

## Zacks Earnings Trends

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### The Q3 Earnings Season Kicks Off

#### Here are the key points:

- There has been a notable improvement in the earnings outlook in recent months, with positive revisions for several key sectors since the start of Q2 helping offset continued pressure on estimates for others. These cross-currents have helped keep the overall earnings picture essentially unchanged since April 2023.
  - For 2023 Q3, total S&P 500 earnings are currently expected to be down -2.0% from the same period last year on +0.6% higher revenues, the 4<sup>th</sup> back-to-back quarter of declining earnings for the index.
  - The -2.0% decline in Q3 earnings would follow year-over-year declines of -7.1% in 2023 Q2, -3.4% in 2023 Q1, and -5.4% in 2022 Q4.
  - Excluding the drag from the Energy sector, whose earnings are expected to decline -36.7% in Q3, earnings for the other 15 Zacks sectors in the S&P 500 index would be up +2.9% on +3.2% higher revenues.
  - Estimates for 2023 Q3 held up much better than had been the case in the comparable periods of other recent quarters. In fact, Q3 earnings estimates in the aggregate were barely down since the start of the period, with estimates modestly up when negative revisions to the Energy or Finance sector estimates are excluded.
  - Q3 earnings estimates increased for 6 of the 16 Zacks sectors since the quarter began. These include Tech, Construction, Autos, Medical, Retail and Industrials.
  - Basic Materials, Energy, Aerospace, Transportation, Conglomerates, and Consumer Discretionary are some of the sectors suffering negative estimate revisions, though estimates for the Energy sector have started moving back up lately.
  - Q3 earnings are expected to be above the year-earlier level for 8 of the 16 Zacks sectors, with the strongest growth in the Aerospace, Consumer Discretionary, Retail, and Tech sectors.
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- For the 17 S&P 500 companies that have already reported results in recent days for their fiscal quarters ending in August that we count as part of the Q3 tally, total earnings are up +0.6% on +4.02% higher revenues, with 82.4% beating EPS estimates and 70.6% beating revenue estimates.
- This is a better earnings and revenue growth pace for these 17 index members relative to what we have seen from the group in other recent periods.
- Looking at the calendar-year picture, total S&P 500 earnings are expected to rebound +11.9% next year after the modest decline in 2023.
- The implied 'EPS' for the S&P 500 index, calculated using the current 2023 P/E of 19.8X and index close, as of October 3rd, is \$213.19, compared to \$220.45 in 2022 and \$208.23 in 2021. Using the same methodology, the index 'EPS' works out to \$238.53 in 2024 (P/E of 17.7X). The multiples have been calculated using the index's total market cap and aggregate bottom-up earnings for each year.

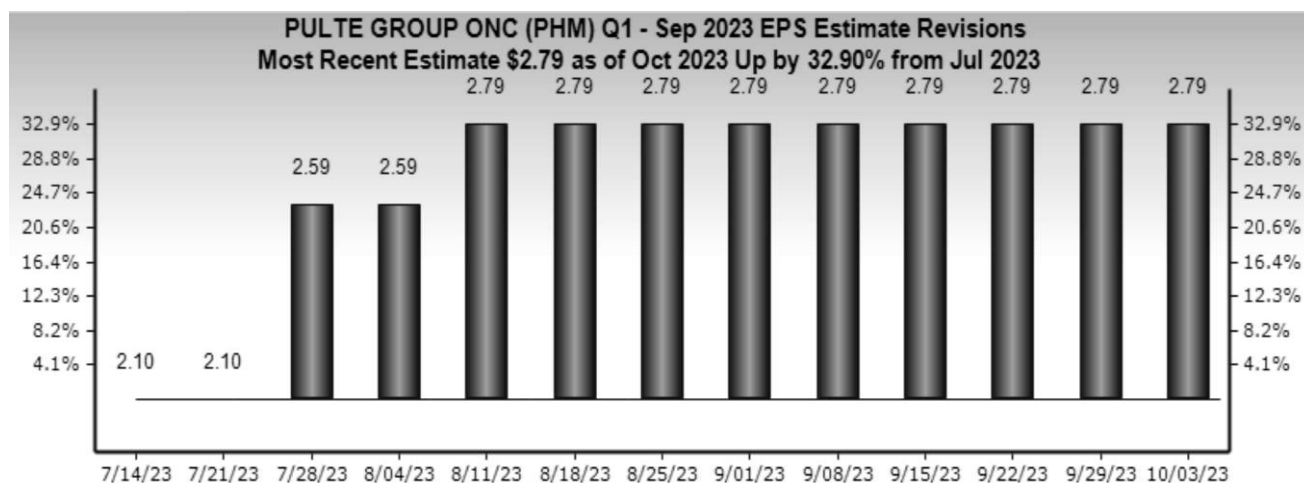
We have regularly been flagging the steady improvement in the revisions trend since April 2023, with the trend becoming more entrenched in recent months. In order to see this improvement, we have to look below the index level to appreciate the cross-current in estimates at the sector levels.

The aggregate Q3 earnings estimate for the S&P 500 index has declined about -0.1% since the start of the period, with rising estimates for six sectors, including the Tech sector, offsetting continued weakness of varying magnitudes in the remaining sectors. Had it not been for weakness in the Energy or Finance sector estimates, the revisions trend for Q3 for the S&P 500 index would be modestly positive since the start of the period.

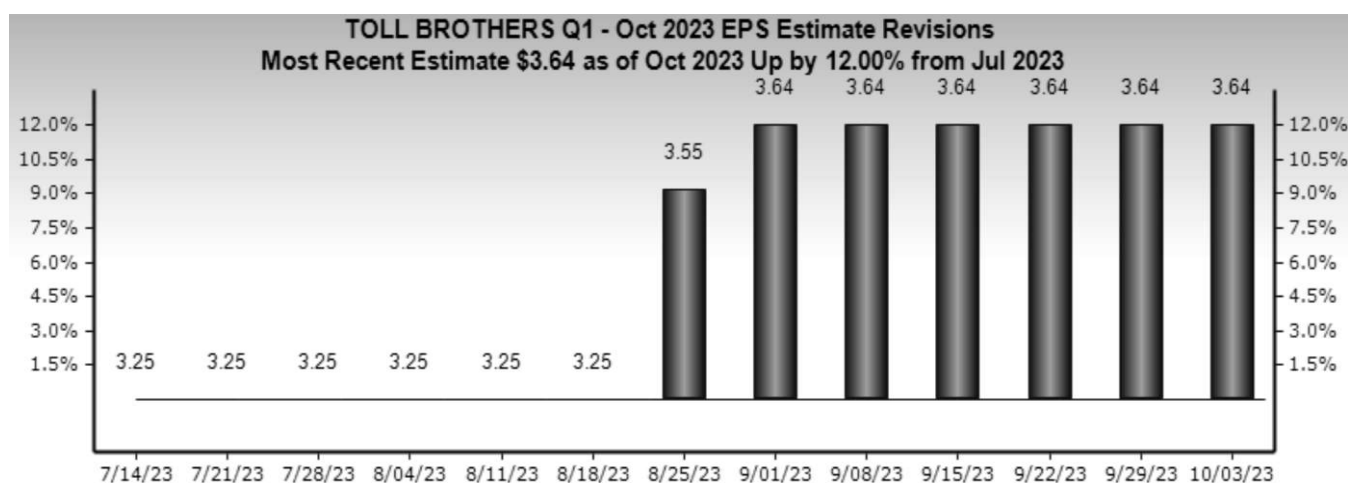
In addition to the Tech sector, Q3 estimates have moved higher for the Construction, Autos, Medical, Retail, and Industrials sectors.

For the Construction sector, you can see this favorable revisions trend in estimates for homebuilders like PulteGroup (PHM), KB Home (KBH), and Toll Brothers (TOL).

The chart below shows the revisions trend for PulteGroup, with the current \$2.79 EPS estimate for Q3 up from \$2.59 on August 4<sup>th</sup> and \$2.10 on July 14<sup>th</sup>.

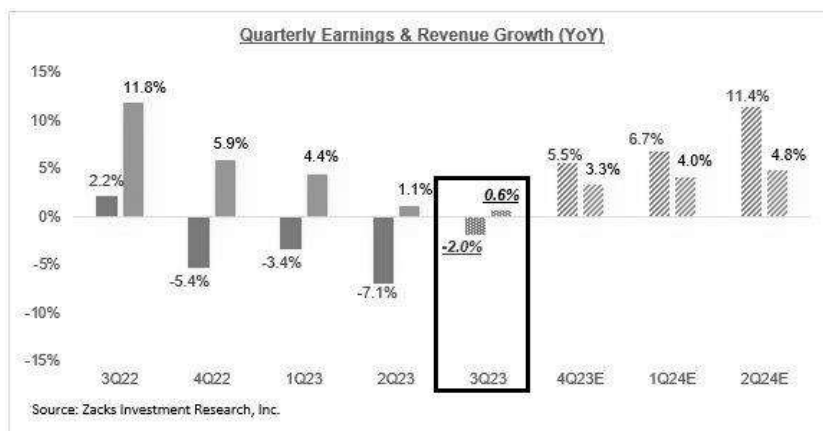


The chart below shows the revisions trend for Toll Brothers, with the current \$3.64 EPS estimate for Q3 up from \$3.55 on August 25<sup>th</sup> and \$3.25 on July 14<sup>th</sup>.



PulteGroup and Toll Brothers shares are up +58.2% and +42.7% this year, handily outperforming the broader market's +11.5% gain. While these stocks have lost ground in recent days in response to the rising treasury yields, it will be interesting what happens to the revisions should rates continue going up.

The chart below shows the overall earnings picture on a quarterly basis.



As you can see from these quarterly earnings-growth expectations, the long-feared recession doesn't show up in this near-term earnings outlook. A big-picture view of corporate profitability on a long-term basis doesn't leave much room for a recession either, as you can see in the chart below.



Given the emerging consensus on the 'soft-landing' outlook for the economy, one can expect this favorable turn in the overall earnings picture to strengthen further as companies report Q3 results and share trends in underlying business.

