Dividend Dashboard

June 2025

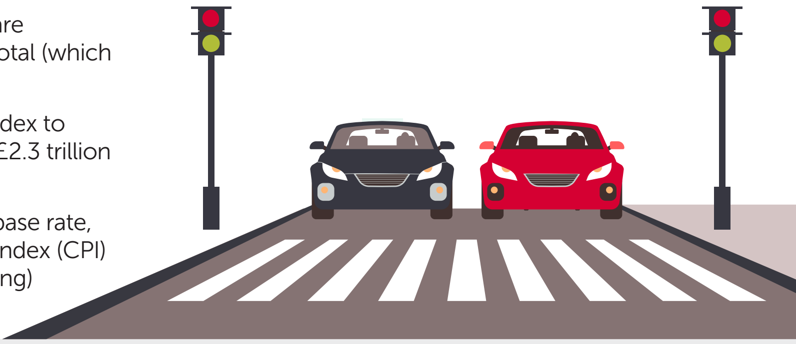
FTSE 100 dividend growth grinds to a halt, but buyback bonanza continues

AJ Bell's latest Dividend Dashboard report shows:

- Aggregate dividend forecasts for the FTSE 100 in 2025 are sagging again, to leave 2018's all-time high of £85.2 billion out of reach until at least 2026
- Analysts now expect £80.4 billion in dividends from the FTSE 100 in 2025, down from the £83 billion expected three months ago, and barely a 2% increase on 2024
- This puts the FTSE 100 on a forward dividend yield of 3.5% for 2025 after the index's solid gains in the year to date
- FTSE 100 firms have already unveiled plans for £39 billion in share buybacks in the first quarter of 2025, more than half of 2024's total (which turned out to be a record)
- That sum takes the total expected pay-out from the headline index to £119.4 billion and equates to a 5.25% 'cash yield' on the index's £2.3 trillion market capitalisation
- Such a figure still compares favourably to the Bank of England base rate, the 10-year gilt yield and the prevailing rate of consumer price index (CPI) inflation (4.25%, 4.53% and 3.4% respectively, at the time of writing)

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 20 June 2025.



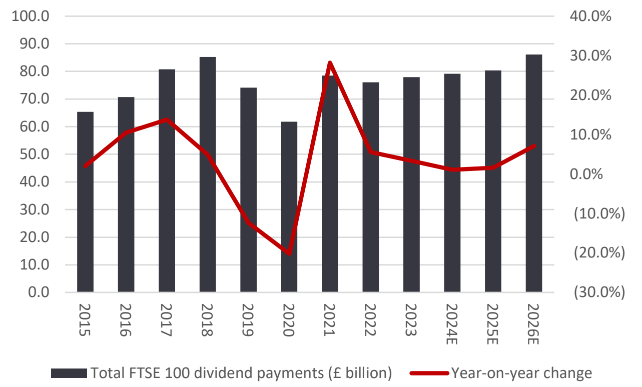
AJ Bell's Investment Director Russ Mould comments:

Stock, bond, currency and commodity markets are keenly watching events in the Middle East but the pound is still up on the dollar so far in 2025 and the FTSE 100 continues to outpace America's S&P 500, to try and confound the narrative that the other side of the Atlantic is the only place to be. The UK's premier index has, thus far, provided a 9.6% total return, compared to just 2.1% from the S&P 500, as the US has started to lag on the global stage.

Whether this trend continues or not remains to be seen, and the combination of a higher index and falling profit and dividend forecasts does take some of the shine off the appeal of the UK equity market, simply by dint of mathematics. The FTSE 100 now trades on a forward price/earnings ratio of 14 times for 2025 which is not far from historic norms, even if it still represents a historically large discount to the US market. The dividend yield is now 3.5%, based on aggregated analysts' forecasts for this year, although share buybacks do still supplement that figure very nicely.

