



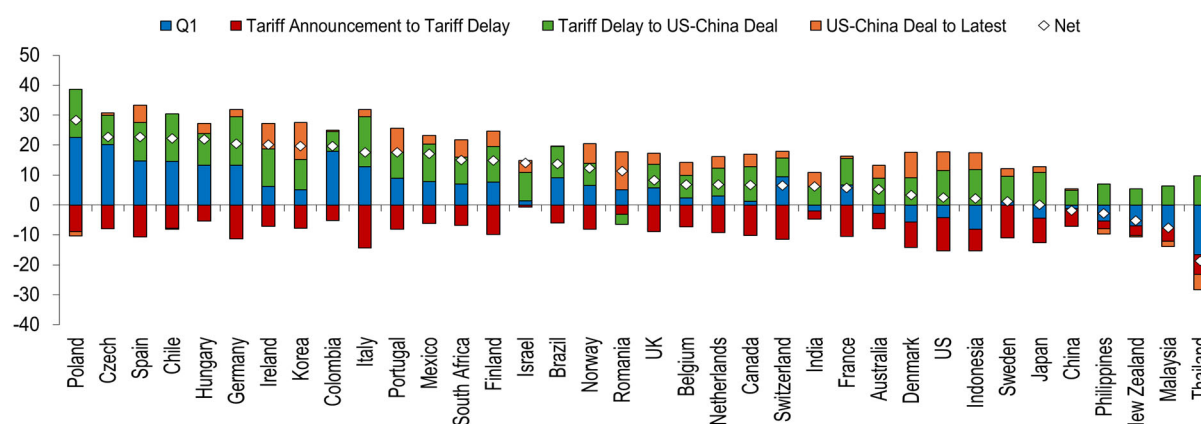
## CORPORATE EARNINGS MONITOR HIGHLIGHTS: Q1 2025

- **Most global equity indices are higher year-to-date**, despite the global sell-off triggered by the US tariff announcement on April 2<sup>nd</sup>. Amid the ongoing market turmoil in weeks that followed, the US administration announced a 90-day pause on tariffs, igniting a global equity market rebound.
- **The share of companies globally beating revenue and earnings expectations in Q1 2025 was around 63%**, compared to 66% and 58% for revenue and earnings, respectively, in Q4 2024.
- **Since the start of the year, 12-month trailing earnings in Japan and the US have outpaced other advanced economies, while China has outperformed other emerging markets.** Year-over-year earnings growth was positive for all selected advanced economies in Q1 2025 but remains mixed in emerging markets.
- **Profit margins in Japan have reached the highest level since the start of our data series, while the US and EA have increased to levels not seen since 2022.** Emerging market profit margins are generally trending upwards, except for Latin America.
- **Analysts have revised down their forward-looking year-end earnings per share (EPS) estimates for most countries since the start of 2025. Despite this, year-over-year EPS growth is projected to be positive in all regions over the next two years**, with Latin America and the Middle East and Africa expected to outperform. Most global sectors are also expected to experience positive EPS growth over the next two years, except for Energy and Consumer Discretionary in 2025 – amid increased uncertainty and prospect of an economic slowdown.
- **Tariffs and general uncertainty have become important concerns of S&P 500 managers on earnings disclosures.** Managers have also increased their use of the word “recession” compared to the past several quarters, while inflation and AI remain key themes.
- **Text-based uncertainty measures are near historical highs, while option-implied equity volatility has fallen from peaks around April 2.**
- **S&P 500 valuation metrics remain highly conditional on future profitability based on historical levels. The 12-month forward price-to-earnings (P/E) ratio is currently around the 90<sup>th</sup> percentile**, having fallen to as low as the 71<sup>st</sup> percentile following the tariff announcements.
- **Estimates of Equity Risk Premium (ERP) have increased in the US and Asia, but compressed in other regions since the start of the year.**

## GLOBAL OVERVIEW

*Most global equity indices have rebounded and are posting net gains for 2025, despite a global sell-off triggered by the tariff announcement on April 2<sup>nd</sup>.*

### 1. Performance of Selected Indices (Percent change, year-to-date)



- Most global equity indices are posting net gains for 2025 despite the large sell-off experienced in the first half of April triggered by the tariff announcement on April 2<sup>nd</sup>.
- Global equities were generally higher before the tariff announcement, although the US market had been underperforming.
- Equities experienced a broad-based selloff following the announcement on April 2<sup>nd</sup>, but reversed course after the US administration's 90-day pause.
- Equities received another boost from a more productive-than-expected first round of trade talks between China and the US.

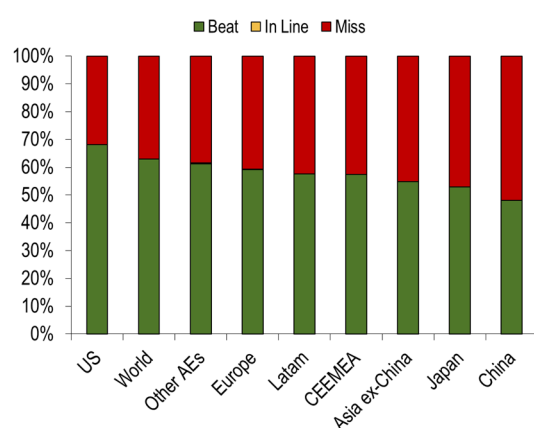
Source: Bloomberg Finance L.P.; and IMF staff calculations.

Note: Tariffs were announced on April 2, 2025, the 90-day delay on April 9, 2025, and the initial US-China de-escalation over the weekend of May 10-11 (market reaction seen on May 12, 2025).

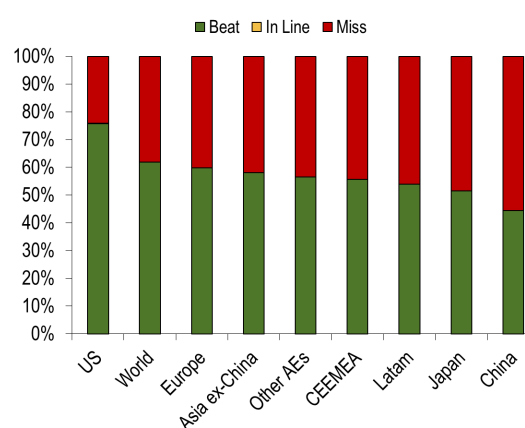
*Almost 63 percent of companies beat revenue expectations in Q1 2025...*

*...with the same amount beating earnings expectations.*

## 2. Revenue Surprises of Selected Indices (Percent of firms)



## 3. Earnings Surprises of Selected Indices (Percent of firms)



- Companies in the US experienced a higher share of firms beating revenue expectations in Q1 2025.
- Companies in Asia seemed to underperform in terms of beating revenue expectations.
- Companies in the US also experienced a higher share of firms beating earnings expectations in Q1 2025.
- China and Japan has the least amount of companies beating earnings expectations.

Source: Bloomberg Finance L.P.; and IMF staff calculations.

