



Dividend Dashboard

Rising gilt yields challenge FTSE 100's income appeal

AJ Bell's latest Dividend Dashboard report shows:

- ➔ Analysts think the FTSE 100's members will pay out an all-time high of £90.3 billion in dividends in 2026 (with a further increase expected in 2027)
- ➔ Aggregate dividend forecasts continue to see upgrades, not downgrades
- ➔ Consensus dividend estimates mean the FTSE 100 offers a forward dividend yield of 3.3% for 2026
- ➔ That looks less attractive than it did given the index's push to near the 11,000 mark, especially relative to a 10-year gilt yield of 5.40%
- ➔ However, FTSE 100 firms have already unveiled plans for £46.7 billion in share buybacks
- ➔ The total cash return represented by buybacks, special dividends and ordinary dividends from the FTSE 100 is expected by analysts to reach £138 billion in 2026, or 5.1% of the index's market capitalisation
- ➔ That beats the Bank of England base rate of 3.75% and August's 3.1% inflation figure, but rising gilt yields could act as a brake on equities if the yield gap between bonds and stocks widens



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 2026, 2027 and 2028. Data correct as of 14 September 2026.



AJ Bell's Investment Director Russ Mould comments:

Heightened tensions in the Middle East, concerns over the UK's fiscal situation and sticky inflation are all feeding into government bond yields, which stand within a whisker of the highest level since 2007, using the 10-year gilt as a benchmark. This is in turn acting as a brake on the FTSE 100, which is making heavy weather of recapturing February's all-time closing high of 10,911 as the gilt yield exceeds the FTSE 100's dividend yield by more than two full percentage points.

At the time of writing, the 10-year gilt yield is 5.40%, while the dividend yield on the FTSE 100 for 2026 is 3.3%, based on aggregated consensus forecasts for all of the index's members. Any investor who is nervous about the economic outlook and feels that inflation is not about to break out on the upside could start to look toward fixed income and away from equities as a result, especially if they feel their portfolio needs a little capital protection, given how gilts redeem at par upon maturity.

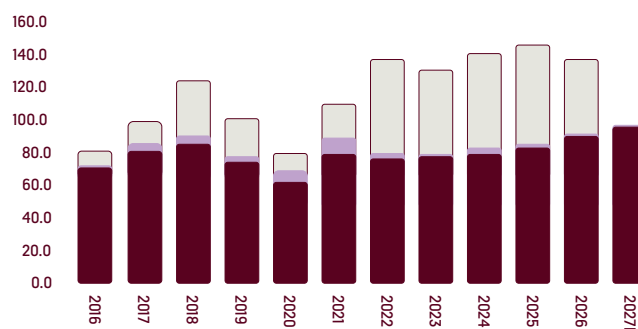
However, the case for equities is not lost.

Earnings forecasts for the FTSE 100 have started to flatline, amid worries over the wider implications of any sustained increase in oil and commodity prices, thanks to the ongoing stalemate in the Strait of Hormuz, fresh hostilities in the Strait of Bab al-Mandab that leads ultimately to the Suez Canal, and long-term lack of investment in fresh drilling and exploration work.

Nevertheless, consensus earnings forecasts for the FTSE 100 put the benchmark index on 13.5 forward earnings for 2026 for an earnings yield of 7.4%, a figure which still bears close comparison to gilts.

Dividend payment forecasts continue to creep higher too, and analysts now expect the total payment from the FTSE 100 to reach an all-time record £90.3 billion in 2026, up from a forecast of £88.8 billion just three months ago.

- Ordinary dividends (£ billion)
- Special dividends (£ billion)*
- Share buybacks (£ billion)*



Source: Company accounts, Marketscreener, consensus analysts' forecasts. *Announced in aggregate as of 14 September 2026.

Management teams also continue to sanction share buybacks. The total value of the plans declared for this year is now £46.7 billion. Adding that sum to analysts' forecasts for ordinary and special dividends takes the cash return on the FTSE 100 to £138 billion, equivalent to 5.1% of the index's £2.7 trillion stock market capitalisation.

Takeovers could top up the pot, too, if deals for DCC, Beazley, Intertek, Schroders and SEGRO go through, given their aggregate value of £46.8 billion.

Those deals support the argument offered by equity bulls that UK stocks still offer good value in absolute and relative terms, given how the total cash yield on the FTSE trails the 10-year gilt by just 30 basis points (0.3%), and the potential for share price upside, should earnings forecasts prove accurate and takeover bids keep rolling in. The UK's cash and earnings yields also handily beat both the Bank of England base rate of 3.75% and the 3.1% rate of inflation reported by the Office for National Statistics for the month of August.



