S&P Global
Market Intelligence

Seven key dividend forecasts for 2023

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Executive summary

After a scorching 2021 in which global GDP jumped by 6%, central banks around the world began measures to tame inflationary growth by hiking policy rates. As a result, global GDP growth should end 2022 at half the pace of just 2.9%. Furthermore, with global CPI expected to close 2022 at a sky-high 7.7%, efforts by central banks to subdue inflation will continue in 2023, slowing spending and capital investment. S&P Global Market Intelligence forecasts that these actions will stunt global GDP growth to just 1.6% in 2023.

As the world enters a cooling-off period, so will dividend growth. We expect global aggregate dividend payments to remain flat through 2023 at a level just shy of USD2.2 trillion.

The world's largest dividend payers—the United States, mainland China, and Germany—will witness growth, with mainland China leading the group at an expected 5%. Meanwhile, the second- and fourth-largest payers—the United Kingdom and Japan, respectively—should see their dividend payments fall.

While 2022 was a year marked by significant sectoral growth disparity, we expect 2023 to be a year of more traditional stability. The energy, banking, and industrial goods and services sectors will continue to produce roughly 40% of global dividend payments. However, while energy dividends will retreat from their record-high base, banking payments will benefit from rising rates.

For each of these forecasts, there are global, regional, and sectoral risks that we will continue to factor into our projections. On our radar for the year are a precarious global security landscape, a still-unsteady energy market, and a growth dichotomy between the US/Europe and Asia.

Please note that the dividend figures within, including growth metrics, are in US dollar and converted on a constant currency exchange rate basis to remove volatile foreign-exchange movements observed throughout 2022.

1. US dividend growth comes back to earth

By the numbers: United States

- 2023 forecast: Aggregate dividends to be paid—**USD706 billion**
  - Expected annual growth: USD17 billion, 3%
  - Big mover: Special payments set to fall by 50%

In 2022, aggregate dividends paid by US companies reached USD689 billion, a full USD60 billion (10%) greater than the 2021 figure and resulting in a 6.6% compound annual growth rate over the past five years. In contrast to some other regions that have been slower to rebound, dividends paid in 2022 were a resounding 18% above the pre–COVID-19 pandemic level paid in 2019.

Dividend growth over the past three years has been driven by the sectoral diversity of payers in the US. In 2020 and 2021, nearly all dividend growth was attributed to the technology and healthcare sectors, whose payments outweighed contractions in the consumer discretionary and travel and leisure sectors. In 2022, energy and banking led the way as fuel prices jumped and rates climbed. In 2023, no powerhouse sector will greatly outperform, causing US dividend growth to moderate to just 3%.

However, there will continue to be widely different growth rates expected for each sector. The travel and leisure sector is expected to increase its aggregate payments the most in 2023. We expect 26% growth to payments as gaming, airlines, and hotels reinstate quarterly dividends that were cut in 2020. **Las Vegas Sands**, **Delta Air Lines**, and **Six Flags Entertainment** should restart their dividend payments by mid-year.

The chemicals sector is expected to fall the most at -15%, but the sector represents just 1% of all US dividend payments. A large portion of this drop will be the result of a single company, **LyondellBasell**, which paid out a large special dividend of USD5.2 per share in May 2022. A like-sized special payment is not expected in 2023, which will drag down the sector's growth from 2022.

Interestingly, the country's best-performing sector by market index return, energy, is expected to issue 2% fewer aggregate dividend payments in the new year. Energy companies paid out record dividends in 2022, especially in the form of special payments and capital return payments. Although these types of dividends will continue in 2023, we do not believe they will be as robust. Upstream energy payers such as **Pioneer Natural Resources** and **ConocoPhillips** will cut back on their capital return payments as the oil price average is expected to stay more than USD10 below that of 2022. **ExxonMobil** and **Chevron**, both of which opted to spend excess capital on share repurchases rather than outsized dividends, should increase their aggregate payouts by 1% and 6%, respectively.

Overall, the top-five largest sectors by expected dividend payout—technology, energy, healthcare, industrials, and banks—will together increase their payouts by 4%. These sectors make up more than 50% of total US dividends. The remaining 15 sectors, as defined by the Industry Classification Benchmark (ICB), will only increase their aggregate dividends at a 1% rate.

