

# Cash Flow and Carey



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10/5/23



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## S&P 500 Index Earnings & Revenue Growth Rate Estimates

S&P 500 & Sector Indices (Estimated Y-0-Y Earnings & Revenue Growth Rates as of 9/29/23)

	2023 Earnings Est.	2024 Earnings Est.	2023 Revenue Est.	2024 Revenue Est.
S&P 500 Index	-2.6%	11.9%	2.1%	5.1%
Communication Services	18.6%	18.8%	4.3%	6.1%
Consumer Discretionary	25.4%	14.0%	9.0%	6.4%
Consumer Staples	-4.2%	5.4%	5.1%	3.7%
Energy	-29.7%	3.2%	-16.3%	2.2%
Financials	7.0%	8.3%	6.5%	4.0%
Health Care	-14.8%	12.6%	4.1%	5.9%
Industrials	8.7%	13.3%	4.4%	5.2%
Information Technology	-7.6%	18.1%	-1.1%	8.5%
Materials	-22.6%	6.1%	-8.2%	1.5%
Real Estate	3.9%	4.9%	5.5%	6.0%
Utilities	6.6%	8.8%	0.6%	2.1%

Source: Bloomberg. Consensus estimates using fiscal year revenue from each company.

### View from the Observation Deck

As we head into third quarter earnings season, we thought it would be timely to provide an update regarding estimated 2023 and 2024 earnings and revenue growth rates for the companies comprising the S&P 500 Index. On October 3, 2023, the S&P 500 Index closed the trading session at 4,229.45, 11.82% below its all-time closing high of 4,796.56 on January 3, 2022, according to Bloomberg. From 1928-2022 (95 years) the S&P 500 Index posted an average annual total return of 9.40%. Looking ahead, for the market to trend higher, we believe earnings will need to increase, with higher revenues arguably the best catalyst for earnings growth.

#### Earnings estimates were revised higher since our last post on this topic.

When we wrote about earnings estimates in July ([Click here](#) to view that post), prevailing estimates were for S&P 500 Index earnings to decline by 3.0% in 2023. Earnings estimates have risen slightly, however, and the earnings growth rate for the S&P 500 Index is now expected to be -2.6% in 2023 (see table). Still not great, but an improvement, nonetheless. Earnings estimates for 2024 reflect a similar pattern. The estimated earnings growth rate for the S&P 500 Index stood at 11.9% as of September 29, 2023, up from 11.2% in July. Each of the eleven sectors that comprise the S&P 500 Index reflect positive year-over-year (y-o-y) earnings growth rate estimates for 2024, compared with six in 2023.

#### Notably, revenue growth rate estimates reveal a similar pattern.

Perhaps unsurprisingly, the increase in earnings estimates for the 2023 calendar year were paired with rising revenue growth rate expectations. In our previous post on revenue growth estimates, the forecasted revenue growth rate for companies in the S&P 500 Index stood at 1.6%. Since then, revenue growth estimates have been revised upward to 2.1%. The 2024 calendar year reveals a similar trend. As of September 29, 2023, the S&P 500 Index is expected to experience revenue growth of 5.1% in 2024, up from 4.6% previously. Six of the eleven sectors that comprise the S&P 500 Index reflect positive y-o-y revenue growth rate estimates of 5.0% or more for 2024, compared to four in 2023.

### Takeaway

Keep in mind that the 2023 earnings and revenue growth rates in today's table reflect comparisons to last year's record results. The Energy, Industrials, and Materials sectors, for example, experienced y-o-y earnings growth rates of 264.7%, 44.0%, and 21.5%, respectively, in 2022. Given the mixed economic environment and the possibility that interest rates may remain higher for longer, we are not surprised to see estimates for negative y-o-y earnings growth rates in 2023 (see table). That said, comparisons for 2024 earnings and revenue growth look significantly improved over this year's estimates, and have improved since we last posted. Time will ultimately reveal the accuracy of these forecasts, but we maintain that higher revenues in the coming year could be the best catalyst for growing earnings.