# Table Of Contents

<table>
<thead>
<tr>
<th>Predicting Corporate Earnings</th>
<th>1-24</th>
</tr>
</thead>
</table>
Predicting Corporate Earnings

Figure 1.
S&P 500 OPERATING EARNINGS PER SHARE (Thomson Reuters data)
(consensus analysts' estimates in dollars, monthly, ratio scale)

Analysts' Estimates
- Annual*
- 12-month forward**
- Actual 4Q sum***

* "Squiggles" span 25 months from February to February.
** Time-weighted average of consensus operating earnings estimates for current year and next year.
*** Actual 4Q sum from Thomson Reuters I/B/E/S.
Source: Thomson Reuters I/B/E/S.

Figure 2.
S&P 500 OPERATING EARNINGS PER SHARE (Thomson Reuters data)
(consensus analysts' estimates in dollars, monthly, ratio scale)

Analysts' Estimates
- Annual*
- 12-month forward**
- Actual 4Q sum***

* "Squiggles" span 25 months from February to February.
** Time-weighted average of consensus operating earnings estimates for current year and next year.
*** Actual 4Q sum from S&P until Q4-1993 then Thomson Reuters I/B/E/S thereafter.
Source: Thomson Reuters I/B/E/S.
Figure 3.

S&P 500 OPERATING EARNINGS PER SHARE (Thomson Reuters data)
(consensus analysts’ estimates in dollars, weekly, ratio scale)

Analysts’ Estimates
- Annual*
- 52-week forward**
- Actual 4Q sum***

* “Squiggles” span 25 months from February to February.
** Time-weighted average of consensus operating earnings estimates for current year and next year.
*** Actual 4Q sum from Thomson Reuters I/B/E/S.
Source: Thomson Reuters I/B/E/S.

Figure 4.

S&P 500 OPERATING EARNINGS PER SHARE (Thomson Reuters data)
(consensus analysts’ estimates in dollars, weekly, ratio scale)

Analysts’ Estimates
- Annual*
- 52-week forward**
- Actual 4Q sum***

* “Squiggles” span 25 months from February to February.
** Time-weighted average of consensus operating earnings estimates for current year and next year.
*** Actual 4Q sum from Thomson Reuters I/B/E/S.
Source: Thomson Reuters I/B/E/S.
Figure 5.

(25-month percent change)

* Percent change in consensus annual forecast from initial forecast to actual, e.g., from February 1979 to February 1981 for calendar year 1980.
Source: Thomson Reuters I/B/E/S.

Figure 6.

S&P 500 NET EARNINGS REVISIONS*
(percent, three-month basis)

* Three-month moving average of the number of forward earnings estimates up less number of estimates down, expressed as a percentage of the total number of forward earnings estimates.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Thomson Reuters I/B/E/S.
Predicting Corporate Earnings

Figure 7.

S&P 500 OPERATING EARNINGS PER SHARE: FORWARD & ACTUAL (Thomson Reuters data)
(dollars per share)

Earnings Per Share
- Forward*
- Operating** (4Q sum)

* Time-weighted average of consensus estimates for current year and next year. Monthly through March 1994, then weekly.

** Actual 4Q sum from S&P until Q4-1993, then from Thomson Reuters I/B/E/S.

Source: Thomson Reuters I/B/E/S.

Figure 8.

S&P 500 OPERATING EARNINGS PER SHARE: FORWARD & ACTUAL (Thomson Reuters data)
(dollars per share)

Earnings Per Share
- Forward Earnings*
  (pushed 52-weeks ahead)
- Operating Earnings**
  (4Q sum)

* Time-weighted average of consensus estimates for current year and next year. Monthly through March 1994, then weekly.

** Actual 4Q sum from S&P until Q4-1993, then from Thomson Reuters I/B/E/S.

Source: Thomson Reuters I/B/E/S.
Predicting Corporate Earnings

Figure 9.
S&P 500, FORWARD EARNINGS, and VALUATION (monthly)

* Implied price index calculated using forward earnings times forward P/Es.
Source: Standard & Poor’s and Thomson Reuters I/B/E/S.

Figure 10.
S&P 500, FORWARD EARNINGS, and VALUATION (weekly)

* Implied price index calculated using forward earnings times forward P/Es.
Source: Standard & Poor’s and Thomson Reuters I/B/E/S.
Predicting Corporate Earnings

Figure 11.

S&P 500 REPORTED EARNINGS PER SHARE*  
(dollars, quarterly, ratio scale)

* Q4-2008 not shown because of large negative value.

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Standard & Poor’s.

Figure 12.

S&P 500 OPERATING & REPORTED EARNINGS PER SHARE (S&P data)  
(dollars, quarterly)

Source: Standard & Poor’s.
Figure 13.

S&P 500 OPERATING EARNINGS PER SHARE
(dollars, quarterly)

S&P 500 Operating Earnings
Thomson Reuters data
S&P data

Source: Standard & Poor’s and Thomson Reuters I/B/E/S.

Figure 14.