Therefore, on our radar for the new year is the extent to which the major sectors navigate unavoidable macroeconomic headwinds. We are watching fossil fuel price correlation to energy payouts, interest rate impact on bank profitability, and consumer spending resilience. We believe dividend sustainability in the US remains intact despite the volatility observed in markets and growing geopolitical tensions.

2. European dividends trudge on without Russia

By the numbers: Europe

- 2023 forecast: Aggregate dividends to be paid—**USD493 billion**
  - Expected annual growth: USD22 billion, 4.7%
  - Big mover: Germany's payments to rise by 22%

We expect European dividends paid in 2023 (constant currencies, excluding Russia) to increase by 4.7% to USD493 billion, up from USD471 billion in 2022. We have excluded Russia from this analysis because of uncertainty surrounding dividends, as the country navigates sanctions related to the ongoing conflict in Ukraine. Including Russia, the European aggregate dividends paid in 2023 are forecast to increase by 0.2% versus 2022, from USD510 billion to USD511 billion.

As Europe recovers from the COVID-19 pandemic, the region is now faced with the prospect of soaring inflation and the likelihood of an impending recession. The Russia–Ukraine conflict has further destabilized the region, exacerbating supply constraints and the rise in energy prices. Interest rates have increased across the board to counteract inflation, and GDP growth in both the UK and the euro area is expected to slow sharply in 2023. The combination of tighter monetary policy, higher prices, and decelerating growth creates a range of implications for European businesses and dividends.

Upside growth will be fueled by Germany with a projected 22% increase to USD76 billion (+8% to USD59 billion, excluding special dividends). France will maintain its position as the region's second-largest payer with USD78 billion in payments (+5%), whereas the UK's dividends are expected to drop by 3% to USD118 billion with notable decreases in the basic resources and insurance sectors. However, excluding special dividends, regular payments in the UK are set to increase by 2% in 2023. Within the region, banks (HSBC and BNP Paribas), industrials (**Siemens** and **A.P. Moller – Maersk**), and energy (**TotalEnergies** and **Shell**) will be the largest-paying sectors. Healthcare and insurance are also expected to contribute USD43 billion and USD34 billion, respectively.

European banks increased their aggregate payments by 36% to USD55 billion in 2022, with a further 7% rise forecast in 2023. Profits were strong in 2022 with some banks still catching up on dividend payouts that were deferred owing to restrictions during the pandemic. Others, such as **ING**, **UniCredit**, and **Société Générale**, launched significant buyback programs. However, shareholder returns may be slow going forward as supervisors urge banks to preserve capital in the face of a souring economic outlook.

Energy companies registered particularly good results in 2022, with aggregate payments increasing by 59% to USD43 billion. For 2023, we expect a further 10% rise in payments as profits remain elevated.

Despite the macroeconomic headwinds, automobile and parts manufacturers' dividend payments are forecast to increase by 72% in 2023, in large part driven by **Volkswagen**'s special distribution in January 2023, as well as pent-up demand and supply chain easing. Similarly, the travel and leisure sector is set to continue its recovery in 2023 with a 26% increase in payments, as sports and hospitality bounce back, with companies expected to announce further rises **(Evolution Gaming**) or reinstate dividends that were cut in 2020 (**Accor**).

The basic resources sector, representing 4% of European dividend payments, is expected to fall the most (-18%) after the industry registered record payouts in 2021 and 2022.

3. Asia Pacific dividends to remain flat with differing trajectories between developing and advanced economies

By the numbers: Asia Pacific

- 2023 forecast: Aggregate dividends to be paid—**USD661 billion**
  - Expected annual growth: Flat
  - Big mover: Payments in Southeast Asia to show outstanding growth

With US interest rate hike–led currency depreciation being the most volatile factor in Asia Pacific in 2023, growth is expected to cool for US dollar-denominated dividends in the region. We expect aggregate dividend payments to increase less than 1% in 2023 to USD661 billion, measured in constant dollars.

