GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Corporate Earnings Monitor

WEDNESDAY, DECEMBER 3, 2025

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CORPORATE EARNINGS MONITOR HIGHLIGHTS: Q3 2025

Most global equity indices are higher year-to-date, with emerging markets ex-China having outperformed this year, amid dollar weakness and idiosyncratic catalysts. Equity gains in most countries were driven by improved realized and future earnings prospects and equity risk premium (ERP) compression. Cross-country estimates of ERP suggest a median compression of around 30 basis points since the start of the year, meaningfully supporting the broad-based rally – and historically, remaining significantly below pre pandemic levels.

Earnings per share (EPS) growth in Q3 2025 was led by United States and several countries in Latin America, while profit margins in most countries are currently in the upper half of their empirical distribution over the past decade. All regions and most global sectors are expected to have positive EPS growth through 2026. Year-over-year EPS growth was primarily driven by change in profit margins.

Analysts' expectations of future earnings growth have been revised upwards following a general downtrend from the start of the year, and which was exacerbated in early April. Analysts seemed to first adjust expectations for the S&P 500, which were then followed by other advanced economies and emerging markets.

The share of companies beating revenue and earnings expectations globally, in Q3 2025, was around 57 percent and 61 percent, respectively. The United States saw the highest share of firms beating revenue and earnings expectations, while emerging markets in Asia saw the lowest share.

The S&P 500 12-month forward price-to-earnings (P/E) ratio remains above the 95th percentile since 1990. The Magnificent 7 (Mag 7), a subset of Mega-Cap Information Technology companies, have accounted for about 47 percent of the increase in the S&P 500 since 2023. Mag 7 make up roughly one-third of the entire index, driving up concentration risk relative to other major indexes.

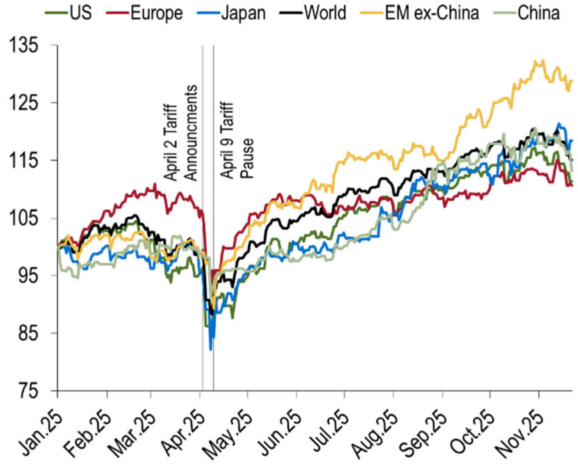
Mega-Cap Information Technology companies are expected to continue funding the AI infrastructure, as capital expenditures of hyperscalers are forecasted to double current levels by 2027. Hyperscalers, which have historically been cash heavy, are now tapping debt markets to fund future investments. Analysts nonetheless have increased expectations of future earnings, despite higher balance sheet fragility owing to increased spending and interest payments.

Uncertainty has become an increasingly important concern of S&P 500 managers in earnings disclosures. More managers are also commonly mentioning "AI," but the use of "tariff" has declined over the past two quarters.

GLOBAL OVERVIEW

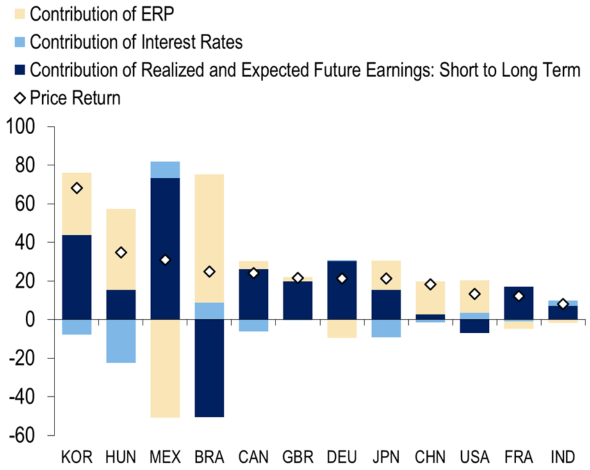
Global equities have rallied since early April, with emerging markets ex-[i]China seeing highest gains...

1. Performance of Global Equities
(Normalized, January 1, 2025 = 100)



…driven by improved realized and future earnings prospects and compression of equity risk premium in most countries.

2. Price Return Decomposition of Selected Countries (Percent change year-to-date)



- Global equities have rallied since early April, after recovering from market sell-off following tariff announcement on April 2.
- Emerging markets have significantly outperformed amid dollar weakness and idiosyncratic events.

- US equities were driven by lower interest rates and compressed equity risk premium, although partially offset by declining earnings prospects.
- Equities in Korea have significantly outperformed amid the AI boom, perceived market friendly reforms implemented by the new President, and increased domestic demand.

