

S&P 500 Foreign Sales Decline to 43.2%, at Lowest Level Since 2003

NEW YORK, JULY 20, 2017: S&P Dow Jones Indices today announced that, for **S&P 500®** companies with full reporting information for 2016, the percentage of sales from foreign countries decreased to levels last seen in 2003.

According to S&P Dow Jones Indices' annual **S&P 500 Foreign Sales Report**, the percentage of products and services produced or sold by S&P 500 companies outside the U.S. equated to 43.2% for 2016, down from 44.3% for 2015, 47.8% for 2014 and the 46% average from 2009-2013; for 2003, it was 41.8%.

Additional findings from the report include:

Geographic Breakdown

- Asia became the dominant region, accounting for 8.46% of all S&P 500 sales, up from 6.77% for 2015 and 7.80% for 2014.
- European sales continued to increase, but was outpaced by Asia and fell to second place for the highest regional sales. For 2016, European sales increased to 8.13%, up from 7.79% for 2015 and 7.46% for 2014. The U.K., which is part of European sales, declined to 1.10% after last year's increase to 1.86%; sales in the region were at 0.89% for 2014, 1.12% for 2013 and 1.73% for 2012.
- Sales in Japan increased to 1.52%, up from 1.15% for 2015.
- Sales to Mexico declined to 0.12%, down from 0.26% for 2015.
- Sales to Canada rebounded to 2.67% for 2016. The increase follows the significant decline for 2015 to 1.17% from 3.51% for 2014; oil-related sales were seen as a contributing factor to the 2016 increase.

Sector Analysis

- Energy continued having the highest foreign sales percentage, even as its domestic sales fell. The sector reported 58.88% of its sales as foreign, up from 57.88% for 2015 and 56.23% for 2014.
- Information Technology's exposure declined to 57.15% for 2016, down from 57.78% for 2015. For 2014, the sector posted 59.39% in foreign sales.
- In terms of sector-level representation of total foreign sales, Consumer Staples sales comprised 18.49%, up from 14.08% for 2015. The sector overtook Information Technology, which accounted for 16.48% of all sales and declined from its leading position of 21.93% for 2015.

Corporate Payments

- For 2016, S&P 500 companies continued to send more payments to Washington for income taxes than they did to foreign governments; however, the percentage of taxes going to the U.S. declined for the first time since 2011.
- S&P 500 companies sent 65.2% of their declared income tax payments to Washington, down from 66.8% for 2015 and 61.8% for 2014.
- S&P 500 companies sent 34.8% of their tax payments to foreign governments for 2016, up from 33.2% for 2015 and down from 38.2% for 2014.
- Payments to Washington decreased 13.0% for 2016 to \$160.5 billion, down from \$184.4 billion for 2015 and \$185.2 billion for 2014; payments abroad declined at a slower rate, down 6.3% to \$85.6 billion from \$91.4 billion for 2015, when it declined 19.9% from \$114.2 billion for 2014.

Quality of Reporting

- Just over half of S&P 500 issues (257) reported sufficient information to facilitate a report on global sales for 2016. Of the issues that did declare foreign sales, 40.6% of them used a term similar to "foreign country," giving little breakdown of the area or country of the sales.
- Given the ongoing and expected Congressional evaluation of corporate domestic and foreign tax rates and policies, as well as inversions, more data disclosure could help the discussion.

“While both Asian and European sales continue to increase, Asia sales are growing at a faster rate,” said **Howard Silverblatt, Senior Index Analyst at S&P Dow Jones Indices** and author of the report. “Asia growth combined with perceived increases in services and component manufacturing may be setting the forward trend.”

“Noticeably, the percentage of U.S. income taxes paid to Washington declined for the first time since 2011. Given the current debate on companies’ foreign operations, domestic and foreign employment levels and discussion around tax reform and repatriation, the decline should be noted.”

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

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