S&P 500 NET WRITE-OFFS PER SHARE
(dollars, 4-quarter sum)

S&P 500 Net Write-Offs
S&P Data*
Thomson Reuters Data**

* S&P operating less S&P reported earnings per share.
** Thomson operating less S&P reported earnings per share.

Source: Standard & Poor’s (reported earnings) and Thomson Reuters I/B/E/S (operating earnings).
Predicting Corporate Earnings

**Figure 15.**

**INVENTORY VALUATION ADJUSTMENT***
(billion dollars, saar)

**CAPITAL CONSUMPTION ADJUSTMENT***

* 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 16.**

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

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

S&P 500 Net Income
- Reported (S&P data)
- Operating (S&P data)

* Excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (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.
**AFTER-TAX CORPORATE PROFITS: NIPA FROM CURRENT PRODUCTION vs S&P 500**
(billion dollars, quarterly, ratio scale)

**After-Tax Adjusted Profits**
- From Current Production (NIPA data)*
- S&P 500 Operating Net Income (S&P data)**

* Annualized and seasonally adjusted. Including Inventory Valuation Adjustment and Capital Consumption Adjustment. 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.

** Annualized and not seasonally adjusted. Q4-2008 not shown because of large negative value.

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

---

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

**After-Tax Reported Profits**
- Book Profits (NIPA data)*
- S&P 500 Reported Net Income (4-quarter sum)**

* Annualized and seasonally adjusted. Excluding Inventory Valuation Adjustment and Capital Consumption Adjustment.

** S&P GAAP data.

Source: Bureau of Economic Analysis and Standard & Poor’s.
Figure 19.

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

Capped in Q4-2008

* Profits reported on tax returns.
Source: Bureau of Economic Analysis and Standard & Poor’s.

Figure 20.

S&P 500 REVENUES PER SHARE: ACTUAL (S&P quarterly data) & FORWARD (TR weekly data)
(dollars)

Revenues Per Share
- Forward*
- Actual (quarterly, annualized, nsa)

* Time-weighted average of consensus estimates for current and next year. Monthly through December 2005, then weekly.
Source: Standard & Poor’s (for actual revenues) and Thomson Reuters I/B/E/S (for forward revenues).
Figure 21.

S&P 500 AGGREGATE REVENUES, NOMINAL GNP, and US BUSINESS SALES OF GOODS
(trillion dollars, ratio scale)

- Nominal GNP (saar)
- Business Sales of Goods (saar)*
- S&P 500 Aggregate Revenues (x 4, nsa)**

* Revenues are derived by multiplying S&P 500 revenues per share by the S&P 500 divisor for each quarter.
** Manufactured goods and trade sales.
Source: Bureau of the Census, Bureau of Economic Analysis, and Standard & Poor’s.

Figure 22.

S&P 500 AGGREGATE REVENUES
(as percent of US GNP and US business sales)

- S&P 500 Revenues* / Business Sales**
- S&P 500 Revenues* / Nominal GNP

* Revenues are derived by multiplying S&P 500 revenues per share by the S&P 500 divisor for each quarter.
** Manufactured goods and trade sales.
Source: Bureau of the Census, Bureau of Economic Analysis, and Standard & Poor’s.
Figure 23.

**NOMINAL GNP & AFTER-TAX CORPORATE PROFITS**
(Q4-1949=100, ratio scale)

- **Nominal GNP**
- **After-Tax Corporate Profits**
  - Reported to IRS
  - From Current Production

---

* Compounded monthly to yield 7% annually.
** Including Inventory Valuation Adjustment and Capital Consumption Adjustment, 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 24.

**S&P 500 EARNINGS PER SHARE With 5%-7% CAGR GROWTH PATHS**
(dollars, ratio scale)

- **S&P 500 Earnings Per Share**
  - Reported (GAAP) (4-quarter sum)
  - Operating (4-quarter sum)
  - Forward

---

* Compounded monthly to yield 5% and 7% annually.
** Excluding write-offs. Thomson Reuters data.
*** S&P 500 12-month forward consensus expected operating earnings per share. Time-weighted average of consensus estimates for current year and next year.
Source: Standard & Poor's and Thomson Reuters I/B/E/S.
* Q4-2008 not shown because of large negative value.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Standard & Poor’s.
S&P 500 Aggregate Revenues & US Nominal GNP
(yearly percent change)

S&P 500 Aggregate Revenues*
Nominal GNP

* Revenues are derived by multiplying S&P 500 revenues per share by the S&P 500 divisor for each quarter.
Source: Bureau of Economic Analysis and Standard & Poor’s.

(yearly percent change)

S&P 500 Aggregate Revenues*
Business Sales of Goods**

* Revenues are derived by multiplying S&P 500 revenues per share by the S&P 500 divisor for each quarter.
** Manufacturing and trade sales.
Source: Bureau of the Census and Standard & Poor’s.
Predicting Corporate Earnings

Figure 29.

**S&P 500 OPERATING MARGIN (S&P data) & REPORTED MARGIN (S&P data) (percent, quarterly)**

Source: Standard & Poor’s.

