Dividend Dashboard

March 2025

FTSE 100 dividend growth expected to resume after nearly flat 2024

AJ Bell's latest Dividend Dashboard report shows:

- Aggregate dividend forecasts for the FTSE 100 in 2025 are just about holding firm, although 2018's all-time high of £85.2 billion looks tantalisingly out of reach until at least 2026
- Analysts now expect £83 billion in dividends from the FTSE 100 in 2025, a 5% increase on 2024 when the total is expected to have grown by just 1%
- This puts the FTSE 100 on a forward dividend yield of 3.7% for 2025
- FTSE 100 firms have already unveiled plans for £28.9 billion in share buybacks in the first quarter of 2025, more than half of 2024's total
- That sum takes the total expected payout from the headline index to £111.9 billion and equates to a 5% 'cash yield' on the index's £2.2 trillion market capitalisation
- Such a figure still compares very favourably to the Bank of England base rate, the 10-year gilt yield and the prevailing rate of consumer price index (CPI) inflation (4.75%, 4.69% and 2.8% respectively, at the time of writing), even after the FTSE 100's move to new all-time highs in early March

Dividend dashboard explained

Each quarter, AJ Bell takes the forecasts for the FTSE 100 companies from all the leading City analysts and aggregates them to provide the dividend outlook for each company and the entire index. The data relates to the outlook for 2025 and 2026. Data correct as of 17 March 2025.

Forecasts aren't a reliable guide to future performance.

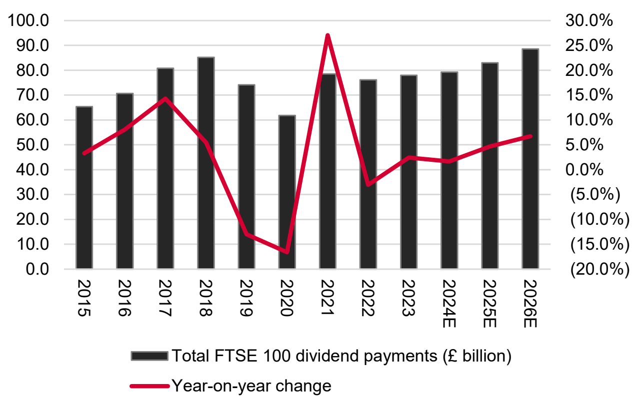
AJ Bell's Investment Director Russ Mould comments:

Even after a wobbly start to March, the FTSE 100 continues to confound both the doubters and those who think that stock markets start and end in New York. The index has, thus far, added to its 6% capital return and double-digit percentage total return, as the US has started to lag on the global stage. Whether this trend continues or not remains to be seen, but the UK can at least claim to offer a potential angle for income-seekers in particular to research, while its prospective price/earnings ratio of 13 times for 2025 represents a historically large discount to the US market. This could conceivably provide a downside cushion should Trump, trade and tariffs continue to befuddle markets and upside potential, especially if the UK itself ever shakes off its economic funk.

The prospective dividend yield of 3.7% for 2025, based on an aggregate of the forecasts for each FTSE 100 stock, is not as plump as the figure on offer at the start of recent years, but that is a function of the index's steady advance to a new all-time high in the first week of March.

Nevertheless, it is supplemented by a bounty of share buybacks. The final tally for 2024 looks likely to fall around £57 billion, almost on a par with 2022's all-time high of £58.2 billion. FTSE 100 constituents have already declared buybacks worth £28.9 billion for this year, more than half last year's total, in the first quarter alone.

Adding together the forecast dividend total of £83 billion to the planned buybacks gives a total cash return of £111.9 billion, some 5% of the FTSE 100's total £2.2 trillion stock market valuation. That cash yield beats inflation, the 10-year gilt yield and the Bank of England base rate which, on balance, still seems set to go lower before it goes higher once more.



Source: Company accounts, Marketscreener, consensus analysts' forecasts. Ordinary dividends only.

No firm has declared a special dividend for 2025, as yet, in contrast to HSBC, Fresnillo, Berkeley Group, Associated British Foods and Admiral, who all uncorked such payments in 2024 to a total value between them of £3.7 billion.