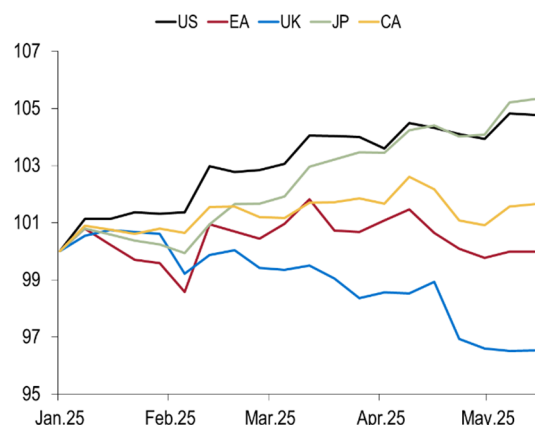
Note: US = S&P 500 Index; World = Bloomberg World Index; Other AEs includes: Australia (S&P ASX 200), Canada (S&P TSX Index), Denmark (Bloomberg Denmark Index), Israel (Tel Aviv Stock Exchange 35 Index), New Zealand (S&P NZX 50 Index), Norway (Bloomberg Norway Index), Singapore (Bloomberg Singapore Index), Switzerland (Bloomberg Switzerland Index), United Kingdom

(FTSE 100 Index); China includes Shanghai Shenzhen CSI 300 Index and Hang Seng Index; Latam includes: Mexico (Mexbol Index), Brazil (Ibovespa Index), Argentina (Merval Index), Chile (IPSA Index), Colombia (Colcap Index), Peru (Bloomberg Peru Index); CEEMEA includes: Prague (Prague Stock Exchange Index), Hungary (Budapest Stock Index), Poland (WIG Index), Turkey (Borsa Istanbul 100 Index), South Africa (Jalsh Index), Romania (BET Index), Egypt (Bloomberg Egypt Index); Asia ex-China Includes: India (Nifty 50 Index), Malaysia (FTSE Bursa Malaysia KLCI Index), Taiwan (TWSE Index), Indonesia (JCI Index), Philippines (PSEi Index), Thailand (SET Index). Chart 3 uses adjusted Net Income.

*12-month trailing earnings in Japan and the US have outpaced other advanced economies this year...*

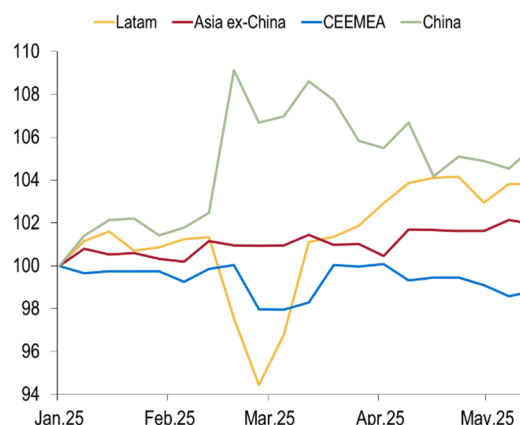
*...while China has outperformed other emerging markets.*

#### 4. Earnings Per Share for Selected Advanced Economies (12-month trailing, Indexed, Jan 2025 = 100)



- Earnings in Japan and the US have outpaced other advanced economies this year.
- Trailing 12-month earnings have declined in EA and the UK.

#### 5. Earnings Per Share for Selected Emerging Economies (12-month trailing, Indexed, Jan 2025 = 100)



- Earnings in China have outperformed other emerging markets.
- Earnings in Latam have rebounded after a sharp drop in February.

Source: LSEG DataStream; and IMF Staff Calculations

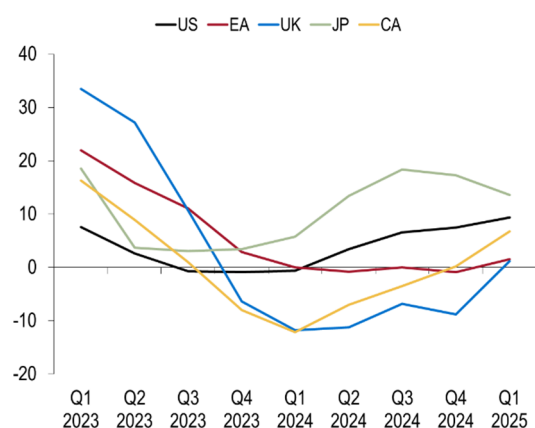
Notes: Series in charts 4 and 5 are in local currencies. US = United States (S&P 500 Index), EA = Euro Area (Euro Stoxx 600), UK = United Kingdom (FTSE 100), JP = Japan (Topix), CA = Canada (S&P TSX 300), China = CSI 300 Index. EM regions are medians of corresponding countries, using MSCI indexes. Countries include Brazil, Chile, Colombia, Mexico Malaysia, Indonesia, Philippines, India, Thailand, Taiwan, Czech, Hungary, Poland, South Africa, and Turkey.

*Earnings growth for advanced economies has generally stabilized since the end of 2023 and is positive in Q1 2025.*

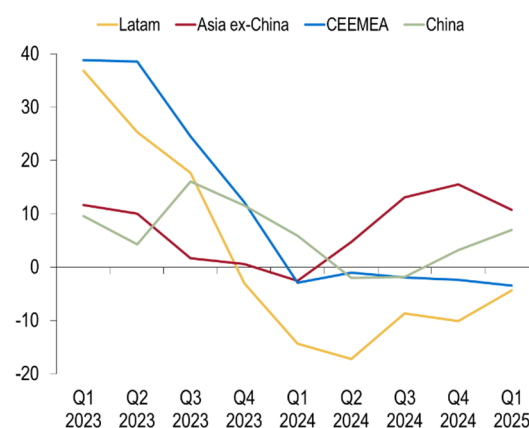
*While emerging markets earnings growth continues to show large regional differences.*

#### 6. Earnings Per Share Growth for Selected Advanced Economies (12-month trailing, year-over-year growth)

#### 7. Earnings Per Share Growth for Selected Emerging Economies (12-month trailing, year-over-year growth)



- Earnings growth is now positive for all the selected countries, the first time since Q2 2023.
- Earnings growth is accelerating for each country except Japan.



- Earnings growth is positive in China as well as the broader Asia region, but negative in Latam and CEEMEA.
- Earnings growth is accelerating in Latam and China, but slowing in Asia ex-China and CEEMEA.

