This 6% Dividend Stock Could Expand Payouts Despite the Downturn

Description

Investors are justifiably worried about a recession. Rising inflation and higher interest rates are draining the economy of capital. That means less consumption, demand, and spending in the months ahead. Nearly every corporation should see some impact from this destruction of demand.

However, some companies are better positioned for downturns. In fact, they could sustain or even expand their dividends, despite a recession. Here's a closer look at one such passive-income stock.

Enbridge

Energy infrastructure giant **Enbridge** (TSX:ENB)(NYSE:ENB) is probably one of the most reliable dividend stocks on the market. It currently offers a 6% dividend yield, which is roughly double the average yield of all Canadian stocks.

The pipeline business model is also far more stable than energy production. While the price of crude fluctuates unpredictably, the *volume* of crude transported across North America is expected to remain relatively stable over time.

That's why Enbridge has managed to expand its dividend every year for the past 27 years. Over that period, the company's payout has grown at a compounded annual rate of 10%.

Outlook for 2022

Energy consumption is expected to expand throughout 2022. In fact, the volume could steadily climb as North America exports some crude to Europe to plug the gap left by Russia this year. That gives the Enbridge team plenty of room to expand payouts.

The Enbridge team expects upcoming development projects and capital expenditures to unlock more than $6 billion in incremental value by 2024. Until then, the company should see 5% to 7% CAGR in cash flows and roughly 3% CAGR in dividends. Put simply, Enbridge is in a strong position for the foreseeable future.

In fact, it's already investing in a carbon-free future, too. Enbridge already operates solar and wind farms across North America and some parts of Europe. Just 4% of cash flows are derived from this renewable segment of the business, but that's expected to grow rapidly in the years ahead.

This combination of hard assets for fossil fuels and renewable energy makes Enbridge one of the most reliable energy stocks on the market. Enbridge could be more resistant to a potential recession and demand destruction than many of its peers in the energy sector. That's why income-seeking and risk-averse investors should add this stock to their watchlist for 2022.

Bottom line

Dividend investors have a tough path ahead. An economic slowdown means lower earnings and possibly some dividend cuts on the horizon. To secure your passive income, you may want to focus on robust dividend stocks like Enbridge.

Not only is Enbridge's core business model stable, but it's also making all the capital investments needed to keep expanding shareholder rewards for the next few years. Enbridge could be the ideal dividend stock for risk-averse investors looking to protect cash flow during this downturn. Keep an eye on it.

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