Any similar distributions could further top up the cash pot, as could any merger and acquisition activity. This year is off to a slower start than 2024, which ultimately put a further £49 billion into investors' pockets from deals for mega-caps down to small-caps.

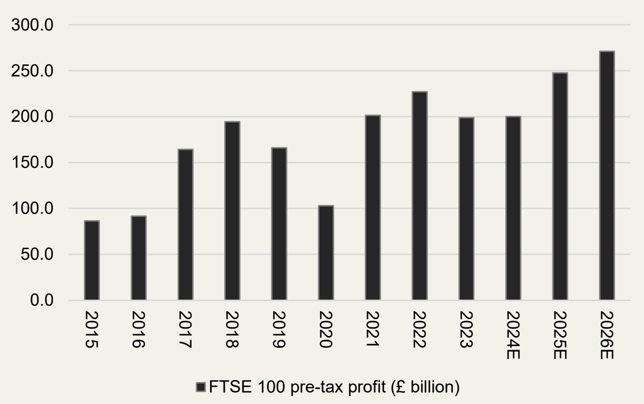
This matters, if you believe the old adage that bull markets only end when the money runs out, because investors are currently receiving more in cash than they are being asked to pay out, given the relative paucity of new floats and the limited number of big cash raisings. Data from the London Stock Exchange group states that companies tapped investors for just £17.1 billion in 2024, via either primary or secondary offerings, and the total as of the end of February 2025 was just £1.2 billion.

Profit forecasts hold firm (just about)

Stop us if you have heard this one before, but analysts think the FTSE 100 will set a new all-time high for profits in the coming year. The current consensus estimate for pre-tax profit is £247.7 billion, a figure which, if attained, would beat 2022's peak of £231 billion.

Admittedly, the same view prevailed at this time last year (and the one before that), when analysts had pencilled in £246.3 billion for 2024 last March. That figure has since receded to a preliminary tally for last year of £200 billion. The 2025 estimate has also dribbled lower over the last 12 months, but not by as much. A year ago, the consensus aggregate profit forecast was £260.3 billion and back in December it was £248.8 billion.

That is a very minor change for the past three months – and estimates for 2026 have risen by around 1% over the quarter to take that total to £271 billion. The potential for tariffs and trade wars to move those numbers is clearly there and analysts will only get clarity on the impact of any levies as the year develops. Data from the International Chamber of Commerce does show that 13% of global trade involves the USA, so some investors may take reassurance from the mathematics which mean 87% of global trade does not.



Source: Company accounts, Marketscreener, consensus analysts' forecasts

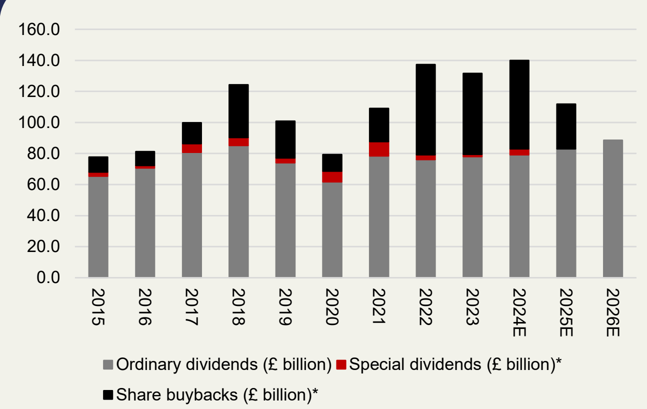
Financials, oils, miners and consumer discretionary plays are expected to generate 62% of total FTSE 100 earnings in 2025 and also contribute 56% of total dividend payments. The same quartet of sectors are seen chipping in around half of the forecast growth in earnings and dividends in the coming year, to perhaps reaffirm the UK's status as a play on growth, and growth on global scale, rather just the domestic stage.

Should inflation – and nominal GDP – ever run hot, the UK may offer a more propitious mix of sector earnings than tech-heavy America, oddly enough, as investors would be able to access plentiful cyclical and cheap growth and thus perhaps feel less obliged to pay top dollar (in every sense) for secular growth. Such a prospect may still seem unlikely for now, but the UK is outperforming the US in 2025 to date, and this thought process is one possible explanation why.