The final tally for buybacks in 2024 was £58.3 billion, just enough to exceed 2022's total and set a new record high. FTSE 100 constituents have already declared buybacks worth £39 billion for this year, more than half last year's total in the first quarter alone, although two – Next and Bunzl – have called a temporary halt to their schemes.

Adding together the forecast dividend total of £80.4 billion to the planned buybacks gives a total cash return of £119.4 billion, some 5.25% of the FTSE 100's total £2.3 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 offered 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. A predator is yet to circle a FTSE 100 member in 2025, but buyers of UK assets have tabled bids worth a total of £20 billion already this year, after £49 billion-worth of successful approaches in 2024. Takeover deals can therefore also add to the total return from the UK equity market overall.

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 relatively paucity of new floats and the limited number of big cash raisings. Data from the London Stock Exchange group states that companies have tapped investors for just £3.5 billion to date in 2025, via either primary or secondary offerings.

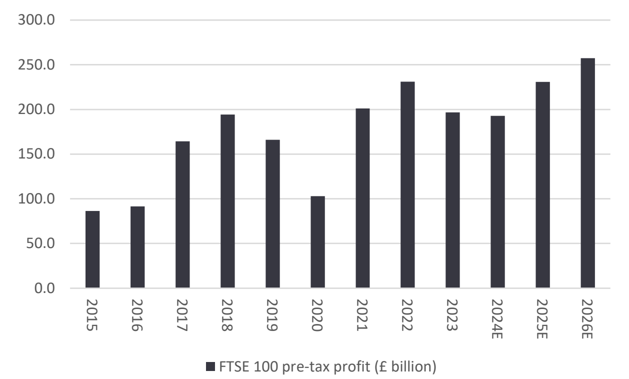
Profit forecasts start to sag

It is far from unusual for analysts to start in an optimistic fashion and then start to pare back their forecasts as a year develops. So far, 2025 fits that pattern and hopes for a new all-time high in pre-tax profits from the FTSE 100 are starting to dissipate.

In the last three months, consensus analysts' forecasts for the FTSE 100's total pre-tax income have ebbed to £231 billion, down 7% from three months ago. If attained, that figure would match the 2022 peak almost to the penny. Aggregate estimates for 2025 have dropped by 11% from where they were a year ago.

Forecasts for 2026 have moved lower by 6% as well. The potential for tariffs and trade wars to move those numbers remains, and analysts and investors will continue to watch events in the Middle East with interest, although the manner in which BP and Shell are expected to generate one-seventh of the FTSE 100's total earnings between them in 2025 may mean that the UK market has some kind of hedge in place, should oil spike amid gathering tension between Jerusalem and Washington on one hand and Tehran on the other.

Pre-tax profits are still expected to grow this year and next, although much of the increase may come from the absence of the one-off charges and write-downs which marred stated profits at Glencore, BP and BAT in 2024.



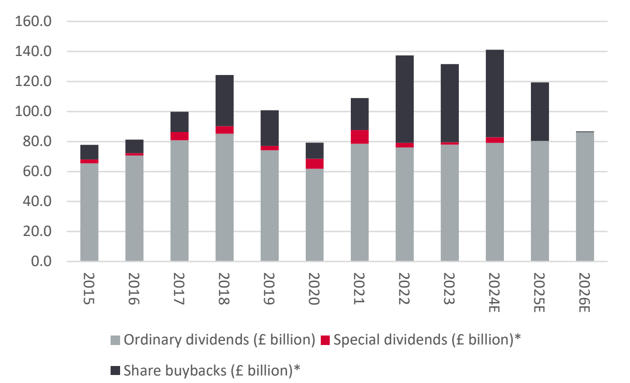
Source: Company accounts, Marketscreener, consensus analysts' forecasts.

Financials, oils and miners are expected to generate 55% of total FTSE 100 earnings in 2025 and to contribute 48% of total ordinary dividend payments. This perhaps reaffirms the UK's status as a play on growth, and growth on global scale, rather then 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. The exposure to miners and commodities could also persuade some investors that the UK may be some sort of haven should any worries over inflation or geopolitics take over.

