Stock Market Briefing: NIPA vs. S&P 500 Profits Margins

July 10, 2019

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

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

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

thinking outside the box
# Table Of Contents

S&P 500 Operating Profit Margins

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Margins</td>
<td>3-5</td>
</tr>
<tr>
<td>Margins &amp; Costs</td>
<td>6-8</td>
</tr>
</tbody>
</table>
Profit Margins

**Figure 1.**

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

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

- **S&P 500 Net Income**  
  - 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 2.**

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

- Based on Tax Returns* (9.2)  
- Based on Current Production** (9.6)

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 3.

S&P 500 OPERATING PROFIT MARGIN (I/B/E/S data) & AFTER-TAX CORPORATE PROFIT MARGIN (without IVA & CCAdj)

Corporate Profits After Tax* (as a percent of nominal GDP) (blue line)

S&P 500 Operating Profit Margin Using I/B/E/S Earnings** (percent, quarterly, nsa) (red line)

Figure 4.

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

Corporate Profits After Tax* (as a percent of nominal GDP) (9.2)

S&P 500 Profit Margin: Reported (percent) (10.3)

* After-tax profits as reported to IRS (without IVA and CCAdj).
** Operating Profit Margin derived using revenues from S&P and earnings from I/B/E/S.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Standard & Poor’s, Bureau of Economic Analysis, and I/B/E/S data by Refinitiv.

* 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.
Profit Margins

Figure 5.

S&P 500 OPERATING PROFIT MARGIN & AFTER-TAX CORPORATE PROFIT MARGIN (with IVA & CCAdj)

- Corporate Profits After Tax* (as a percent of nominal GDP) (9.6)
- S&P 500 Profit Margin: Operating (percent) (11.6)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
* Profits after tax with IVA and CCAdj.
Source: Standard & Poor’s Corporation, I/B/E/S data by Refinitiv, and Bureau of Economic Analysis.

Figure 6.

S&P 500 REPORTED PROFIT MARGIN & AFTER-TAX CORPORATE PROFIT MARGIN (with IVA & CCAdj)

- Corporate Profits After Tax* (as a percent of nominal GDP) (9.6)
- S&P 500 Profit Margin: Reported (percent) (10.3)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
* Profits after tax with IVA and CCAdj.
Source: Standard & Poor’s Corporation, I/B/E/S data by Refinitiv, and Bureau of Economic Analysis.
Figure 7.

**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 8.

**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 9.

COMPENSATION OF EMPLOYEES (as a percent of nominal GDP)

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

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

Figure 10.

PRIVATE NONRESIDENTIAL FIXED INVESTMENT (as a percent of nominal GDP)

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

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
UNIT PROFITS OF NONFINANCIAL CORPORATIONS*  
(2005=100, sa, ratio scale)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.  
* Profits divided by real output.  

PROFIT MARGIN OF NONFINANCIAL CORPORATIONS*  
(2005=100 sa ratio scale)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.  
* Profits divided by nominal output (real output x implicit price deflator).  