Mainland China will maintain the lead as the largest dividend payer in the region, adding about USD8.5 billion (+5% year on year [y/y]) on top of the 2022 payout. Dampened economic growth under tight COVID-19 controls showed up in dividend payments as mainland China's annual dividend growth decelerated to below 10% for the first time in the past five years. State-owned companies, especially in banking and energy, are supporting the forward momentum. The "Big Four" banks in mainland China—**Industrial and Commercial Bank of China**, **China Construction Bank**, **Bank of China**, and **Agricultural Bank of China**—are gradually increasing their annual payments and adhering to 30% payout ratios. Among the state-owned energy players, coal miners such as **China Shenghua Energy**, **Shaanxi Coal**, **Yankuang Energy Group**, and **China Coal Energy** are growing their dividends rapidly. For all companies in mainland China, the recent easing of COVID-19 rules has introduced a considerable level of upside risk to dividend projections, which we will account for as necessary.

Elsewhere in Asia Pacific, a starkly different dividend trajectory is expected between advanced and developing economies. Southeast Asian economies such as Indonesia (+9%), Thailand (+14%), and Malaysia (+4%) are projected to show solid dividend growth, whereas Northeast Asian economies such as Japan (-1%), South Korea (+1%), Taiwan (-5%), and Australia (-4%) are not expected to move much from 2022. In many ways, our forecasts align with economic expectations that developing economies will be more resilient than developed counterparts during a potential recession.

In the three major Southeast Asian nations mentioned above, energy and telecommunication payment hikes stand out. **Adaro Energy**, one of Indonesia's largest coal miners, will double its payment in 2023. We believe **Telekomunikasi Indonesia** will increase its payment by 40%. In Thailand, **PTT Exploration and Production**, a subsidiary of the state-owned PTT, and coal miner **Banpu Public** will raise their dividends by more than 40% and 80%, respectively. Similarly, Malaysian telecommunication players **Digi.Com**, **Axiata Group**, and **Telekom Malaysia** are expected to record double-digit dividend growth. In general, the three markets appear to be well-positioned to reap benefits from external demand for energy and domestic demand from the growing population and consumption.

Meanwhile, developed Asia Pacific markets will experience moderate contractions. Australia's coal and gas exporters such as **Woodside Energy** and **Whitehaven Coal** will sustain their high payments, while basic resources players such as **Fortescue Metals** will continue to decrease cash distributions owing to lower demand from mainland

China's construction industry. Taiwanese and South Korean semiconductor players will be conservative with payments as the industry is entering a down-cycle. In Japan, where companies are highly committed to long-term progressive payouts, a 13% contraction in payments is estimated from industrial goods and services with 33 out of 134 companies expected to pay less than last year. Notable names include **Toshiba Corp**, and **Sumitomo Corp**.

India will witness its first dividend contraction in five years. While the economic success carries through in the dividend projections of most Indian industries, a sharp plunge in basic resources payments, particularly from **Tata Steel**, **JSW Steel**, and **Vedanta**, will result in a dividend payment contraction of 5% in 2023.

4. Emerging markets continue to outperform developed ones

By the numbers: Emerging markets

- FY 2022 forecast: Aggregate dividends to be paid—**USD620 billion**
  - Expected annual growth: 9.4%
  - Big mover: Upstream oil and gas players to boost FY 2022 final payouts

2022 was certainly like no other year for emerging markets (EM). Not only that the markets saw massive sell-off by the investors looking for more stable alternatives, but the MSCI EM Index saw a dramatic constituent change as Russia, which was the third-largest paying market estimated to account for 24% of the financial year (FY) 2021 payout, was removed from the constituent. Yet, we project that the aggregate dividend from MSCI EM will increase by 9.4% to USD620 billion for FY 2022, significantly outperforming the largely flat performances of MSCI EAFE.

