income)

- Wages & Salaries -


Figure 44.

SUPPLEMENTS TO WAGES & SALARIES
(as a percent of wages & salaries plus supplements)

Figure 45.

REAL COMPENSATION PER WORKER & PRODUCTIVITY

- Real Pre-Tax Compensation Per Payroll Employee*
  (thousand dollars, 3-month average, sa)

- Nonfarm Productivity (2005=100)

- Real Wages & Salaries Per Payroll Employee
  (thousand dollars, 3-month average, sa)

* Three-month average of wages & salaries plus supplements to wages & salaries divided by personal consumption expenditures deflator divided by payroll employment.

Figure 46.

SOURCES OF REAL LABOR INCOME
(yearly percent change)

- Real Pre-Tax Compensation Per Payroll Employee*

- Payroll Employment

* Three-month average of wages & salaries plus supplements to wages & salaries divided by personal consumption expenditures deflator divided by payroll employment.
Figure 47.

S&P 500 OPERATING PROFIT MARGINS
(trailing 4-quarter EPS, percent)

- S&P 500 Composite
- Consumer Staples
- Health Care

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.

Figure 48.

S&P 500 OPERATING PROFIT MARGINS
(trailing 4-quarter EPS, percent)

- S&P 500 Composite
- Consumer Discretionary
- Information Technology

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.
- Relative Profit Margins: S&P 500 Sectors -

Figure 49.

S&P 500 OPERATING PROFIT MARGINS
(trailing 4-quarter EPS, percent)

- S&P 500 Composite
- Energy
- Industrials
- Materials

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.

Figure 50.

S&P 500 OPERATING PROFIT MARGINS
(trailing 4-quarter EPS, percent)

- S&P 500 Composite
- Telecommunications Services

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.
- Relative Profit Margins: Consumer -

Figure 51.

S&P 500 OPERATING PROFIT MARGINS: CONSUMER DISCRETIONARY
(trailing 4-quarter EPS, percent)

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.

Figure 52.

S&P 500 OPERATING PROFIT MARGINS: CONSUMER DISCRETIONARY
(trailing 4-quarter EPS, percent)

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.
Figure 53.

S&P 500 OPERATING PROFIT MARGINS: CONSUMER DISCRETIONARY
(trailing 4-quarter EPS, percent)

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.

Figure 54.

S&P 500 OPERATING PROFIT MARGINS: CONSUMER DISCRETIONARY
(trailing 4-quarter EPS, percent)

Margins capped at -2% due to extreme values.

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.
Figure 55.

S&P 500 OPERATING PROFIT MARGINS: CONSUMER STAPLES
(trailing 4-quarter EPS, percent)

- Consumer Staples Sector
- Household Products
- Packaged Foods & Meats
- Personal Products

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.

Figure 56.

S&P 500 OPERATING PROFIT MARGINS: CONSUMER STAPLES
(trailing 4-quarter EPS, percent)

- Consumer Staples Sector
- Soft Drinks
- Brewers
- Tobacco
- Drug Retail

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.
Figure 57.

S&P 500 OPERATING PROFIT MARGINS: ENERGY
(trailing 4-quarter EPS, percent)

- Energy Sector
- Integrated Oil & Gas
- Oil & Gas Refining & Marketing

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.

Figure 58.

S&P 500 OPERATING PROFIT MARGINS: ENERGY
(trailing 4-quarter EPS, percent)

- Energy Sector
- Oil & Gas Drilling
- Oil & Gas Equipment & Services
- Oil & Gas Exploration & Production

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.
- Relative Profit Margins: Health Care -

**Figure 59.**

S&P 500 OPERATING PROFIT MARGINS: HEALTH CARE
(trailing 4-quarter EPS, percent)

- Health Care Sector
- Biotechnology
- Health Care Equipment
- Managed Health Care

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.

**Figure 60.**

S&P 500 OPERATING PROFIT MARGINS: HEALTH CARE
(trailing 4-quarter EPS, percent)

- Health Care Sector
- Pharmaceuticals
- Health Care Facilities
- Health Care Distributors

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.
- Relative Profit Margins: Industrials -

**Figure 61.**

**S&P 500 OPERATING PROFIT MARGINS: INDUSTRIALS**  
(trailing 4-quarter EPS, percent)

- Industrials Sector
- Construction & Farm Machinery & Heavy Trucks
- Industrial Conglomerates
- Industrial Machinery

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.

**Figure 62.**

**S&P 500 OPERATING PROFIT MARGINS: INDUSTRIALS**  
(trailing 4-quarter EPS, percent)

- Industrials Sector
- Aerospace & Defense
- Electrical Components & Equipment

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.
Figure 63.

S&P 500 OPERATING PROFIT MARGINS: INFORMATION TECHNOLOGY
(trailing 4-quarter EPS, percent)

- Information Technology Sector
- Application Software
- Data Processing & Outsourcing
- IT Consulting & Other Services
- Systems Software

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.

Figure 64.

S&P 500 OPERATING PROFIT MARGINS: INFORMATION TECHNOLOGY
(trailing 4-quarter EPS, percent)

- Information Technology Sector
- Communications Equipment
- Computer Hardware
- Computer Storage & Peripherals
- Semiconductors
- Semiconductor Equipment

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.
- Relative Profit Margins: Materials -

Figure 65.

S&P 500 OPERATING PROFIT MARGINS: MATERIALS
(trailing 4-quarter EPS, percent)

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.

Figure 66.

S&P 500 OPERATING PROFIT MARGINS: MATERIALS
(trailing 4-quarter EPS, percent)

Sources for all charts: Standard & Poor’s Corporation, Thomson Financial, and Haver Analytics.
Figure 67.

S&P 500 OPERATING PROFIT MARGINS: MATERIALS
(trailing 4-quarter EPS, percent)

- Materials Sector
- Forest Products
- Gold
- Metal & Glass Containers
- Diversified Metals & Mining
- Paper Packaging

Sources for all charts: Standard & Poor's Corporation, Thomson Financial, and Haver Analytics.

Figure 68.

S&P 500 OPERATING PROFIT MARGINS: TELECOMMUNICATION SERVICES
(trailing 4-quarter EPS, percent)

- Telecommunication Services Sector
- Integrated Telecommunication
- Wireless Telecommunication

Margins capped at -5% due to extreme values.

Sources for all charts: Standard & Poor's Corporation, Thomson Financial, and Haver Analytics.
Copyright (c) Yardeni Research, Inc. 2011. 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. This report and the others posted on www.yardeni.com 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, 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 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 or website. Additional information available on request.