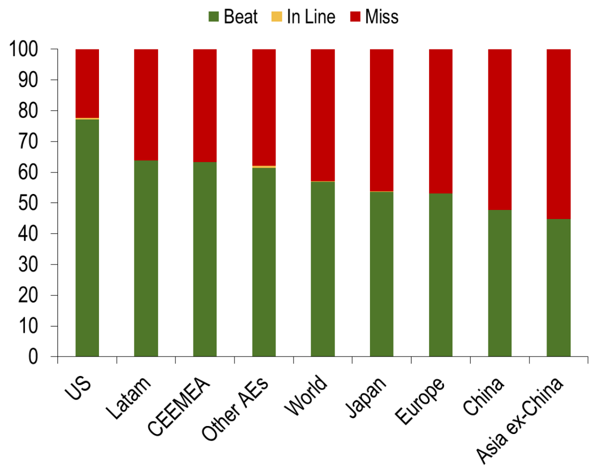
Source: Bloomberg Finance L.P.; LSEG DataStream; and IMF staff calculations.
Note: Data in Chart 1 is updated as of November 21, 2025. US = S&P 500; Europe = Euro Stoxx 600; Japan = Topix Index; World = MSCI ACWI; EM ex-China = MSCI EM ex China; China = CSI 300 Index. Decomposition in Chart 2 uses a dividend discount model as per *Dison and Rattan (2017)*. KOR = Korea (KOSPI Index); HUN = Hungary (Budapest Stock Index); MEX = MSCI Mexico; Brazil = MSCI Brazil; CAN = Canada (S&P TSX Index); GBR = UK (FTSE 100 Index); DEU = Germany (DAX Index); JPN = Japan (Topix 100 Index); CHN = China (CSI 300 Index); USA = S&P 500; FRA = France (CAC 40 Index); and IND = India (Nifty 50 Index).

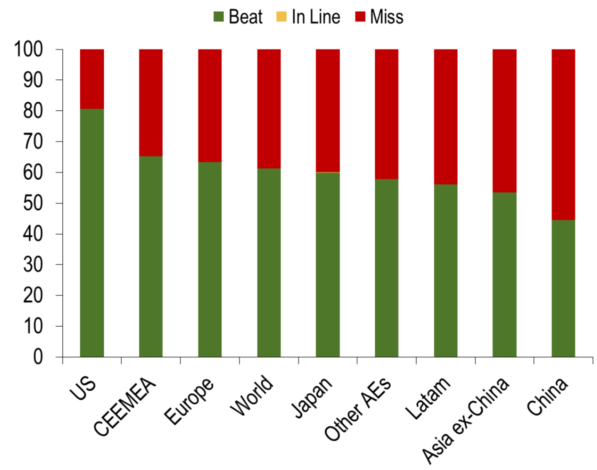
57 percent of firms, globally, beat revenue expectations in Q3 2025…

3. Revenue Surprises by Region
(Percent of Firms)

…with 61 percent beating earnings expectations.

4. Earnings Surprises by Region
(Percent of Firms)



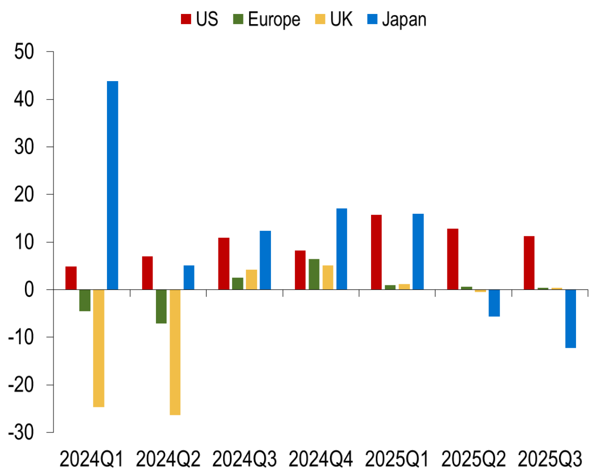


- The US experienced the highest share of firms beating revenue and earnings expectations.
- Emerging market Asia had the lowest share of firms beating revenue and earnings expectations.

Source: Bloomberg Finance L.P.; and IMF staff calculations.
Note: Only firms with analyst estimates and results for Q3 2025 as of November 11, 2025 were included in the calculation. Chart 4 Earnings is adjusted net income. US = S&P 500 Index; Europe = Euro Stoxx 600; Japan = Topix; 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); World is the sum of all the listed countries.

Earnings growth in the US outpaced other advanced economies over the last two quarters…

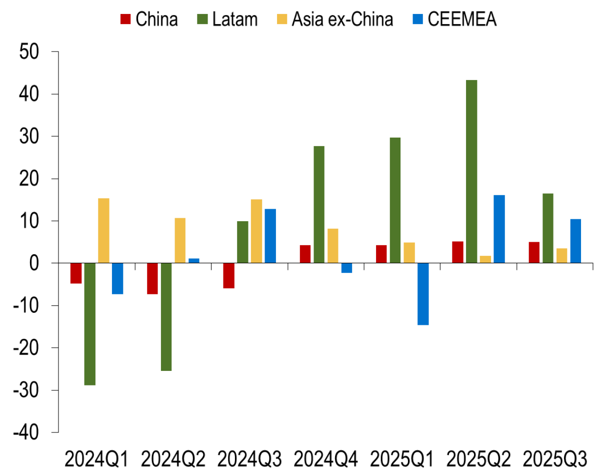
5. Earnings Per Share Growth for Selected Advanced Economies
(Year-over-year growth)



- Earnings growth in the US has outpaced other advanced economies, although it has decelerated some in the past two quarters.

… while earnings growth in Latin America has outperformed emerging markets over the last four quarters.