As the stabilizer of MSCI EM dividends, banks will anchor EM dividends in FY 2022 and beyond. Our latest forecast shows that EM bank dividends will increase payouts by 7.7% to USD129.4 billion in FY 2022. The expansion in net interest rate margins brought about by the monetary tightening has given a boost to banks' bottom lines and ultimately the dividend payouts, especially when the economy is expanding. Further boosted by favorable oil prices, the **Saudi National Bank** and the **First Abu Dhabi Bank** are set to increase their payouts in FY 2022 by 48% and 55%, respectively. On the flip side, risks are looming for banks in the rest of the EM. In Brazil, where the economy is struggling with high inflation of 7.2% and high fiscal debt (78.5% of GDP), the effects are felt on some of the smaller lenders. **Bradesco** and **Santander Brasil** have reported shrinking profitability recently and a sharp rise in provisions for the loan at risk of default. We expect the dividend growth for these two banks to come at a much slower pace compared with larger, state-owned banks such as **Banco do Brasil**. The Big Four mainland Chinese banks have been keeping up steady dividend growth through three years of tight COVID-19 rules. However, they are gripping with their own issues—sluggish credit demand and lowered lending benchmark rates to reinvigorate the economy have caused FY 2022 dividend growth to be softer than FY 2021's.

Energy will remain as the booster of EM dividends, delivering another record-high payout in FY 2022 to USD175.1 billion. The implications of the high energy prices in FY 2022 are divergent for both energy-exporting markets and energy-importing markets, as well as upstream players and downstream businesses. **Saudi Aramco**'s upstream business generated a pretax profit of USD78 million, when the downstream unit (i.e., refining and chemicals as well as fuel distribution) made a pretax loss of USD1.1 billion owing to lower demand for end-products such as paints and plastics. Mainland Chinese upstream players such as **PetroChina** and **CNOOC** will grow their FY 2022 dividends by 63% y/y and 56% y/y, respectively, while **Sinopec**'s FY 2022 full-year dividend will be nearly flat based on the similar flat earnings projection. In India, the government imposed a freeze on diesel and fuel selling prices, squeezing badly the margins of national fuel retailers such as **Bharat Petroleum Corporation**, **Indian Oil Corporation**, and **Hindustan Petroleum Corporation**. The companies incurred huge losses and suspended their dividends during the current financial year.

Basic resources (-14% y/y, adjusted for Russia) and technology (-7% y/y) are the two top-paying sectors expected to face contractions in the backdrop of cloudy outlooks. On top of normalization of commodity prices, basic resources players in the EM are challenged by high production costs and sluggish demand on the back of a weak economic outlook. Of FY 2021's top payers, **Southern Copper** (Peru), **Baoshan Iron & Steel** (mainland China), and **Kumba Iron** (South Africa) are slashing their FY 2022 dividend payouts by double digits. After COVID-19–led demand hikes, the semiconductor industry is entering the bust cycle. The yearly aggregate payout drop is overstated owing to the heavy presence of Taiwanese and South Korean stocks whose currencies experienced a sharp decline against the US dollar. Top players such as **TSMC** and **Samsung Electronics** are holding up solid payouts in FY 2022. However, it is to be noted that sector-wide downward capex adjustment is ongoing globally in view of softening demand.

5. Energy payments retreat from their high-water line

By the numbers: Energy

- 2023 forecast: Aggregate dividends to be paid—**USD347 billion**
  - Expected annual growth: -2%
  - Big mover: Petrobras payments to fall by 25%

The oil and gas industry paid out unprecedented dividends in 2022 as companies across the full spectrum of production benefited from higher pricing and demand. Oil prices, which had marched up through all of 2021, surged to above USD120 per barrel following Russia's invasion of Ukraine. Oil and gas producers suddenly saw profit margins jump, allowing for debt repayment and shareholder remuneration, the latter of which reached an all-time high. Excluding Russian companies, the global energy sector paid out USD327 billion in dividends in 2022, up 41% from the prior year.

In 2023, Market Intelligence expects Dated Brent crude to average around USD90 per barrel. Rising interest rates and softening demand owing to a slowing global economy are already causing a retreat in prices. As prices fall, so will the level of dividends. **We expect the energy industry to pay out USD347 billion in dividends in 2023, down 2% from the level observed in 2022.** Notably, this amount is still more than double what was paid in both 2018 and 2019, showing just how favorable energy company payments are expected to be in 2023.