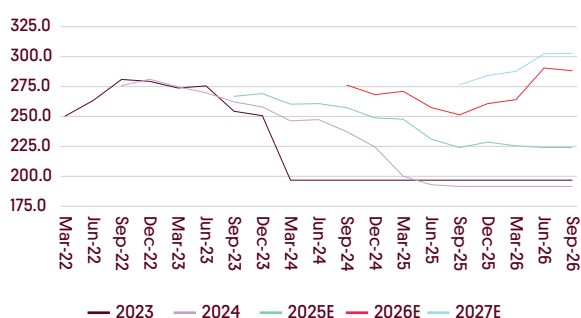
Further gilt yield increases, should inflation prove sticky, the autumn Budget a flop or investors prove more risk averse in the event of any artificial intelligence-related turbulence, could still be a challenge to the FTSE's bid to break the 11,000 mark all the same. Just as weight stops trains and slows down racehorses, higher bond yields eventually weigh on share prices, thanks to the mathematical calculations of their relative risk-reward profiles.

Profit forecast momentum starts to slow

Perhaps wary of the risk to corporate input costs and consumer spending posed by higher oil and commodity prices, analysts are no longer gently upgrading their earnings forecasts for the FTSE 100 in 2026. The consensus forecast for total pre-tax profits from the index now stands at £288 billion, down a fraction from £291 billion in June. However, estimates for 2027 are holding firm at £303 billion.

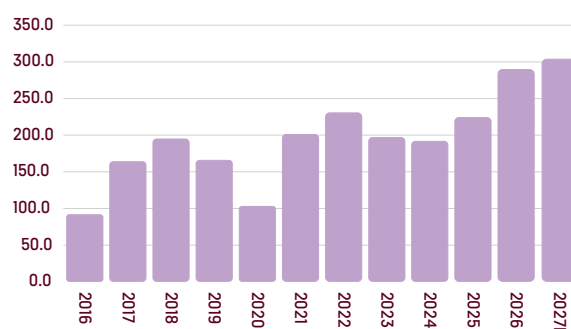
The good news is that those commodity price increases go a long way to supporting forecasts for a big jump in profits in 2026 and further increases in 2027 and 2028. Analysts believe all three years will set new all-time highs, as each one is expected to come in well ahead of the 2022 peak of £231 billion.

FTSE 100 aggregate consensus pre-tax profit estimates



Source: Company accounts, Marketscreener, consensus analysts' forecasts. Data as of 14 September 2026.

● FTSE 100 pre-tax profit (£ billion)



Source: Company accounts, Marketscreener, consensus analysts' forecasts. Data as of 14 September 2026.

Dividend growth is still very concentrated

Those forecasts of record profits in turn feed into expectations for record dividend payments in each of 2026, 2027 and 2028, at £90.3 billion, £96.5 billion, and £103.8 billion, respectively. A lot can change between now and the end of this year, let alone December 2028, but analysts seem confident that payments will finally exceed the 2018 peak of £85.2 billion.

Such figures may tempt income seekers, for whom the FTSE 100's yield may be a key part of the UK stock market's appeal. Equally, the forward yield for 2026 of 3.3% is lower than in the past few years, owing to the strong gains made by the index this decade. Quite simply, the index has gone up faster than dividends, so the available yield has contracted.

There also remains a fair degree of concentration risk within the UK's headline index. Just 10 companies are forecast to pay out 52% of the forecast total for 2026, at £47.1 billion, while the top 20 are expected to chip in £62.8 billion, or 70% of the estimated total.

The top 10 list includes three stocks in the Banks sector and two apiece from Oil, Pharmaceutical and Consumer Staples sectors, as well as one from Mining.

2026E			
Ten biggest forecast dividend payments	£ billion	Ten biggest forecast dividend increases	£ billion
HSBC	10.8	Glencore	1.5
Shell	6.6	HSBC	0.9
British American Tobacco	5.3	Rio Tinto	0.8
Rio Tinto	4.6	Barclays	0.8
BP	3.9	Anglo American	0.8
AstraZeneca	3.8	Lloyds	0.5
Unilever	3.5	Rolls Royce	0.4
NatWest	3.0	NatWest	0.4
GSK	2.8	Shell	0.3
Lloyds	2.7	Fresnillo	0.2

Source: Company accounts, Marketscreener, consensus analysts' forecasts. Ordinary dividends only. Data as of 14 September 2026.

Dividend cover holding steady above two

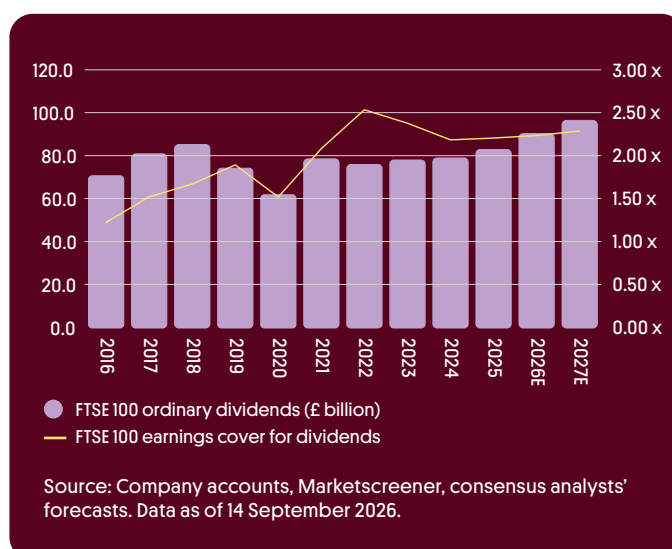
Those investors who are of a nervous disposition may look to earnings cover for the FTSE 100's aggregate forecast dividend for additional reassurance.