6. Earnings Per Share Growth for Selected Emerging Markets
(Year-over-year growth)



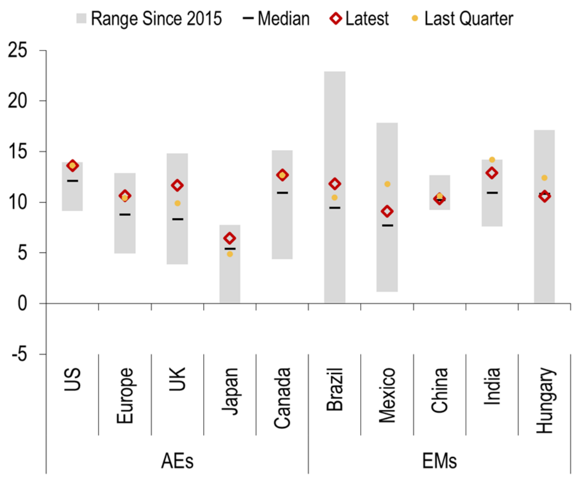
- Latin America has experienced the highest earnings growth within emerging markets over the past four quarters.

- Japanese markets have seen negative earnings growth over the past two quarters.
- Earnings growth for emerging markets in Asia has stagnated some over the last 4 quarters.

Source: Bloomberg Finance L.P.; and IMF staff calculations.
Note: Earnings growth is year-over-year growth based on quarterly earnings per share results for each index. US = S&P 500 Index; Europe = Euro Stoxx 600; UK = FTSE 100 Index; Japan = Topix; China = CSI 300 Index. EM aggregates are the median year-over-year growth rates for regional countries. Latam includes Brazil (Ibovespa Brasil Sao Paulo Stock Exchange Index), Mexico (S&P/BMV IPC), Colombia (MSCI COLCAP Index), and Chile (S&P/CLX IPSA Index); Asia ex- China includes India (NSE Nifty 50 Index), Malaysia (FTSE Bursa Malaysia KLCI Index), Indonesia (Jakarta Stock Exchange Composite Index), and Philippines (Philippines Stock Exchange PSEi Index); CEEMA includes Poland (Warsaw Stock Exchange WIG Index), Hungary (Budapest Stock Exchange Index), Czech Republic (Prague Stock Exchange Index), Turkey (Borsa Istanbul 100 Index), and South Africa (FTSE/JSE Africa All Shares Index).

Profit margins in most countries are in the upper half of their empirical distribution since 2015.

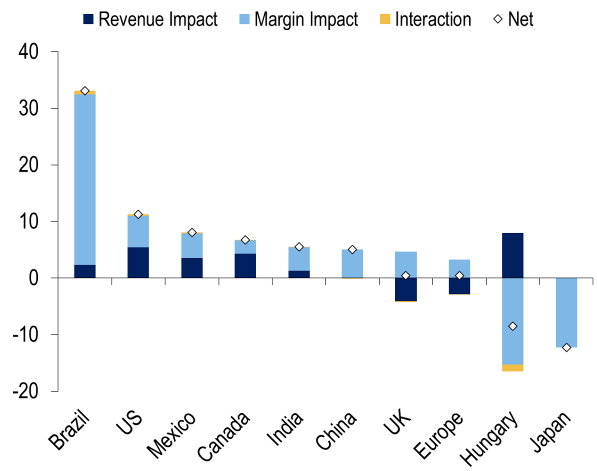
7. Profit Margins for Selected Countries
(Percent)



- Q3 2025 profit margins in most countries are above the historical median since 2015.
- Most advanced economies saw an improvement in profitability since Q2 2025, while results for emerging markets are relatively more mixed.

Margins were the main driver of earnings per share growth over the past year.

8. Earnings Per Share Growth Decomposition for Selected Countries
(Year-over-year percent change)



- Change in profit margins were the main driver of earnings per share growth over the past year.
- Companies in Brazil experienced the largest improvement in profit margins and the highest earnings per share growth year-over-year.

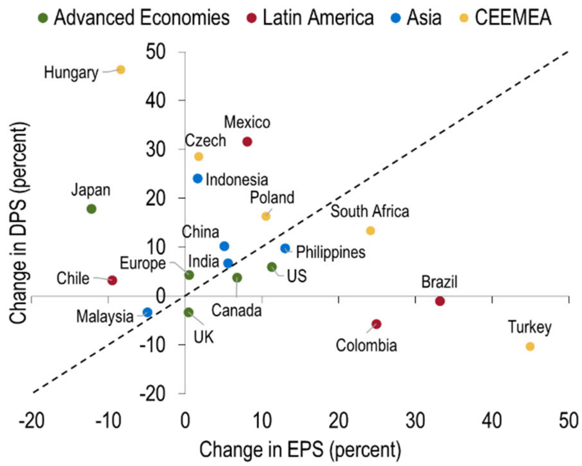
Source: Bloomberg Finance L.P.; and IMF staff calculations.
Note: Profit Margins in Chart 7 are based on quarterly results for each index. “Latest” represents Q3 2025 and “Last Quarter” represents Q2 2025. Earnings growth in Chart 8 is the same as previous panel. “Interaction” is the additional contribution resulting from both the change in revenues and margins. US = S&P 500 Index; Europe = Euro Stoxx 600; UK = FTSE 100 Index; Japan = Topix; Canada = S&P/Toronto Stock Exchange Composite Index; Brazil = Ibovespa Brasil Sao Paulo Stock Exchange Index; Mexico = S&P/BMV IPC; China = CSI 300 Index; India = NSE Nifty 50 Index; Hungary = Budapest Stock Exchange Index.