Accounting for much of the decline is a fall-off in special, variable, and capital return payments. These dividends are issued outside of the normal payment schedule to distribute excess profits. The primary payers of special dividends in 2022 were US-based upstream oil companies such as **Pioneer Natural Resources**, **EOG Resources**, **Devon Energy**, and **ConocoPhillips**. Each has an oil production breakeven price of around just USD40 per barrel or lower—so we expect these companies to increase their regular payments in 2023 but to issue 30% fewer variable dividends. Collectively among all global energy companies, variable payments are expected to drop from USD41 billion to USD26 billion—still a high figure compared with the USD4.4 billion paid in 2019.

National oil companies, which represent three-fifths of the world's crude oil production, will also slow dividend growth. Brazil's **Petrobras** is likely to cut its total annual dividends by 25% as President Luiz Inácio Lula da Silva's government will probably scrutinize the company's vast payments, which are criticized as only benefiting shareholders and undercutting investment from the company's core business. **Saudi Aramco**, the world's largest dividend payer, is expected to increase its annual dividends by 5%.

Since integrated oil companies (IOCs) operate across all phases of the energy production cycle, their performance tends to be more stable owing to diversification among revenue streams. In years of outperformance like in 2022, IOCs spend substantially more on debt repayment and share repurchases versus other energy players. They exercise caution with dividend decisions to uphold a commitment to annual payment increases through all market cycles. Accordingly, we expect **ExxonMobil** and **Chevron** to increase their dividends by a steady 2% and a moderate 5%, respectively. We expect both **BP** and **Shell** to achieve their 4% dividend growth targets. **TotalEnergies** is the only IOC predicted to lower its aggregate annual payment in 2023 owing to a EUR1-per-share special dividend paid in 2022 that we do not expect this year.

6. Basic resources will be the worst-performing dividend sector

By the numbers: Basic resources

- 2023 forecast: Aggregate dividends to be paid—**USD82 billion**
  - Expected annual growth: -19.9%
  - Big mover: BHP to cut payments by around 37%

For 2023, we expect the basic resources sector to witness a steep fall in aggregate dividends largely owing to the downtrend in commodity prices. Ongoing inflationary pressures on labor markets and energy costs are also expected to weigh on the sector's payouts. Excluding Russia, we expect dividends from the global basic resources sector to decline by around 20% to USD81.9 billion. The top-20 payers in the sector, which are estimated to contribute around 60% of the sector's total payout in 2023, are expected to cut their dividend payments (with only a few potential exceptions).

Among the iron ore majors, **BHP** is expected to cut its dividend by around 37% amid a softening iron price environment. The commodity's demand has come under pressure owing to weakened sentiment in the steel value chain and as mainland China's regulations toward the property sector remain largely unclear. According to Market Intelligence Metals & Mining, median iron ore prices retreated from USD159 per metric ton in 2021 to USD119 per metric ton in 2022 and are expected to slide further to USD100 per metric ton in 2023. As a result, we predict that **Rio Tinto** will also decrease its payments by around 22%. On the same lines, Australia-based **Fortescue Metals** is expected to pay USD3.2 billion in dividends in 2023 versus the USD4.2 billion paid out in 2022.

As demand cools off, the global aluminum market is expected to return to surplus in 2023. Additionally, smelter restarts in mainland China could pose further downside risks for the market. Prices for aluminum slid from USD1.40 per pound at the beginning of 2022 to USD1.19 per pound at the end of the third quarter. **Vedanta** and **China Hongqiao Group**, which depend on aluminum sales, are expected to cut their dividends to USD1.6 billion (previous year: USD4.3 billion) and USD1.0 billion (previous year: USD1.2 billion), respectively.

Anglo American, which has a diversified commodity exposure across copper, iron ore, platinum group metals (PGMs), diamonds, nickel, and coal, is also expected to lower its dividend payments in 2023 amid a broad-based decline in realized prices. While the company aims to maintain its full-year payout ratio at 40%, consistent with its dividend policy, aggregate payment for 2023 is expected to fall to USD2.2 billion from USD3.5 billion in 2022.

