

## News Release

### **Higher interest rates led to UK banks paying more dividends than any other sector - for first time since before Global Financial Crisis**

- UK dividends rose 5.4% on an underlying basis to £88.5 in 2023, though lower one-off special dividends pulled the headline total down 3.7% to £90.5bn
- Q4 saw dividend growth accelerate to 15.6%
- HSBC and the wider banking sector were the main drivers of growth – banks became the UK's largest-paying sector for the first time since 2007
- Oil and utility dividends were also key contributors to growth
- The biggest negative impact came from mining, where payouts fell by 28.4%
- Share buybacks impacted dividend growth by at least 1.8 percentage points in 2023
- 2024 outlook: higher special dividends driving headline growth of 3.7% to £93.9bn
- 2024 outlook: underlying growth of 2.0% delivering regular payouts of £89.8bn

**London, 25 January 2024** – UK dividends ended strongly in 2023 according to the latest UK Dividend Monitor from global financial services company Computershare, with banks making the most significant contribution to growth during the year.

The quarterly report reveals that, despite the headline total for the year falling 3.7% to £90.5bn owing to lower one-off special dividends, regular dividends (which exclude these volatile one-offs) rose to £88.5bn: up 5.4% on a constant-currency basis.

During the fourth quarter growth accelerated to an underlying 15.6%.

This was largely driven by HSBC, which fully restored quarterly payouts in 2023 for the first time since the pandemic and regained its position as the UK's largest payer – a spot it last held in 2008.

HSBC's impact and growth across the sector meant that, for the second year running, banks made the largest contribution to UK dividend growth, between them raising their payouts by almost a third to £13.8bn in 2023.

Increased banking dividends meant the sector was the biggest dividend-payer for the first time since before the Global Financial Crisis.

Mark Cleland, CEO Issuer Services United Kingdom, Channel Islands, Ireland and Africa at Computershare, said: "The return to prominence by the banks is really remarkable.

"Thirteen years of rock-bottom interest rates made it very hard for the sector to make profits, but the need to quell inflation with higher interest rates means the last two years have delivered a dramatic turnaround.

"Bank investors are reaping the dividends of this reversal and we expect them to see even larger payouts in 2024."

#### **Oil and utility sectors made an important contribution to growth**

The report also said that high energy prices drove a 15.8% increase in dividends from the oil sector.

Inflation-linked dividend policies meant record dividends from utilities.

Leisure companies, which are recovering after the pandemic, delivered a significant dividend increase, but the sector continues to pay a fraction of its pre-Covid total.

### **Mining sector made a large negative impact**

The report highlights how the impact on overall dividend values came from the mining sector, where commodity prices and therefore profits have weakened.

The total paid in the sector fell by £4.5bn, or more than a quarter year-on-year, when including the value of special dividends, which are common in the highly cyclical mining industry.

Despite this, the mining sector still accounted for £1 in every £8 distributed by UK companies last year.

### **Buybacks slowed dividend growth**

The report also highlights how the total value of dividends paid rose more slowly than the per-share increases many UK companies declared in 2023.

This was as a result of large share buyback programmes — which reduce the number of shares in issue, therefore impacting the total paid — at businesses as diverse as Shell, HSBC, Glencore, BP and Aviva.

Dividend growth would have been one third faster (at 7.2% rather than 5.4%) in 2023 without buyback programmes, and could have been far faster if just a small proportion of buyback cash had been diverted to dividend payments.

### **2024**

Based on the data, the report anticipates slower dividend growth of 2.0% on a constant-currency basis for 2024, with dividends delivering regular payouts of £89.8bn.

Higher special dividends are expected at least to make up for the negative impact of a stronger pound and further drive the headline total up 3.7% year-on-year to £93.9bn.

UK plcs are on track to yield 3.9% over the next twelve months.

Mark Cleland said: "There was a lot to be cheerful about in 2023, even if lower one-off payments masked the solid progress UK dividends made.

"UK plc is generating a lot of cash, which means underlying dividend growth was very encouraging in 2023.

"Payouts may well remain below their pre-pandemic highs, but significantly larger share-buyback programmes have provided an alternative route for channelling surplus capital to shareholders.

"These programmes also conceal the extent to which dividends are really growing by reducing the number of shares in issue.

"This is not to say that either buybacks or dividends are superior – they just represent a different way of cutting the cake."

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#### Notes

- 1: For high resolution images of spokespeople, visit <http://cpu.vg/spokespeople>.
- 2: The Dividend Monitor calculates underlying dividend growth by deducting one-off special dividends from the headline figure and adjusting for movements in exchange rates.
- 3: The Dividend Monitor is a publication produced by Computershare Investor Services PLC in association with 5i Research UK. This publication is intended for general information purposes only.
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