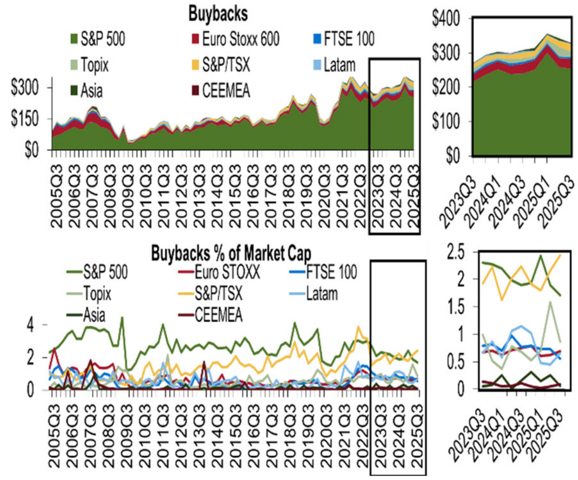
Most countries increased dividends over the past year, although change in payout ratio was mixed.

9. Earnings and Dividends
(Year-over-year percent change)

Companies in the Euro Stoxx 600, S&P/TSX, Latin America, and CEEMEA increased buybacks.

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





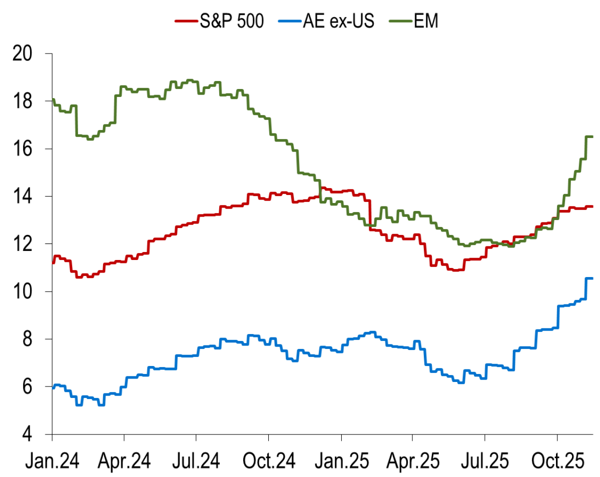
- Countries to the right of the dashed line saw earnings per share grow faster than the increase in dividends per share, while countries to the left increased dividends at a faster rate than the growth of earnings per share.

- Companies in the Euro Stoxx 600, S&P/TSX, Latin America, and CEEMEA increased buybacks since last quarter.
- In Q3 2025, the S&P/TSX had the largest amount of buybacks over market cap, implying a larger percentage of shares were repurchased.

Source: Bloomberg Finance L.P.; and IMF staff calculations.
Note: In Chart 9, percent change in earnings per share and dividends per share are year-over-year from quarterly results. In Chart 10, buybacks are the sum of all firms within an index. US = S&P 500 Index; Europe = Euro Stoxx 600; UK = FTSE 100 Index; Japan = Topix; S&P/Toronto Stock Exchange Composite Index; China = CSI 300 Index; Brazil = Ibovespa Brasil Sao Paulo Stock Exchange Index; Mexico = S&P/BMV IPC; Colombia = MSCI COLCAP Index; Chile = S&P/CLX IPSA Index; India = NSE Nifty 50 Index; Malaysia = FTSE Bursa Malaysia KLCI Index; Indonesia = Jakarta Stock Exchange Composite Index; Philippines = Philippines Stock Exchange PSEi Index; Poland = Warsaw Stock Exchange WIG Index; Hungary = Budapest Stock Exchange Index; Czech Republic = Prague Stock Exchange Index; Turkey = Borsa Istanbul 100 Index; South Africa = FTSE/JSE Africa All Shares Index. Regions in Chart 10 are sums of corresponding indexes.

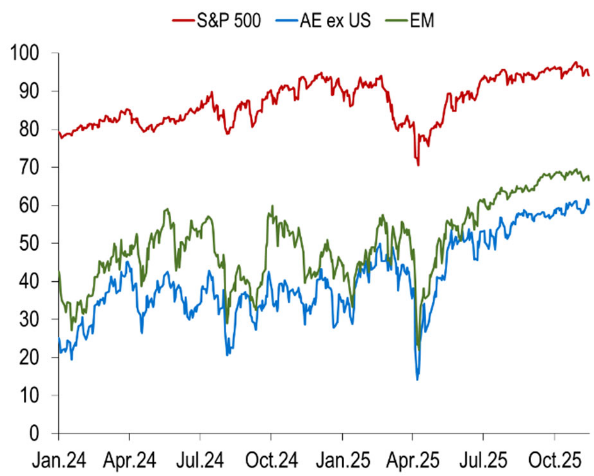
Expected earnings per share growth over the next 12 months has rebounded after falling in April…

11. Expected 12-month Forward EPS Growth (Percent)



…stabilizing 12-month forward valuation ratios, with the US remains historically high.

