

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

Yardeni Research, Inc.

*November 17, 2017*

**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](http://www.yardeni.com)  
[blog.yardeni.com](http://blog.yardeni.com)



*thinking outside the box*

---

# *Table Of Contents*

---

**S&P 500 Operating Profit Margins**

Profit Margins

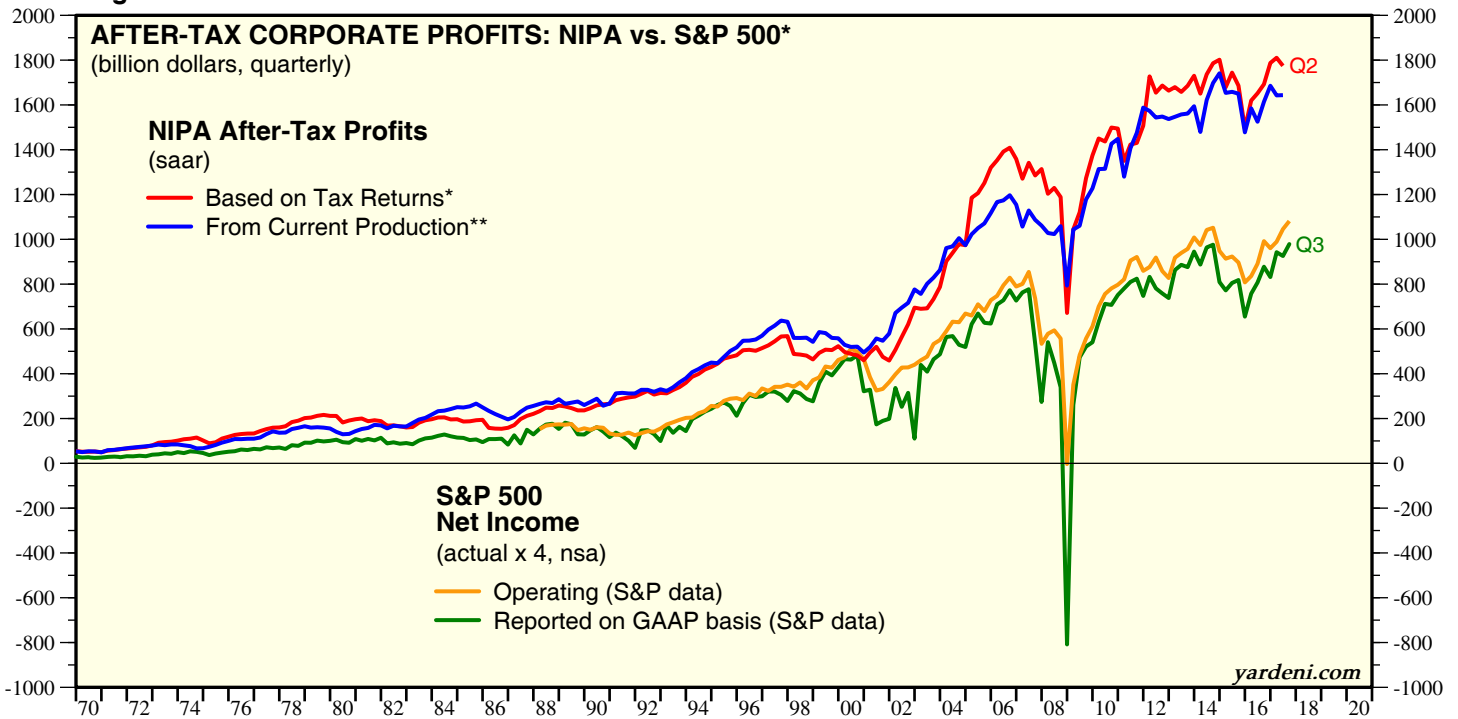
3-5

Margins & Costs

6-9

# Profit Margins

Figure 1.