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 just over one 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, judging by how 46 members of the UK's elite stock market index are running share buybacks this year (even if that represents a minor retreat from the total of 54 in 2024). In the event of any unexpected trouble, it seems logical to assume that 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 20 June.*

Over two-thirds of dividend growth expected to come from 20 companies

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 how the forward yield is shrinking as the index makes gains and dividend payments gently decline. There also remains a fair degree of concentration risk within the UK's headline index. Just 10 companies are forecast to pay out 53% of the forecast total for 2025, at £42.4 billion, while the top 20 are expected to chip in £55.7 billion, or 69% of the estimated total.

The top 10 list includes two companies from each of the Oil, Pharmaceutical, Bank and Consumer Staples sectors, as well as one apiece from Mining and Utilities.

In terms of dividend growth, analysts seem to think that big increases will be a relative rarity in 2025, perhaps because buybacks are playing a big role in capital allocation plays – a board and chief executive are likely to draw less flak for a pause in a buyback than they are for a dividend cut. Investors also need to bear in mind the role of the pound, whose strength against the euro and particularly the dollar this year reduces the value in sterling terms of the dividends declared in those currencies by no fewer than 28 current members of the FTSE 100.

2025 E

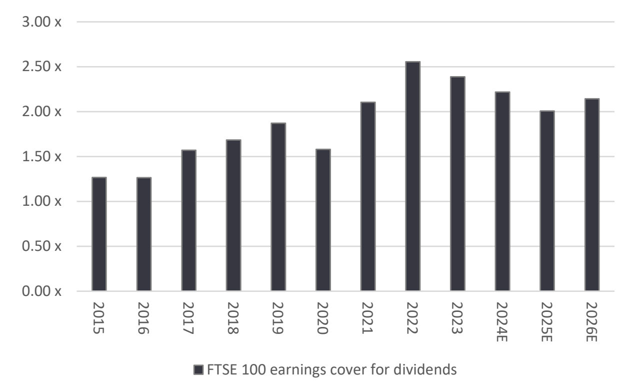
10 biggest forecast dividend increases	£ million	10 biggest forecast dividend decreases	£ million
NatWest Group	532	WPP	(10)
Unilever	210	BP	(21)
Admiral Group	177	Beazley	(21)
Fresnilo	151	AstraZeneca	(50)
GSK	145	Diagro	(56)
Rolls Royce	145	Berkeley	(57)
National Grid	136	Anglo American	(123)
Lloyds	129	Shell	(345)
BAE Systems	88	HSBC	(487)
Barclays	75	Rio Tinto	(561)

