S&P Global
Market Intelligence

Dividend Forecasting

Regional report

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US market dividends in 2025: Navigating capital return trends and dividend expectations

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The take

- Over the past decade, S&P 500 companies have, on average, returned 85% of their discretionary cash flow (DCF) through dividends and share buybacks, with the proportion of buybacks showing an upward trend over the last 12 months.
- Midsized companies of the S&P 400 have returned 77% of their DCF to shareholders. This return is divided between dividends and share buybacks, with an average allocation of 38% to dividends and 40% to buybacks.
- Small-cap companies have returned an average of 68% of their DCF, with a distribution of 40% to dividends and 28% to share buybacks.
- US aggregated dividends are expected to grow by 7% year over year, whereas variable dividends are expected to decline by 50% in 2025.
- The media and entertainment sector is expected to show the highest dividend growth of 18.6% in the US market yet again, while capital goods and automobile are expected to show negative growth in dividends due to less variable payouts.
- The upside scenario of the top companies indicates contributing an additional 1% to an estimated increase of 4.5%.

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Dividends and buybacks: The dual strategy driving US market shareholder value

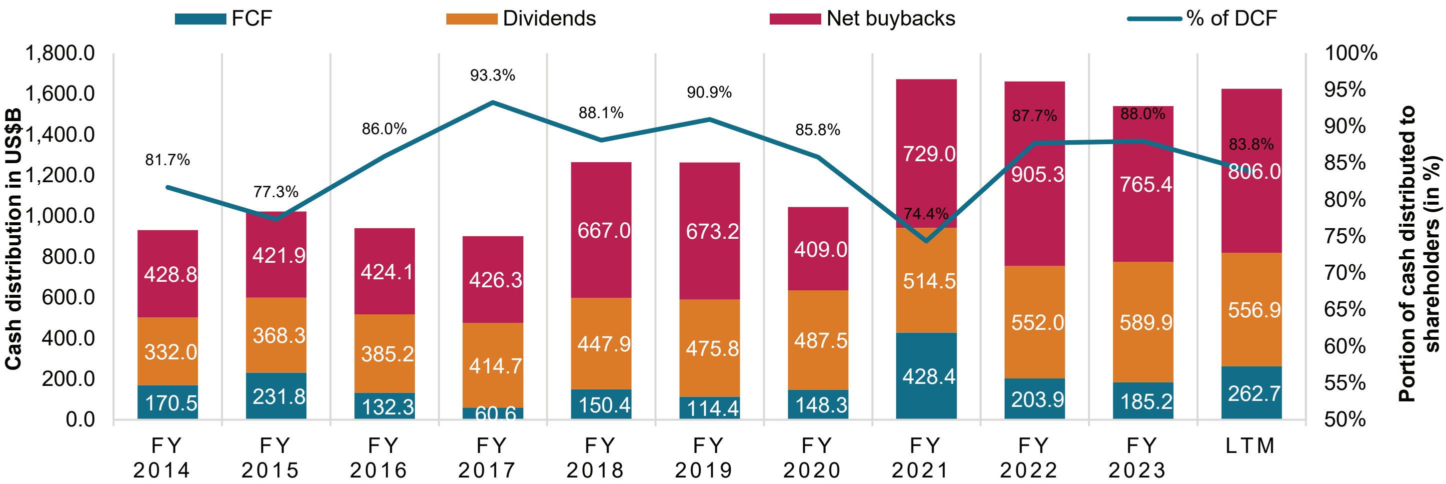
The persistent elevated inflation over the past two years has led to higher borrowing costs, creating a challenging environment for businesses and consumers. This, coupled with uncertainty surrounding the potential reduction of central bank interest rates, shifting regulations under the new US administration, and ongoing geopolitical instability, has further slowed down economic activity. In this environment, competition for capital has intensified as companies leverage their competitive edge and tailor their business strategies to both short-term and long-term perspectives, striving to secure vital resources amid the growing uncertainty and economic challenges.

In 2024, global dividend growth accelerated significantly, achieving an impressive 8.5% increase. This growth was particularly pronounced in Asia-Pacific markets, where government initiatives prompted an increase in the frequency of dividend payouts from annual to semiannual. Concurrently, the US market witnessed record-high dividend initiations and reinstatement, primarily driven by the technology, media and telecommunications (TMT) sector.