Figure 30.

**S&P 500 REPORTED PROFIT MARGIN & AFTER-TAX CORPORATE PROFITS MARGIN (excluding IVA & CCAdj*)**

* After-tax profits as reported to IRS excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (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 GNP.

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

Source: Standard & Poor’s and Bureau of Economic Analysis.
CORPORATE PROFITS AFTER TAX* (as a percent of nominal GNP)

* After-tax profits as reported to IRS excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (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 GNP.

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

Source: Bureau of Economic Analysis.

COMPENSATION OF EMPLOYEES + PRIVATE NONRESIDENTIAL FIXED INVESTMENT (as a percent of nominal GNP)

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

Source: Bureau of Economic Analysis.
Figure 33.
S&P 500 PROFIT MARGIN MEASURES
(percent)

*S&P 500 Operating Profit Margins
52-week Forward*
Thomson Reuters (Trailing 4Q)
S&P (Trailing 4Q)

* Time-weighted average of consensus operating estimates for current and next years.
Source: Standard & Poor’s (for actual revenues) and Thomson Reuters I/B/E/S (for forward revenues).

Figure 34.
S&P 500 EARNINGS PER SHARE: FORWARD & ACTUAL
(dollars)

* Time-weighted average of consensus operating estimates for current and next years.
Source: Standard & Poor’s (for actual revenues) and Thomson Reuters I/B/E/S (for forward revenues).
Figure 35.

S&P 500 REVENUES PER SHARE: FORWARD (TR data) & ACTUAL (S&P data)
(dollars)

Revenues Per Share
- 52-Week Forward*
- Actual (Trailing 4Q)

* Time-weighted average of consensus operating estimates for current and next years.
Source: Standard & Poor’s (for actual revenues) and Thomson Reuters I/B/E/S (for forward revenues).

Figure 36.

S&P 500 BUYBACKS, DIVIDENDS, & OPERATING EARNINGS
(billion dollars, trailing four-quarter)

Source: Standard & Poor’s.
Figure 37.

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

Source: Standard & Poor’s.

Figure 38.

DIVIDEND PAYOUT RATIOS
(percentage)

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

* 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: Bureau of Economic Analysis and Standard & Poor’s.
Figure 39.

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.

Figure 40.

S&P 500 TRAILING 4-QUARTER DIVIDENDS WITH 5% TO 8% CAGR GROWTH PATHS
(base period Dec 1946 = 0.71, ratio scale)

Source: Standard & Poor’s.
CORPORATE CASH FLOW
(ratio scale, billion dollars, saar)

Corporate Cash Flow*
Economic Depreciation**
Tax-Reported Depreciation***

* After-tax retained earnings plus tax-reported depreciation.
** Corporate capital consumption allowances.
*** Corporate capital consumption allowances with capital consumption adjustment.
Source: Bureau of Economic Analysis.

CAPITAL CONSUMPTION ADJUSTMENT*
(billion dollars, saar)

Tax-Reported > Economic Depreciation
Tax-Reported < Economic Depreciation

* This adjustment is used to restate the historical cost basis used in profits tax accounting for depreciation to the current cost measures used in GDP.
Source: Bureau of Economic Analysis.
Figure 43.

CORPORATE & NONFINANCIAL CORPORATIONS (NFC): CASH FLOW
(billion dollars, saar, ratio scale)

- Corporate Cash Flow*
- NFC Cash Flow (BEA measure)**
- NFC Internal Funds (Fed measure)

* After-tax retained earnings plus tax-reported depreciation.
** After-tax operating retained earnings plus tax-return-based depreciation.
Source: Bureau of Economic Analysis and Flow of Funds Accounts.

Figure 44.

NONFINANCIAL CORPORATE BUSINESS
(trillion dollars, 4-quarter sum, ratio scale)

- Nonfinancial Corporate
  - Capital Expenditures*
  - Internal Cash Flow

* Includes nonresidential fixed investment plus residential fixed investment, and inventory change with IVA.
Source: Flow of Funds Accounts.
Figure 45.

NONFINANCIAL CORPORATE BUSINESS
(trillion dollars, 4-quarter sum, ratio scale)

Q4

Nonfinancial Corporate
- Gross Fixed Investment
- Capital Consumption Allowance*

* Consumption of fixed capital plus the capital consumption adjustment.
Source: Flow of Funds Accounts.

Figure 46.

NONFINANCIAL CORPORATE BUSINESS
(billion dollars, 4-quarter sum)

Q4

Net Fixed Investment*

* Gross fixed investment less consumption of fixed capital plus the capital consumption adjustment.
Source: Flow of Funds Accounts.
Predicting Corporate Earnings

Figure 47.

NONFINANCIAL CORPORATIONS: NET NEW ISSUES
(billion dollars, 4-quarter sum)

Source: Flow of Funds Accounts.

Figure 48.

S&P 500 DIVIDENDS & BUYBACKS
(billion dollars, annualized)

Source: Standard & Poor’s.