The rising dividend and the falling pound

Recently released figures show that UK dividends grew faster than inflation in 2016.

The number crunchers at Capita Asset Services, one of the UK's main share registrars, have been working out how much was paid out in dividends by UK listed companies in 2016. The number they have come up with is £84.7bn, an increase of 6.6% (£5.2bn) on the 2015 figure and well ahead of the rate of inflation.

Dig down into the data and some interesting facts emerge:

- Capita reckons that £4.8bn of that £5.2bn rise is due to the impact of the weaker pound.
- Special dividends – one-off payments often associated with mergers or asset sales – more than doubled in 2016 to £6.1bn.
- The top five dividend payers accounted for nearly £4 out of every £10 of dividends paid, with Royal Dutch Shell alone paying more than £1 out of every £8.
- Dividends from the Top 100 companies grew at only 2.2%, while the next group of companies, the Mid 250, achieved a 5% increase.
- Dividend growth was by no means universal: 13 of the 39 industry sectors recorded a reduced or unchanged dividend over the year, a higher than normal number.

If you are looking for income, the Capita figures should remind you that UK shares are a good place to start. As Capita says "Equities therefore show no sign of losing their top spot as the best yielding option among the key asset classes." However, the difference between sectors and the heavy bias to just a few big payers means that advice is important in selecting income funds.

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.