12. 12-month Forward Price-to-Earnings Ratio (Percentile since 1990)



- Analyst expecations for future earnings growth has rebounded after falling in April.

- S&P 500 remains above the 95th percentile of historical 12-month forward P/E ratios since 1990.

- Analysts expect emerging markets to experience the highest earning growth rate over the next year.

- Advanced economies ex-US and emerging markets remain near the center of their historical distributions.

Source: LSEG DataStream; and IMF staff calculations.
Note: In Chart 11, expected 12-month forward earnings per share growth is calculated as the percentage change between analyst expectations of 12-month forward earnings per share and trailing 12-month earnings per share. In Chart 12, 12-month forward P/E ratios are percentiles since 1990, calculated on a daily frequency. AE ex-US and EM are MSCI series.

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

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

	2024	2025e	2026e
World	6.32	10.81	15.57
Developed	8.49	10.71	15.37
Emerging	-1.00	12.89	17.81
North America	8.21	11.71	16.49
Europe	3.37	10.86	13.34
Asia	10.63	8.51	16.83
Latin America	-9.01	20.95	11.50
Middle East and Africa	-10.79	23.04	25.85
Selected Countries:			
United States	9.30	11.17	16.61
Canada	-2.85	16.86	15.33
Germany	-16.84	12.17	19.66
China	-6.52	12.43	22.42
Mexico	-19.10	31.31	13.46
India	2.51	8.60	16.84

…while most sectors are expected to have positive EPS growth in 2025; and all in 2026.

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

	2024	2025e	2026e
Info Tech	21.07	27.79	24.03
Financials	9.32	10.12	7.73
Consumer Discretionary	4.27	-9.08	21.98
Health Care	3.76	12.44	9.00
Communication Services	26.79	18.30	9.61
Industrials	2.79	7.11	11.96
Consumer Staples	0.37	2.94	7.13
Energy	-26.99	-4.69	3.33
Utilities	0.67	6.79	9.13
Real Estate	-4.15	3.71	8.10
Materials	-10.69	15.52	21.25

- Analysts expect positive EPS growth in 2025 and 2026 for all regions.
- The Middle East and Africa is expected to have the highest EPS growth this year, followed by Latin America.

- Only Consumer Discretionary and Energy are expected to have negative EPS growth this year.
- Information Technology, Consumer Discretionary, and Materals are expected to have the highest EPS growth in 2026.

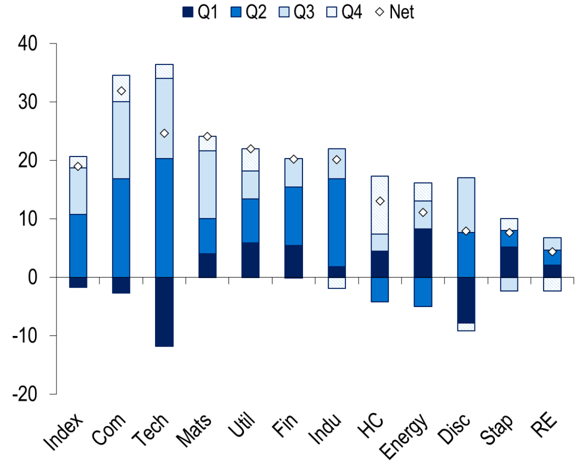
Source: Bloomberg Finance L.P.; FactSet; and IMF staff calculations.
Note: Tables show actual and blended (combinations of actual and expected results) year-over-year EPS growth by region, selected countries, and sectors. “e” = expected. Regions/Countries are based on estimates of FactSet aggregates. Sectors in Chart 14 are GICS Level 1 from the MSCI ACWI.

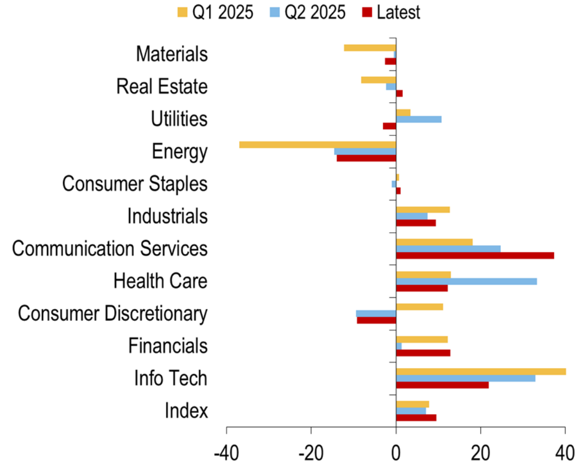
Global sectors have rallied thus far in 2025, led by Communication Services and Information Technology…

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

…which have been supported by an outperformance in earnings per share growth.

16. Earnings Per Share Growth for Global Sectors (Year-over-year growth)





- Communication Services and Information Technology had led the global sector rally so far this year.
- Real Estate and Consumer Staples have underperformed.