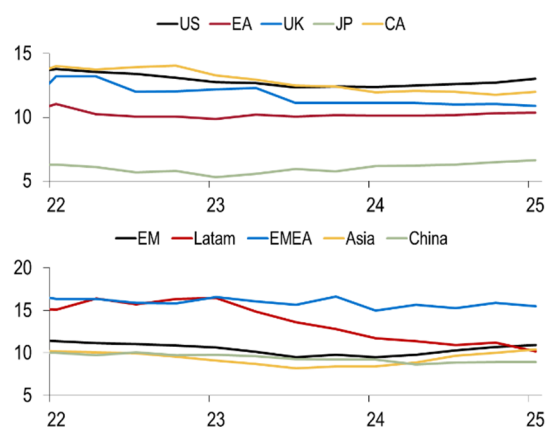
Source: LSEG DataStream; and IMF Staff Calculations

Notes: Series in charts 6 and 7 are in local currencies. US = United States (S&P 500 Index), EA = Euro Area (Euro Stoxx 600), UK = United Kingdom (FTSE 100), JP = Japan (Topix), CA = Canada (S&P TSX 300), China = CSI 300 Index. EM regions are medians of corresponding countries, using MSCI indexes. Countries include Brazil, Chile, Colombia, Mexico Malaysia, Indonesia, Philippines, India, Thailand, Taiwan, Czech, Hungary, Poland, South Africa, and Turkey.

*Profit margins have increased in most advanced economies while emerging markets were split...*

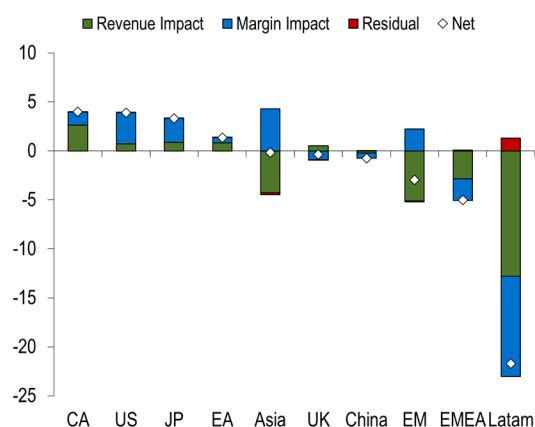
*... and contributed to the change in earnings per share since last quarter.*

## 8. Profit Margins (Percent, last 12-month)



- Profit margins in Japan have reached the highest level since the start of our data series.
- The US and EA experienced their highest profit margin since 2022.

## 9. Earnings Per Share Growth Decomposition (Quarter-over-quarter percent change in EPS)



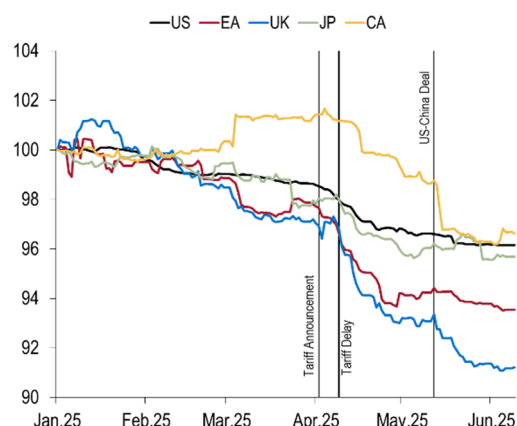
- Advanced economies generally saw EPS increase, due to improving revenues and profit margins, except for the UK.
- Emerging markets generally saw a deterioration in EPS quarter-over-quarter.

Source: Bloomberg Finance L.P.; and IMF Staff Calculations

Notes: US = United States (S&P 500 Index), EA = Euro Area (Euro Stoxx 600), UK = United Kingdom (FTSE 100), JP = Japan (Topix), CA = Canada (S&P TSX 300), China = CSI 300 Index. EM regions are regional MSCI series. Currency fluctuations can impact results in chart 9.

*Analysts have revised down their year-end EPS estimates for most countries since the start of 2025, despite few downward revisions between the tariff announcement and the 90-day delay*

### 10. 2025 Year End EPS Estimates for Selected Advanced Economies (Indexed, Jan 1, 2025 = 100)

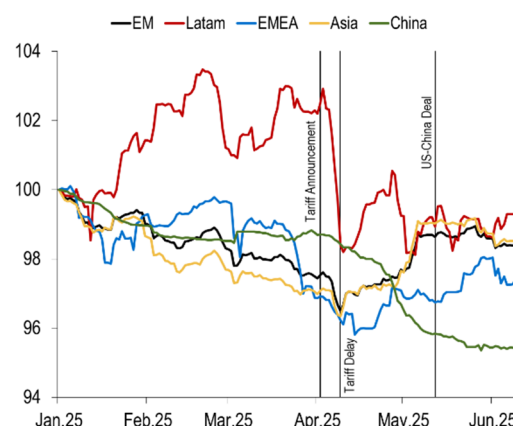


- Analysts were cautious to make major revisions during the heightened uncertainty between April 2 and April 9 for advanced economies.
- Most advanced economies received downward revisions following the 90 day delay.
- Estimates have been stable since the US-China deal, except for negative revisions in the UK.

Source: Bloomberg Finance L.P.; and IMF Staff Calculations

Notes: US = United States (S&P 500 Index), EA = Euro Area (Euro Stoxx 600), UK = United Kingdom (FTSE 100), JP = Japan (Topix), CA = Canada (S&P TSX 300), China = CSI 300 Index. EM regions are regional MSCI series. Currency fluctuations can impact results in chart 11.

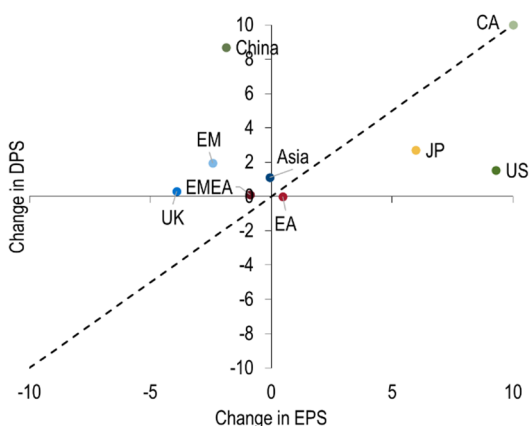
### 11. 2025 Year End EPS Estimates for Selected Emerging Economies (Indexed, Jan 1, 2025 = 100)



- Latin America received the largest negative revisions between April 2 and April 9 amid large drops in oil and commodity prices.
- Emerging markets generally had upward revisions following the tariff delay, besides China.