Amid higher dividend payouts, share buybacks have also played a crucial role in capital return strategies, often serving as a substitute or complement to dividends. As we look to 2025, the impending transition to a new US government introduces uncertainty regarding policy implementation, particularly concerning tariffs and interest rate actions. This uncertainty is likely to contribute to market volatility. With interest rates expected to remain elevated, at least through the first half of 2025, dividends and a balanced approach to capital return will remain paramount as companies strive to retain existing investors while attracting new ones.

Dividends and share buybacks carry distinct value propositions, and implementing a shareholder return policy that incorporates a combination of both appears to be a prudent strategy for companies, effectively serving as a form of diversification. **Notably, along with dividend initiations in 2024, leading S&P 500 companies also announced significant share repurchase programs.** Dividends convey a clear message to the market, indicating that companies have strong confidence in their current strategies and their ability to generate sustainable cash flow over the long term.

S&P 500 distribution trend (dividends and net buybacks in US$B)



As of Jan. 8, 2025.
DCF = discretionary cash flow; LTM = last 12 months.
FCF stands for free cash flow and is calculated by cash flow from operations subtracting capital allocations.
Data excludes real estate investment trusts.
Source: S&P Global Market Intelligence.
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Conversely, share buybacks effectively utilize excess funds by repurchasing shares, especially in times of market turmoil, thereby enhancing valuation metrics. Buybacks are also beneficial for tax efficiency and offer flexibility in timing, as they can be tailored to market conditions. Reduced shares, in turn, create additional capacity for future dividend growth.

Our finding indicates that **for the last 10 years, S&P 500 companies (excluding real estate investment trusts [REITs]) have, on average, returned 85% of their discretionary cash flow (DCF; defined as cash flow from operations excluding capital expenditures). The split between dividends and buybacks, on average, constitutes 47% and 38%, respectively. While both dividends and buybacks have grown year over year, a portion of buybacks has increased for the last three years, staying close to 50% of DCF.**

Over the past 12 months, **about 254 companies have increased net share buybacks.** The media and entertainment, technology hardware and equipment, and financial services sectors, representing the largest net buyback amounts, collectively returned 41%, amounting to US$344 billion. Among media constituents, **The Walt Disney Co.**, along with dividend reinstatement and increase, has deployed US$2 billion to buybacks. Yet 87% of this amount is split between **Alphabet Inc.** and **Meta Platforms Inc.** with US$62.8 billion and US$48.2 billion, respectively. **Apple Inc.**, the largest company by buyback amount, has deployed US$100 billion, accounting for 80% of net buybacks within the technology hardware and equipment sector, while the company's annual dividend growth has slowed recently.

The trend among midsized companies varies slightly. On average, **S&P 400 companies have returned 77% of their DCF to shareholders.** This return is divided between dividends and share buybacks, with an average allocation of 38% to dividends and 40% to buybacks. In contrast, **small-cap companies have returned an average of 68% of their DCF**, with a distribution of 40% to dividends and 28% to share buybacks. Over the past two years, small-sized companies (S&P 600 constituents) have experienced a decline in DCF, resulting in a reduced capacity for share buybacks. Consequently, these companies are finding it increasingly challenging to sustain dividend payments.

Given the significant volatility in equity prices and elevated interest rates, public companies are compelled to deliver competitive yields to secure capital in current market conditions. This yield is not solely represented by dividends, but also encompasses total shareholder return, which includes share buybacks as a key component.

Average shareholder yield by market size

	S&P 500		S&P 400		S&P 600	
Yield type	**FY 2023**	**LTM**	**FY 2023**	**LTM**	**FY 2023**	**LTM**
Net buyback yield	2.09%	1.99%	2.18%	1.93%	1.50%	1.26%
Dividend yield	2.38%	2.23%	2.36%	2.25%	3.24%	2.97%
Total yield	**4.47%**	**4.22%**	**4.54%**	**4.18%**	**4.75%**	**4.23%**