## The Report in Detail

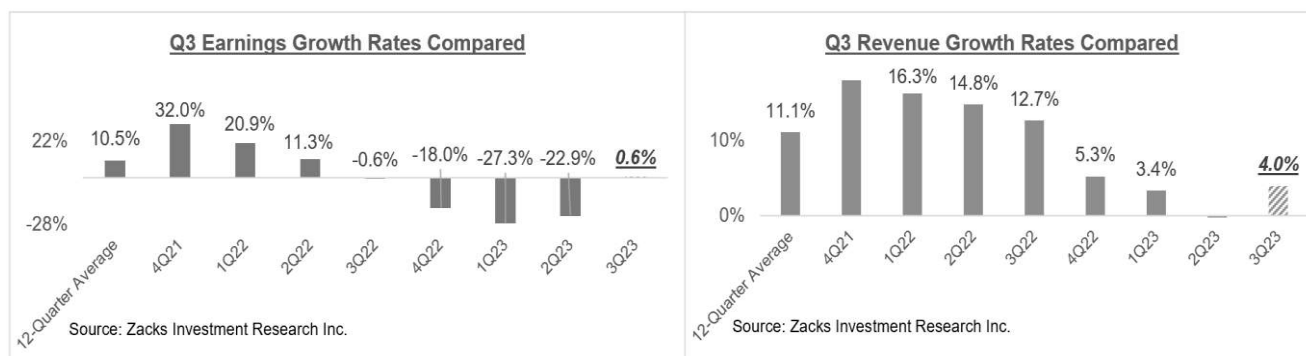
Note: This report has six sections. The first section, titled Q3 Earnings Season Scorecard, provides a real-time update of the earnings season, puts the results thus far in a historical context, and highlights the major sectors. The second section, titled the Blended Picture, presents the composite or blended Q3 expectations by combining the actual results that have come out with estimates for the still to come companies. The Third section, titled the Context, puts the blended Q3 expectations in the context of what was reported in the preceding quarters and what is expected in the coming quarter(s). This section provides both earnings and revenues on a quarterly basis, both the dollar amounts as well as the year-over-year growth rates. The fourth section, titled Annual Data, presents the earnings and revenues data on an annual basis. The fifth section, titled Small-Cap Earnings, presents the earnings picture for the S&P 600 index. The final section visually presents the market capitalization and earnings contribution of the 16 Zacks sectors.

## Section 1 – 2023 Q3 Earnings Season Scorecard

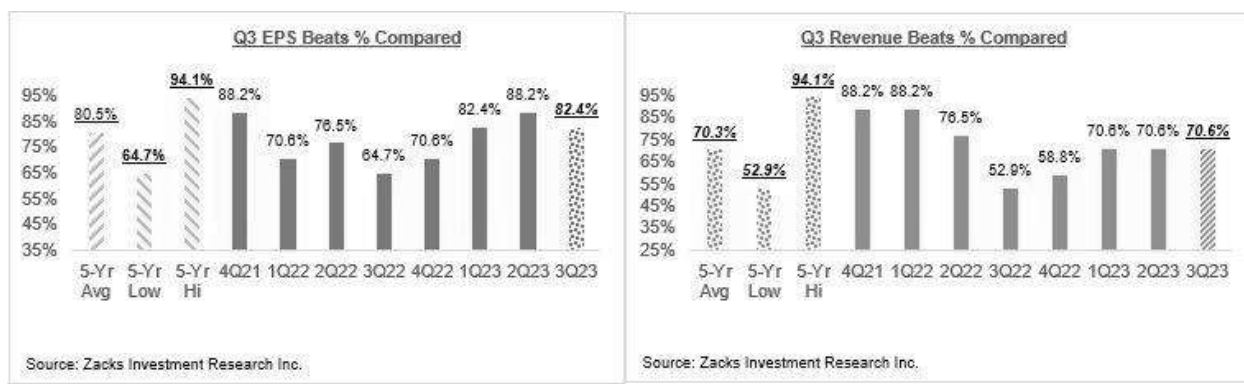
Oracle became the first S&P 500 company report to Q3 results after it came out with its results for the fiscal period ending in August on September 11<sup>th</sup>. Since the Oracle release, we have seen fiscal August-quarter results from Adobe, AutoZone, Lennar, General Mills, and others. In total, we have seen such August-quarter results from 17 S&P 500 members, which we count as part of our September quarter tally.

For the 17 S&P 500 companies that have reported Q3 results, total earnings are up +0.6% from the same period last year on +4.0% higher revenues, with 82.4% beating earnings and 70.6% beating revenue estimates.

This is too small a sample size to draw any conclusions from, but the comparison charts below put the Q3 earnings and revenue growth rates in a historical context.



The comparison charts below put the Q3 EPS and revenue beats percentages for these 17 index members in a historical context.



## Section 2 – The Blended Picture

Total Q3 earnings or aggregate net income for the S&P 500 index are expected to be down -2.0% from the same period last year on +0.6% higher revenues. The summary table below shows the blended or composite Q3 expectations and the actuals for the preceding period (2023 Q2).

Zacks Sectors	S&P 500 Summary Picture					
	Year-over-Year Growth					
	Earnings		Revenues		Margins	
	3Q23	2Q23	3Q23E	2Q23	3Q23E	2Q23
Cons. Staples	-0.2%	4.2%	5.3%	5.5%	-0.67%	-0.2%
Cons. Discretionary	41.1%	26.1%	7.2%	8.3%	2.40%	1.2%
Retail/Wholesale	13.1%	21.4%	5.3%	5.0%	0.33%	0.72%
Medical	-12.1%	-29.0%	5.0%	5.7%	-1.85%	-3.9%
Autos	-11.5%	25.1%	6.0%	22.6%	-1.29%	0.2%
Basic Materials	-26.4%	-34.3%	-11.5%	-15.6%	-1.81%	-3.0%
Industrial Products	1.4%	19.7%	1.8%	5.8%	-0.05%	1.7%
Construction	-6.6%	-10.5%	3.4%	4.5%	-1.38%	-2.2%
Conglomerates	-12.4%	-14.2%	-11.0%	-8.1%	-0.18%	-0.9%
Technology	11.0%	4.9%	3.1%	1.6%	1.57%	0.7%
Aerospace	57.2%	-1.6%	8.4%	11.7%	1.82%	-1.0%
Oil/Energy	-36.7%	-49.3%	-21.2%	-28.3%	-2.75%	-4.2%
Finance	4.5%	4.2%	2.0%	11.5%	0.41%	-1.2%
Utilities	6.3%	-2.6%	-1.0%	-3.9%	1.06%	0.2%
Transportation	-18.1%	4.0%	-4.3%	-4.8%	-1.36%	0.9%
Business Services	3.8%	6.5%	5.3%	5.7%	-0.31%	0.2%
<b>S&amp;P 500</b>	<b>-2.0%</b>	<b>-7.1%</b>	<b>0.6%</b>	<b>1.1%</b>	<b>-0.32%</b>	<b>-1.04%</b>
ex Finance	-3.3%	-9.2%	0.4%	-0.3%	-0.4%	-1.1%
ex Oil/Energy	2.9%	-0.8%	3.2%	4.9%	-0.05%	-0.7%
ex Tech	-5.9%	-10.6%	0.9%	1.1%		

Source: Zacks Investment Research, Inc.  
Data as of: 10/4/23

Note: Here are a few key points to keep in mind while reading this table.

- All the earnings analysis in this report pertains to the S&P 500 index, a handy proxy for the entire business world. We use the index's current membership as the basis for all period comparisons, meaning that even historical periods reflect the index's current membership.
- We divide the corporate world into 16 sectors compared to the official S&P 11 GICS. We have stand-alone sectors like Autos, Construction, Conglomerates, Aerospace, Transportation and Business Services that provide for a better understanding of trends in these key areas of the economy.
- All references to 'earnings' mean 'total earnings' or 'aggregate net income' and not 'mean or median EPS'.
- We make adjustments to reported GAAP earnings to account for non-recurring or one-time items, but we do consider employee stock options (ESOs) as a legitimate business expense. Unlike Zacks, Wall Street and all other data vendors don't treat ESO's as a recurring business expense.

Half of the 16 Zacks sectors are expected to earn less in 2023 Q3 relative to the year-earlier period. These include Cons. Staples (-0.2%), Medical (-12.1%), Autos (-11.5%), Basic Materials (-26.4%), Construction (-6.6%), Conglomerates (-12.4%), Oil/Energy (-36.7%), and Transportation (-18.1%).

On the positive side, 8 of the 16 Zacks sectors are projected to post growth, including Cons. Discretionary (+41.1%), Retail (+13.1%), Industrial Products (+1.4%), Technology (+11.0%), Aerospace (+57.2%), Finance (+4.5%), Utilities (+6.3%), and Business Services (+3.8%).

The chart nearby shows the absolute quarterly dollar total for 2023 Q3 for the index as a whole in the context of what was actually achieved in the last eight periods and what is expected in the following three quarters.



As you can see above, the 2023 Q1 tally is expected to serve as a trough, with the trend expected to remain positive throughout 2023 Q3 and Q4.

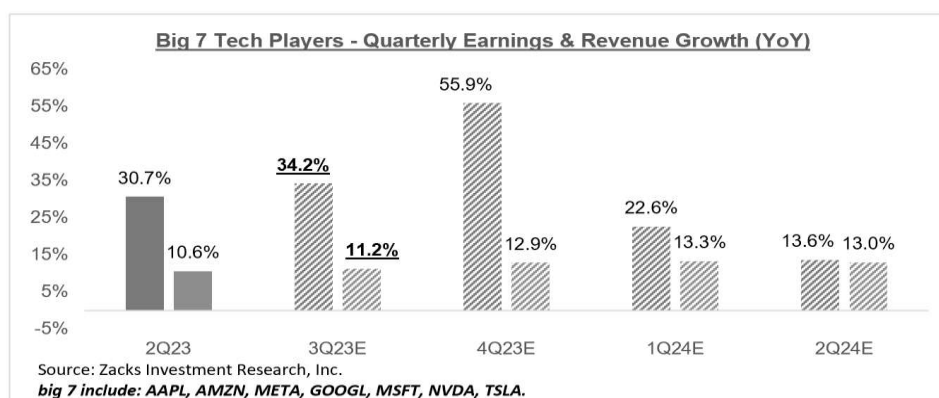
Total **Tech sector** earnings are expected to grow +11.0% in Q3 on +3.1% higher revenues, which follows earnings growth of +4.9% on +1.6% higher revenues in the preceding quarter (2023 Q2). The Tech sector's growth pace is expected to continue and remain positive from 2023 Q3 onwards, as we can see below.