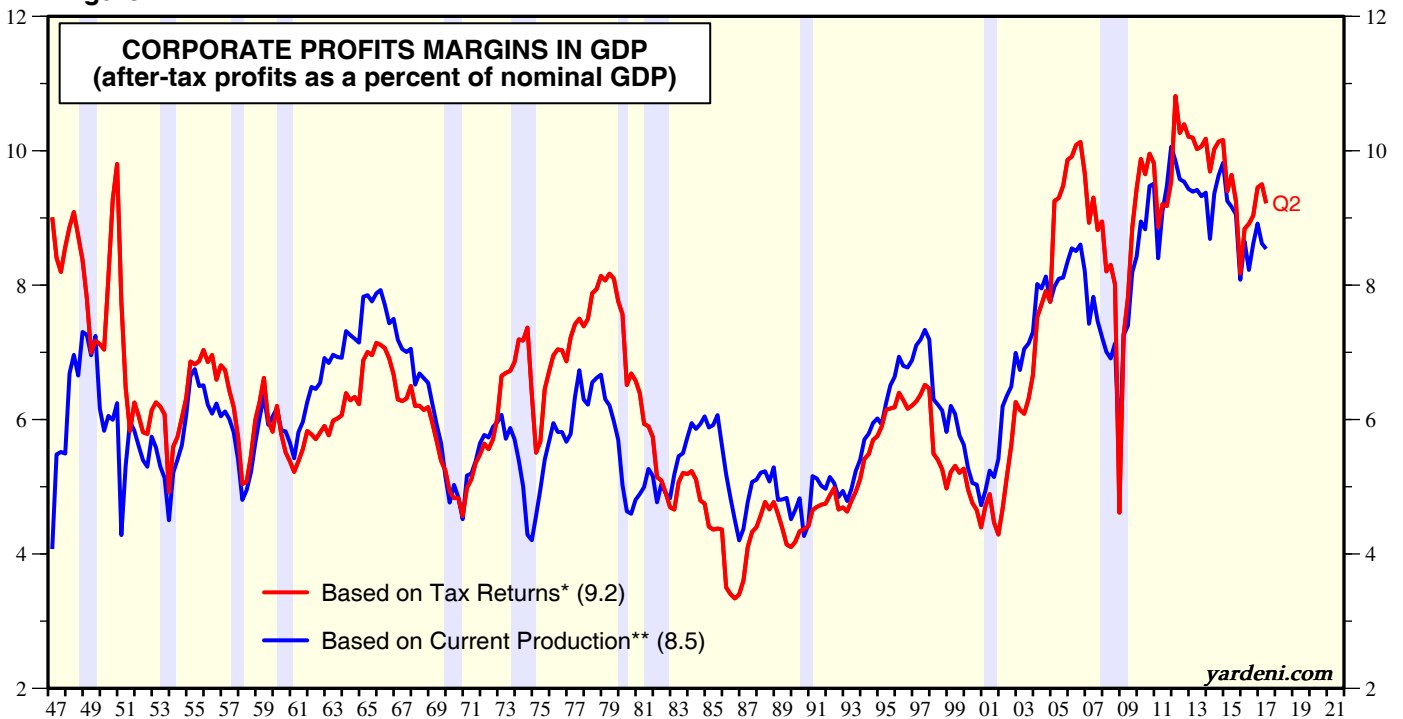


\* Excluding IVA & CCadj.

\*\* 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.



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

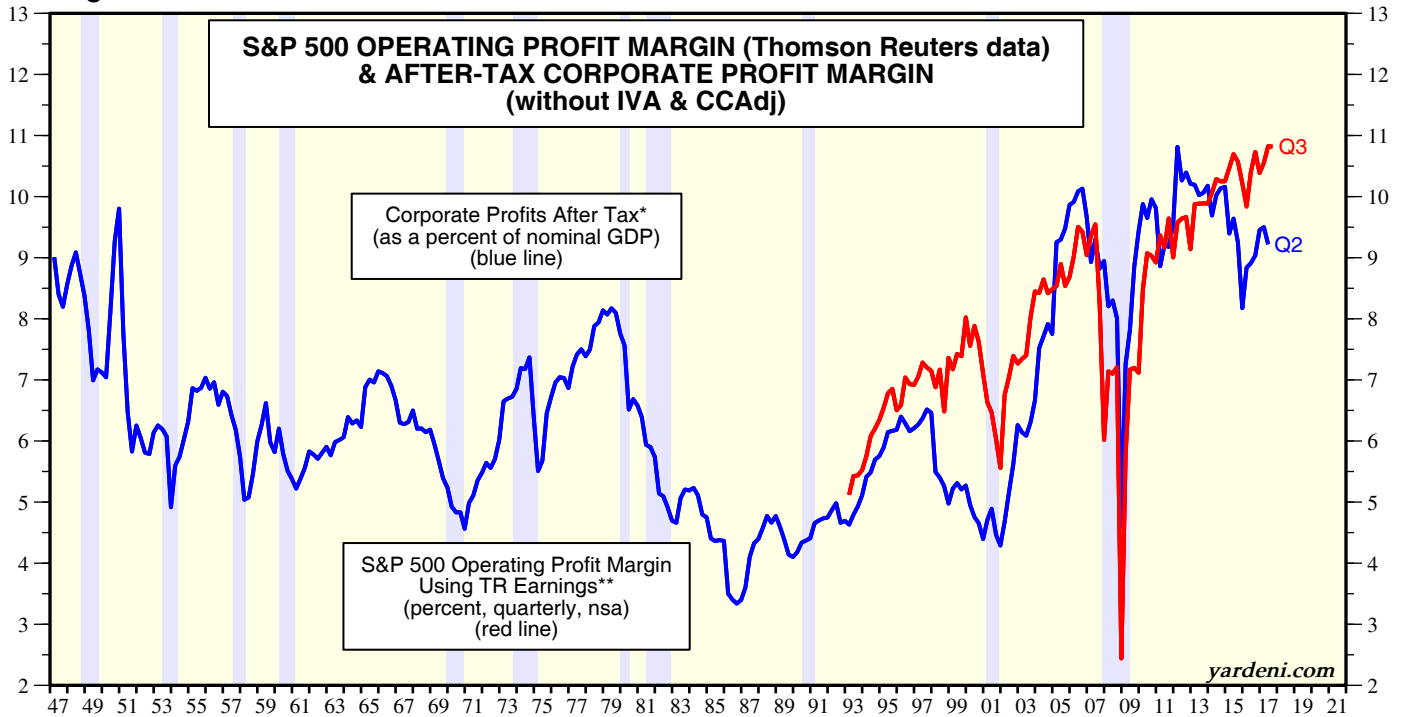
\* Excluding IVA & CCadj.