Data compiled Jan. 8, 2025.
LTM = last 12 months.
Source: S&P Global Market Intelligence.
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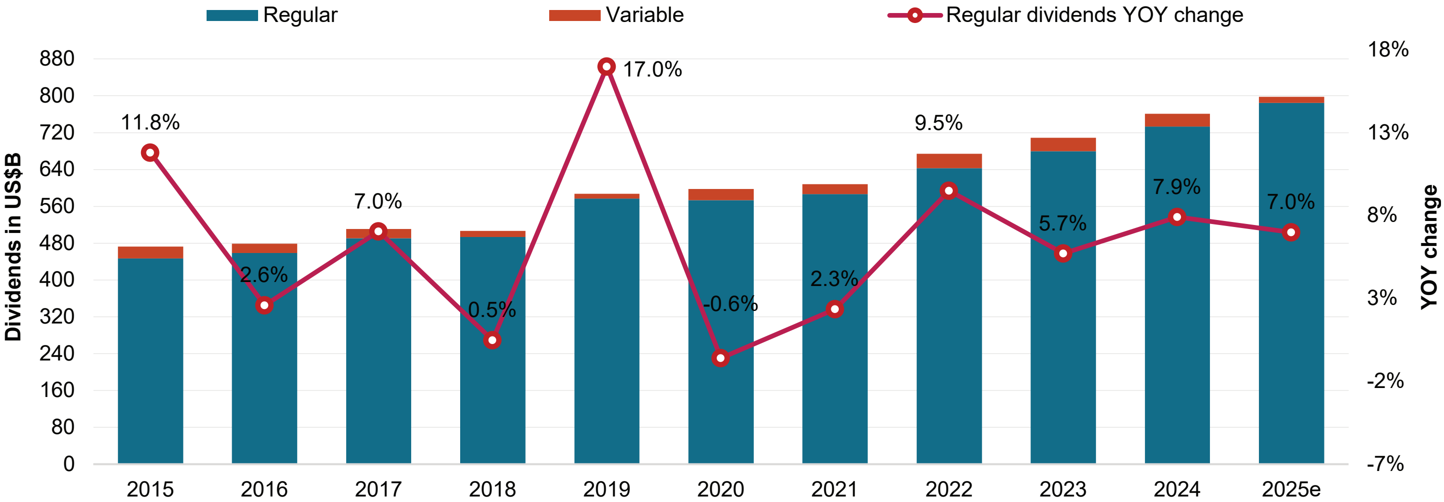
US market dividend trends: Contrasting trend of variable and regular dividends

US market aggregated regular + variable dividends trend



As of Dec. 17, 2024.
e = estimated.
Aggregated dividends compiled based on payment date and country exchange = US.
Source: S&P Global Market Intelligence.
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US aggregated dividends are **projected to grow by 7%** in 2025, reaching a total of US$784 billion. Over the past few years, and continuing into the current fiscal year, significant contributions have come from sectors such as energy, pharmaceuticals, financial services, banks and REITs. While regular dividends are anticipated to grow, **variable dividends are expected to decline by around 50%**, with the projected amount for 2025 reaching just **US$13.5 billion**. Across all sectors in the US, variable dividends are expected to experience negative growth due to the combined effects of higher inflation and elevated interest rates, which have reduced additional cash flow generation for most companies.