### The Big 7 Tech Players

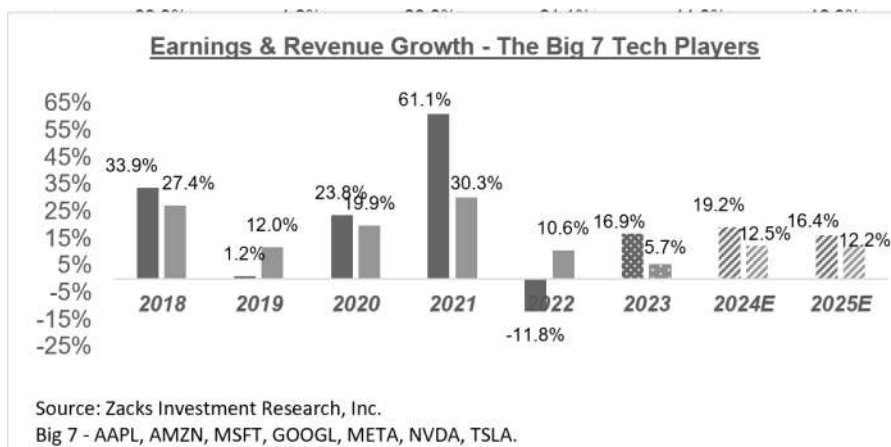
Microsoft, Alphabet, Meta, and Nvidia are part of what we call the 'Big 7 Tech Players', with Apple, Tesla, and Amazon as the remaining club members. These mega-cap players have led the market's surge this year, though the rally has recently expanded beyond these seven stocks.

Q3 earnings for the group are expected to be up +34.2% from the same period last year on +11.2% higher revenues, as the chart below shows.

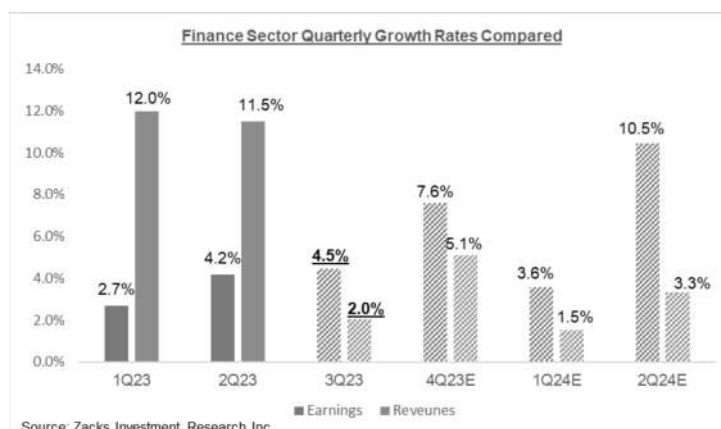




The chart below shows the group’s earnings picture on an annual basis.



**Finance sector** earnings are expected to be up +4.5% on +2.0% higher revenues in Q3, which follows earnings growth of +4.2% on +11.5% higher revenues in 2023 Q2.



The chart below shows the Finance sector’s earnings picture on an annual basis.



**Section Three - The Context**

Let's take a look at earnings expectations for 2023 Q3 compared to what companies earned in the last few quarters and what they are expected to earn in the coming quarters.

**Table 2 – Earnings Growth Context**

Zacks Sectors	Earnings Growth (YoY)								
	2Q24E	1Q24E	4Q23E	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22
Consumer Staples	6.1%	7.8%	5.9%	<b>-0.2%</b>	4.2%	-2.0%	-1.4%	1.3%	4.8%
Consumer Discrt	17.8%	22.1%	30.3%	<b>41.1%</b>	26.1%	34.9%	29.8%	24.9%	20.4%
Retail	7.5%	10.9%	18.0%	<b>13.1%</b>	21.4%	3.5%	-29.2%	-5.2%	-20.7%
Medical	25.5%	4.4%	0.1%	<b>-12.1%</b>	-29.0%	-19.4%	-6.7%	-3.3%	7.3%
Auto/Tires/Trks	-7.8%	-9.5%	-21.5%	<b>-11.5%</b>	25.1%	10.4%	58.1%	31.4%	37.2%
Basic Materials	-3.3%	-13.5%	-12.9%	<b>-26.4%</b>	-34.3%	-29.4%	-26.9%	-18.0%	19.3%
Industrial Prod	1.6%	6.3%	7.7%	<b>1.4%</b>	19.7%	17.0%	16.4%	20.1%	12.0%
Construction	4.3%	7.3%	-0.2%	<b>-6.6%</b>	-10.5%	-19.1%	6.1%	22.3%	21.4%
Conglomerates	16.6%	7.9%	-10.7%	<b>-12.4%</b>	-14.2%	-9.2%	11.8%	2.3%	11.1%
Computer & Tech	12.2%	16.8%	17.4%	<b>11.0%</b>	4.9%	-10.2%	-16.6%	-13.8%	-7.9%
Aerospace	21.1%	21.1%	18.4%	<b>57.2%</b>	-1.6%	15.7%	160.6%	-50.9%	-7.3%
Oils/Energy	16.8%	-11.9%	-22.5%	<b>-36.7%</b>	-49.3%	15.5%	54.1%	N/M	N/M
Finance	10.5%	3.6%	7.6%	<b>4.5%</b>	4.2%	2.7%	-17.6%	-9.2%	-18.8%
Utilities	4.8%	4.5%	13.9%	<b>6.3%</b>	-2.6%	-0.8%	7.5%	-6.3%	-0.5%
Transportation	-5.1%	6.1%	-7.9%	<b>-18.1%</b>	4.0%	56.9%	N/M	N/M	N/M
Business Svcs	10.8%	9.4%	5.7%	<b>3.8%</b>	6.5%	2.4%	7.6%	9.3%	15.4%
<b>S&amp;P 500</b>	<b>11.4%</b>	<b>6.7%</b>	<b>5.5%</b>	<b>-2.0%</b>	<b>-7.1%</b>	<b>-3.4%</b>	<b>-5.4%</b>	<b>2.2%</b>	<b>7.9%</b>
Excluding Finance	11.6%	7.4%	5.1%	<b>-3.3%</b>	-9.2%	-4.8%	-2.6%	4.8%	15.3%
Excluding Oil	11.0%	8.5%	8.7%	<b>2.9%</b>	-0.8%	-5.0%	-9.4%	-5.1%	-2.5%

Source: Zacks Investment Research, Inc.

Data as of: October 4, 2023

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**Note – N/M** means 'not meaningful', reflecting that the year-over-year change from negative earnings in 2020 Q2 to positive earnings in 2021 Q2.

Table 3 – Revenue Growth Context

Zacks Sectors	Revenue Growth (YoY)								
	2Q24E	1Q24E	4Q23E	3Q23E	2Q23	1Q23	4Q22	3Q22	2Q22
Cons. Staples	4.0%	5.3%	4.9%	<b>5.3%</b>	5.5%	5.5%	6.5%	7.7%	8.2%
Cons. Discretionary	3.6%	4.2%	4.8%	<b>7.2%</b>	8.3%	17.8%	15.1%	17.2%	23.8%
Retail/Wholesale	4.5%	4.6%	5.7%	<b>5.3%</b>	5.0%	5.5%	6.0%	8.3%	7.4%
Medical	5.2%	4.7%	4.8%	<b>5.0%</b>	5.7%	4.0%	4.4%	4.8%	9.5%
Autos	0.5%	3.8%	0.4%	<b>6.0%</b>	22.6%	18.2%	24.4%	32.7%	24.5%
Basic Materials	1.7%	-2.7%	-4.1%	<b>-11.5%</b>	-15.6%	-9.0%	-5.6%	5.9%	18.4%
Industrial Products	4.1%	3.3%	3.2%	<b>1.8%</b>	5.8%	9.8%	9.8%	14.6%	10.9%
Construction	4.7%	3.3%	2.8%	<b>3.4%</b>	4.5%	2.8%	9.8%	16.8%	17.3%
Conglomerates	4.9%	3.1%	-10.7%	<b>-11.0%</b>	-8.1%	-8.1%	3.7%	2.9%	1.8%
Technology	8.6%	8.4%	6.9%	<b>3.1%</b>	1.6%	-2.8%	-3.0%	2.5%	2.4%
Aerospace	6.5%	7.7%	6.0%	<b>8.4%</b>	11.7%	9.7%	12.5%	4.2%	-1.7%
Oil/Energy	4.4%	-0.8%	-8.1%	<b>-21.2%</b>	-28.3%	-4.0%	16.1%	51.6%	78.4%
Finance	3.3%	1.5%	5.1%	<b>2.0%</b>	11.5%	12.0%	3.6%	7.8%	5.1%
Utilities	5.4%	1.7%	1.8%	<b>-1.0%</b>	-3.9%	11.8%	8.6%	15.0%	14.8%
Transportation	2.8%	2.3%	-0.6%	<b>-4.3%</b>	-4.8%	5.0%	9.0%	20.7%	32.5%
Business Services	5.9%	5.4%	5.8%	<b>5.3%</b>	5.7%	6.7%	6.8%	10.9%	13.2%
<b>S&amp;P 500</b>	<b>4.8%</b>	<b>4.0%</b>	<b>3.3%</b>	<b>0.6%</b>	<b>1.1%</b>	<b>4.4%</b>	<b>5.9%</b>	<b>11.8%</b>	<b>14.3%</b>
ex Finance	5.0%	4.3%	3.0%	<b>0.4%</b>	-0.3%	3.4%	6.2%	12.4%	15.6%
ex Oil/Energy	4.8%	4.4%	4.5%	<b>3.2%</b>	4.9%	5.3%	4.9%	8.4%	9.2%

Source: Zacks Investment Research, Inc.

