Market Commentary Blog

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S&P 500 Index Earnings & Revenue Growth Rate Estimates

S&P 500 & Sector Indices (Estimated Y-O-Y Earnings & Revenue Growth Rates as of 11/8/24)

	2024 Earnings Est.	2025 Earnings Est.	2024 Revenue Est.	2025 Revenue Est.
S&P 500 Index	9.7%	12.8%	5.2%	5.5%
Communication Services	26.7%	11.3%	6.9%	6.9%
Consumer Discretionary	15.1%	12.2%	4.8%	5.9%
Consumer Staples	2.9%	6.1%	2.1%	3.7%
Energy	-19.0%	5.9%	-1.6%	-0.6%
Financials	11.7%	6.5%	6.9%	4.6%
Health Care	3.4%	20.1%	8.1%	6.0%
Industrials	-0.9%	15.5%	0.5%	5.5%
Information Technology	19.7%	19.4%	13.8%	12.1%
Materials	-6.8%	16.3%	-0.2%	1.9%
Real Estate	5.3%	3.6%	6.5%	5.7%
Utilities	17.4%	8.5%	0.9%	5.2%

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

View from the Observation Deck

With the U.S. Presidential election officially behind us, we thought it would be timely to provide an update regarding estimated 2024 and 2025 earnings and revenue growth rates for the companies that comprise the S&P 500 Index ("Index"). On November 11, 2024, the Index closed at a record 6,001.35, representing an increase of 25.82% on a price-only basis from when it closed at 4,769.83 on December 29, 2023, according to data from Bloomberg. For comparison, from 1928-2023 (96 years) the Index posted an average annual total return of 9.56%. In our post on this topic from October 2023 (click here), we wrote that increased revenues could boost earnings and provide the catalyst for higher equity valuations going forward. We believe that the Index's year-to-date price improvement is reflective, in part, of that scenario playing out.

The most recent estimates reveal favorable earnings growth expectations.

As today's table shows, earnings for the companies that comprise the Index are estimated to increase by a combined 9.7% and 12.8%, respectively, year-over-year (y-o-y) in 2024 and 2025. These figures are mixed from when they stood at 9.5% and 14.5%, respectively, the last time we posted on this topic (click here). Keep in mind that estimates for 2024 reflect favorable comparisons to 2023's earnings which declined by 0.9% in 2023 (not in table). In 2024, earnings are now estimated to decline in three of the eleven sectors that comprise the Index (Energy, Industrials, and Materials), up from just two in our last post. The Energy sector's 2024 earnings estimates continued to decline, falling from -12.6% in our last post to -19.0%. From our perspective, the decline in earnings estimates is likely reflective of plummeting oil and gas prices. The price of WTI crude oil stood at $68.04 per barrel on November 11, 2024, down 11.83% y-o-y, according to data from Bloomberg. The price of natural gas stood at $2.92 per million BTUs as of the same date, down 3.73% y-o-y.

Revenue growth rate estimates for 2024 and 2025 remain favorable.

As of November 8, the estimated revenue growth rate for companies in the Index stood at 5.2% and 5.5%, respectively in 2024 and 2025. These figures are mixed since our last post when they stood at 4.9% and 6.0%, respectively, in 2024 and 2025. Nine of the eleven sectors that comprise the S&P 500 Index reflect positive y-o-y revenue growth rate estimates for 2024 with five of them estimated to surpass 5.0%. For comparison, ten of the eleven sectors are estimated to see revenue growth in 2025.

Takeaway

In our view, the Index's year-to-date total return of 25.82% can be explained, in part, by the estimated earnings and revenue growth rates revealed in today's table. Since our last post on this topic, six of the 11 sectors that comprise the Index saw their 2024 earnings and revenue estimates increase. With the U.S. Presidential election behind us, and the Federal Reserve having announced its second rate cut of the year, we believe investors would be well-served to retrain their focus on these two driving forces of equity valuations. Time will ultimately reveal the accuracy of these estimates, but we maintain that higher revenues could be the best catalyst for growing earnings, and in turn, drive equity valuations higher.