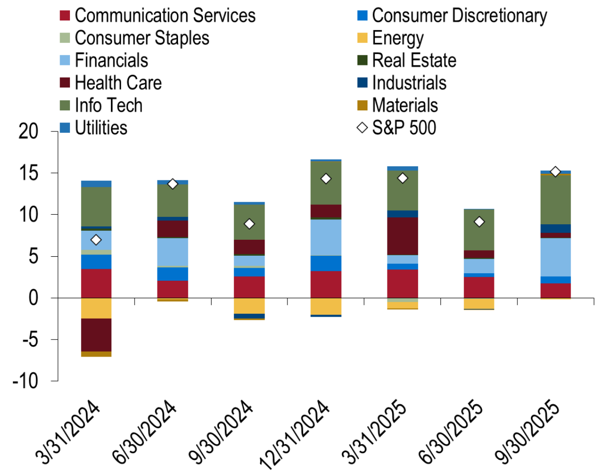
- Communication Services and Information Technology have had the strongest earnings growth.
- Communication Services has experienced an acceleration in earnings growth whereas Information Technology has seen the opposite.

Source: Bloomberg Finance L.P.; and IMF staff calculations.
Note: Sectors are GICS Level 1 of MSCI ACWI. "Com" = Communication Services, "Tech" = Information Technology, "Util" = Utilities, "Mats" = Materials, "Indu" = Industrials, "Fin" = Financials, "HC" = Health Care", "Disc" = Consumer Discretionary, "Stap" = Consumer Staples, and "RE" = Real Estate. Earnings growth in Chart 16 is year-over-year based on quarterly results. "Latest" is Q3 2025.

S&P 500 OVERVIEW

Information Technology has been the largest contributor to S&P 500 earnings growth…

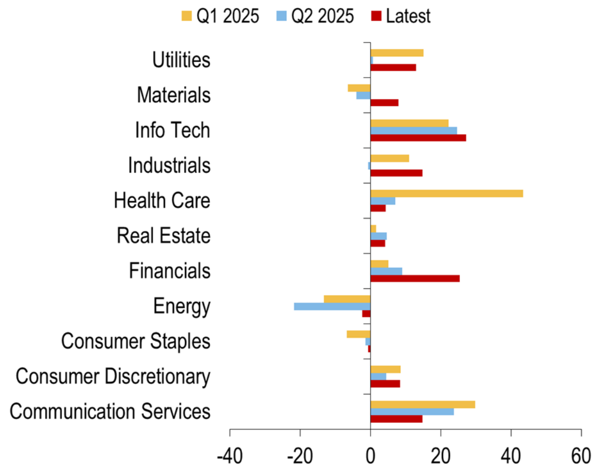
17. Earnings Growth Contribution by S&P 500 Sector (Year-over-year)



- Information Technology and Financials were the largest contributors to S&P 500 earnings growth in Q3 2025.
- Information Technology has been the main driver of earnings growth for the index over the past two years.

…and has experienced accelerating earnings growth over the last few quarters.

18. Earnings Growth by S&P 500 Sector (Year-over-year)

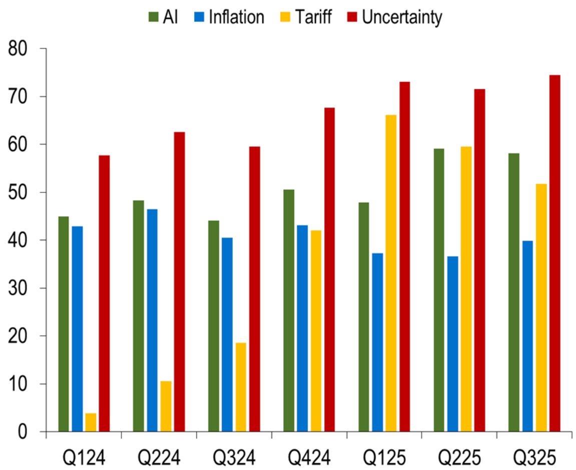


- Only Energy and Consumer Staples experienced negative earnings growth in Q3 2025.
- Information Technology and Financials had the largest earnings growth in Q3 2025.

Source: Bloomberg Finance L.P.; and IMF staff calculations.
Note: Earnings is the sum of Net income of all companies in each sector.

S&P 500 managers are increasingly concerned with 'Uncertainty', while 'AI' remains the top of mind.

19. Percentage of S&P 500 Earnings Disclosures with Key Words (Percent)



- Uncertainty and AI were among the most common words used across earnings disclosures in Q3 2025.
- Managers' mention of the word 'tariff' has declined over the last two quarters.

…Most Mega Cap Information Technology firms continue to see robust earnings growth.

20. Magnificent 7 + Oracle Q3 2025 Earnings Results (Percent)

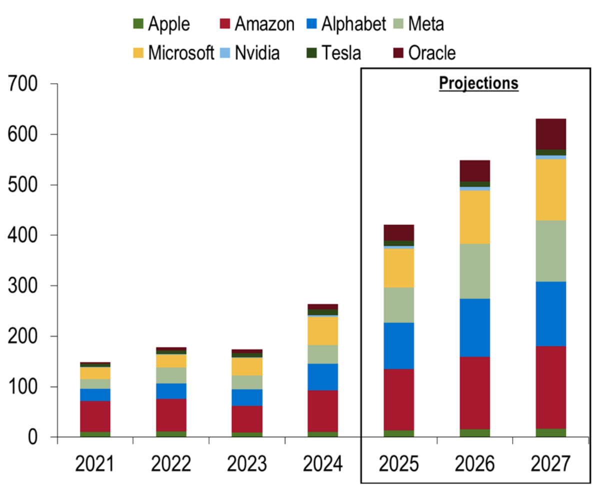
	Growth Y/Y	Growth Q/Q	Surprise
Apple	90.72	17.83	4.26
Amazon	35.62	15.79	27.26
Alphabet	35.05	24.03	27.45
Meta	-82.58	-85.16	-83.98
Microsoft	12.35	1.91	1.45
Nvidia	65.82	21.30	8.47
Tesla	-36.72	19.44	1.80
Oracle	-1.89	-14.75	0.39

- Five out of the Magnificent 7 recorded robust earnings growth in Q3 2025.
- Meta was the only company to miss consensus expectations in Q3 2025.