\*\* 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.

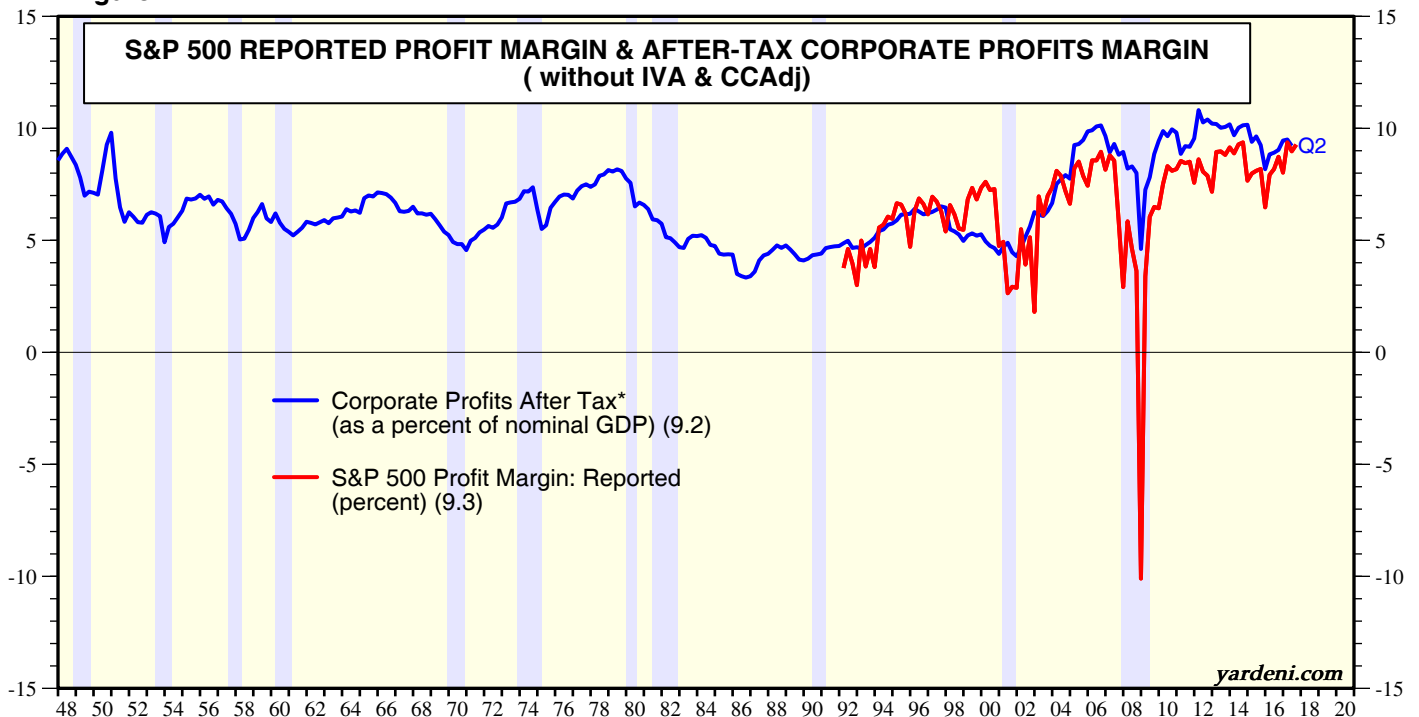
# Profit Margins

Figure 3.



\* 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.  
 \*\* Operating Profit Margin derived using revenues from S&P and earnings from Thomson Reuters I/B/E/S.  
 Note: Shaded areas denote recessions according to the National Bureau of Economic Research.  
 Source: Standard & Poor's, Thomson Reuters I/B/E/S and Bureau of Economic Analysis.