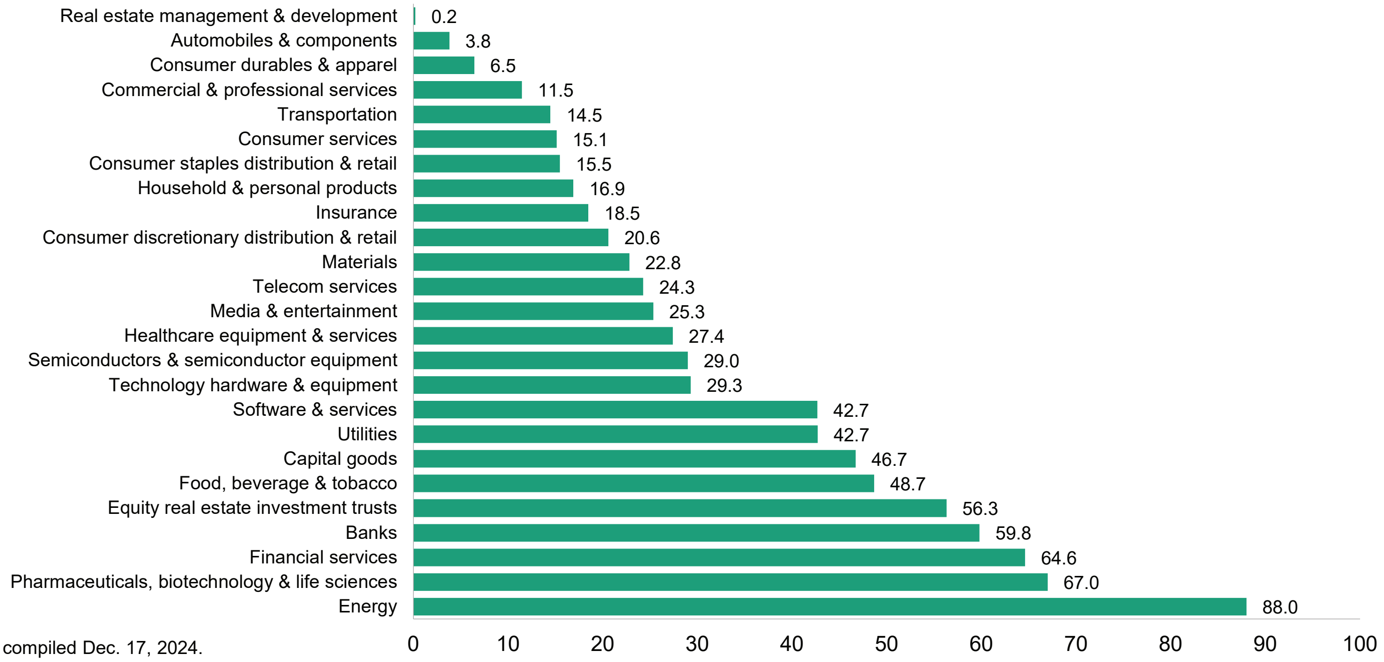
The **REITs** sector is experiencing a slower **growth rate of just 1.2% in 2025**, compared with **9% in 2024**. This slower growth is primarily due to a few REITs cutting their dividends in mid-2024, resulting in a decrease of approximately US$2.2 billion in the sector's total dividend contribution for 2025.

Meanwhile, the **energy and utilities** sectors are expected to benefit from fiscal and regulatory support under the new administration, which is likely to boost industries such as industrials, manufacturing and datacenters in the US. These initiatives will require additional power, which is expected to favor energy companies, particularly those focused on natural gas and utilities. As a result, we anticipate 5.9% growth in the aggregated dividends from these sectors.

With interest rates beginning to decrease in 2024, **banks** may see an impact on their interest income, as loans will generate lower yields. However, the reduction in interest rates will also lower the cost of deposits, which had risen significantly during the higher interest rate environment. As a result, banks may be able to improve their net interest margins. Despite the interest rate cuts, major US banks like **JPMorgan Chase & Co.,**

Bank of America Corp. and Citigroup Inc. were able to significantly increase their net earnings by the end of 2024. This strong performance boosts overall optimism for the sector's dividend growth, with a projected increase of 6.5%, given that nearly 60% of the sector's dividends come from the top large banks.

US dividends by sector contribution (US$B)



Data compiled Dec. 17, 2024.
Source: S&P Global Market Intelligence.
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Industrial and capital goods companies are concerned that high interest rates may slow revenue growth, while tariffs could increase input costs, ultimately reducing overall profitability for the sector. Within the sector, companies with diversified exposure to various markets have a competitive advantage. For example, **Caterpillar Inc.**, a long-established dividend payer, emphasizes its global presence and region-specific production, which helps the company maintain profitability and growth despite rising tariffs. Similarly, **Honeywell International Inc.'s** "local for locals" strategy makes it less vulnerable to the impact of tariffs.