Data as of: October 4, 2023

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The next two tables present the same data in a different format – instead of year-over-year growth rates, we have the dollar level of total earnings and revenues for each of these quarters.

Table 4 – Total Quarterly Earnings

Zacks Sectors	Quarterly Earnings (billion dollars)								
	2Q24E	1Q24E	4Q23E	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22
Cons. Staples	28.4	25.9	25.0	<b>25.4</b>	26.8	24.0	23.6	25.4	25.7
Cons. Discretionary	17.1	15.2	15.5	<b>17.0</b>	14.5	12.5	11.9	12.080	11.5
Retail/Wholesale	40.6	33.0	34.6	<b>35.3</b>	37.7	29.8	29.3	31.2	31.1
Medical	67.6	67.1	65.9	<b>63.5</b>	53.9	64.3	65.8	72.3	75.8
Autos	10.3	9.9	8.8	<b>8.8</b>	11.2	11.0	11.2	9.9	9.0
Basic Materials	11.0	9.7	9.7	<b>9.3</b>	11.4	11.2	11.1	12.7	17.3
Industrial Products	13.8	13.2	11.4	<b>12.2</b>	13.6	12.4	10.6	12.1	11.3
Construction	7.0	5.1	6.2	<b>6.9</b>	6.7	4.8	6.2	7.4	7.5
Conglomerates	5.8	5.1	5.9	<b>4.8</b>	5.0	4.7	6.6	5.4	5.8
Technology	138.6	133.2	145.1	<b>126.1</b>	123.5	114.0	123.5	113.5	117.7
Aerospace	7.9	7.1	8.0	<b>5.4</b>	6.5	5.9	6.7	3.4	6.6
Oil/Energy	38.7	37.2	37.0	<b>38.2</b>	33.2	42.2	47.8	60.4	65.4
Finance	95.2	91.0	82.6	<b>86.9</b>	86.2	87.8	76.7	83.1	82.7
Utilities	11.3	14.5	11.8	<b>16.2</b>	10.8	13.9	10.4	15.2	11.1
Transportation	12.9	7.4	10.1	<b>9.9</b>	13.6	6.9	11.0	12.1	13.0
Business Services	21.3	19.5	19.8	<b>18.7</b>	19.3	17.8	18.7	18.0	18.1
<b>S&amp;P 500</b>	<b>527.6</b>	<b>494.1</b>	<b>497.2</b>	<b>484.6</b>	<b>473.7</b>	<b>463.2</b>	<b>471.1</b>	<b>494.4</b>	<b>509.7</b>
ex Finance	432.4	403.2	414.7	<b>397.7</b>	387.6	375.4	394.4	411.2	427.0
ex - Oil	488.9	456.9	460.2	<b>446.4</b>	440.6	421.0	423.4	434.0	444.4

Source: Zacks Investment Research, Inc.

Data as of:

October 4, 2023

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Table 5 – Total Quarterly Revenues

Zacks Sectors	Quarterly Revenues (billion dollars)								
	2Q24E	1Q24E	4Q23E	3Q23E	2Q23	1Q23	4Q22	3Q22	2Q22
Cons. Staples	218.1	204.7	217.7	<b>208.8</b>	209.7	194.4	207.4	198.3	198.8
Cons. Discretionary	173.9	167.8	176.6	<b>170.8</b>	167.7	160.9	168.5	159.4	154.9
Retail/Wholesale	740.3	715.1	763.7	<b>731.6</b>	708.4	683.6	722.5	694.7	675.0
Medical	709.6	691.9	689.2	<b>671.2</b>	674.8	660.7	657.5	639.0	638.2
Autos	143.8	137.3	137.9	<b>135.0</b>	143.1	132.2	137.4	127.4	116.7
Basic Materials	108.2	103.7	104.9	<b>104.1</b>	106.3	106.6	109.4	117.7	126.0
Industrial Products	98.7	96.4	90.1	<b>93.6</b>	94.8	93.3	87.3	91.9	89.6
Construction	55.0	46.6	51.4	<b>53.6</b>	52.5	45.1	50.0	51.8	50.2
Conglomerates	42.5	39.7	42.3	<b>39.4</b>	40.5	38.5	47.4	44.3	44.1
Technology	604.7	596.1	632.9	<b>570.6</b>	556.8	549.8	591.9	553.3	548.0
Aerospace	98.4	92.9	101.2	<b>92.0</b>	92.4	86.3	95.5	84.9	82.7
Oil/Energy	339.1	336.4	348.1	<b>340.3</b>	324.7	339.1	378.8	432.0	453.0
Finance	522.0	503.2	491.7	<b>486.9</b>	505.2	495.7	467.9	477.2	453.2
Utilities	92.7	110.4	103.9	<b>105.7</b>	87.9	108.6	102.0	106.7	91.5
Transportation	127.4	119.1	125.9	<b>122.9</b>	123.9	116.3	126.6	128.4	130.2
Business Services	97.3	92.9	92.8	<b>91.3</b>	91.9	88.1	87.7	86.7	87.0
<b>S&amp;P 500</b>	<b>4171.5</b>	<b>4054.2</b>	<b>4170.3</b>	<b>4017.7</b>	<b>3980.6</b>	<b>3899.3</b>	<b>4037.9</b>	<b>3993.8</b>	<b>3939.0</b>
ex Finance	3649.5	3551.0	3678.6	<b>3530.8</b>	3475.4	3403.6	3570.1	3516.6	3485.8
ex Oil/Energy	3832.4	3717.9	3822.2	<b>3677.4</b>	3656.0	3560.2	3659.1	3561.8	3486.0

Source: Zacks Investment Research, Inc.

Data as of:

October 4, 2023

www.zacks.com

It may be obvious, but it's still useful to explain what we mean by total earnings.

This means the sum of net income for all companies in the S&P 500. For historical periods through the reported 2023 Q3 results, we have taken the total earnings (net income, not EPS) for each company in the S&P 500 and added them up to arrive at the sector and index level totals (we do adjust reported GAAP earnings for non-recurring items, but consider employee stock options as a legitimate business expense).

For the coming quarters, including the still-to-come 2023 Q3 results, we have taken the Zacks Consensus EPS for each company in the index, multiplied that by the corresponding share count (from the last reported quarter) to arrive at the total earnings for each company. And then we aggregated them to arrive at the totals for each sector and the index as a whole. The lack of accuracy in real-time share count notwithstanding, this gives us a fairly accurate view of the total earnings picture.

## **Section 4 - Annual Earnings**

Total earnings or aggregate net income for the S&P 500 index for 2023 are expected to be down -3.2% on -0.5% lower revenues, with 2024 earnings expected to be up 11.9% on +4.9% higher revenues. Table 6 provides a summary of annual earnings and revenue data.

**Table 6 – Summary Annual Earnings Picture**

Zacks Sectors	Annual Summary - Year-over-Year Change								
	Earnings			Revenues			Margins		
	2024E	2023	2022	2024E	2023	2022	2024E	2023	2022
Cons. Staples	7.7%	<b>0.5%</b>	3.9%	3.5%	<b>3.5%</b>	9.8%	0.49%	<b>-0.36%</b>	-0.71%
Cons. Discretionary	27.0%	<b>19.8%</b>	42.1%	4.4%	<b>9.9%</b>	20.0%	1.80%	<b>0.69%</b>	1.19%
Retail/Wholesale	13.7%	<b>12.5%</b>	-17.3%	4.5%	<b>5.4%</b>	8.0%	0.41%	<b>0.30%</b>	-1.35%
Medical	13.6%	<b>-16.5%</b>	7.1%	6.6%	<b>3.5%</b>	8.9%	0.61%	<b>-2.22%</b>	-0.20%
Autos	5.5%	<b>-5.3%</b>	38.4%	4.9%	<b>9.0%</b>	22.4%	0.04%	<b>-1.06%</b>	0.94%
Basic Materials	3.7%	<b>-27.4%</b>	3.1%	0.3%	<b>-10.2%</b>	12.5%	0.33%	<b>-2.31%</b>	-1.10%
Industrial Products	7.3%	<b>13.2%</b>	12.3%	3.7%	<b>4.9%</b>	12.0%	0.46%	<b>0.97%</b>	0.03%
Construction	9.0%	<b>-10.6%</b>	21.5%	5.1%	<b>3.1%</b>	16.1%	0.44%	<b>-1.85%</b>	0.61%
Conglomerates	18.3%	<b>-13.1%</b>	6.6%	5.2%	<b>-9.9%</b>	2.5%	1.56%	<b>-0.47%</b>	0.50%
Technology	15.5%	<b>1.5%</b>	-3.0%	7.8%	<b>-8.2%</b>	16.2%	1.52%	<b>2.04%</b>	-3.86%
Aerospace	31.2%	<b>19.2%</b>	-1.0%	8.3%	<b>8.7%</b>	3.3%	1.47%	<b>0.61%</b>	-0.27%
Oil/Energy	6.4%	<b>-28.5%</b>	N/M	0.9%	<b>-16.2%</b>	N/M	0.61%	<b>-1.91%</b>	5.44%
Finance	7.3%	<b>7.7%</b>	-15.6%	4.0%	<b>0.7%</b>	7.3%	0.56%	<b>1.16%</b>	-4.49%
Utilities	8.4%	<b>3.0%</b>	2.5%	4.0%	<b>2.0%</b>	16.5%	0.55%	<b>0.13%</b>	-1.75%
Transportation	10.9%	<b>-3.7%</b>	N/M	3.5%	<b>-1.0%</b>	24.5%	0.58%	<b>-0.22%</b>	3.45%
Business Services	12.6%	<b>2.6%</b>	16.8%	6.2%	<b>4.8%</b>	13.8%	1.23%	<b>-0.43%</b>	0.52%
<b>S&amp;P 500</b>	<b>11.9%</b>	<b>-3.2%</b>	<b>6.5%</b>	<b>4.9%</b>	<b>-0.5%</b>	<b>14.2%</b>	<b>0.79%</b>	<b>-0.34%</b>	<b>-0.88%</b>
ex Finance	12.9%	<b>-5.4%</b>	12.4%	5.0%	<b>-0.6%</b>	15.3%	0.83%	<b>-0.56%</b>	-0.30%
ex Oil/Energy	12.4%	<b>-0.2%</b>	-0.3%	5.3%	<b>1.3%</b>	11.5%	0.81%	<b>-0.18%</b>	-1.44%

Source: Zacks Investment Research, Inc.