Source: Bloomberg Finance L.P.; FactSet; and IMF staff calculations.
Note: Chart 19 illustrates the percentage of S&P 500 company earnings disclosures that use each word – does not indicated sentiment. Results in the table refer to GAAP reported values.

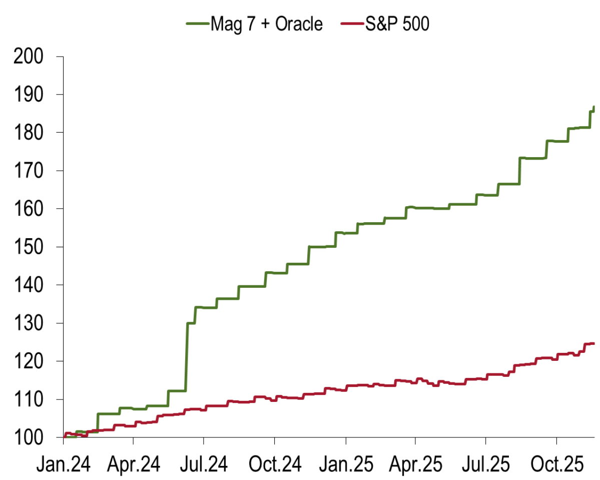
Mega Cap companies are expected to significantly increase capital expenditures to fund expansion of AI infrastructure…

21. AI Capex
(Billions USD)



…nonetheless, analysts continue to increase earnings expectations for these companies relative to the index.

22. 12-month Forward Earnings of AI Firms
(Normalized, Jan 1, 2024 = 100)



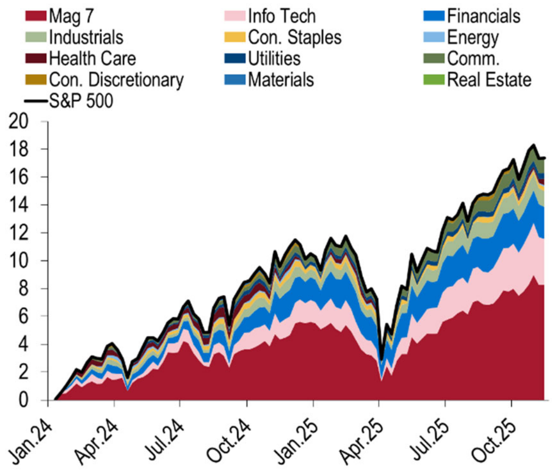
- Capital Expenditure in 2027 is projected to be twice as much as in 2024 for these companies.
- The expectation of increased capital expenditures has prompted some of these historically cash heavy firms to tap debt markets.
- Despite the expectation of increased capital expenditures along with future debt payments, analysts continue to increase expected earnings for these companies more than the index as a whole.

Source: Bloomberg Finance L.P.; and IMF staff calculations.
Note: In Chart 22 earnings for the Magnificent 7 + Oracle is the sum of 12-month forward net income.

The Magnificent 7 have accounted for 47% of the increase in S&P 500 market cap since 2023…

23. S&P 500 Market Cap

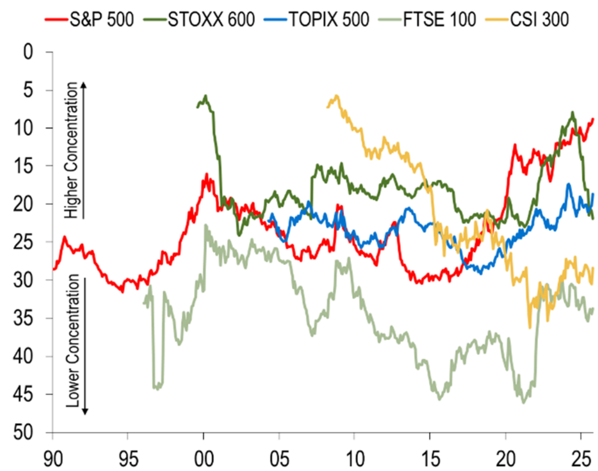
(Change, Trillions USD)



…driving up concentration risk relative to other major indexes.

24. Index Concentration

(Effective Percentage of Constituents)



- The Magnificent 7 accounted for 47% of the increase in S&P 500 market cap since 2023, and currently make up 33% of the index.
- 67% of the increase in S&P 500 market cap since 2023 was driven by the Magnificent 7 plus the rest of the Information Technology sector.
- Concentration in the S&P 500 is significantly higher than during the dotcom bubble.
- The S&P 500 has greater concentration relative to other major indexes based on the HHI.
- All indexes have experienced an increase in concentration since 2020.