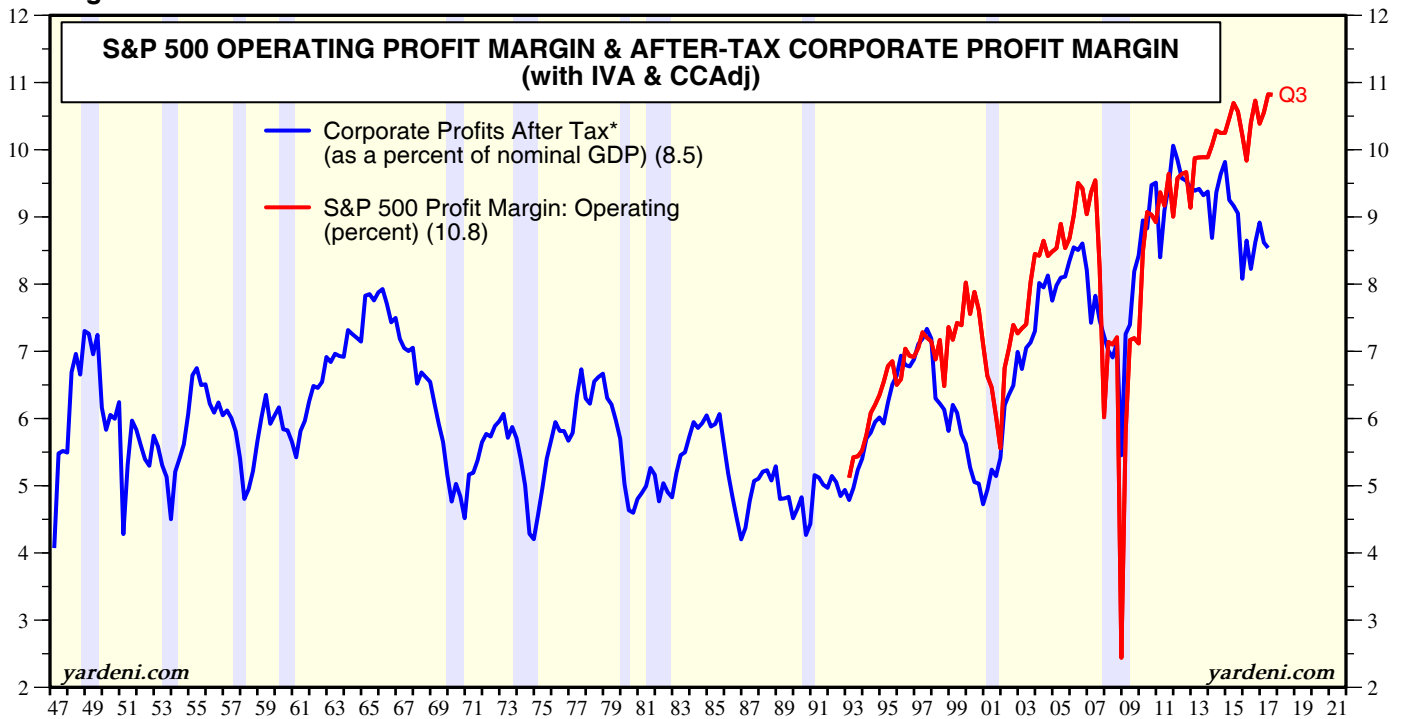
Figure 4.



\* 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: Standard & Poor's, Thomson Reuters I/B/E/S, and Bureau of Economic Analysis.

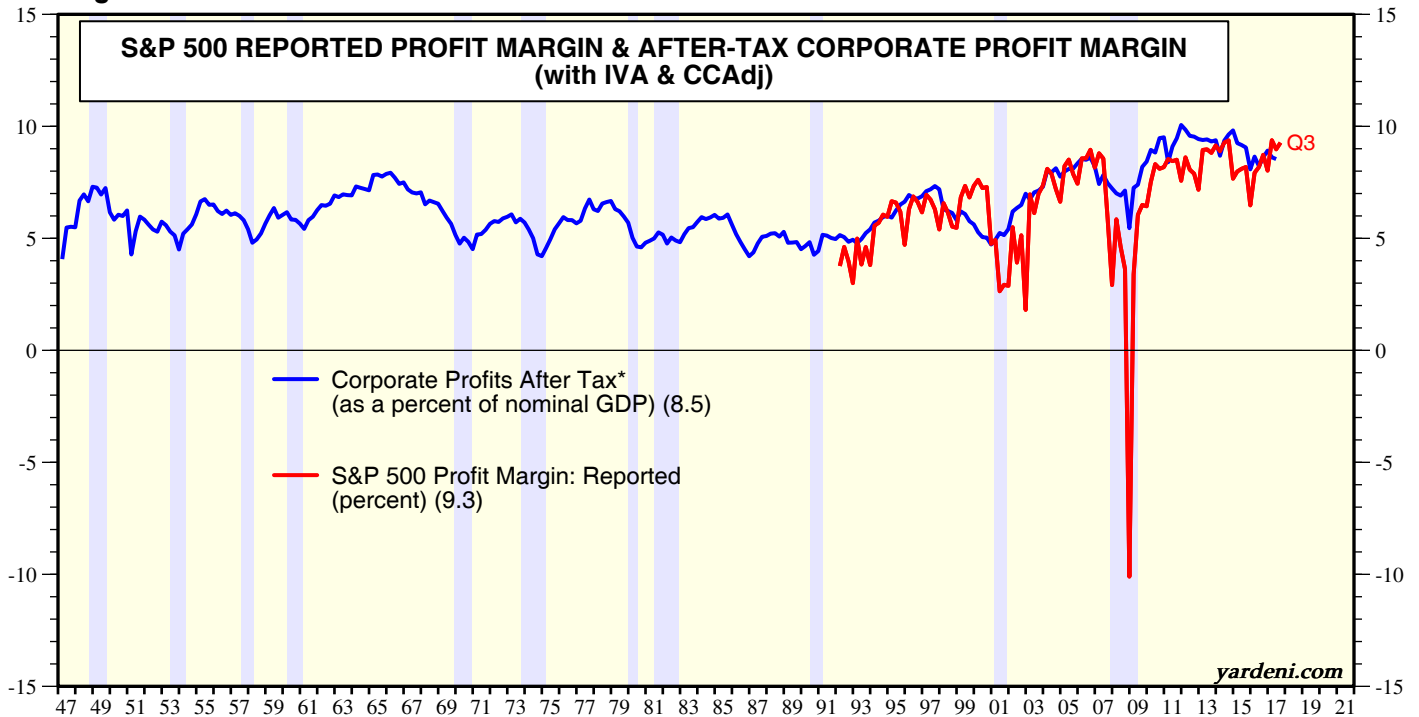
# Profit Margins

Figure 5.