Data as of: October 4, 2023

[www.zacks.com](http://www.zacks.com)

Table 8 – Annual Earnings Growth

	Earnings Growth (YoY)								
	2025E	2024E	2023	2022	2021	2020	2019	2018	2017
Consumer Staples	8.8%	7.7%	<b>0.5%</b>	3.9%	12.4%	4.5%	0.1%	9.7%	6.0%
Consumer Discrt	13.6%	27.0%	<b>19.8%</b>	42.1%	66.5%	-67.4%	13.1%	14.6%	10.2%
Retail	16.0%	13.7%	<b>12.5%</b>	-17.3%	38.2%	4.7%	5.7%	24.6%	4.3%
Medical	11.4%	13.6%	<b>-16.5%</b>	7.1%	27.0%	10.1%	8.8%	14.0%	6.5%
Auto/Tires/Trks	16.5%	5.5%	<b>-5.3%</b>	38.4%	101.1%	-19.1%	-11.8%	0.5%	-0.6%
Basic Materials	8.3%	3.7%	<b>-27.4%</b>	3.1%	114.8%	-10.0%	-16.6%	33.7%	13.2%
Industrial Prod	8.5%	7.3%	<b>13.2%</b>	12.3%	43.2%	-14.6%	-0.3%	27.4%	19.1%
Construction	6.3%	9.0%	<b>-10.6%</b>	21.5%	45.0%	24.5%	1.3%	40.4%	20.5%
Conglomerates	13.1%	18.3%	<b>-13.1%</b>	6.6%	44.9%	-26.3%	-4.6%	-9.8%	-10.6%
Computer & Tech	14.2%	15.5%	<b>1.5%</b>	-3.0%	41.8%	4.5%	-2.0%	28.0%	16.7%
Aerospace	16.2%	31.2%	<b>19.2%</b>	-1.0%	108.3%	-56.0%	-26.5%	27.9%	13.8%
Oils/Energy	0.6%	6.4%	<b>-28.5%</b>	N/M	#####	-106.0%	-30.3%	100.9%	205.5%
Finance	11.4%	7.3%	<b>7.7%</b>	-15.6%	62.0%	-19.5%	4.0%	22.6%	1.6%
Utilities	7.6%	8.4%	<b>3.0%</b>	2.5%	6.4%	3.1%	9.1%	11.3%	3.3%
Transportation	8.4%	10.9%	<b>-3.7%</b>	N/M	-465.1%	-113.7%	5.6%	21.8%	-2.7%
Business Svcs	14.4%	12.6%	<b>2.6%</b>	16.8%	20.3%	-3.4%	15.7%	24.8%	14.3%
<b>S&amp;P 500</b>	11.6%	11.9%	<b>-3.2%</b>	6.5%	51.3%	-13.0%	0.4%	23.5%	10.0%
Excluding Finance	11.6%	12.9%	<b>-5.4%</b>	12.4%	48.7%	-11.3%	-0.5%	23.7%	12.4%
Excluding Oil	12.5%	12.4%	<b>-0.2%</b>	-0.3%	44.1%	-9.4%	2.1%	20.8%	7.6%

Source: Zacks Investment Research, Inc.

Data as of: October 4, 2023

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Table 8 (b) – Aggregate Annual Earnings Totals

Zacks Sectors	Annual Earnings (billion dollars)										
	2025E	2024E	2023	2022	2021	2020	2019	2018	2017	2016	2015
Cons. Staples	117.0	107.5	99.8	99.3	95.6	85.0	81.3	81.3	74.1	69.9	66.4
Cons. Discretionary	81.2	71.4	56.2	46.9	33.0	19.8	60.9	53.8	47.0	42.6	37.4
Retail/Wholesale	179.9	155.1	136.5	121.3	146.6	106.1	101.4	95.9	76.9	73.8	69.0
Medical	311.6	279.8	246.3	294.9	275.4	216.7	196.9	181.0	158.7	149.1	137.5
Autos	47.5	40.8	38.7	40.8	29.5	14.7	18.1	20.6	20.5	20.6	20.5
Basic Materials	46.2	42.7	41.2	56.7	55.0	25.6	28.4	34.1	25.5	22.5	24.1
Industrial Products	57.2	52.7	49.1	43.4	38.7	27.0	31.6	31.7	24.9	20.9	20.8
Construction	28.2	26.5	24.3	27.2	22.4	15.5	12.4	12.3	8.7	7.3	6.8
Conglomerates	26.8	23.7	20.0	23.0	21.6	14.9	20.2	21.2	23.5	26.3	25.9
Technology	652.4	571.4	494.9	487.8	502.7	354.4	339.1	346.0	270.4	231.6	225.0
Aerospace	39.4	33.9	25.8	21.7	21.9	10.5	23.9	32.4	25.4	22.3	21.5
Oil/Energy	160.7	159.7	150.1	210.0	83.4	-3.2	52.5	75.3	37.5	12.3	38.8
Finance	418.6	375.7	350.3	325.1	385.2	237.7	295.5	284.2	231.7	228.0	219.9
Utilities	60.8	56.5	52.1	50.6	49.4	46.4	45.0	41.3	37.1	35.9	33.0
Transportation	47.8	44.1	39.8	41.3	19.4	-5.3	38.9	36.8	30.2	31.1	35.5
Business Services	95.0	83.1	73.8	71.9	61.6	51.2	53.0	45.8	36.7	32.1	31.1
<b>S&amp;P 500</b>	2370.2	2124.5	1898.9	1962.0	1841.5	1217.1	1399.1	1393.6	1128.8	1026.3	1013.3
ex Finance	1951.6	1748.8	1548.6	1636.9	1456.2	979.4	1103.6	1109.4	897.1	798.3	793.4
ex - Oil	2209.5	1964.9	1748.8	1752.1	1758.0	1220.3	1346.6	1318.3	1091.3	1014.0	974.5

Source: Zacks Investment Research, Inc.

Data as of: October 4, 2023

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Table 9 – Annual Revenues Growth

Zacks Sectors	Revenue Growth (YoY)								
	2025E	2024E	2023	2022	2021	2020	2019	2018	2017
Cons. Staples	3.5%	3.5%	<b>3.5%</b>	9.8%	10.2%	0.5%	5.7%	3.7%	2.9%
Cons. Discretionary	4.5%	4.4%	<b>9.9%</b>	20.0%	13.0%	-14.8%	10.9%	5.9%	15.3%
Retail/Wholesale	6.2%	4.5%	<b>5.4%</b>	8.0%	11.6%	10.7%	6.9%	7.4%	6.7%
Medical	6.5%	6.6%	<b>3.5%</b>	8.9%	14.6%	9.6%	13.2%	7.5%	5.7%
Autos	9.8%	4.9%	<b>9.0%</b>	22.4%	14.9%	-12.0%	-2.0%	6.5%	3.8%
Basic Materials	1.2%	0.3%	<b>-10.2%</b>	12.5%	36.6%	-7.4%	-5.6%	14.0%	-5.1%
Industrial Products	3.4%	3.7%	<b>4.9%</b>	12.0%	14.9%	-7.0%	1.2%	13.2%	10.3%
Construction	3.3%	5.1%	<b>3.1%</b>	16.1%	19.4%	1.3%	5.1%	24.8%	11.9%
Conglomerates	6.5%	5.2%	<b>-9.9%</b>	2.5%	6.4%	-7.9%	-6.2%	0.9%	-9.1%
Technology	8.4%	7.8%	<b>-8.2%</b>	16.2%	19.7%	3.9%	3.0%	13.1%	9.6%
Aerospace	5.5%	8.3%	<b>8.7%</b>	3.3%	5.1%	1.5%	2.7%	-1.0%	4.3%
Oil/Energy	1.3%	0.9%	<b>-16.2%</b>	N/M	62.4%	-32.7%	-1.9%	18.6%	21.3%
Finance	4.9%	4.0%	<b>0.7%</b>	7.3%	-2.1%	6.3%	5.8%	7.1%	6.9%
Utilities	3.2%	4.0%	<b>2.0%</b>	16.5%	15.4%	-7.6%	-0.3%	1.8%	4.4%
Transportation	3.4%	3.5%	<b>-1.0%</b>	24.5%	31.3%	-24.3%	3.8%	8.2%	9.2%
Business Services	7.9%	6.2%	<b>4.8%</b>	13.8%	12.2%	1.7%	8.4%	7.3%	4.6%
<b>S&amp;P 500</b>	5.6%	4.9%	<b>-0.5%</b>	14.2%	15.2%	-0.4%	5.0%	8.8%	7.3%
ex Finance	5.7%	5.0%	<b>-0.6%</b>	15.3%	18.4%	-1.5%	4.8%	9.1%	7.4%
ex Oil/Energy	6.0%	5.3%	<b>1.3%</b>	11.5%	12.5%	2.5%	5.6%	7.9%	6.3%

Source: Zacks Investment Research, Inc.

