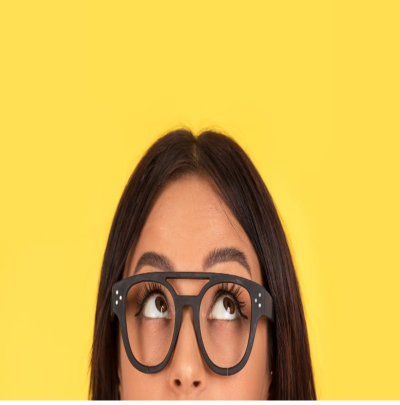

Is BCE Stock or CNQ a Better Buy for Passive Income?

Description

Investors seeking passive income for retirement portfolios are wondering which TSX stocks are good to buy right now for growing dividends. The pullback in telecom stocks and energy stocks is giving investors a chance to buy industry leaders on a nice dip. **BCE** (TSX:BCE) and **Canadian Natural Resources** (TSX:CNQ) are now trading below their 2022 highs.

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BCE

BCE increased its dividend by at least 5% in each of the past 14 years. The company is on track to hit its 2022 financial targets, including revenue growth, adjusted earnings growth, and growth in free cash flow. This should support another decent dividend hike for 2023.

BCE should be a good stock to own during a recession. The company gets most of its revenue and profits from essential mobile and internet services. Even the TV subscription services should hold up well, as people will cut other discretionary spending before giving up their entertainment.

One weak point going forward could be the media group. Advertisers could trim spending to protect cash flow if an economic downturn turns out to be worse than expected.

BCE trades near $60.50 per share at the time of writing. That's down from the 2022 peak around $74. The drop appears overdone, given BCE's solid 2022 results and the reliability of its revenue stream. At the current price, investors can pick up a 6% dividend yield.

Canadian Natural Resources

CNRL is somewhat unique in the Canadian oil sector due to its long track record of dividend growth. The board has increased the payout for 22 consecutive years, despite the crash in oil prices that occurred in both the financial crisis and the pandemic. In fact, investors have received a compound annual dividend-growth rate of about 22% over the past two decades.

CNRL is well known for its oil production operations that include oil sands, conventional heavy oil, conventional light oil, and offshore oil. However, CNRL is also a major Canadian producer of natural gas. The natural gas business helps offset volatility in the oil division and continues to offer strong growth potential for the company, as international demand for Canadian natural gas is expected to rise.

CNRL is generating significant profits on the back of a big rebound in oil and natural gas prices. Management is using the excess cash to reduce debt, buy back shares, and boost the dividend. The board increased the distribution twice this year, boosting the quarterly dividend to $0.85 per share. Investors also received a bonus dividend of $1.50 per share in August.

The price of West Texas Intermediate oil is down to US$75 from US$120. Oil bulls expect tight supply conditions and rising demand to push oil back to US$100 in 2023. If that turns out to be the case, more special dividends could be on the way.

At the time of writing, CNQ stock trades near $73 compared to $88 in June and now provides a 4.6% dividend yield.

Is one more attractive?

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BCE has a higher yield and is probably the safer pick. CNRL, however, likely offers better dividend-growth potential over the medium term, but the stock price could be more volatile. I would probably split a new investment between the two stocks today.

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