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 and Thomson Reuters I/B/E/S and Bureau of Economic Analysis.

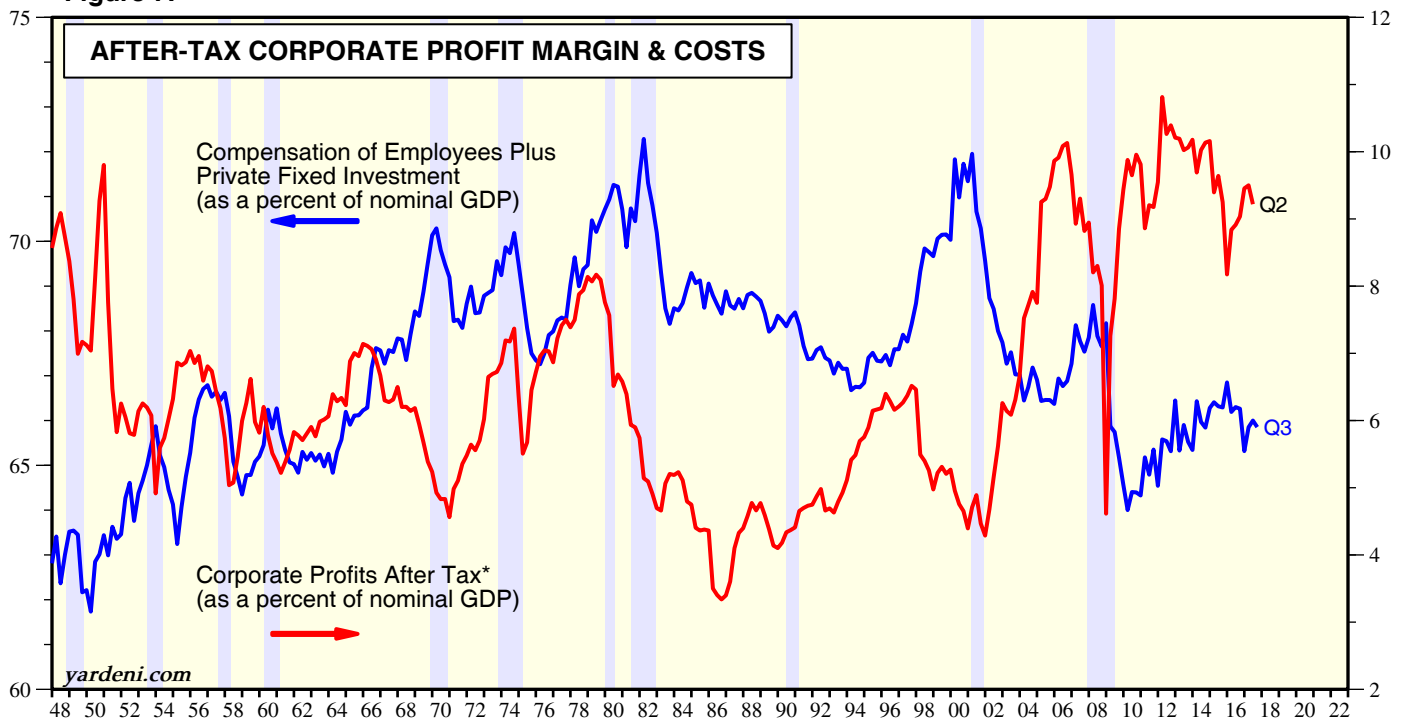
Figure 6.



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 and Thomson Reuters I/B/E/S and Bureau of Economic Analysis.