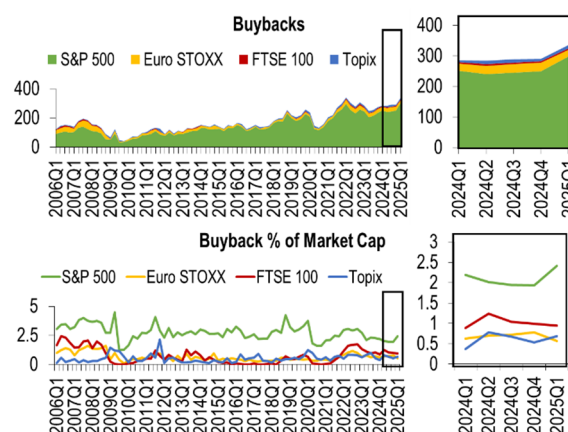
*Companies increased dividends per share (DPS) since last quarter, despite mixed EPS results.*

### 12. Quarter-over-quarter change in Dividends and Earnings (Change in local currency)



*Companies in the S&P 500, FTSE 100, and Topix increased share buybacks during Q1.*

### 13. Share Buybacks for Selected Indexes (Billions USD; percent of market cap)



- Most companies increased DPS since last quarter despite mixed EPS results.
- Firms in the top right quadrant increased DPS while experiencing an increase in EPS, with those above the dashed line increasing dividends at a faster rate than the increase in earnings.
- Companies in the S&P 500, FTSE 100, and Topix increased share buybacks in Q1, potentially signaling they believe prices were undervalued.
- Total buybacks in USD for these indexes reached the highest level since Q1 2022.
- Buybacks as a percentage of market cap increased for the S&P 500 and Topix, but decreased for Euro Stoxx 600 and FTSE 100.

Source: Bloomberg Finance L.P.; and IMF Staff Calculations

Notes: US = United States (S&P 500 Index), EA = Euro Area (Euro Stoxx 600), UK = United Kingdom (FTSE 100), JP = Japan (Topix), CA = Canada (S&P TSX 300), China = CSI 300 Index. EM regions are regional MSCI series. Currency fluctuations can impact results in chart 12. CA data point is adjusted to scale, actual is (50.3, 13). Buybacks (per quarter) as percentage of market cap is annualized.

*Analysts expect positive EPS growth in 2025 and 2026 for all regions...*

*... while most sectors are expected to experience positive EPS growth over the next two years.*

#### 14. Actual and Projected Global EPS Growth by Region (Year-over-year growth)

	2024	2025e	2026e
World	6.50	11.84	13.93
Developed	8.76	11.37	13.79
Emerging	-1.15	16.22	14.91
North America	8.74	10.98	15.42
Europe	3.33	12.06	12.70
Asia	10.56	13.57	12.80
Latin America	-9.32	16.97	14.28
Middle East and Africa	-10.93	19.88	24.06
<b>Selected Countries:</b>			
United States	9.88	10.45	15.64
Canada	-2.77	16.10	13.03
Germany	-17.03	20.25	14.97
China	-6.70	17.30	17.50
Mexico	-19.01	27.55	11.75
India	2.55	14.40	16.88

#### 15. Actual and Projected Global EPS Growth by Sector (Year-over-year growth)

	2024	2025e	2026e
Info Tech	21.07	19.39	15.42
Financials	9.59	3.50	9.44
Consumer Discretionary	4.30	-1.07	16.35
Health Care	3.78	14.49	10.02
Communication Services	26.83	13.65	8.01
Industrials	2.73	6.88	11.97
Consumer Staples	0.15	4.08	7.76
Energy	-26.94	-5.51	10.84
Utilities	0.27	6.34	7.63
Real Estate	-0.73	3.62	7.84
Materials	-10.85	15.00	14.70

- Analysts expect positive EPS growth in 2025 and 2026 for all regions.
- Analysts expect Latin America and the Middle East and Africa to experience the highest level of growth this year.
- Analysts expect positive EPS growth for most sectors over the next two years.
- Information Technology, Materials, and Health Care are expected to outperform this year.

Source: Bloomberg Finance L.P.; FactSet; and IMF Staff Calculations

Notes: Tables shows actual and blended (combinations of actual and expected results) year-over-year EPS growth by region, selected countries, and sectors. "e" = expected. Regions/Countries in chart 14 are based on estimated for FactSet aggregates. Sectors in chart 15 are from the MSCI ACWI.

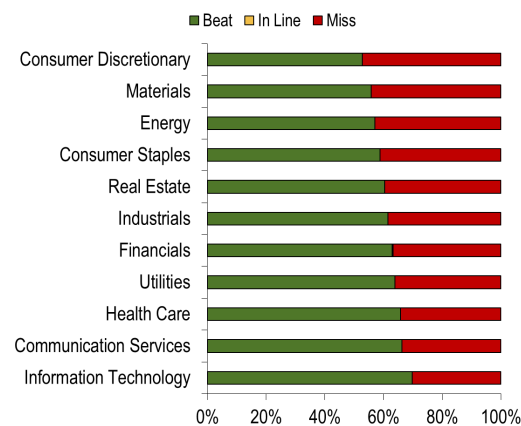
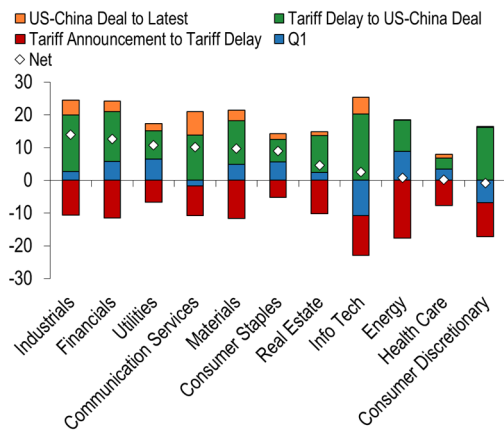
*Global sectors have generally rebounded following the tariff delay, led by the Information Technology sector...*

*...which also had the highest share of firms beating earnings expectations.*

#### 16. Performance of Global Sectors (Percent change, year-to-date)

#### 17. Global Q1 2025 Earnings Surprise by Sector (Percent of firms)





- Most global sectors are now positive year-to-date, except Consumer Discretionary.
- Sectoral performance shows investor preference for defensive stocks such as industrials, utilities, and consumer staples.
- Information Technology has outperformed other sectors following the tariff delay after underperforming prior.
- The Information Technology and Communication Services sectors had the highest share of companies beating earnings expectations.
- Consumer Discretionary, Materials, and Energy had the lowest share of companies beating earnings expectations.

Source: Bloomberg Finance L.P.; and IMF Staff Calculations

Notes: Sectors in chart 16 are from the MSCI ACWI. Chart 17 uses firms in the Bloomberg World Index. Earnings is adjusted net income.