As such, any fiscal and monetary stimulus offered by the governments and central banks of Beijing, Frankfurt, Ottawa and Tokyo have as much say on the FTSE 100's earnings as events in Strabane, Stranraer, Swansea or Stoke.

The UK does come with some defensive ballast, too. Healthcare, consumer staples, utilities and telecoms are expected to generate just over a quarter of earnings in 2025 and 2026, and a third of dividends. Such a relatively dependable contribution could be valuable if GDP growth proves hard to come by, but for the moment company boardrooms seem confident in the outlook and that profits will indeed continue to flow.

No fewer than 52 current members of the UK's elite stock market index ran share buybacks in 2024 and 40 have already sanctioned share buyback programmes in 2025. In the event of any unexpected trouble, they will be sacrificed before boardrooms decide whether to reassess dividend payments.



*Source: Company accounts, Marketscreener, consensus analysts' forecasts. Ordinary dividends only. *Announced in aggregate as of 17 March.*

Dividend growth still very concentrated

For income-seekers, the FTSE 100's yield may be a key part of the UK stock market's appeal, but investors must be aware of the relative degree of concentration risk within the UK's headline index. Just 10 companies are forecast to pay out 53% of the total for 2025, at £43.9 billion, while the top 20 are expected to chip in £57.7 billion, or 70% of the estimated total.

The top 10 list includes two oil majors, drug developers, banks and consumer staples plays, and one apiece from the mining and utility sectors. This again highlights the importance of the miners, oils and financials to the overall trajectory of the FTSE 100's profits and dividends.

In terms of dividend growth, 10 firms are expected to generate half of the forecast £3.7 billion increase in FTSE 100 dividend payments in 2025, with NatWest, Unilever and Glencore leading the charge. Only Rio Tinto is currently expected to push through a dividend reduction of any magnitude and the price of iron ore could yet have a big say in that. The other forecast reductions, in sterling terms, are the result of share buybacks and lower share counts, not a reduction in the shareholder distribution.

2025 E

10 biggest forecast dividend increases	£ million	10 biggest forecast dividend decreases	£ million
NatWest Group	441	Beazley	(2)
Unilever	301	Smiths Group	(3)
Glencore	232	Endeavour Mining	(8)
BP	197	Schroders	(8)
Admiral Group	193	Mondi	(11)
Rolls Royce	149	HSBC	(16)
British American Tobacco	148	WPP	(30)
Lloyds	145	Vodafone	(35)
GSK	122	Berkeley	(52)
3i	121	Rio Tinto	(319)

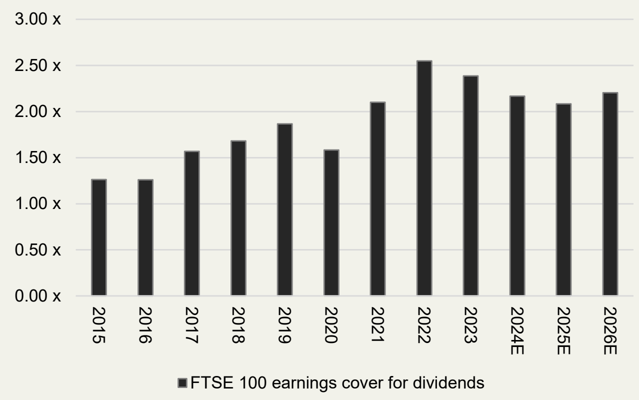
Source: Company accounts, Marketscreener, consensus analysts' forecasts. Ordinary dividends only.

Dividend cover is still above two

Those investors who are of a nervous disposition may look at the gradual decline in dividend cover across the FTSE 100. It reached a highly reassuring 2.55 times in 2022 but has since declined as companies have, in aggregate, increased dividend payments at a faster rate than their profits.

The good news is that cover still exceeds 2.00 times, a figure traditionally seen as one that offers comfort and protection in the event of any unforeseen economic setback. At 2.08 times it also sits way higher than the lows of 2015-16, which did lead to a rash of dividend cuts thanks to a mid-cycle growth bump.