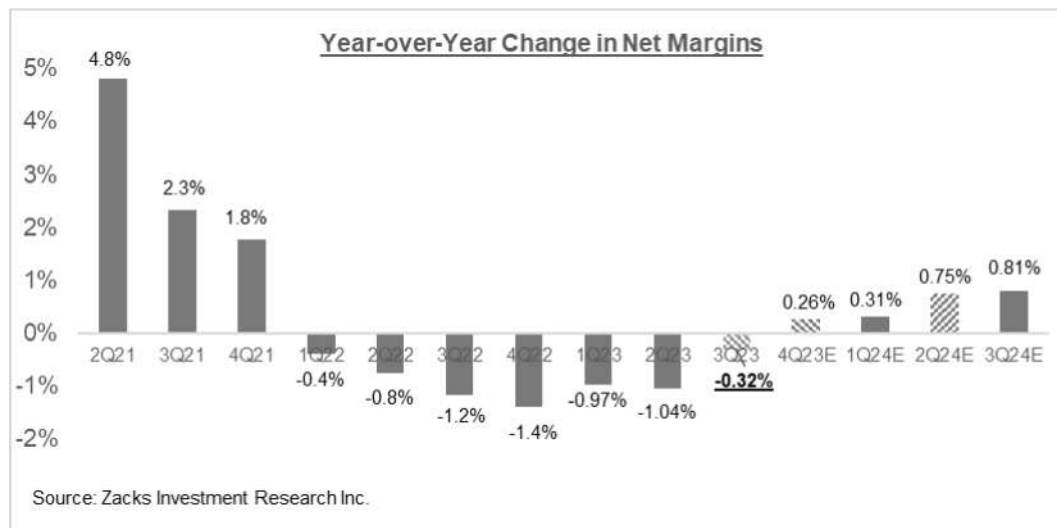
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## The Margins Picture

Net margins (aggregate net income divided by aggregate revenues) are expected to be 12.1% in Q3, up from 11.9% in 2023 Q2 and below 12.4% in 2022 Q3.

As you can see in the chart below showing the year-over-year changes in net margins, 2023 Q3 is on track to be the 7<sup>th</sup> consecutive quarter of compressed margins.

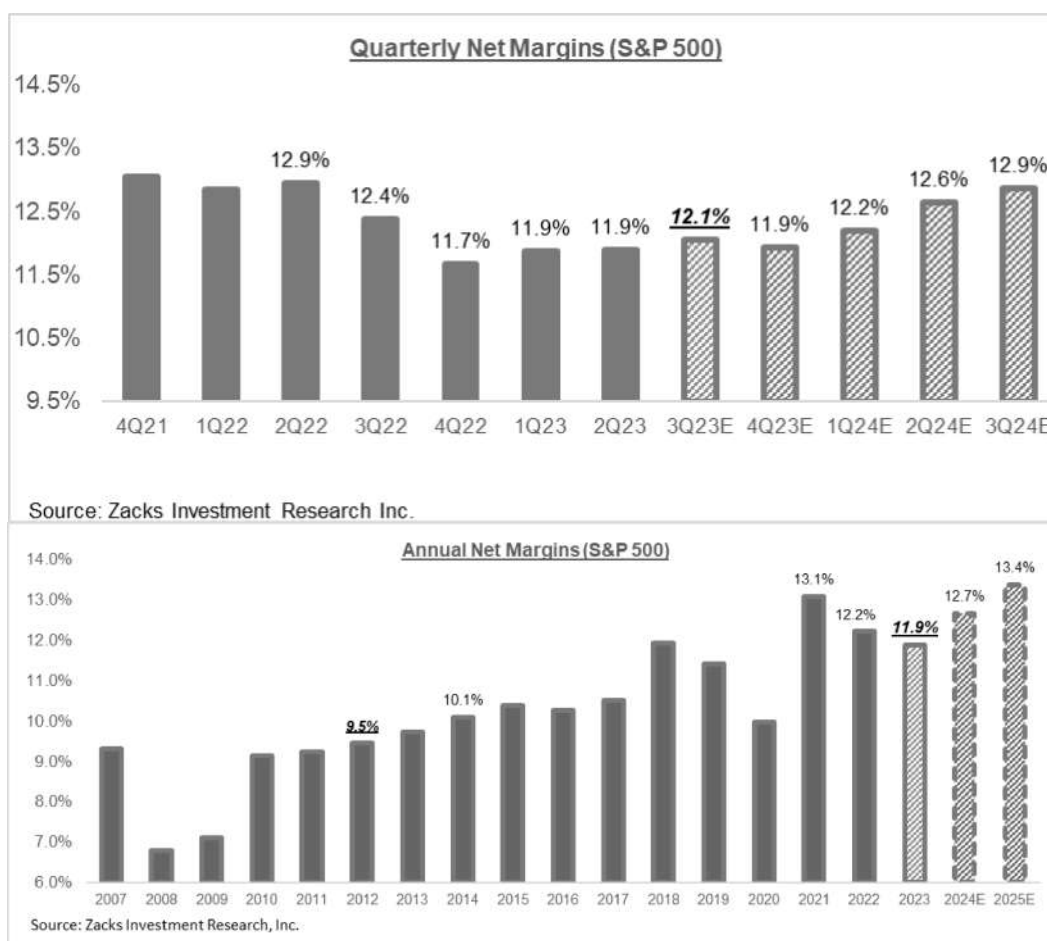


Looking at net margins on an annual basis, full-year 2023 margins are expected to reach 11.9%, down from 2022's 12.2% and 2021's 13.1%. The expectation is for margins to rise next year to 12.7%.

The charts below show current margins expectations in a historical context. The first chart shows margins on a quarterly basis, while the second shows annual margins since 2007.

As you can see in the annual chart, margins reached the cyclical high point in 2018 as a result of the tax cut legislation but modestly contracted the following year (2019) and pulled back massively as a result of the pandemic in 2020. Margins bounced back impressively in 2021, reaching a new all-time record.

The expectation is that the ongoing inflationary pressures ease over time, with margins remaining stable in 2023 and starting to expand in 2024.



The ongoing macroeconomic debate about inflation has relevance for the above consensus margins outlook. To the extent that companies are unable to pass on the higher cost of business (inputs, labor, etc.) to end consumers through higher prices, it will result in pressuring margins. As such, the inflation debate has implications for the earnings outlook.

**Section 5 - The Small-Cap Data – S&P 600 Index**

For the 7 S&P 600 companies that have reported their fiscal August-quarter results, total earnings are down -59.2% from the same period last year on -8.3% lower revenues, with 57.1% beating both earnings and revenue estimates. All of these August-period results are considered part of the Q3 tally.

For the S&P 600 index, total 2023 Q3 earnings or aggregate net income are expected to be down -8.1% from the same period last year on -4.3% lower revenues, as the summary table below shows.

Zacks Sectors	Year-over-Year Growth - S&P 600					
	Earnings		Revenues		Margins	
	3Q23	2Q23	3Q23E	2Q23	3Q23E	2Q23
Cons. Staples	<b>-22.6%</b>	-14.9%	<b>0.4%</b>	-1.6%	<b>-1.0%</b>	-0.6%
Cons. Discretionary	<b>-31.2%</b>	-30.5%	<b>-3.0%</b>	-1.2%	<b>-1.8%</b>	-2.6%
Retail/Wholesale	<b>-15.0%</b>	-10.2%	<b>-0.4%</b>	-0.5%	<b>-0.6%</b>	-0.5%
Medical	<b>-66.4%</b>	-6.2%	<b>0.7%</b>	6.4%	<b>-2.7%</b>	-0.3%
Autos	<b>-16.6%</b>	-2.2%	<b>-0.6%</b>	-2.8%	<b>-0.6%</b>	0.0%
Basic Materials	<b>-26.9%</b>	-26.5%	<b>-4.5%</b>	-4.3%	<b>-1.2%</b>	-1.5%
Industrial Products	<b>-10.5%</b>	-7.5%	<b>-1.6%</b>	-3.1%	<b>-0.6%</b>	-0.3%
Construction	<b>-28.5%</b>	-26.2%	<b>-11.1%</b>	-10.6%	<b>-1.9%</b>	-1.8%
Conglomerates	<b>7.6%</b>	15.9%	<b>2.9%</b>	-1.8%	<b>0.4%</b>	1.6%
Technology	<b>-31.2%</b>	-40.0%	<b>-1.6%</b>	-2.3%	<b>-2.1%</b>	-3.1%
Aerospace	<b>27.6%</b>	5.4%	<b>13.6%</b>	11.2%	<b>0.5%</b>	-0.3%
Oil/Energy	<b>-19.9%</b>	-30.1%	<b>-13.7%</b>	-23.8%	<b>-0.5%</b>	-0.5%
Finance	<b>51.0%</b>	-27.0%	<b>-5.9%</b>	-13.1%	<b>6.1%</b>	-2.2%
Utilities	<b>-7.6%</b>	-21.7%	<b>-2.1%</b>	2.3%	<b>-0.3%</b>	-1.4%
Transportation	<b>-55.7%</b>	-31.2%	<b>-7.3%</b>	5.1%	<b>-3.1%</b>	-2.1%
Business Services	<b>-22.7%</b>	-16.4%	<b>-5.6%</b>	-3.9%	<b>-0.9%</b>	-0.7%
<b>S&amp;P 600</b>	<b>-8.1%</b>	<b>-23.5%</b>	<b>-4.3%</b>	<b>-5.8%</b>	<b>-0.3%</b>	-1.4%
ex Finance	<b>-26.0%</b>	-22.1%	<b>-4.0%</b>	-4.4%	<b>-1.3%</b>	-1.2%
ex Oil/Energy	<b>-6.6%</b>	-22.8%	<b>-3.1%</b>	-3.5%	<b>-0.2%</b>	-1.5%

Source: Zacks Investment Research, Inc.

Data as of:

October 4, 2023

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## The Detailed Small-Cap Earnings Picture (S&P 600)

Let's take a look at how consensus earnings expectations for 2023 Q3 compared to what companies earned in the last few quarters and what they are expected to earn in the coming quarters.