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

Gradual decline in dividend cover but it remains above two

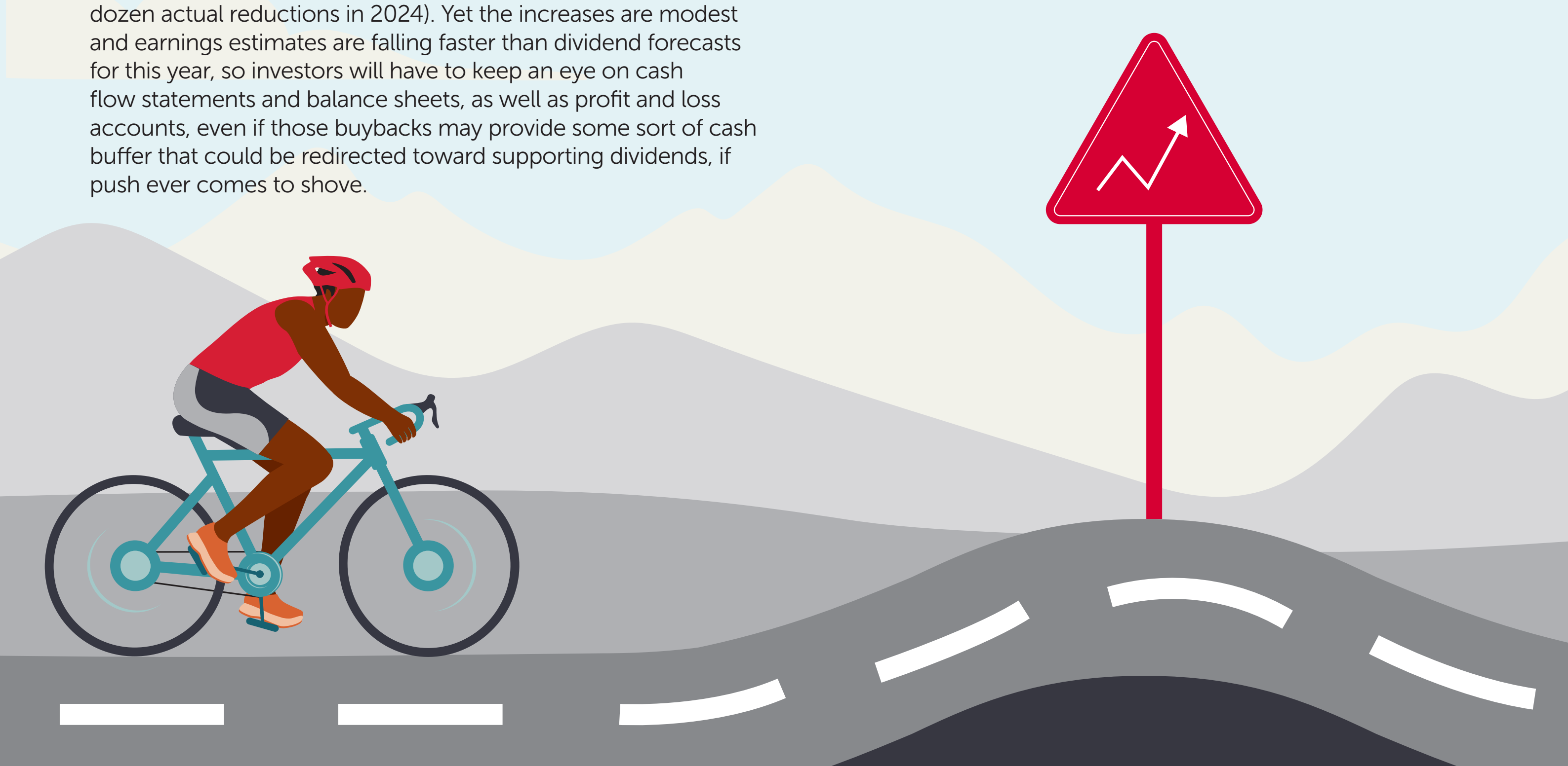
Those investors who are of a nervous disposition may look at the gradual decline in dividend cover across the FTSE 100. It reached a highly reassuring 2.55 times in 2022 but has since declined as companies have, in aggregate, increased dividend payments at a faster rate than their profits.

The good news is that cover still – just – stands above 2.00 times, a figure traditionally seen as one that offers comfort and protection in the event of any unforeseen economic setback. At 2.01 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.



Source: Company accounts, Marketscreener, consensus analysts' forecasts.

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 just five seen at risk of a cut (compared to a dozen actual reductions in 2024). Yet the increases are modest and earnings estimates are falling faster than dividend forecasts for this year, so investors will have to keep an eye on cash flow statements and balance sheets, as well as profit and loss accounts, even if those buybacks may provide some sort of cash buffer that could be redirected toward supporting dividends, if push ever comes to shove.



