Dividends expected to slow after strong 2017

A recently released report shows dividend payments in the UK grew more than 10% in 2017.

The report included good news for investors, as UK listed companies paid out £94.4 billion of dividends in 2017. This was up 10.5% on the previous year and a new record. However, the headline figures do not tell the whole story:

- In the final quarter of 2017 year-on-year dividend growth was just 1.1%.
- The top five dividend payers accounted for £36 out of every £100 paid, with the next ten delivering £24. The rest of the market made up the remaining £40, emphasising the concentration of dividend payers.
- Nearly half of all special dividends – one-off payments often associated with mergers or asset sales – was attributable to National Grid's UK gas distribution disposal, totalling £6.7 billion.
- Dividends (excluding special payments) from the Top 100 companies grew by 10.0%, while the Mid 250 achieved a 14.6% increase.
- The strongest dividend growth came from the mining sector, with an increase of 162%. There was an element of smoke and mirrors about this as some big mining firms that had suspended dividends in the commodity downturn – such as Glencore and Anglo American – resumed payouts.

The data was published in February by Capita Asset Services, one of the UK's main share registrars, which was recently sold to Link Asset Services. Fortunately, the new owners have continued to produce the report.

The Link Asset Services figures are a good reminder of the income producing credentials of UK shares. The firm notes that, "A rise in bank rate, the first in over a decade, did nothing to dent the attractiveness of equities for income." However, it expects much slower dividend growth in 2018, in part due to the pound's recovery from its post-referendum lows. This deceleration and the continued weighting towards just a handful of substantial dividend 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.