## Quarterly Earnings Growth

	Earnings Growth (YoY)								
	2Q24E	1Q24E	4Q23E	3Q23E	2Q23	1Q23	4Q22	3Q22	2Q22
Consumer Staples	12.6%	7.9%	11.5%	<b>-22.6%</b>	-14.9%	-25.1%	-9.4%	-3.7%	-9.1%
Consumer Discrt	1.0%	-4.0%	-29.2%	<b>-31.2%</b>	-30.5%	-38%	2.0%	-28.6%	-3.4%
Retail	-6.2%	-2.2%	-8.6%	<b>-15.0%</b>	-10.2%	-19.9%	-1.4%	-19.6%	-17.3%
Medical	8.5%	-0.5%	-36.7%	<b>-66.4%</b>	-6.2%	-79.6%	-68.2%	-39.7%	-55.1%
Auto/Tires/Trks	14.3%	50.8%	70.9%	<b>-16.6%</b>	-2.2%	-47.3%	-25.7%	5.1%	0.8%
Basic Materials	2.4%	19.9%	7.2%	<b>-26.9%</b>	-26.5%	17.5%	30.2%	57.4%	87.8%
Industrial Prod	4.0%	-6.0%	9.8%	<b>-10.5%</b>	-7.5%	10.6%	-2.5%	0.5%	25.2%
Construction	2.3%	-6.0%	-8.8%	<b>-28.5%</b>	-26.2%	-31.4%	-3.2%	30.0%	24.8%
Conglomerates	0.0%	3.0%	1.4%	<b>7.6%</b>	15.9%	11.3%	46.2%	32.4%	-8.8%
Computer & Tech	45.5%	<b>-49.8%</b>	-9.9%	<b>-31.2%</b>	-40.0%	63.3%	-14.5%	0.9%	33.4%
Aerospace	20.5%	-1.6%	5.5%	<b>27.6%</b>	5.4%	23.1%	2.2%	-16.7%	31.0%
Oils/Energy	14.5%	-13.8%	-17.0%	<b>-19.9%</b>	-30.1%	N/M	N/M	479.5%	-2991.4%
Finance	50.1%	24.1%	15.4%	<b>51.0%</b>	-27.0%	-4.8%	-16.8%	-39.9%	-17.5%
Utilities	-5.3%	3.3%	23.0%	<b>-7.6%</b>	-21.7%	-25.6%	-10.5%	-26.2%	8.6%
Transportation	16.7%	82.2%	-39.5%	<b>-55.7%</b>	-31.2%	-40.7%	4.1%	27.2%	237.0%
Business Svcs	10.0%	-30.9%	-32.7%	<b>-22.7%</b>	-16.4%	-30.7%	-42.8%	-33.2%	-40.7%
<b>S&amp;P 600</b>	<b>19.4%</b>	<b>-0.7%</b>	<b>-4.1%</b>	<b>-8.1%</b>	<b>-23.5%</b>	<b>-9.2%</b>	<b>-10.5%</b>	<b>-10.5%</b>	<b>5.7%</b>
Excluding Finance	7.9%	-10.7%	-12.2%	<b>-26.0%</b>	-22.1%	-10.9%	-7.5%	5.0%	19.0%
Excluding Oil	19.9%	0.9%	-2.6%	<b>-6.6%</b>	-22.8%	-14.8%	-17.2%	-19.3%	-5.1%

Source: Zacks Investment Research, Inc.

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## Quarterly Revenue Growth

	Revenue Growth (YoY)								
	2Q24E	1Q24E	4Q23E	3Q23E	2Q23	1Q23	4Q22	3Q22	2Q22
Cons. Staples	3.6%	2.2%	2.1%	<b>0.4%</b>	-1.6%	-1.8%	0.9%	2.1%	7.3%
Cons. Discretionary	1.4%	0.9%	-0.5%	<b>-3.0%</b>	-1.2%	-2.1%	0.7%	-1.2%	5.0%
Retail/Wholesale	3.0%	2.2%	0.9%	<b>-0.4%</b>	-0.5%	0.0%	8.1%	11.0%	9.4%
Medical	4.2%	3.6%	3.8%	<b>0.7%</b>	6.4%	-1.1%	-3.9%	10.9%	11.7%
Autos	4.8%	2.8%	4.3%	<b>-0.6%</b>	-2.8%	-4.3%	3.9%	15.2%	20.5%
Basic Materials	1.6%	2.7%	-1.9%	<b>-4.5%</b>	-4.3%	4.5%	14.3%	24.0%	34.8%
Industrial Products	2.1%	0.4%	-0.7%	<b>-1.6%</b>	-3.1%	2.1%	6.4%	7.8%	13.3%
Construction	5.9%	2.0%	-7.8%	<b>-11.1%</b>	-10.6%	-8.1%	8.2%	15.7%	14.9%
Conglomerates	3.3%	1.9%	4.7%	<b>2.9%</b>	-1.8%	1.9%	16.2%	-6.5%	-11.1%
Technology	9.5%	6.4%	2.9%	<b>-1.6%</b>	-2.3%	2.3%	5.5%	11.0%	13.4%
Aerospace	5.6%	2.9%	9.8%	<b>13.6%</b>	11.2%	12.2%	8.3%	-1.7%	2.4%
Oil/Energy	9.5%	-2.5%	-6.3%	<b>-13.7%</b>	-23.8%	11.1%	32.2%	69.1%	99.5%
Finance	6.2%	9.8%	5.2%	<b>-5.9%</b>	-13.1%	-12.8%	-5.5%	6.2%	21.3%
Utilities	0.7%	-0.6%	-0.4%	<b>-2.1%</b>	2.3%	6.8%	10.3%	11.6%	8.9%
Transportation	3.7%	1.3%	-1.2%	<b>-7.3%</b>	5.1%	19.2%	23.6%	37.1%	43.5%
Business Services	1.8%	-1.3%	-0.7%	<b>-5.6%</b>	-3.9%	-1.4%	-4.9%	3.0%	7.5%
<b>S&amp;P 600</b>	<b>4.5%</b>	<b>2.7%</b>	<b>0.2%</b>	<b>-4.3%</b>	<b>-5.8%</b>	<b>-0.6%</b>	<b>5.8%</b>	<b>13.9%</b>	<b>20.2%</b>
ex Finance	4.2%	1.6%	-0.6%	<b>-4.0%</b>	-4.4%	1.6%	7.8%	15.3%	20.0%
ex Oil/Energy	4.0%	3.2%	1.0%	<b>-3.1%</b>	-3.5%	-1.7%	3.4%	9.5%	14.5%

Source: Zacks Investment Research, Inc.

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The next two tables present the same data in a different format – instead of year-over-year growth rates, we have the dollar level of total earnings and revenues for each of these quarters.

## Total Quarterly Earnings

<u>Zacks Sectors</u>	<u>Quarterly Earnings (billion dollars)</u>								
	<u>2Q24E</u>	<u>1Q24E</u>	<u>4Q23E</u>	<u>3Q23E</u>	<u>2Q23</u>	<u>1Q23</u>	<u>4Q22</u>	<u>3Q22</u>	<u>2Q22</u>
Cons. Staples	0.98	0.62	0.89	<b>0.71</b>	0.87	0.58	0.80	0.92	1.02
Cons. Discretionary	1.54	1.10	1.61	<b>1.05</b>	1.52	1.14	2.28	1.53	2.19
Retail/Wholesale	1.81	1.65	1.94	<b>1.52</b>	1.93	1.69	2.12	1.79	2.15
Medical	0.56	0.32	0.56	<b>0.27</b>	0.52	0.32	0.89	0.82	0.55
Autos	0.41	0.28	0.27	<b>0.26</b>	0.36	0.19	0.16	0.31	0.36
Basic Materials	0.98	1.31	0.99	<b>0.78</b>	0.96	1.09	0.93	1.06	1.31
Industrial Products	1.48	1.30	1.17	<b>1.18</b>	1.42	1.38	1.06	1.32	1.54
Construction	1.35	0.94	1.23	<b>1.24</b>	1.32	1.00	1.35	1.73	1.79
Conglomerates	0.17	0.14	0.13	<b>0.15</b>	0.17	0.14	0.13	0.14	0.15
Technology	1.40	1.15	1.19	<b>0.97</b>	0.96	2.28	1.33	1.41	1.60
Aerospace	0.12	0.13	0.10	<b>0.10</b>	0.10	0.13	0.09	0.08	0.09
Oil/Energy	1.87	1.79	1.74	<b>1.81</b>	1.64	2.08	2.09	2.27	2.34
Finance	7.42	6.78	7.10	<b>6.96</b>	4.95	5.46	6.15	4.61	6.78
Utilities	0.18	0.29	0.32	<b>0.18</b>	0.19	0.28	0.26	0.19	0.24
Transportation	0.57	0.34	0.32	<b>0.33</b>	0.49	0.19	0.53	0.75	0.71
Business Services	0.82	0.71	0.52	<b>0.71</b>	0.75	1.03	0.77	0.92	0.90
<b>S&amp;P 600</b>	<b>21.65</b>	<b>18.84</b>	<b>20.10</b>	<b>18.22</b>	<b>18.13</b>	<b>18.97</b>	<b>20.95</b>	<b>19.83</b>	<b>23.71</b>
ex Finance	14.23	12.06	13.00	<b>11.26</b>	13.19	13.51	14.80	15.23	16.93
ex - Oil	19.78	17.04	18.36	<b>16.40</b>	16.49	16.89	18.86	17.57	21.37

Source: Zacks Investment Research, Inc.

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## Total Quarterly Revenues

	Quarterly Revenues (billion dollars)								
	2Q24E	1Q24E	4Q23E	3Q23E	Q421	1Q23	4Q22	3Q22	2Q22
Cons. Staples	21.89	20.56	21.78	<b>20.80</b>	21.13	20.11	21.34	20.72	21.48
Cons. Discretionary	25.07	24.00	26.00	<b>23.44</b>	24.73	23.78	26.13	24.17	25.04
Retail/Wholesale	44.90	44.87	45.67	<b>43.15</b>	43.59	43.92	45.26	43.33	43.83
Medical	21.87	20.77	20.63	<b>19.91</b>	20.98	20.05	19.88	19.78	19.72
Autos	8.37	7.85	7.71	<b>7.85</b>	7.99	7.63	7.39	7.89	8.22
Basic Materials	19.58	20.04	19.59	<b>19.13</b>	19.27	19.51	19.98	20.03	20.13
Industrial Products	19.95	19.17	19.04	<b>19.03</b>	19.55	19.09	19.18	19.34	20.17
Construction	16.80	14.48	15.63	<b>15.61</b>	15.86	14.20	16.96	17.56	17.74
Conglomerates	1.62	1.54	1.59	<b>1.55</b>	1.57	1.51	1.52	1.50	1.60
Technology	21.15	20.57	20.69	<b>19.70</b>	19.32	19.33	20.10	20.03	19.78
Aerospace	2.19	2.19	2.08	<b>2.05</b>	2.08	2.13	1.89	1.81	1.87
Oil/Energy	29.38	28.33	29.08	<b>29.34</b>	26.82	29.05	31.04	34.00	35.20
Finance	45.06	42.80	43.26	<b>43.12</b>	42.42	38.96	41.11	45.84	48.79
Utilities	4.28	4.62	4.64	<b>4.19</b>	4.25	4.64	4.66	4.28	4.15
Transportation	12.50	11.96	11.90	<b>11.84</b>	12.05	11.81	12.05	12.77	11.46
Business Services	16.90	16.73	16.65	<b>16.59</b>	16.60	16.95	16.77	17.58	17.28
<b>S&amp;P 600</b>	<b>311.51</b>	<b>300.46</b>	<b>305.93</b>	<b>297.30</b>	<b>298.20</b>	<b>292.69</b>	<b>305.26</b>	<b>310.63</b>	<b>316.45</b>
ex Finance	266.46	257.66	262.67	<b>254.18</b>	255.78	253.73	264.14	264.79	267.67
ex Oil/Energy	282.13	272.13	276.85	<b>267.96</b>	271.38	263.64	274.22	276.63	281.25

Source: Zacks Investment Research, Inc.

