Dividends keep growing for 2017

UK companies paid out a record amount in dividends in the second quarter of this year.

At a time when there is much heated debate about whether the Bank of England should double its base rate to 0.5%, it can be easy to forget the much higher income yield available from UK shares. While most interest rates remain at sub-inflation levels, the UK stock market has an average dividend yield of about 3.6% and, as new data recently released show, those dividends are growing strongly.

Research undertaken by Capita, the share registrars, revealed that in the second quarter of 2017:

- UK companies paid a record £33.3bn in dividends, up 14.5% on the second quarter of 2016.

- If special (one-off) dividends are excluded, the total falls to £28.6bn, still a record and a year-on-year increase of 12.6%.

Capita attributes the rise in overall pay-outs to “very healthy underlying growth, topped up with a substantial boost from the weak pound, plus a large haul of special dividends”. For the next two quarters, the impact of sterling’s weakness will not be as great because the pre-Brexit numbers will disappear from 12-month comparisons. Nevertheless, Capita expects 2017 to see a dividend increase of 7.0%, comfortably ahead of inflation.

These dividend numbers are a reminder that it is still possible to invest in a way that gives scope for growing income and does not rely on the whims of a central bank. For more information on the wide choice of UK equity income funds, please talk to us.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.