For 2026 and 2027, analysts see earnings cover coming in at 2.23 times and 2.29 times, respectively. This is not as high as 2022's particularly reassuring level, which exceeded 2.50 times, but it does still come in above 2.00 times – the mark traditionally seen as one that offers comfort and protection in the event of any unforeseen economic setback.

Even so, there have been 129 dividend cuts across the current crop of FTSE 100 constituents in the past decade. More than half of those may have hailed from the Covid-19 blighted years of 2019 and 2020, but both Anglo American and index newcomer Metlen Energy & Metals cut their payment for 2025.

Investors must therefore continue to thoroughly check earnings cover and free cash flow cover, as well as

balance sheets and interest cover in the profit and loss account, as part of their research to assess how secure dividends may be in the event of any unexpected economic downturn.



Many dividend yields compare less favourably to gilts

Financial and real estate stocks continue to dominate the list of the stocks which offer the highest forecast dividend yield within the FTSE 100. Only index newcomer and oil producer Ithaca Energy is not a bank, life insurer, fund management giant, or commercial property play among the top 10. Housebuilders are now notable only by their absence.

The 10 highest yielding stocks represent just 6% of the index's total forecast dividend payment for 2026 and offer an average forward dividend yield between them of 6.9%. Only the real estate investment trusts (REITs), British Land and Land Securities, and Investec come close to the 2.00 dividend cover comfort level.

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, not a single FTSE 100 stock currently offers a forecast dividend yield of 10.8% or more, or twice the 5.40% 10-year gilt yield that prevails at the time of writing – and that is probably no bad thing.

2026E				
Company	Dividend yield (%)	Dividend cover (x)	Pay-out ratio (%)	Cut in last decade?
Investec	8.5%	1.88 x	53%	2019
Ithaca Energy	7.8%	0.87 x	115%	2024
Legal and General	7.6%	1.72 x	58%	No
LondonMetric Property	7.1%	1.44 x	69%	No
Land Securities	6.8%	1.81 x	55%	2019
Imperial Brands	6.6%	1.59 x	63%	2020
M & G	6.4%	1.21 x	83%	No
British Land	6.3%	2.02 x	49%	2019, 2020
Standard Life	6.2%	0.87 x	115%	2016, 2018
Aberdeen Group	6.1%	1.34 x	74%	2020
AVERAGE	6.9%	1.48 x	74%	

Source: Company accounts, Marketscreener, consensus analysts' forecasts, LSEG Refinitiv data. Based on ordinary dividends only. Data as of 14 September 2026.



Serial dividend growers

A really fat dividend yield is not necessarily a good sign, 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 18 FTSE 100 members that have built an unbroken dividend growth streak of at least decade, and

this grouping has, on average, provided premium capital returns and total returns relative to the FTSE 100. Of the 18, 10 have generated premium capital returns and 11 have done so in terms of total returns (including dividend reinvestment).

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

Moreover, only nine of the 18 were members of 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).

2026E					
Company		Total return 2016-26	Dividend CAGR 2016-25	Dividend growth	
				2026E	2027E
1	Diploma	872.7%	13.1%	4.7%	5.2%
2	Scottish Mortgage	383.5%	4.4%	9.4%	7.0%
3	ICG	358.6%	14.2%	4.6%	5.2%
4	Halma	265.1%	6.8%	6.7%	8.4%
5	London Stock Exchange	256.0%	15.3%	10.9%	12.4%
6	Coca-Cola Hellenic Bottling	228.3%	14.4%	8.7%	10.5%
7	F&C Investment Trust	219.7%	5.6%	5.4%	4.3%
8	SEGRO	206.1%	7.1%	5.1%	5.1%
9	Alliance Witan	193.1%	9.9%	2.4%	3.4%
10	RELX	130.4%	8.6%	7.8%	8.4%
11	United Utilities	113.7%	3.4%	3.3%	2.8%
12	Severn Trent	86.0%	4.6%	3.2%	3.2%
13	Spirax Group	80.4%	9.4%	5.1%	6.8%
14	LondonMetric Property	79.8%	5.6%	4.0%	4.2%
15	British American Tobacco	76.2%	4.5%	2.0%	2.2%
16	Sage	74.6%	5.2%	7.6%	6.1%
17	DCC	24.3%	9.9%	2.4%	6.2%
18	Croda	19.1%	4.9%	1.0%	2.0%
AVERAGE		203.8%	8.2%	5.2%	5.6%
FTSE 100		127.1%	3.3%	6.6%	7.0%

Source: LSEG Refinitiv data, company accounts, Marketscreener, consensus analysts' forecasts. Ordinary dividends only. Data to 14 September 2026.

Notes to editors:

The value of your investments can go down as well as up and you may get back less than you originally invested. We don't offer advice, so it's important you understand the risks. If you're unsure please consult a suitably qualified financial adviser. Past performance is not a guide to future performance and some investments need to be held for the long term.