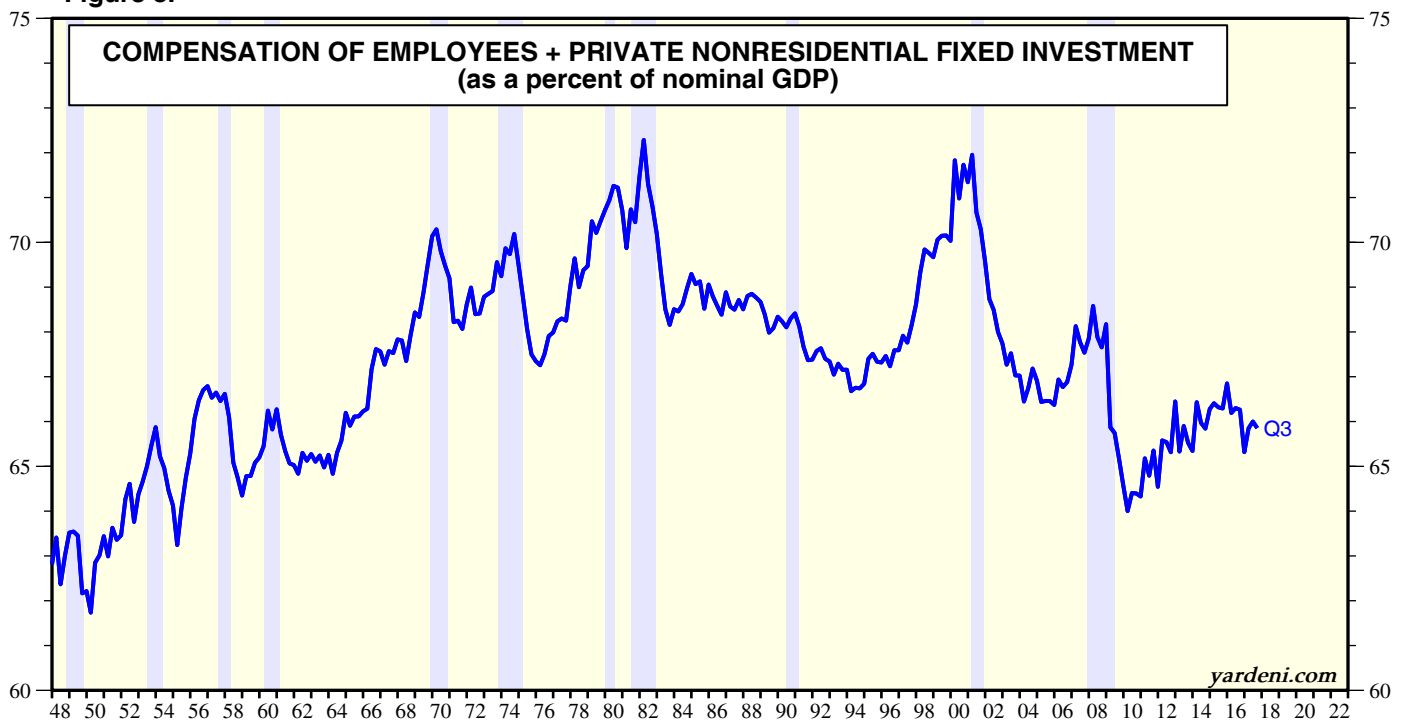
# Margins & Costs

Figure 7.



\* 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.

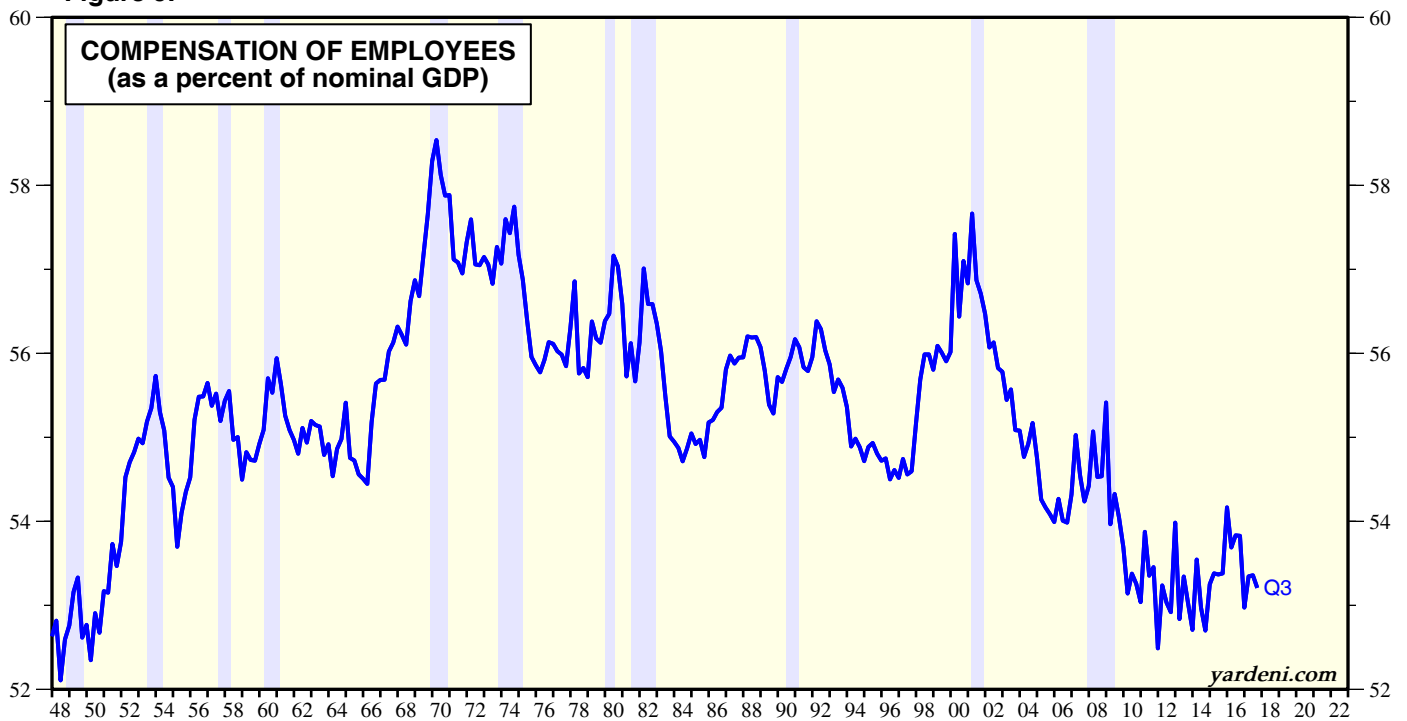
Figure 8.