*Sectoral performance shows Industrials and Financials generally outperformed across regions, while Health Care, Energy, and Consumer Discretionary has underperformed so far this year.*

## 18. Sector Performance by Index (2025 percent change)

	Index	Materials	Industrials	Cons. Staples	Energy	Info Tech	Cons. Disc	Comm Services	Financials	Health Care	Utilities	Real Estate
S&P 500	2.32	5.49	10.04	5.57	-2.36	1.48	-5.95	6.98	5.56	-2.55	6.50	3.02
MSCI AE	5.58	8.48	13.90	9.32	0.33	2.00	-3.38	8.72	12.59	-0.05	11.89	4.48
MSCI EM	9.99	12.50	15.19	7.44	3.17	4.03	11.01	19.09	13.32	6.98	4.80	4.01
Canada	6.92	29.94	4.68	4.58	1.60	1.18	9.09	-0.09	5.49	-15.66	7.27	1.39
MSCI Europe	9.05	2.76	15.86	7.61	-2.52	4.71	-5.93	18.23	21.98	-1.17	16.13	3.48
Japan	-4.53	-8.39	0.63	1.52	-9.51	-2.74	-4.80	7.49	3.31	-7.94	-0.29	7.58
MSCI Latin America	21.33	10.47	21.04	20.67	-7.78	68.66	25.89	24.56	33.27	49.76	33.71	36.22
MSCI EMEA	10.29	25.53	4.49	4.57	-0.38	-6.71	24.12	13.77	9.59	-8.54	-5.30	6.08
MSCI Asia	9.02	8.04	15.23	4.14	7.09	3.99	9.97	19.54	12.10	7.37	0.02	0.87
China	-1.26	3.73	-4.95	-2.42	-10.97	-5.01	-0.75	-2.89	2.58	4.43	-1.82	-9.84
MSCI World	6.02	9.13	13.98	9.17	0.66	2.19	-1.73	9.89	12.69	0.19	11.14	4.46

Source: Bloomberg Finance L.P.; and IMF Staff Calculations

Notes: Cons. Staples = Consumer Staples, Info Tech = Information Technology, Cons. Disc = Consumer Discretionary, Comm Services = Communication Services. Color scheme is relative to entire table.

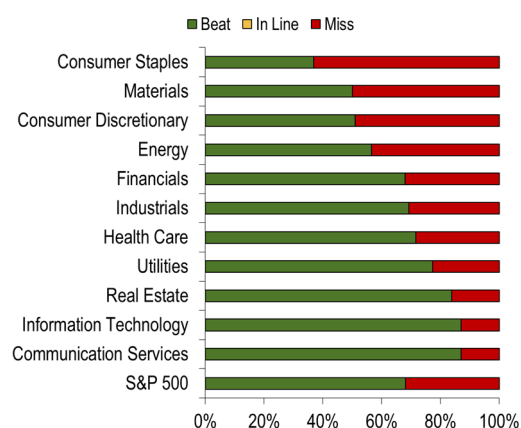
## UNITED STATES: S&P 500

*68 percent of companies in the S&P 500 beat revenue estimates in Q1 2025, led by the Communication Services and Information Technology...*

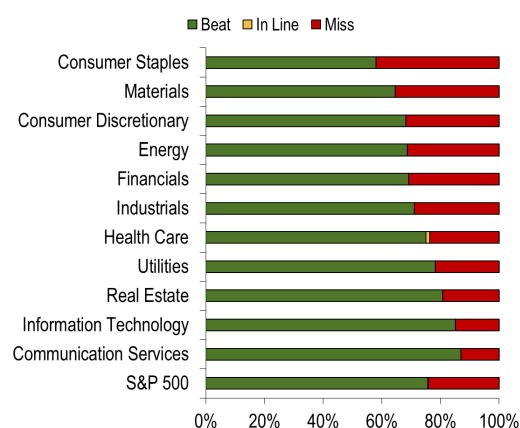
*...while around 76 percent of companies reported positive earnings surprises.*

### 19. S&P 500 Q1 2025 Revenue Surprises by Sector (Percent of firms)

### 20. S&P 500 Q1 2025 Earnings Surprises by Sector (Percent of firms)



- 68 percent of companies beat revenue estimates, slightly lower than the 69 percent experienced in Q4 2024.
- Communication Services and Information Technology had the highest share of revenue beats.



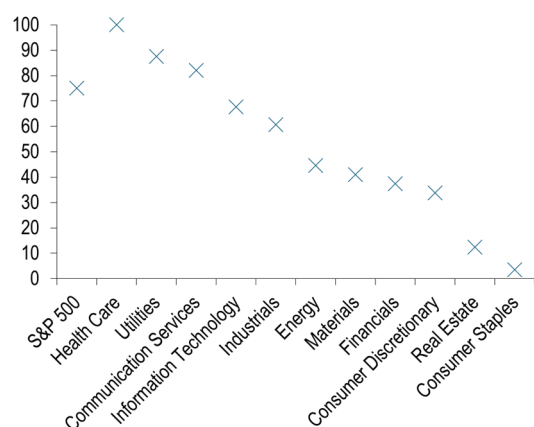
- 76 percent of companies beat earnings estimates, slightly lower than the 77 percent experienced in Q4 2024.
- Communication Services and Information Technology had the highest share of firms beating expectations.

Source: Bloomberg Finance L.P.; and IMF Staff Calculations  
Notes: Chart 20 is using adjusted net income.

*Q1 2025 S&P 500 EPS growth is in the 75<sup>th</sup> percentile since 2011, led by Health Care and Utilities.*

*Most Magnificent 7 companies continue to have solid earnings results.*

## 21. Percentile of Year-over-year S&P 500 Sector EPS Growth (Percentile since 2011)

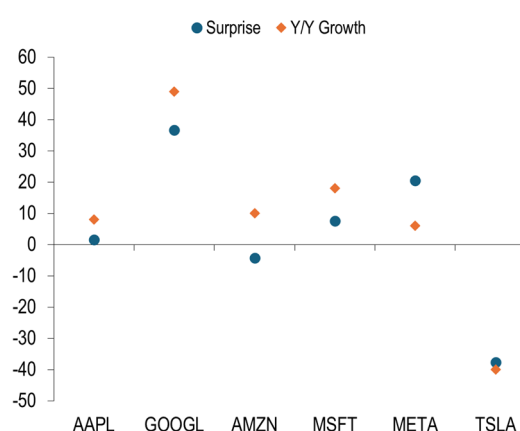


- Health Care, Utilities, Communication Services, Information Technology, and Industrials had EPS growth above their corresponding 50<sup>th</sup> percentile.
- Consumer Staples, Real Estate, Consumer Discretionary, Financials, Materials, and Energy had EPS growth below their corresponding 50<sup>th</sup> percentile.

Source: Bloomberg Finance L.P.; and IMF Staff Calculations

Notes: AAPL = Apple Inc, GOOGL = Alphabet Inc, AMZN = Amazon.com Inc, MSFT = Microsoft Corp, META = Meta Platforms Inc, NVDA = Nvidia Corp, TSLA = Tesla Inc. Results in chart 22 are adjusted EPS. Surprise is the percent difference between actual and estimated adjusted EPS.

## 22. Magnificent 7 Q1 2025 EPS Results (Percent)



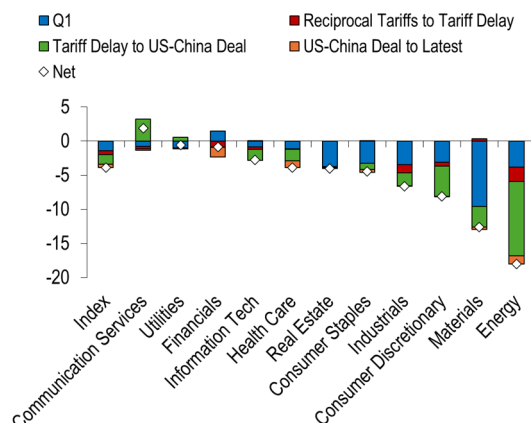
- Most of the Magnificent 7 beat EPS estimates in Q1 2025, except AMZN and TSLA.
- The Magnificent 7 continued to have positive EPS growth year-over-year, except for TSLA.