Analysts seem confident enough in the outlook for 2025 as they expect 89 FTSE 100 members to raise their dividend in the coming year, with 11 at risk of a cut (the same number of reductions in 2024). Again, the dividend cover ratio of 2.08 for 2025 provides some reassurance and it also seems reasonable to assume that share buyback programmes will be halted before dividends are cut.



Source: Company accounts, Marketscreener, consensus analysts' forecasts

Many dividend yields compare well to gilts

At the time of writing, Phoenix Group is the highest-yielding stock in the FTSE 100, followed by asset manager M&G and fellow life insurer Legal & General, with housebuilder Taylor Wimpey and then British American Tobacco next on the list.

There have been 139 dividend cuts across the current crop of FTSE 100 members in the past decade and even if 73 of those came in the Covid-blighted years of 2019 and 2020 there were still 11 in 2024.

As such nothing can be taken for granted and investors need to look at the balance sheet and cash flow – and not just the profit and loss account and earnings cover – when assessing how safe a dividend may be. They will also need to assess the volatility of profits and, in the case of cyclical stocks whose earnings and cash flow are subject to the vagaries of the economic cycle, look at average earnings over a full cycle to see what degree of cover that provides.

A further rule of thumb states that any dividend yield which exceeds the risk-free rate by a factor of two may turn out to be too good to be true. The 10-year gilt yield is a good proxy for the risk-free rate. A dozen years of interest rates at near zero rendered the rule pretty useless but now monetary policy is returning to something akin to 'normal' it may regain some of its former relevance.

For the record, just one FTSE 100 firm currently offers a forecast dividend yield of 9.38% or more, or twice the 4.69% 10-year gilt yield that prevails at the time of writing, and that is Phoenix Group, though M&G is not too far away from that threshold.

Company	Dividend yield (%)	Dividend cover (x)	Pay-out ratio (%)	Cut in last decade?
Phoenix Group	10.5%	0.05 x	2137%	2016, 2018
M & G	9.8%	0.75 x	134%	No
Legal and General	8.9%	0.86 x	116%	No
Taylor Wimpey	8.1%	1.58 x	63%	No
British American Tobacco	7.5%	1.16 x	86%	2019
Land Securities	7.5%	0.82 x	123%	2019
Aviva	6.9%	1.20 x	83%	No
Admiral Group	6.8%	1.72 x	58%	2019
LondonMetric Property	6.4%	1.41 x	71%	2015
Sainsbury	6.3%	2.06 x	49%	2019, 2020
AVERAGE	**7.9%**	**1.16 x**	**86%**	

Source: Company accounts, Marketscreener, consensus analysts' forecasts, LSEG Datastream data. Ordinary dividends only.

Serial dividend growers

A really fat dividend yield is not necessarily a good sign anyway, as it can mean that investors are demanding such a juicy return to compensate themselves for what they see as substantial risks at a company, either in terms of its business model, balance sheet or boardroom acumen. The list of FTSE 100 firms which, on paper, were offering a 10%-plus dividend yield only to then deliver nothing of the sort as investors' worst fears were realised is not a short one, and over the past decade it includes Centrica, Marks & Spencer, Shell, Imperial Brands, Persimmon and Vodafone.

If anything, history suggests that it is dividend growth that is the real secret sauce for a share price, as a growing pay-out will drag it higher over time.

There are currently 19 FTSE 100 members nurturing an unbroken dividend streak of a decade or more. Severn Trent, Coca-Cola HBC and LondonMetric Property are close to joining this elite grouping, which lost Hargreaves Lansdown upon the completion of its takeover by private equity. Analysts' forecasts suggest National Grid is at risk of an exit, thanks to the impact of 2024's rights issue upon its share count, and one or two are even wondering about Ashtead after its difficult year.

Despite such lumps and bumps, this group has, on average, provided premium capital returns and total returns relative to the FTSE 100 – 12 of the 19 have generated premium capital returns and 13 have done so in terms of total returns (including dividend reinvestment). The number of underperformers has increased from one or two in the past two to three years, as previously highly valued stocks such as Croda, Hikma and DCC have suffered a de-rating, to show that valuation really does matter in the end.