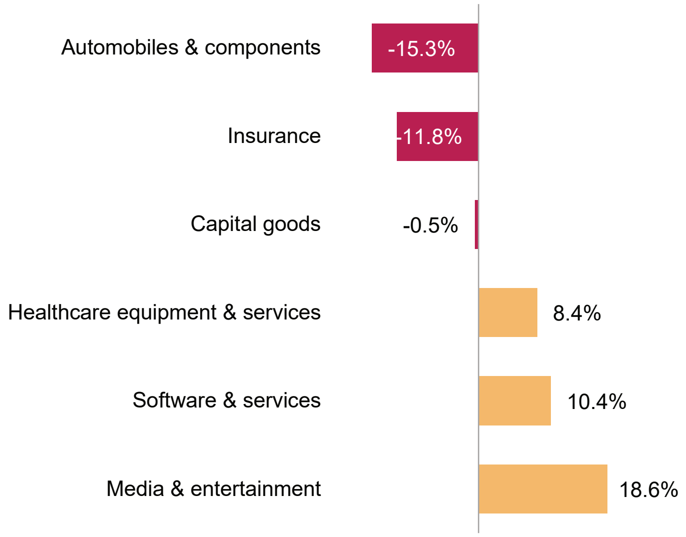
Other companies, such as **Rockwell Automation Inc.**, are prepared to adjust quickly to higher input costs by raising final product prices accordingly. Many long-standing companies have also taken steps to reduce their reliance on countries affected by tariffs, seeking alternative suppliers from other regions to maintain a steady supply of goods while minimizing tariff impacts. However, despite these efforts, the overall result is expected to be a stable dividend decline of 0.5% across the sector.

Driven by the dividend initiatives of **Meta and Alphabet**, the **media and entertainment** sector saw a remarkable 140% increase in aggregate dividends in 2024. The sector is expected to lead in dividend growth again in 2025, with an anticipated rise of 18.6%.

In the US **automobiles and components** sector, there is cautious optimism as the shift toward electric vehicles gains momentum, fueled by federal incentives and growing consumer interest in sustainable options. Inventory levels are normalizing, aligning better with rising demand, which is expected to boost sales. Improved supply chains are supporting a production rebound, with demand for goods easing amid high global interest rates. Despite the improving sector outlook, dividends are expected to take a dip for the sector because **no special dividend is expected from Ford Motor Co. in 2025**, impacting the aggregate contribution of the sector.

Dividend growth dynamics could be influenced by uncertainty surrounding the new US administration. This impact will vary across sectors, company sizes and their individual objectives. For instance, as investors seek more stable, dividend-paying stocks, lower interest rates may make dividend aristocrats in the **pharmaceutical sector** more appealing. However, concerns about potential regulatory changes in healthcare under the new administration may make investors more cautious, leading to reduced capital inflows into biotech companies, especially those viewed as high-risk or dependent on new product launches. Additionally, many biotech firms rely on global supply chains, including imports from China, which exposes them to tariff uncertainties.

Highest and lowest dividend growth sectors in US market



Data compiled Dec. 12, 2024.
Source: S&P Global Market Intelligence.
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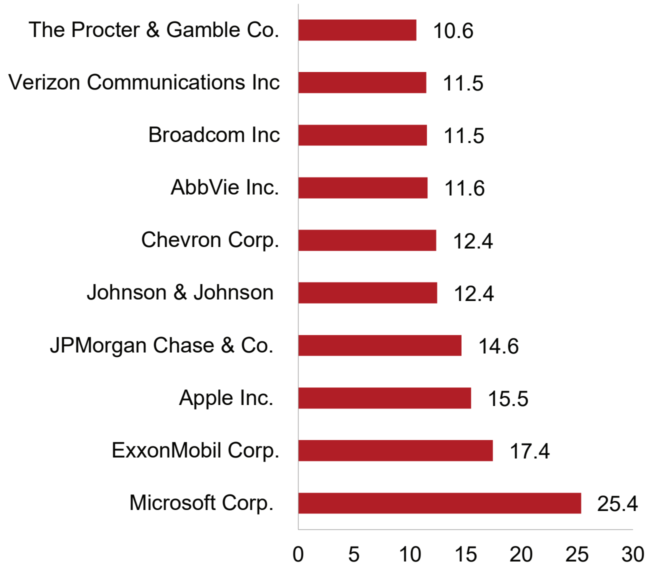
Largest payers by aggregated amount (US$B)



Data compiled Dec. 17, 2024.
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In fiscal year 2024, **Microsoft Corp.'s** dividend expenses totaled US$21.8 billion, exceeding net share buybacks of US$15.3 billion for the first time since fiscal year 2018. While the company's dividend payout has remained consistent in recent years, averaging 26% over the past four years and standing at 25% in fiscal year 2024, net buybacks have sharply declined since fiscal year 2023. This change is largely due to higher capital demands for AI-related investments and a significant increase in merger and acquisition activity, particularly the US$68.7 billion acquisition of Activision Blizzard Inc. Microsoft has been paying dividends consistently since 2003, becoming the **largest dividend payer in the US market**. In fiscal year 2025, the company is expected to **allocate more than US$25 billion** for dividends, nearly double the amount it paid six years ago.