Data as of: October 4, 2023

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Looking at the small-cap index on an annual basis, total 2023 earnings are currently expected to be down -5.8% on -2.4% lower revenues. It appears that favorable revisions for the Energy sector, which carries a relatively bigger weight in the small-cap index compared to the S&P 500, is helping improve the growth profile somewhat.

The chart below shows the small-cap index’s annual earnings and revenue growth.



The chart below represents the small-cap index’s total earnings instead of the growth rates as a way to show the hit to earnings as a result of the pandemic.



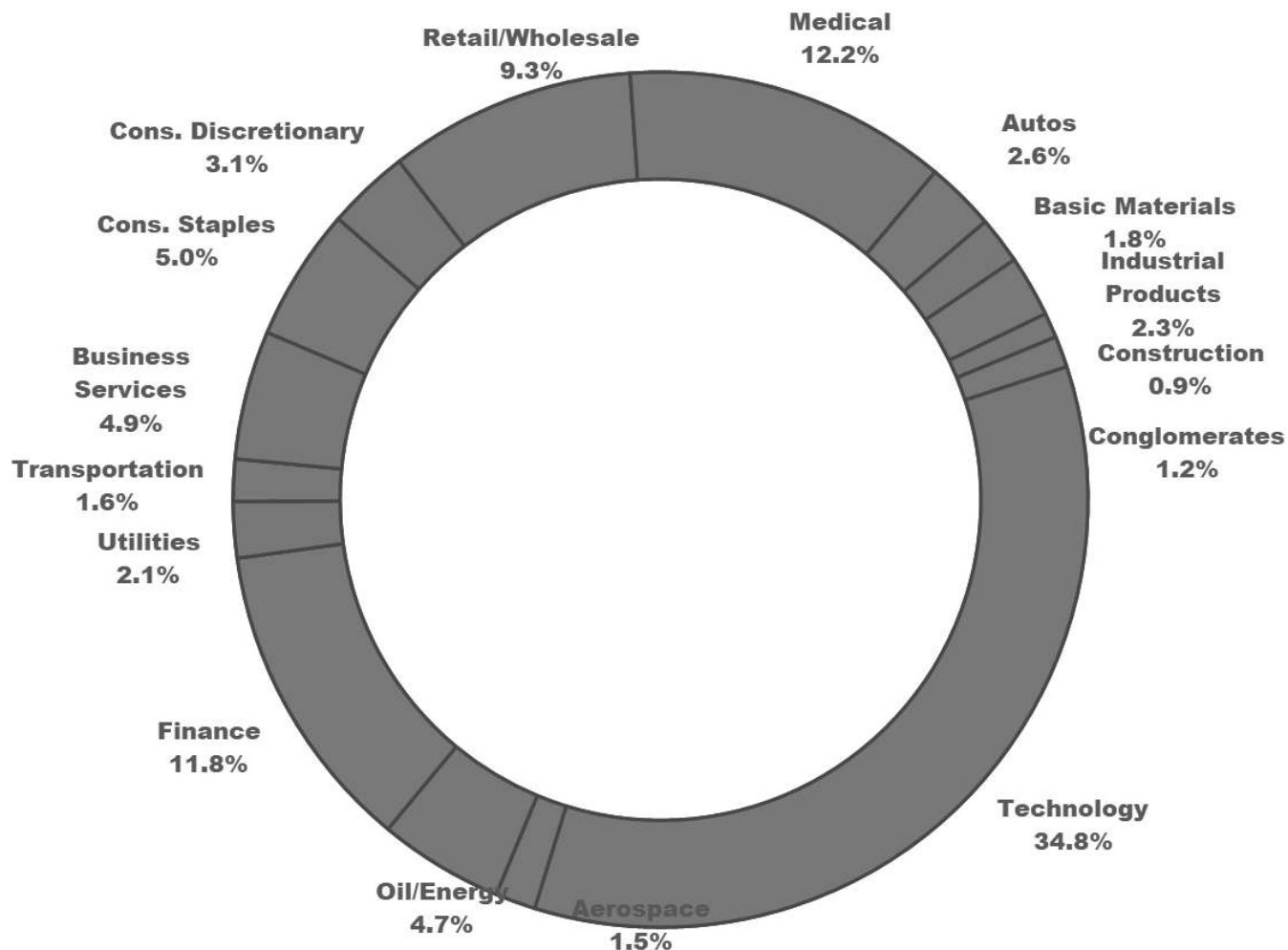
**Section 6: Market Cap vs. Total Earnings**

The charts below show the share of total forward 12-month earnings (next four quarters) as well as the share of total market capitalization for each of the 16 Zacks sectors in the S&P 500 index. Since the S&P 500 is a market-cap-weighted index, each sector’s market cap share is also its index weight.

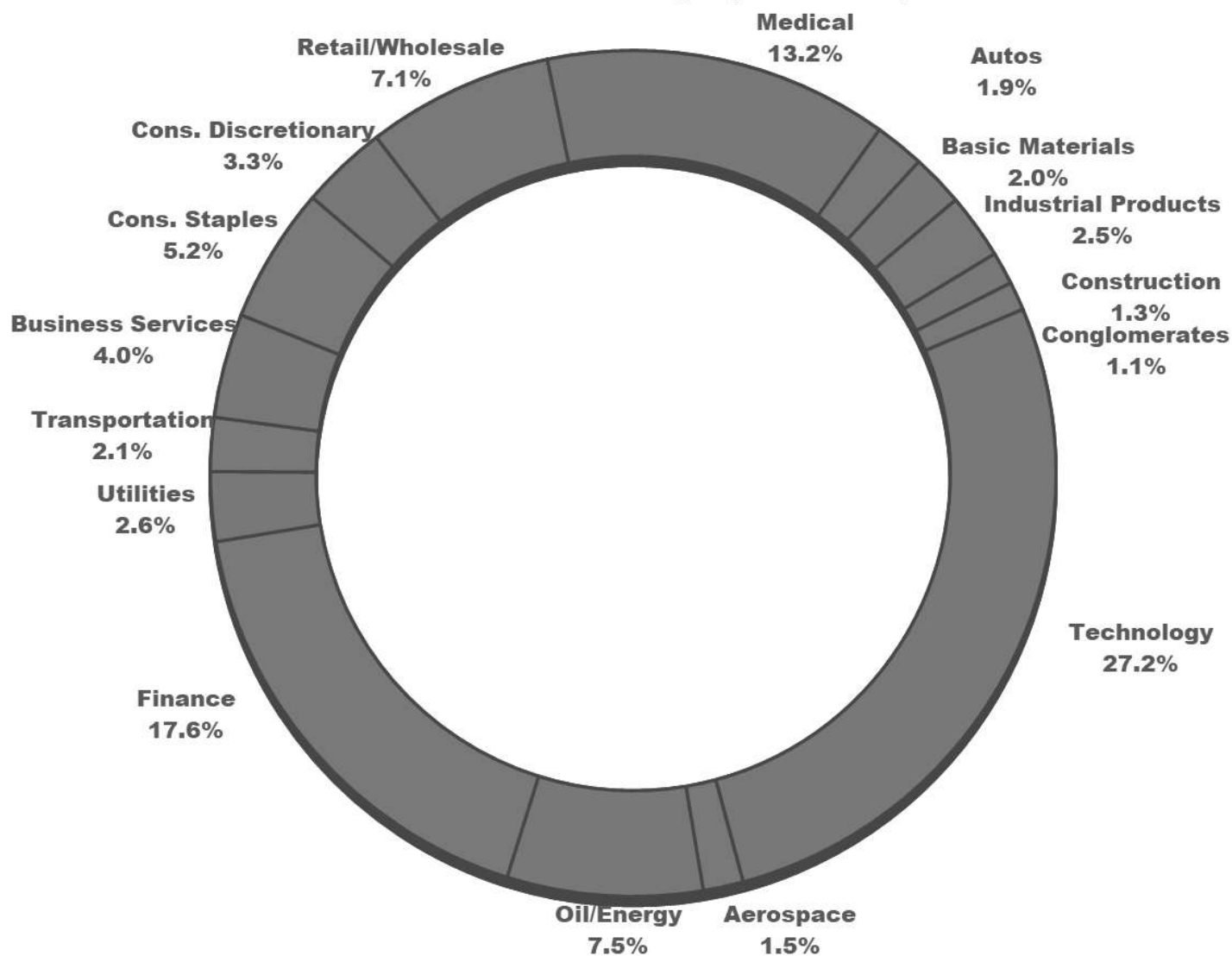
The Finance and Technology sectors account for the lion’s share of the index’s total market capitalization and also bring in a big proportion of its total earnings. Technology is by far the biggest earnings contributor, as you can see in the charts below.

Relative market cap weights in the small-cap S&P 600 index are totally different from the large-cap index. The Finance sector is a much bigger part of the small-cap index, while the Tech sector is a significantly smaller part.

**% Share of Market Cap (S&P 500)**



### % Share FTM Earnings (S&P 500)



*Want more information about this report or about Zacks Investment Research?*

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