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

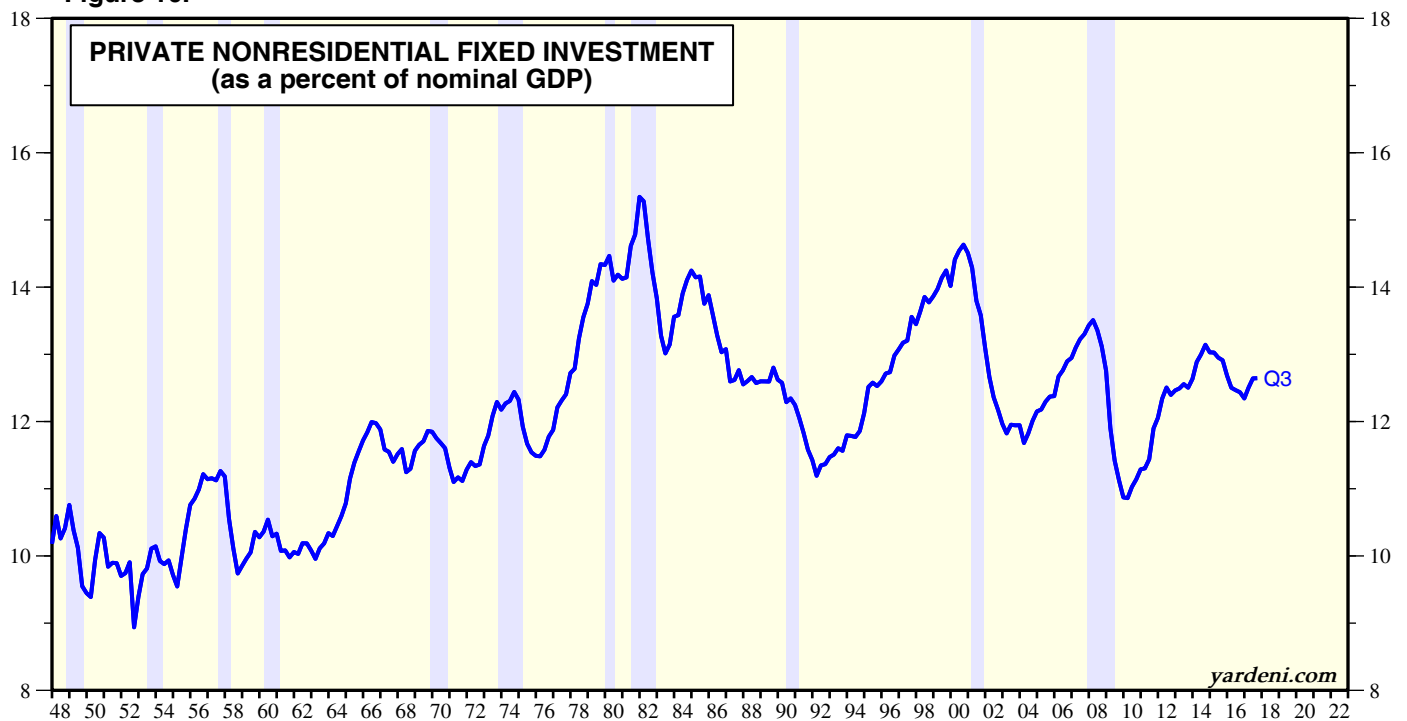
# Margins & Costs

Figure 9.



Note: Shaded areas denote recessions according to the National Bureau of Economic Research  
Source: US Department of Commerce, Bureau of Economic Analysis.

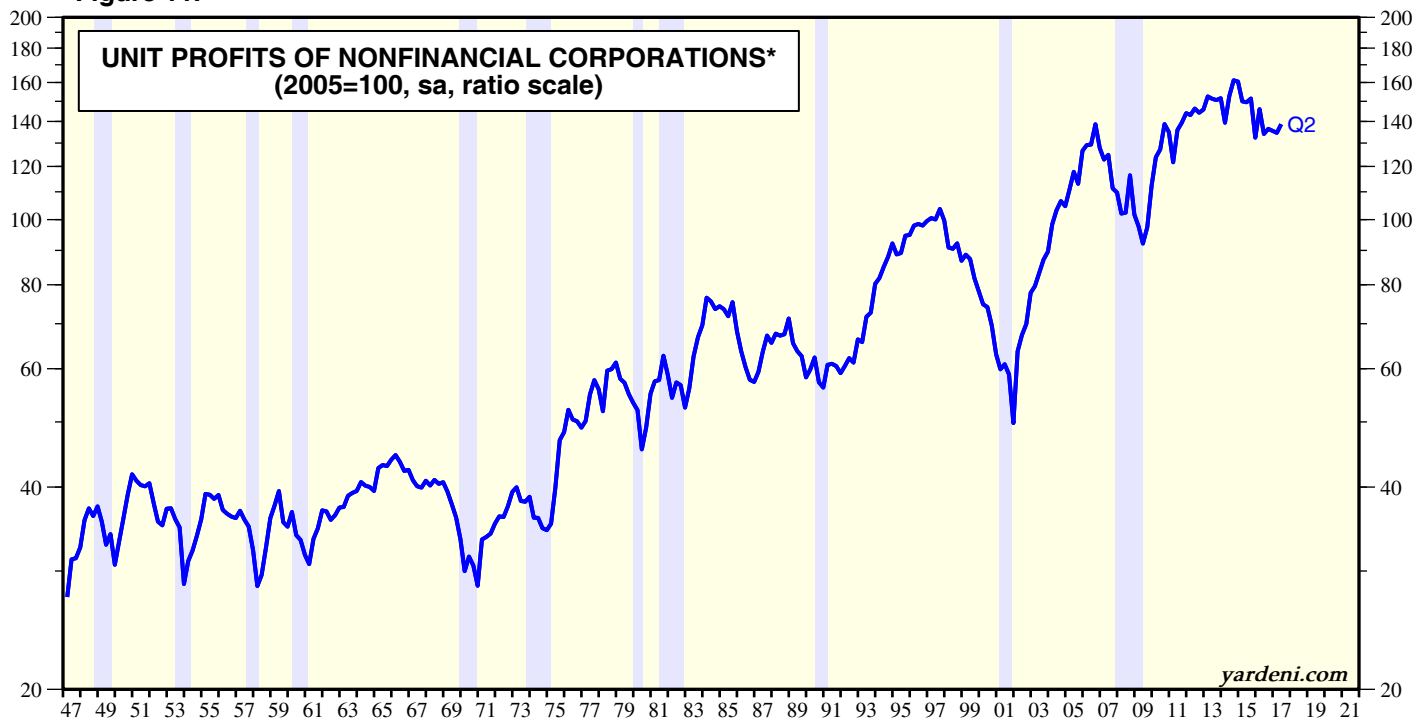
Figure 10.