Apple holds a net cash position of US$50 billion and primarily focuses on share repurchases while offering a slow-growing dividend. Over the past five years, Apple has returned 17.5% of its free cash flow to shareholders through dividends, totaling US$73.6 billion. However, share buybacks have significantly outpaced dividends, amounting to US$447.5 billion during the same period. Since fiscal year 2022, the company appears to have transitioned into a "mature" phase, characterized by a low-growth and low-yield dividend.

Johnson & Johnson remains among the top five largest dividend payers, making a significant contribution of US$12.4 billion in the aggregated dividends. The company's leadership has stated that it is fortunate to have a global business, with over 50% of revenue coming from outside the US. This global presence provides the company with the flexibility to effectively manage various challenges that arise on a quarterly and yearly basis across different regions.

In the fourth quarter of 2024, **JPMorgan Chase & Co.'s** earnings jumped by 50%, marking a profit of US$14 billion. This was achieved by revenue growth of 11% to US$42.7 billion. Management remains confident with the outlook for the company in 2025 despite the declining interest rate. This consistent performance of the bank makes the expected dividend payment of **US$14.6 billion sustainable**.

Top 29 US companies can add 1% growth in an upside scenario

Top 29 US dividend forecasts: Bear, Base and Bull scenarios

Security name	Ticker	DPS - Bear	DPS - Base	DPS - Bull
Apple Inc.	AAPL	1.02	1.03	1.06
AbbVie Inc.	ABBV	6.59	6.67	6.76
Broadcom Inc.	AVGO	2.42	2.45	2.48
Bank of America Corp.	BAC	1.06	1.08	1.10
Costco Wholesale Corp.	COST	4.76	5.00	5.12
Salesforce Inc.	CRM	1.68	1.80	1.96
Chevron Corp.	CVX	6.80	6.88	7.04
Alphabet Inc. - Class A	GOOGL	0.83	0.89	0.95
Alphabet Inc. - Class C	GOOG	0.83	0.89	0.95
The Home Depot Inc.	HD	9.20	9.60	9.80
Johnson & Johnson	JNJ	5.02	5.24	5.32
JPMorgan Chase & Co.	JPM	5.20	5.30	5.50
The Coca-Cola Co.	KO	2.00	2.04	2.06
Eli Lilly and Co.	LLY	6.03	6.23	6.30
Mastercard Inc.	MA	3.14	3.15	3.16
Meta Platforms Inc.	META	2.08	2.20	2.36
Altria Group Inc.	MO	4.12	4.16	4.18
Merck & Co. Inc.	MRK	3.25	3.28	3.33
Microsoft Corp.	MSFT	3.48	3.50	3.52
Nvidia Corp.	NVDA	0.04	0.04	0.07
PepsiCo Inc.	PEP	5.53	5.63	5.71
Pfizer Inc.	PFE	1.68	1.73	1.74
The Procter & Gamble Co.	PG	4.04	4.29	4.33
Philip Morris International Inc.	PM	5.42	5.44	5.50
AT&T Inc.	T	1.11	1.11	1.13
UnitedHealth Group Inc.	UNH	8.70	9.15	9.60
Visa Inc.	V	2.43	2.45	2.47
Verizon Communications Inc.	VZ	2.71	2.74	2.76
Walmart Inc.	WMT	0.83	0.90	1.04
ExxonMobil Corp.	XOM	3.97	3.97	4.00

Data compiled Jan. 8, 2025.
DPS = dividend per share.
Forecast window: upcoming four-quarter dividends.
Source: S&P Global Market Intelligence.
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S&P 500 constituents account for about 85% of the total aggregated dividends. This portion partly increased from 82% in 2024 as dividend-initiated companies added 2.7% of total dividends.

The top 29 companies account for 40% of total dividends among S&P 500 constituents and 35% of total dividends in the US market. In our current Base-case scenario, we expect these companies to pay **US$280 billion** in total dividends. **The upside scenario indicates a 2.75% rise to US$288 billion**, with the top three largest possible increases by weighted average from **Alphabet**, **Nvidia Corp.** and **Walmart Inc.** If all Bull-case scenarios materialize, the top 29 companies could contribute an additional 1% to an estimated increase of 4.5%.

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