Market Commentary Blog

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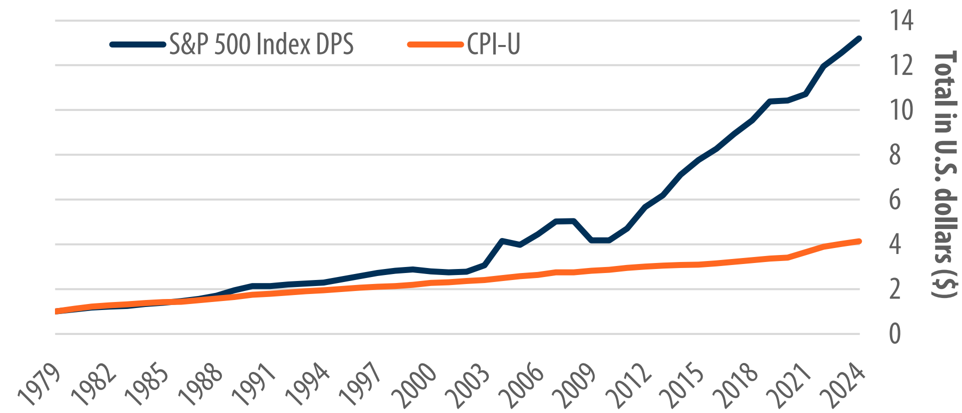
Keeping Pace with Inflation

S&P 500 Index Dividends Per Share (DPS) vs. Consumer Price Index for All Urban Consumers (CPI-U)



Bloomberg. Annual data normalized to 1 from 12/31/79 – 12/31/24. S&P 500 Index DPS are gross values.

View from the Observation Deck

Many investors are likely aware of the indispensable role dividends have played in S&P 500 total returns over time. As we wrote in Tuesday's blog (Click Here to View), dividends accounted for 37.02% of the total return of the S&P 500 Index ("Index") between May 31, 1928 and May 30, 2025. Even so, we suspect that investors are even more aware of inflation's impact on their investments over time. With that in mind, today's post explores the extent to which dividend payments have outpaced inflation. The time frame we chose was the 46-year period from 1979 to 2024.

As revealed in the chart above, the dividends per share (DPS) paid by the companies that comprise the Index increased at a staggering pace when compared to inflation (measured by the CPI-U).

Over the period covered by today's data, the Index's DPS increased at a compound annual growth rate (CAGR) of 5.77%. For comparison, the CPI-U increased at a CAGR of 3.13% over the same time frame.

Dividends paid by S&P 500 Index companies reached a record $629.6 billion in 2024, an increase of 7.0% year-over-year from $588.2 billion in 2023. Furthermore, the dividend payout ratio for the Index stood at 35.3% on 5/30/25, well below its 30-year average of 42.0% (not in chart).

Despite record high dividend payments, the companies that comprise the Index are paying out a smaller portion of total earnings in the form of dividends than average. From our perspective, companies are more likely to increase dividend distributions if earnings are growing. As of 6/6/25, Bloomberg forecast the Index would see earnings growth of 7.2% and 13.5% in 2025 and 2026, respectively.

Takeaway

From 1979 to 2024, the dividends per share paid by the companies that comprise the S&P 500 Index increased at a CAGR of 5.77%. For comparison, the Consumer Price Index for All Urban Consumers increased at a CAGR of 3.13% over the period. While the relationship between dividends and equity returns is generally well understood, we hope today's post reveals the critical role dividends have also played in hedging against inflation.