Source: LSEG DataStream.; and IMF staff calculations.
Note: Chart 23 illustrates change in S&P 500 market cap by sector. Sectors remove market cap of companies included in the Magnificent 7. Chart 24 uses Herfindahl-Hirschman Index (HHI) to measure concentration risk. Inverse of HHI gives effective number of firms driving the index. We divide this value for each index by the number of constituents within the index to get a comparative value for concentration risk, effective percentage of constituents driving the index. Series start when data becomes available.

Model implied estimates of fair value indicate the S&P 500 is about 10 percent overvalued.

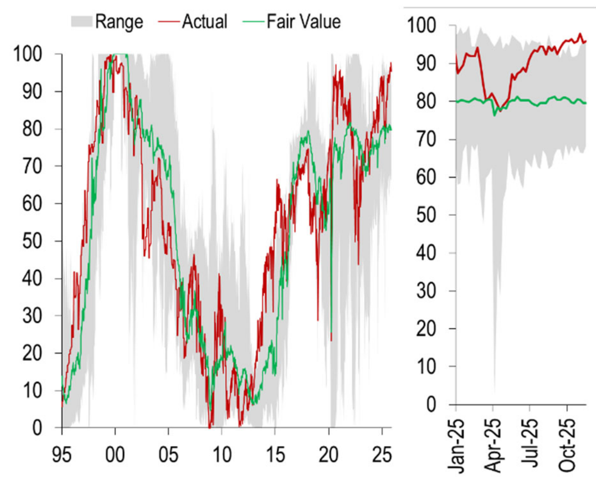
25. Model Implied S&P 500 12-month Forward Price-to-Earnings Ratio

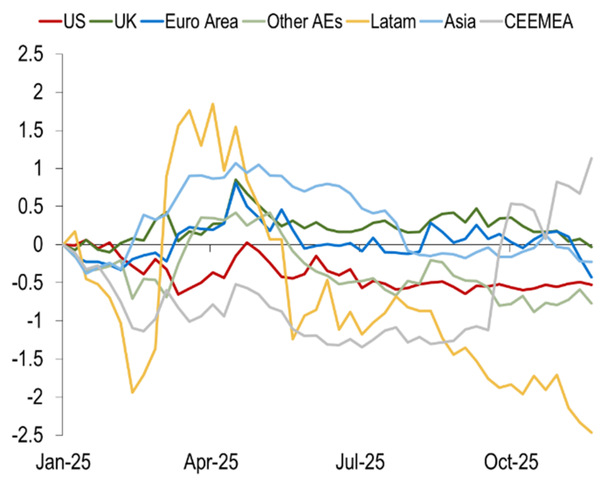
(Percentile since 1990)

Estimates reveal most regions experienced a compression of equity risk premium in 2025.

26. Equity Risk Premium

(Percentage point changes since Jan 1, 2025)





- The justified 12-month forward P/E ratio is around the 80th percentile compared to the actual 95th.
- The actual value of the S&P 500 has come back within the distribution of estimates.

- All regions except CEEMEA experienced a compression in equity risk premium in 2025.
- Equity risk premium in Latin America has seen the largest compression, contributing to regional outperformance in stock prices.

Source: Bloomberg Finance L.P.; LSEG DataStream; and IMF staff calculations.
Note: Chart 25 shows distribution of fair value estimates as per the *Online Annex 1.1 of October 2019 Global Financial Stability Report*, following previous literature, *Durham (2013)*. We extend the model by using a bootstrapping methodology to deliver 3,600 estimates at each point in time based on randomized sampling to obtain 50 weeks of the preceding five years of weekly data. Note that the R^2 weighted average fair value of this approach closely follows the mode of the distribution and R^2 weighted average fair value estimate of using the entire preceding five years of weekly data – although the distribution/number of estimates is much smaller. Fair value estimates are divided by 12-month forward expected earnings per share and converted to percentiles based on actual 12-month forward price-to-earnings ratio, see Chart 12, since 1990. Chart 26 shows weekly percentage point changes in equity risk premium estimates calculated using a dividend discount model, as per *Dison and Rattan (2017),* since January 1, 2025. US = S&P 500; UK = FTSE 100 Index; Euro Area is the median of Germany (DAX Index), France (CAC 40 Index), Netherlands (AEX Index), Finland(OMXH Helsinki 25 Index), Belgium(Bel 20 Index), Italy(FSTEMIB Index), Spain(IBEX 35 Index), Portugal(MSCI Portugal Index), and Ireland(MSCI Ireland Index); Other AEs is the median of Japan(Topix 100 Index), Denmark(OMX Copenhagen Index), Sweden(OMX Index), Norway(OSLO Index), Switzerland(SMI Index), Australia(S&P/ASX 200), New Zealand(MSCI New Zealand Index), Canada(S&P/TSX 300), Israel(MSCI Israel Index), and Korea(KOSPI Index); Latam is the median of Brazil(MSCI Brazil Index), Mexico(MSCI Mexico Index), Colombia(MSCI Colombia Index), and Chile(MSCI Chile Index); Asia is the median of Malaysia(KLCI Index), China(CSI 300 Index), Indonesia(Jakarta Index), Philippines(MSCI Philippines Index), India(Nifty Fifty Index), and Thailand(SET Index); CEEMEA is the median of Hungary(BUX Index), South Africa(MSCI South Africa Index), Poland(MSCI Poland Index), and Czech Republic(MSCI Czech Republic Index).

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[i] Data updated as of November 19, 2025, unless otherwise stated in figure footnotes.