

S&P 500 Foreign Sales Report: Sales to Asia Rise, U.K. Moves Lower, Taxes Paid to U.S. Climbs Dramatically

New York, July 14, 2015 – S&P Dow Jones Indices (“S&P DJI”), one of the world’s leading index providers, announced today that, for S&P 500® companies with full reporting information for 2014, the percentage of sales from foreign countries increased after five years of stagnation.

According to S&P DJI’s annual **S&P 500 Foreign Sales Report**, the percentage of S&P 500 sales coming from outside of the U.S. equated to 47.82% in 2014, up from 46.29% in 2013 and 46% for each of the previous four years (2009-2012).

Additional findings from the Report include:

On Geographical Basis

- European sales rebounded in 2014, accounting for 7.46% of all S&P 500 sales, up from the prior year’s 6.80%, which had declined from 2012’s 9.69% rate.
- Sales in the U.K. declined for the fourth year in a row to 0.89% from 1.12% in 2013, 1.73% in 2012, and 2.39% in 2011.
- European ex-U.K. sales represented 6.58% of all S&P 500 sales in 2014, increasing from 5.69% in 2013, but still down from the 7.97% level posted in 2012.
- Asian sales continued to increase, but at a slower pace.
- 7.80% of S&P 500 sales came from Asia, up from 7.71% in 2013 and 7.46% in 2012.
- Canadian sales increased to 3.51%, from the prior year’s 2.23% rate, but they were still short of the 4.10% rate in 2012.
- African declared sales increased to 4.09% from the 3.55% calculated for 2013 and 2012.

Sector Sales

- Information technology continued to be the most successful (and exposed) sector in terms of foreign sales. In 2014, 59.4% of its declared sales were foreign, up from 56.6% in 2013. The sector’s representation rebounded to 18.3% of all foreign sales, up from 2013’s 14.8% but still shy of the 2011 19.0% rate.
- Sales for utilities and telecommunications remained mostly domestic, with little reporting.

Taxes

- In 2014, S&P 500 companies continued to send more payments to Washington for income taxes than they did to foreign governments.
- The percentage of income tax payments going to the U.S. jumped to 61.8% of declared amounts, up from 54.9% in 2013 and 51.2% in 2012, with 38.2% of taxes being sent to foreign governments in 2014, down from 45.1% in 2013 and 48.8% in 2012.
- Actual payments to Washington increased 17.4% in 2014 to USD 185.2 billion from 2013’s USD 157.7 billion, as payments abroad declined 11.8% to USD 114.2 billion from USD 129.5 billion.

Quality of Reporting

- The quantifiable data released with respect to foreign sales by issues for 2014 slightly improved, after a noticeable deterioration in 2013. Still, over half of the S&P 500 issues did not report sufficient information to facilitate producing a complete report on global sales.
- Of the issues that did declare foreign sales, 46.4% of them used a term similar to “foreign country”, giving little breakdown of the area or country of the sales.

“Sales to Asia continue to increase, albeit at a slower rate than years past, but still remains larger than Europe,” says **Howard Silverblatt, Senior Index Analyst at S&P Dow Jones Indices and author of the report.** “Sales to Africa substantially increased; however, growth of the middle-class has been slower than hoped for, and as a result, expected sales could be less than planned for and have a negative impact on future profitability.”

Given the ongoing debate and discussion of corporate domestic and foreign tax rates and policy, as well as inversions, one key question is this: **If sales are almost evenly split between the U.S. and foreign markets, why are the taxes currently so lopsided?** S&P DJI’s Silverblatt has the following take:

“The initial answer could be that U.S. tax rates are much higher than foreign tax rates. As a result, the taxes due on nearly comparable incomes are greater in the U.S. However, since companies do not report full net attributed incomes, this belief, in a time when the information is sorely needed by policy makers, is unsubstantiated.”

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

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