

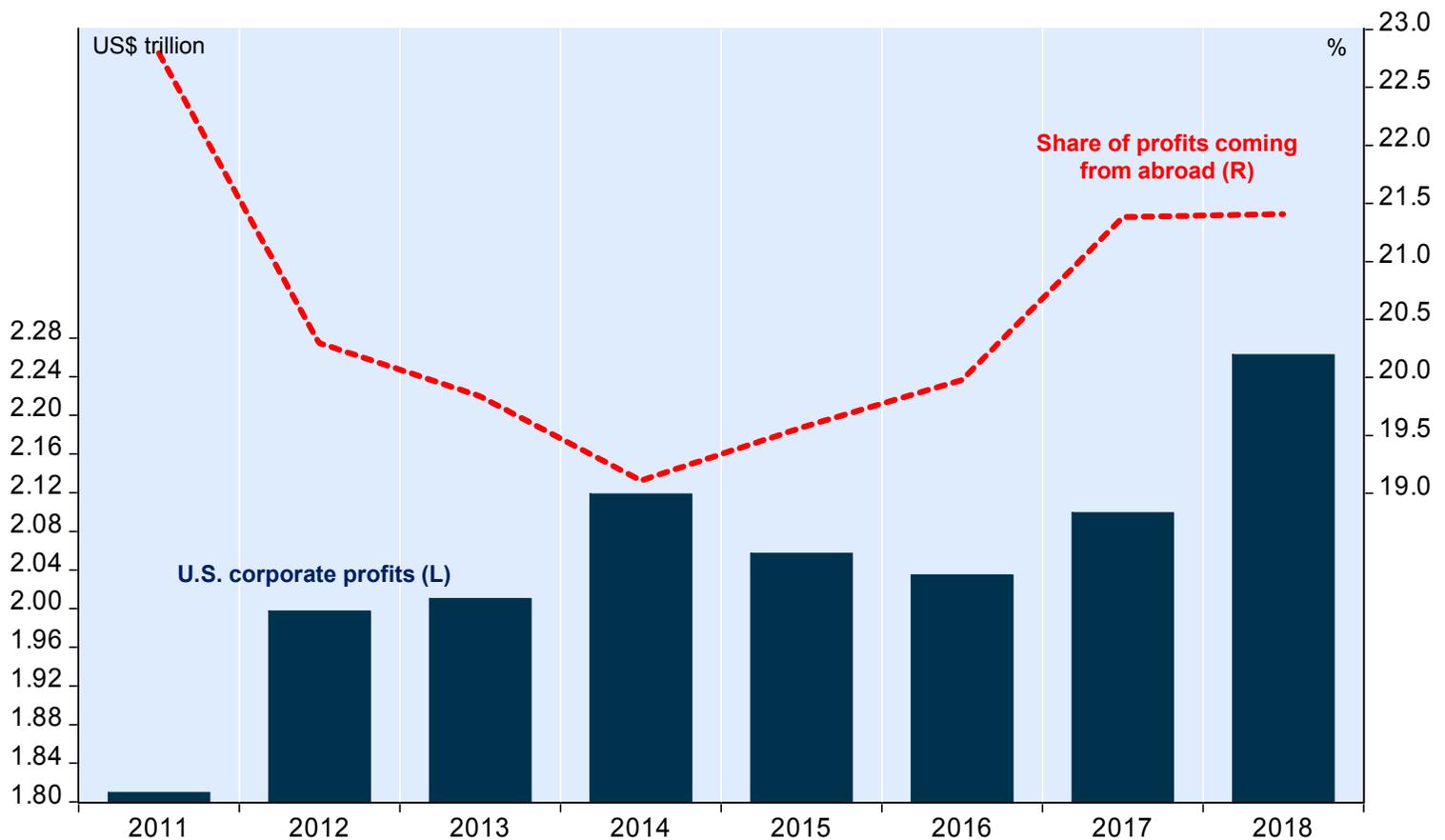
U.S. Watch

By Krishen Rangasamy

The benefits of last year’s tax cuts may not have been felt by ordinary Americans but they were clearly visible in the bottom line of U.S. corporations. Latest data from the Bureau of Economic Analysis show U.S. corporate profits from current production – i.e. corporate profits with inventory valuation adjustment and capital consumption adjustment –, jumping 7.8% in 2018, the biggest increase in six years. Non-financial corporations saw a 10.7% surge in profits, also the highest in six years, contrasting sharply with the financial sector whose profits stagnated last year amid a soft housing market and a stock market plunge. The overall increase in corporate profits was driven again by the “rest-of-the-world” component (+7.9%) which again outperformed domestic profits (+7.8%). As today’s *Hot Chart* shows, that allowed the rest-of-the-world component to increase its share of overall U.S. corporate profits to 21.4%, the highest since 2011. Amid such increased dependence of U.S. corporate profits on foreign operations, it becomes apparent how Washington’s protectionist tendencies could derail not just the global economy but also have significant repercussions at home.

U.S.: A very good year for corporations

Corporate profits versus Share of profits coming from abroad, by year



NBF Economics and Strategy (data via BEA)

Economics and Strategy

Montreal Office

514-879-2529

Stéfane Marion

Chief Economist and Strategist
stefane.marion@nbc.ca

Matthieu Arseneau

Deputy Chief Economist
matthieu.arseneau@nbc.ca

Krishen Rangasamy

Senior Economist
krishen.rangasamy@nbc.ca

Paul-André Pinsonnault

Senior Fixed Income Economist
paulandre.pinsonnault@nbc.ca

Marc Pinsonneault

Senior Economist
marc.pinsonneault@nbc.ca

Kyle Dahms

Economist
kyle.dahms@nbc.ca

Jocelyn Paquet

Economist
jocelyn.paquet@nbc.ca

Angelo Katsoras

Geopolitical Analyst
angelo.katsoras@nbc.ca

Toronto Office

416-869-8598

Warren Lovely

MD & Head of Public Sector Strategy
warren.lovely@nbc.ca

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