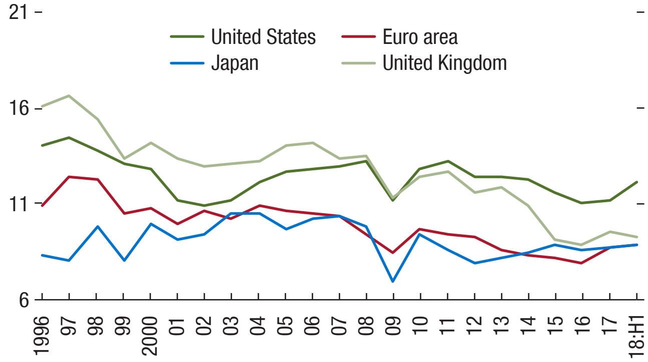
Figure 1.10. Corporate Profitability Indicators in Advanced Economies

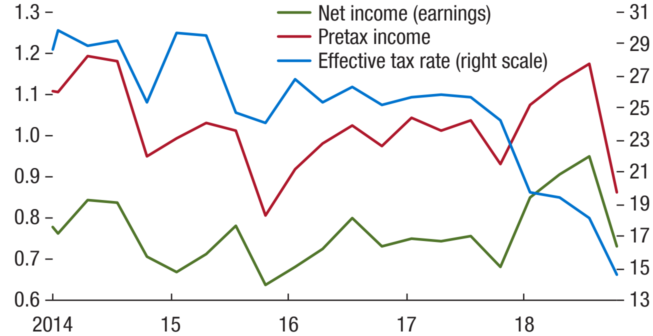
Profitability has been higher in the United States than in other advanced economies ...

1. Global Profitability Trends
(EBITDA in percent of assets)



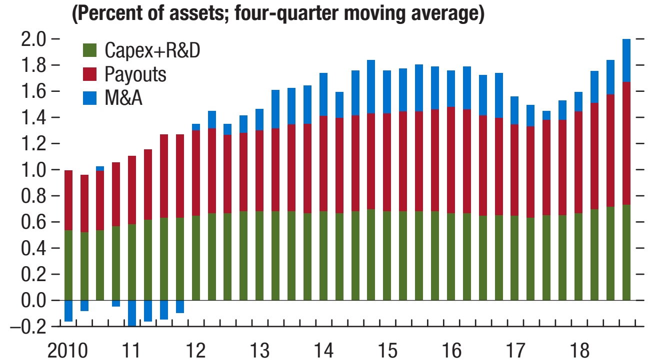
... driven by a falling tax rate and by strong revenue growth—albeit with a notable decline in the fourth quarter of 2018.

2. US S&P 500 Firms: Profitability Drivers
(Percent of assets)



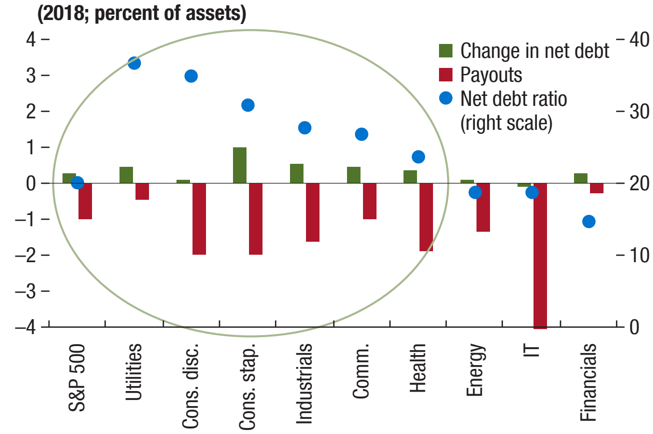
Strong profits in the United States were used for payouts and other financial risk-taking.

3. US S&P 500 Firms: Uses of Cash Flow
(Percent of assets; four-quarter moving average)



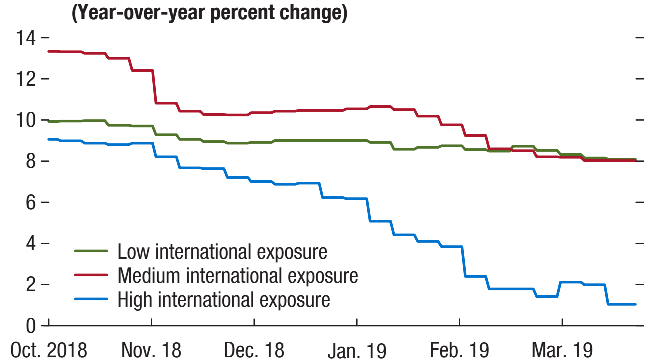
In many sectors, payouts were also financed with borrowing, despite already elevated debt ratios.

4. US S&P 500 Firms: Payouts, Net Borrowing, and Debt Ratios
(2018; percent of assets)



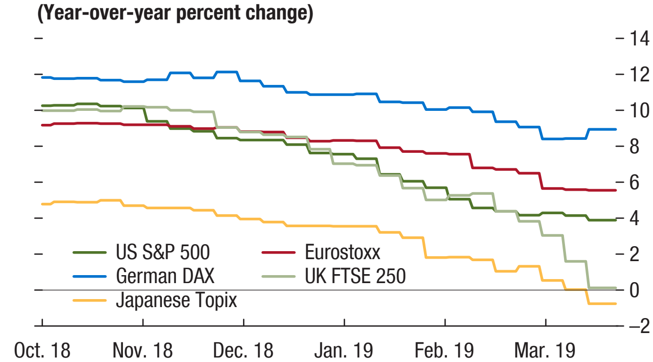
US corporate profit forecasts have been revised down, particularly at firms with significant international exposures.

5. US S&P 500 Sectors: Expected EPS Growth, 2019
(Year-over-year percent change)



Expected earnings growth has been revised down in other regions because of weaker economic data.

6. Global Equity Markets: Expected EPS Growth, 2019
(Year-over-year percent change)



Sources: Bloomberg Finance L.P.; S&P Capital IQ; Thomson Reuters Datastream; Thomson Reuters I/B/E/S; and IMF staff calculations.
Note: In panel 1, the sample from S&P Capital IQ includes about 20,000 firms in the euro area, Japan, the United Kingdom, and the United States. In the euro area, they represent 23 percent of total debt in the total corporate sector; in Japan, 40 percent of total debt; in the United Kingdom, 36 percent of total debt; and in the United States, 76 percent of debt, measured as loans and debt securities. Capex = capital expenditure; Comm. = communications; Cons. disc. = consumer discretionary; Cons. stap. = consumer staples; EBITDA = earnings before interest and taxes, depreciation; and amortization; EPS = earnings per share; IT = information technology; M&A = mergers and acquisitions; R&D = expenses for research and development; SGA = sales, general, and administrative.