Market Commentary Blog

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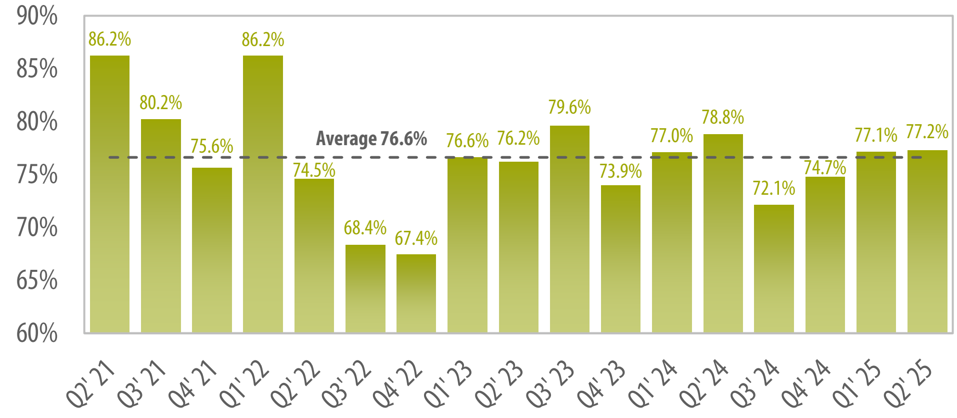
8/14/25

A Snapshot of the S&P 500 Index Earnings Beat Rate

% of S&P 500 Companies That Beat Their Quarterly Earnings Estimates



S&P Dow Jones Indices. Average spans Q2'21 – Q2'25. Q2'25 beat rate based on 404 company results.

View from the Observation Deck

We update this post on an ongoing basis to provide investors with insight regarding the earnings climate of the S&P 500 Index ("Index"). While quarterly earnings estimates are a useful indicator of a company's financial performance, they are not guarantees. Equity analysts are continually adjusting these estimates as new information is obtained. As of 8/6/25, 404 of the 503 stocks that comprise the Index (80.3%) had reported Q2'25 earnings, according to data from S&P Dow Jones Indices.

FactSet reported that the Q2'25 blended, year-over-year (y-o-y) earnings growth rate for the Index stood at 11.8% as of 8/8/25.

Should this hold, it will mark the third consecutive quarter of double-digit earnings growth for the Index.

The percentage of Index companies that beat earnings expectations in Q2'25 (77.2% as of 8/6/25) is above the 4-year average of 76.6%.

Keep in mind, the 4-year average in today's chart reflects favorable comparisons to COVID-era earnings in 2020 and 2021. We expect the average will decline as those results are removed from our dataset.

The three sectors with the highest Q2'25 y-o-y earnings growth rates and their percentages were as follows (as of 8/8/25): Communication Services (45.8%); Information Technology (21.3%); and Financials (13.1%). For comparison, Consumer Staples, Materials, and Energy experienced y-o-y earnings growth rates of 0.4%, -3.7%, and -17.6%, respectively.

As of 8/8/25, the sectors with the highest Q2'25 earnings beat rates and their percentages were as follows: Information Technology (92%); Financials (87%), and Consumer Staples and Health Care (tied at 86%), according to FactSet's Earnings Insight report. Materials had the lowest beat and miss rates at 52% and 48%, respectively.

Takeaway

At 77.2%, an above-average number of S&P 500 Index companies reported earnings that exceeded estimates in Q2'25 (data thru 8/6). We expect this phenomenon will persist as elevated observations resulting from favorable comparisons to COVID-era earnings fall off our trailing 4-year average. Moreover, calendar year earnings estimates hint at record observations in the years to come. FactSet reported that the Index's bottom-up calendar-year earnings will total a record 267.48 and 302.53 in 2025 and 2026, representing y-o-y increases of 10.3% and 13.3%, respectively. For comparison, over the past 10 years the Index's average y-o-y earnings growth rate was 9.2%. The earnings climate appears to be improving, with analysts estimating higher calendar year earnings today than in recent months. As we see it, expectations of lower interest rates and an improving economic climate may offer insight into this trend. FactSet revealed that the number of companies citing "recession" during their Q2'25 earnings calls declined by 87% from Q1'25. As always, these estimates are subject to change.