Many dividend yields compare well to gilts

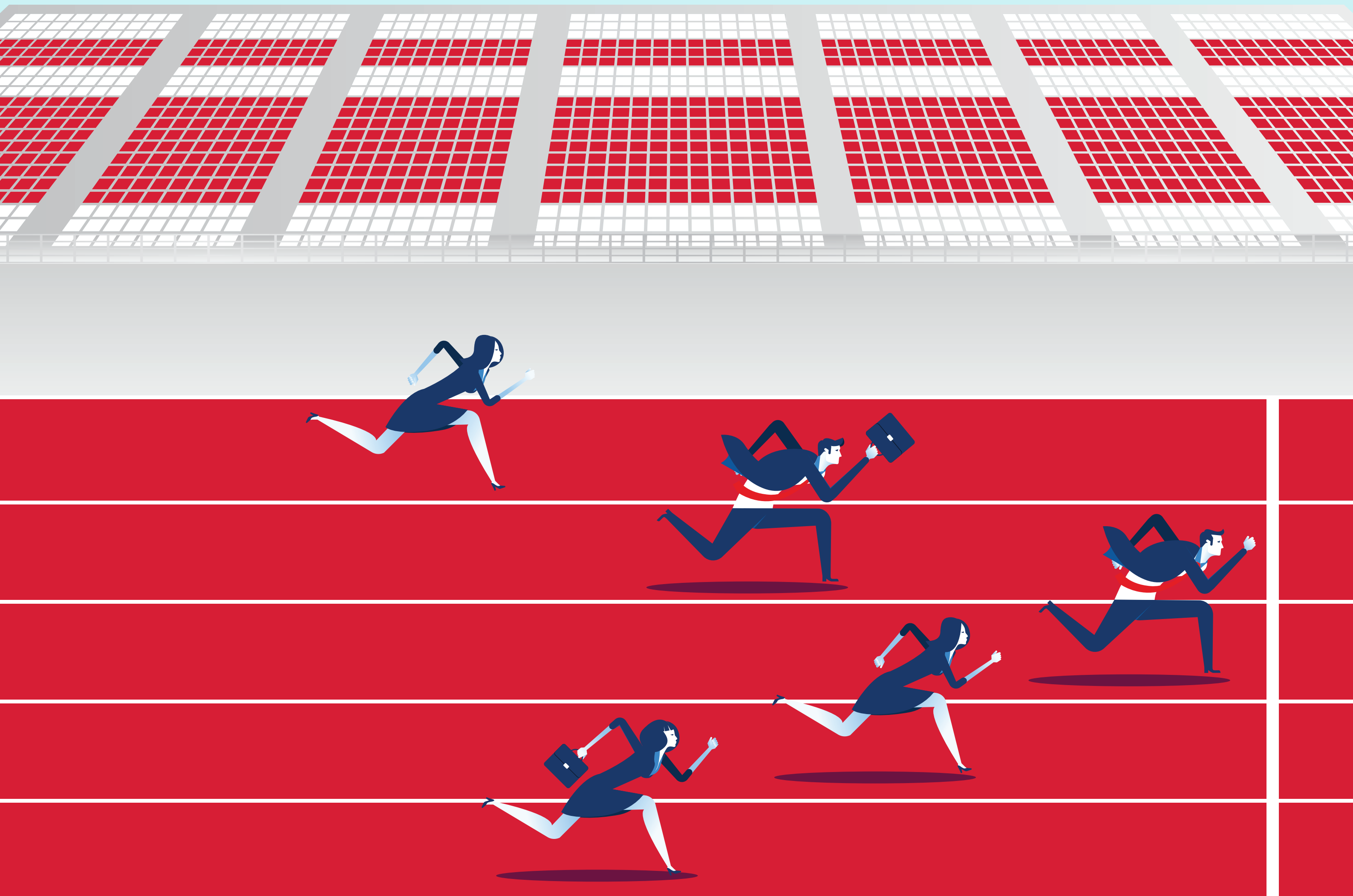
At the time of writing, Legal & General is the highest-yielding stock in the FTSE 100, followed by fellow life insurer Phoenix Group and asset manager M&G, with housebuilder Taylor Wimpey and then WPP next on the list. The last-named, an advertising giant, does however owe its entry to this list to a grinding decline in its share price, rather than a surge in dividend forecasts.