Note: Shaded areas denote recessions according to the National Bureau of Economic Research.  
Source: US Department of Commerce, Bureau of Economic Analysis.

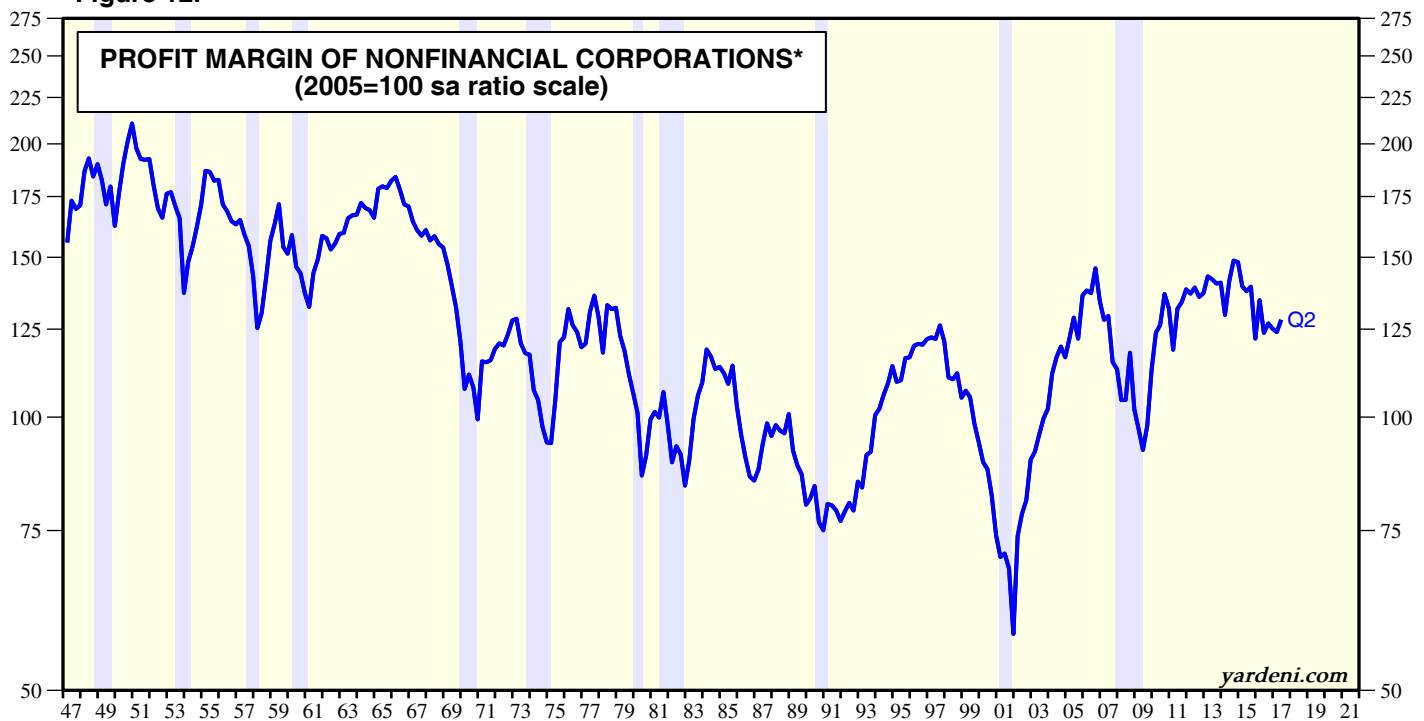
# Margins & Costs

Figure 11.



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

Figure 12.



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



**Copyright (c) Yardeni Research, Inc. 2017.** 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 posted on [www.yardeni.com](http://www.yardeni.com), [blog.yardeni.com](http://blog.yardeni.com), and YRI's Apps for iPads and iPhones 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](http://www.yardeni.com), [blog.yardeni.com](http://blog.yardeni.com), and YRI's Apps for iPads and iPhones 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](#).

# Margins & Costs