Analysts have revised down year end 2025 EPS estimates for most S&P 500 sectors since the start of the year.

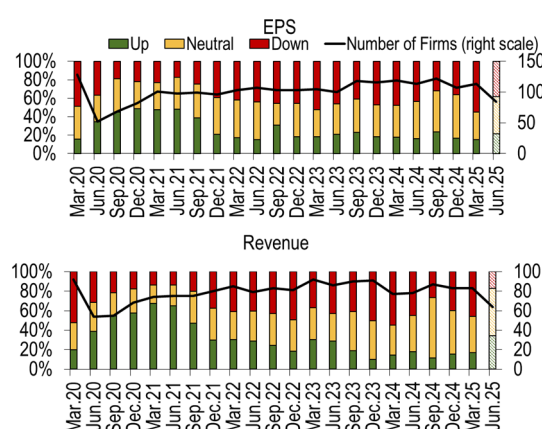
A higher share of S&P 500 companies have issued upward or neutral guidance in Q1 2025 relative to last quarter, although the number of companies issuing has declined.

### 23. S&P 500 2025 Year-End EPS Estimates by Sector (Percent change)



- Communication Services is the only sector to experience positive EPS revisions.
- Energy, Materials, and Consumer Discretionary received the largest negative revisions as analysts increasingly started to price in the risk of an economic slowdown.

### 24. S&P 500 EPS Company Guidance (Percent of firms left scale, number of firms right scale)



- Higher share of companies issued upward or neutral guidance for next quarter relative to the previous.
- Less companies have issued guidance due to heightened uncertainty surrounding policy.
- Despite this, investors remain cautious as the impact of tariff announcements would materialize in the following quarter (Q2 2025).

Source: Bloomberg Finance L.P.; and IMF Staff Calculations

Notes: Chart 24 plots guidance issued during each quarter. Dashed bars represent latest Q2 2025 data.

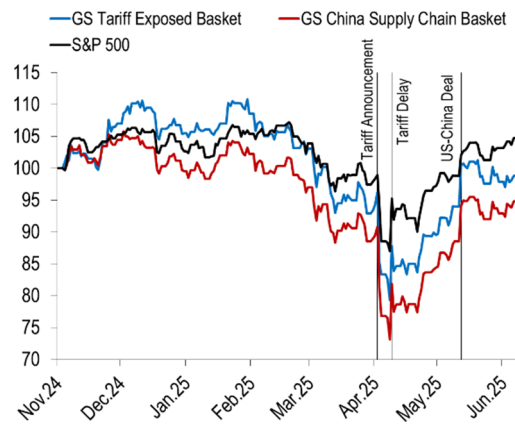
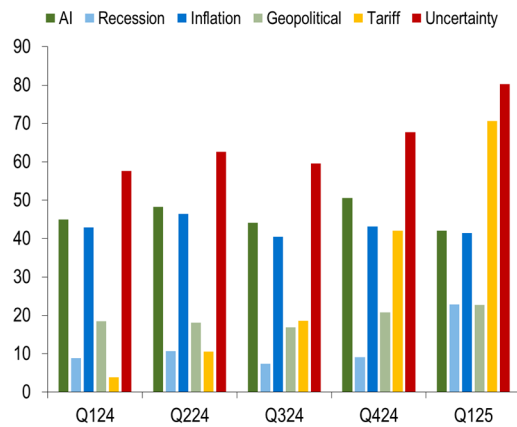
## SELECTED TOPICS: TARIFFS AND UNCERTAINTY

S&P 500 managers have been increasingly concerned with 'Tariffs' and 'Uncertainty' over the last few quarters.

Markets have been attempting to price in the overall effects of tariffs.

### 25. Percentage of S&P 500 Earnings Disclosures Where Key Words are Used (Percent)

### 26. Performance of Tariff Exposed Stocks (Prices Indexed Nov 1, 2024 = 100)



- Tariffs and uncertainty were among top concerns of S&P 500 managers.
- Managers use of the word 'recession' has increased compared to recent quarters amid elevated uncertainty.
- Tariff sensitive stocks experienced a much larger drop following the tariff announcement, and a subsequently much smaller recovery after the delay.
- Tariff sensitive stocks have underperformed since the new administration took office.

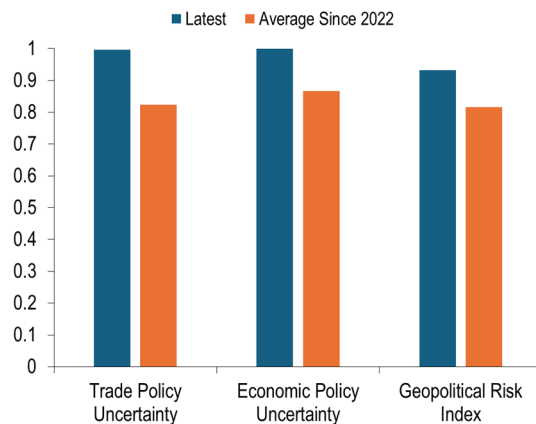
Source: Bloomberg Finance L.P.; FactSet; Goldman Sachs; and IMF Staff Calculations

Notes: Chart 25 illustrates the percentage of S&P 500 company earnings disclosure that use each word – does not indicate sentiment – for the reporting period (i.e. Q125 reporting period takes place during Q2 2025). Series in chart 26 are customized baskets created by Goldman Sachs.

*Text-based measures of uncertainty have recently approached all-time highs...*

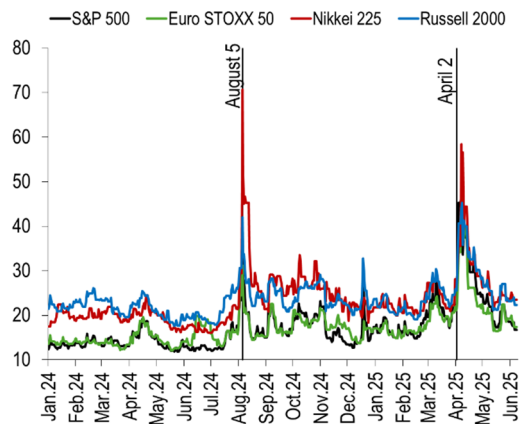
*...while implied measures of equity market volatility have eased since spiking in the first week of April.*

## 27. Text-Based Uncertainty Measures (Percentile Since 1997)



- Measures of uncertainty have recently approached historical highs.
- Economic Policy uncertainty is currently at all-time highs.

## 28. Implied Equity Market Volatility (Percent)



- Implied equity market volatility spiked following tariff announcements, surpassing levels experienced on August 5, 2024 – carry trade unwind – except for Japan.