There have been 140 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 a dozen 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.

Company	Dividend yield (%)	Dividend cover (x)	Pay-out ratio (%)	Cut in last decade?
Legal and General	8.6%	1.00 x	100%	No
Phoenix Group	8.5%	0.28 x	357%	2016, 2018
M & G	8.1%	1.16 x	86%	No
Taylor Wimpey	7.9%	1.00 x	100%	2019, 2024
WPP	7.5%	1.60 x	62%	2019
Land Securities	6.6%	2.12 x	47%	2019
British American Tobacoo	6.6%	1.38 x	72%	No
BP	6.4%	1..41 x	71%	2020, 2021
LondonMetric Property	6.1%	1.61 x	62%	No
Aviva	6.1%	1.26 x	79%	2019
AVERAGE	**7.2%**	**1.28 x**	**104%**	

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



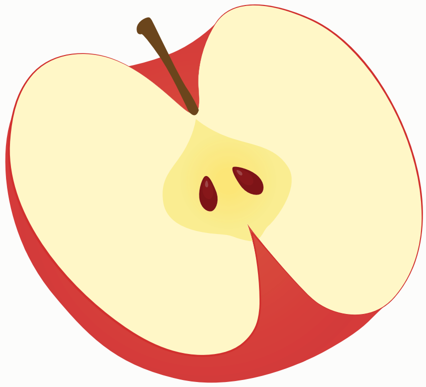
Serial dividend growers

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

As it stands, 17 FTSE 100 members are nurturing an unbroken dividend streak of a decade or more. Severn Trent, Coca-Cola HBC and LondonMetric Property are closest to joining this elite grouping, with nine consecutive increases each.

The number of underperformers has increased in the past two to three years, as previously highly valued stocks such as Croda, Hikma and DCC suffered a de-rating, to show that valuation really does matter in the end.

Moreover, only 9 of the 17 could be found in the FTSE 100 a decade ago. Any investor looking for the next generation of dividend growth winners may need to dig into the FTSE 250 (or below).



		Total return 2015-25	Dividend CAGR 2014-24	Dividend 2025E	Growth 2026E
1	Diploma	508.8%	13.3%	4.8%	5.0%
2	London Stock Exchange	408.8%	15.5%	9.2%	13.2%
3	Intermediate Capital	404.0%	14.2%	11.7%	6.5%
4	RELX	364.9%	9.3%	7.8%	8.5%
5	Ashtead	361.0%	18.3%	3.2%	12.6%
6	Halma	351.7%	6.9%	7.4%	0.2%
7	Scottish Mortgage	316.8%	4.1%	8.4%	5.3%
8	Alliance Witan	202.2%	10.5%	1.1%	3.7%
9	Sage	192.3%	5.4%	7.6%	5.9%
10	F&C Investment Trust	190.9%	5.3%	4.2%	4.6%
11	SEGRO	138.7%	6.9%	7.4%	6.4%
12	Spirax Group	98.0%	9.8%	5.5%	6.3%
13	British American Tobacco	94.0%	4.8%	3.2%	3.0%
14	United Utilities	91.5%	3.2%	2.5%	2.2%
15	Hikma Pharmaceuticals	30.1%	16.7%	(1.9%)	6.1%
16	Croda	29.9%	5.3%	2.5%	3.4%
17	DCC	19.1%	10.4%	4.1%	5.6%
	Average	**223.7%**	**9.4%**	**4.4%**	**4.9%**
	FTSE 100	**92.2%**	**2.7%**	**1.6%**	**7.1%**

Source: LSEG Datastream data, company accounts, Marketscreener, consensus analysts' forecasts. Ordinary dividends only. Data to 20 June 2025.