In the backdrop of a deepening rout in commodities, some companies are expected to be resilient. Unlike major peers, **Vale** is positioned to steadily increase iron ore and base metal volumes over the next three years with low capex, keeping investment levels contained and cash flows strong. The company's low leverage (net debt at just over 2x EBIT), accompanied by its profitability being consistently above the industry, supports our estimate of a rise in payments to USD7.3 billion in 2023 versus USD6.9 billion in 2022. **Grupo México**'s dividends are also expected to come in strong as a robust copper pipeline over the next few years represents increased revenue potential.

Another bright spot is Asian companies **Mineral Resources Limited** and **Zijin Mining Group**. While the former continues to strengthen its lithium hydroxide commercial production that will support the group's investment program during the forecast downturn in iron ore prices, the latter is expected to benefit from rising gold and copper production.

7. Travel and leisure payments have a long way to recover but are on the right track

By the numbers: Travel and leisure

- 2023 forecast: Aggregate dividends to be paid—**USD21 billion**
  - Expected annual growth: 25%
  - Big mover: Restaurants and bars reach pre–COVID-19 levels

In 2020 and 2021, the travel and leisure sector dealt with brutal dividend cuts as border closures and social distancing rules destroyed the fundamental business of airlines, restaurants, cinemas, and casinos. With most of the Asia Pacific markets reopening in the second quarter of 2022 and mainland China finally easing the three-year-long tight COVID-19 rules, we have optimism that companies will continue announcing dividend resumptions. We forecast that 2023 dividend payments from travel and leisure companies will reach USD20.9 billion, representing 25% y/y growth. However, we also flag that there is still substantial downside risk in some subsectors. For example, only restaurants and bars' dividends will return to 2019 levels, while others still pay drastically less. Casinos and gambling (-51%), hotels and motels (-32%), recreational services (-33%), airlines (-72%), and travel and tourism (-78%) still face a long recovery.

The largest-paying subsector is restaurants and bars, accounting for more than half of the aggregate payout of the broader travel and leisure sector. International fast-food franchise operators, coffee chains, and vending and catering services demonstrated a high level of resilience against the COVID-19 pandemic, as the payout only dipped by 8% in 2020. Since then, the players maintained solid high-single-digit payout growth. Bolstered by a wide network and cash buffer, the pandemic presented an opportunity for the players to strengthen online orders and delivery channels. The top payers such as **McDonald's**, **Starbucks**, **Restaurant Brands International**, and **Yum! Brands** continued increasing their dividends in 2020–22. Even **Darden Restaurants** and **Yum China Holdings**, which slashed their dividends by more than half in 2020, are expected to deliver payouts beyond the pre–COVID-19 level in 2023.

Both hotels and motels and recreational services are experiencing steady dividend recovery despite a greater degree of business impact relative to restaurants. **Marriott International** and **InterContinental Hotels Group** resumed payments in 2022 as visitors returned. Similarly, **Vail Resorts**, **Wyndham Hotels & Resorts**, and **Marriott Vacations Worldwide** are set to eclipse pre–COVID-19 levels in 2023 as earnings rise. We expect **Accor** to follow suit and reinitiate cash payments after a three-year hiatus. There is also optimism in the recreational services sector but to a limited level. **Six Flags Entertainment** is expected to resume its payment in 2023. However, the amount should be just one-third of the payment recorded in 2019. **Oriental Land**, the operator of Tokyo Disney Resort, should only pay half of the 2019 level in 2023.

Airlines, travel, and tourism are subsectors showing the slowest dividend rebound. Only 9 out of 31 airlines that paid dividends in 2019 are expected to pay them in 2023. Taiwanese airlines such as **EVA Airways** stand out as their 2023 payouts are expected to surpass the pre–COVID-19 level. **Qantas**, **Southwest Airlines**, and **Alaska Air Group** are projected to come close to their previous payments. However, for the two largest payers, **Delta Air Lines**' 2023 payout will remain 80% below that of 2019, while **International Consolidated Airlines Group** will not pay until 2024.

In travel and tourism, **Carnival Corp, Royal Caribbean Cruises**, and **Tripadvisor** should continue their dividend suspensions through 2023.

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