

S&P Dow Jones Indices Reports U.S. Dividend Activity for Q3 2016

Q3 2016 payments increased by \$6.0 billion, down from \$7.3 billion for Q2 2016

Rate of dividend decreases remains high

Energy accounts for a third of all cuts

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NEW YORK, Oct. 5, 2016 /PRNewswire/ -- S&P Dow Jones Indices today announced that the indicated **dividend net increases (increases less decreases) for U.S. domestic common stocks totaled \$6.0 billion** during Q3 2016. This is a decrease from both Q2 2016, which netted a \$7.3 billion gain, and the \$10.0 billion gain of Q3 2015.

For the 12-month period ending September 2016, net increases fell 55.9% to \$20.8 billion, compared to a \$47.1 billion increase for the 12-month period ending September 2015.

Decreases alone over the 12-month period ending September 2016 rose 97.9%, to \$21.1 billion in total dividend cuts, from the \$10.6 billion in cuts during the 12-month period ending September 2015.

Additional findings from S&P Dow Jones Indices' quarterly analysis of the dividend activity of approximately 10,000 U.S. traded issues include:

Dividend Increases (defined as an increase in dividend payments):

- 427 dividend increases were reported during Q3 2016, compared to 497 increases reported during Q3 2015, a 14.1% year-over-year decline.
- For the 12-month period ending September 2016, 2,605 issues increased their payments, a 13.9% decrease from the 3,026 issues that increased their payments during the 12-month period ending September 2015.

Dividend Decreases (defined as either a decrease or suspension in dividend payments):

- 115 issues decreased dividends in Q3 2016, compared to 105 in Q3 2015, a 9.5% year-over-year increase.
- For the 12-month period ending September 2016, 667 issues decreased their dividend payments, compared to 429 decreases in the 12-month period ending September 2015, a 55.5% increase.

Non-S&P 500® domestic common issues paying a dividend:

- The percentage of non-S&P 500 domestic common issues paying a dividend rose to 52.2% from the 49.5% posted in Q2 2016 and the 48.2% rate posted in Q3 2015.

- The weighted dividend yield for paying issues decreased to 2.67% from 2.69% in Q2 2016 and the 2.83% yield seen during Q3 2015.

"Energy issues accounted for 39% of the dividend cuts and 33% of the dollar cuts in the third quarter, which is actually lower than last quarter's 43% and 71% dividend and dollar cuts, respectively," said **Howard Silverblatt, Senior Index Analyst at S&P Dow Jones Indices**. "The bad news is that even as Energy cuts moved off their highs, other equity sectors also sliced dividend payments."

Large-, Mid-, and Small-Cap Dividends:

415 issues, or 82.2%, within the **S&P 500** currently pay a dividend, down from 82.8% at the end of Q2 2016. All 30 members of the **Dow Jones Industrial Average®** pay a dividend.

Silverblatt found that 68.8% of the issues within the **S&P MidCap 400®** pay a cash dividend, down from 69.3% in Q2 2016. 50.4% of **S&P SmallCap 600®** issues pay a dividend, which is a decrease from the 51.4% in Q2 2016.

Yields continued to vary, with large-caps at 2.12% (down from the 2.17% in Q2 2016), mid-caps at 1.64 (1.68% in Q2 2016) and small-caps at 1.31% (1.38% in Q2 2016). The yields across dividend paying market-size classifications continue to be compatible, with large-caps at 2.52% (down from 2.54% in Q2 2016), mid-caps at 2.34% (2.37% in Q2 2016) and small-caps at 2.27% (2.47% in Q2 2016).

2016

"Dividend increases for U.S. issues continue to decline, but the net result is still positive," added Silverblatt. "Dividend increases more than outweigh the cuts, but dividend growth has slowed."

"Within the S&P 500, the average dividend increase for Q3 2016 was 10.14%, down from 10.39% in Q2 2016 and 13.08% for all of 2015. The pace of dividend cuts ticked down in Q3, especially in the Energy sector. We are, however, not out of the storm in Energy, as low oil and commodity prices are reducing cash-flow for issues and dividends are accounting for an increasing portion of their available funds."

Silverblatt notes that for Q4 2016, actual payments are expected to increase, but many year-end special payments could be under pressure, as uncertainty over the economy continues and earnings remain difficult. Based on current dividend policies, the U.S. equity market in 2016 is positioned to set another record in payments, especially in the S&P 500; the increase is seen as being in the 5% range, not the double-digits seen in the past few years.

"Dividends remain one of the few alternatives available to income seeking investors, with most companies having the added kicker of being dividend qualified for taxes," said Silverblatt. "However, market conditions could shift if interest rates increase and higher-yielding alternatives become available."

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

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