Source: Bloomberg Finance L.P.; Caldara (2020); Baker (2016); Caldara (2022); and IMF Staff Calculations

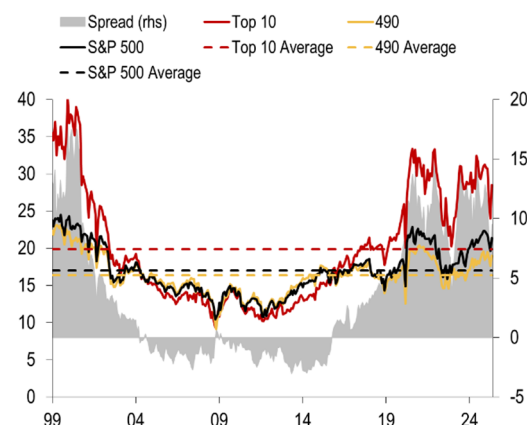
Notes: "Economic policy uncertainty" and "trade policy uncertainty" are the indices of Baker, Bloom, and Davis (2016). "Geopolitical risk" is the index of Caldara and Iacoviello (2022). The series are shown in percentiles since 1997 based on monthly data. In chart 28, the Chicago Board Options Exchange Volatility Index (VIX) is the benchmark measure of US stock market volatility. Its European, Japanese, and US small-cap counterparts are the Euro Stoxx 50 Volatility Index, Nikkei Stock Average Volatility Index, and CBOE Russell 2000 Volatility Index, respectively.

## VALUATION

*S&P 500 12-month forward P/E ratio has rebounded over the past few weeks...*

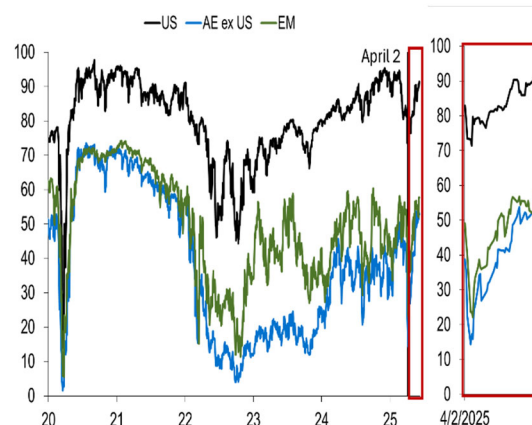
*...and remains elevated historically.*

**29. S&P 500 12-month forward P/E Ratio (Ratio)**



- S&P 500 12-month forward P/E ratios have rebounded recently, with the top 10 series, bottom 490 series, and index as a whole experiencing the increase.
- The spread between the Top 10 and bottom 490 forward P/E ratio fell to levels last seen in January 2023, before recovering in recent weeks.

**30. Percentiles of 12-month forward P/E Ratios since 1990 (Percentile)**



- Despite declining after the tariff announcement, 12-month forward P/E ratios are still elevated, crawling back above the 90<sup>th</sup> percentile.
- Other advanced economies and emerging markets experienced similar movements following the tariff announcement but are in much lower historical percentiles.

Source: Bloomberg Finance L.P.; LSEG Datastream; and IMF Staff Calculations

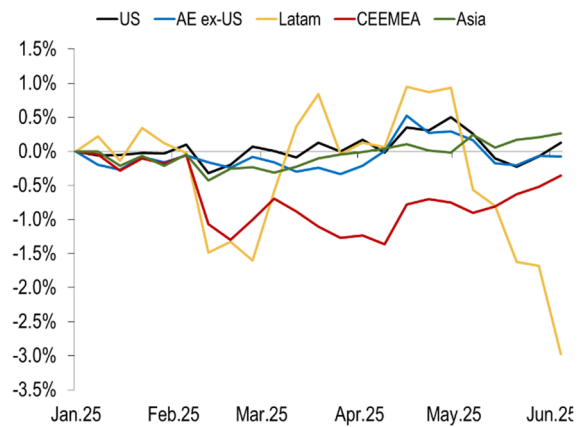
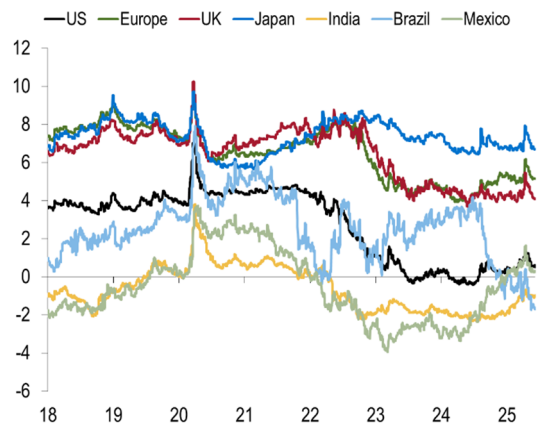
Notes: Chart 29 shows the 12-month forward P/E ratio for the top 10 stocks based on market cap in the S&P 500 and remaining 490 on a monthly frequency. P/E ratios for these series are calculated as weighted average harmonic mean of 12m forward P/E ratios. Shaded region represents the spread between the top 10 and bottom 490 12m forward P/E ratio. Dashed lines represent average over the horizon. Chart 30 shows the percentiles of 12-month forward price-to-earnings ratio since 1990 or the beginnings of the data series. AE ex US and EM are MSCI series, US is the S&P 500 Index.

*Implied 1-year premiums are positive for all selected countries except Brazil and India.*

*Estimates of equity risk premium have increased in the US and Asia, but compressed in other regions since last year.*

**31. Implied 1-year premium (Annualized, Percent)**

**32. Equity Risk Premium (Cumulative Percentage Point Change since Jan 1, 2025)**



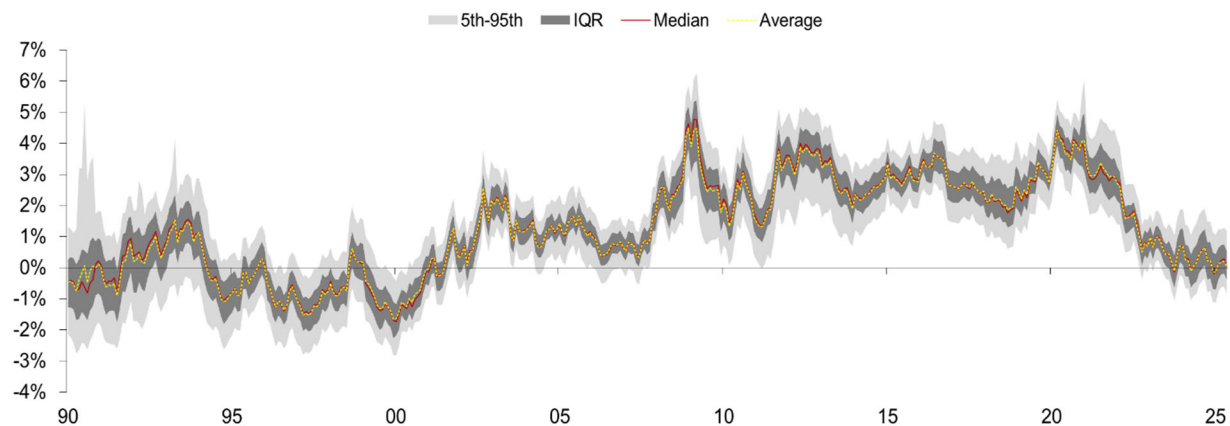
- Implied 1-year premiums remain positive in selected advanced economies, implying stocks provide a higher (implied) yield than bonds
- Implied premium in Mexico turned positive after several years mostly due to a decline in rates.
- As of June 4, 2025, estimates of equity risk premium have increased in the US and Asia, but compressed in other regions since last year.
- All regions experienced ERP increasing over the first half of April, coinciding with elevated implied equity volatility during that span.

Source: Bloomberg Finance L.P.; LSEG Datastream; and IMF Staff Calculations

Notes: In chart 31, implied 1-year premiums calculated as 1-year forward earnings yield of country/regions main equity index minus 12m government bond. India, Brazil, and Mexico calculations use 1 year swap yield. Earnings yield = 12-month forward Expected EPS / Stock Price. Chart 32 provides equity risk premium estimates based on dividend discount model using weekly data. Series are median of corresponding countries. Country sample includes US, UK, Germany, Japan, France, Netherlands, Finland, Belgium, Italy, Spain, Portugal, Ireland, Denmark, Sweden, Norway, Switzerland, Australia, New Zealand, Canada, Brazil, Mexico, Hungary, Malaysia, South Africa, China, Indonesia, Colombia, Philippines, Poland, Israel, Chile, Czech, India, Romania, Thailand, and Korea. ERP estimates as of June 4, 2025.

*As of May end, estimates of Equity Risk Premium for the S&P 500 have compressed to the lowest level since January.*

### 33. S&P 500 Equity Risk Premium: Distribution Across Almost 200 Models (Percent)



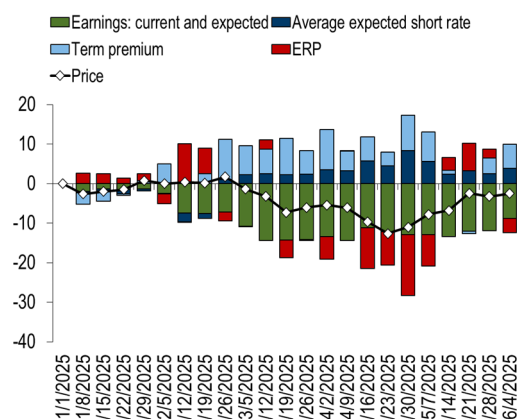
Source: Bloomberg Finance L.P.; LSEG Datastream; IMF; and IMF staff calculations

Notes: Distribution of equity risk premium is based on estimates from close to 200 dividend discount models. Time series includes monthly data up until May 31, 2025.

*As of June 4, 2025, S&P 500 returns since the start of 2025 have mostly been driven by earnings and growth expectation.*

*Current and expected earnings have driven most of the changes in equity prices globally.*

### 34. S&P 500 Price Return Decomposition (Cumulative Percent Change since Jan 1, 2025)



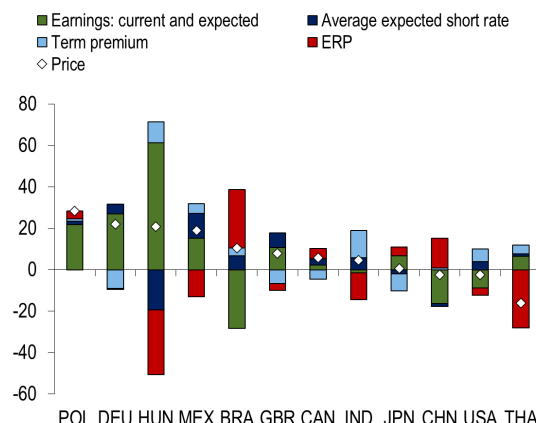
- S&P 500 declines since the start of 2025 have mostly been driven by moderating earnings and growth expectation.
- Increasing equity risk premium throughout April further exacerbated losses.

Source: Bloomberg Finance L.P.; LSEG Datastream; IMF; and IMF staff calculations

Notes: Equity risk premium is based on estimates of dividend discount models. Series use weekly data up until June 4, 2025.

*Based on trailing fundamentals, the S&P 500 exhibits valuations that are highly conditional on expected profitability growth, relative to their own past values.*

### 35. Decomposition of Price Returns for Selected Countries (Percent Change since Jan 1, 2025)



- As of June 4, 2025 current and expected earnings have driven equity prices.
- Equity risk premium across individual countries have had heterogenous impact on prices.

*Globally, information technology appears most stretched in terms of P/E ratios relative to its 10-year average.*

### 36. Fundamentals Heatmap (Percentile)

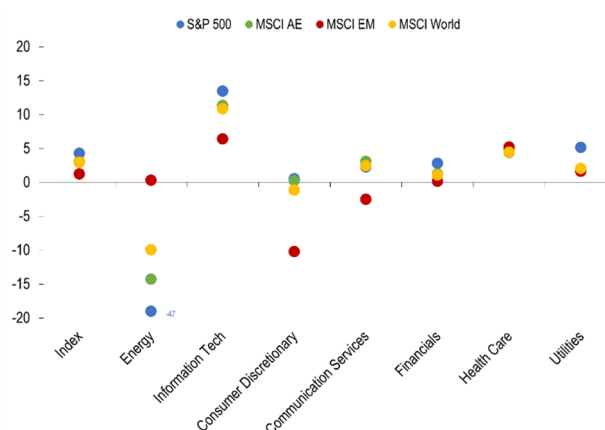
	P/E	P/CF	P/Sales	P/B
<b>S&amp;P 500</b>	84	92	92	94
<b>Euro Stoxx 600</b>	36.5	90.2	90.3	73.1
<b>UK</b>	29.3	38.4	67	71.4
<b>Japan</b>	27.7	75.9	89.1	65
<b>Mexico</b>	18.4	20.6	19.5	13
<b>India</b>	70	72.4	86.6	74.4
<b>Brazil</b>	23.4	10.4	6.1	21
<b>China</b>	48.1	11.3	51.8	11.3

- Stock prices in Brazil, China, and Mexico are trading at historically lower multiples when compared to other regions.
- The S&P 500 is trading at historical highs based on fundamentals.

Source: Bloomberg Finance L.P.; and IMF Staff Calculations

Notes: Percentiles in chart 36 are based on series own historical values since 2000. Chart 37 plots the deviation of current 12-month trailing P/E ratios the 10-year average.

### 37. P/E Ratio (Deviation from 10-year average)



- Valuations remain highly conditional on earnings growth, especially in Tech.
- Energy remains the most undervalued relative to its 10 year average P/E.