

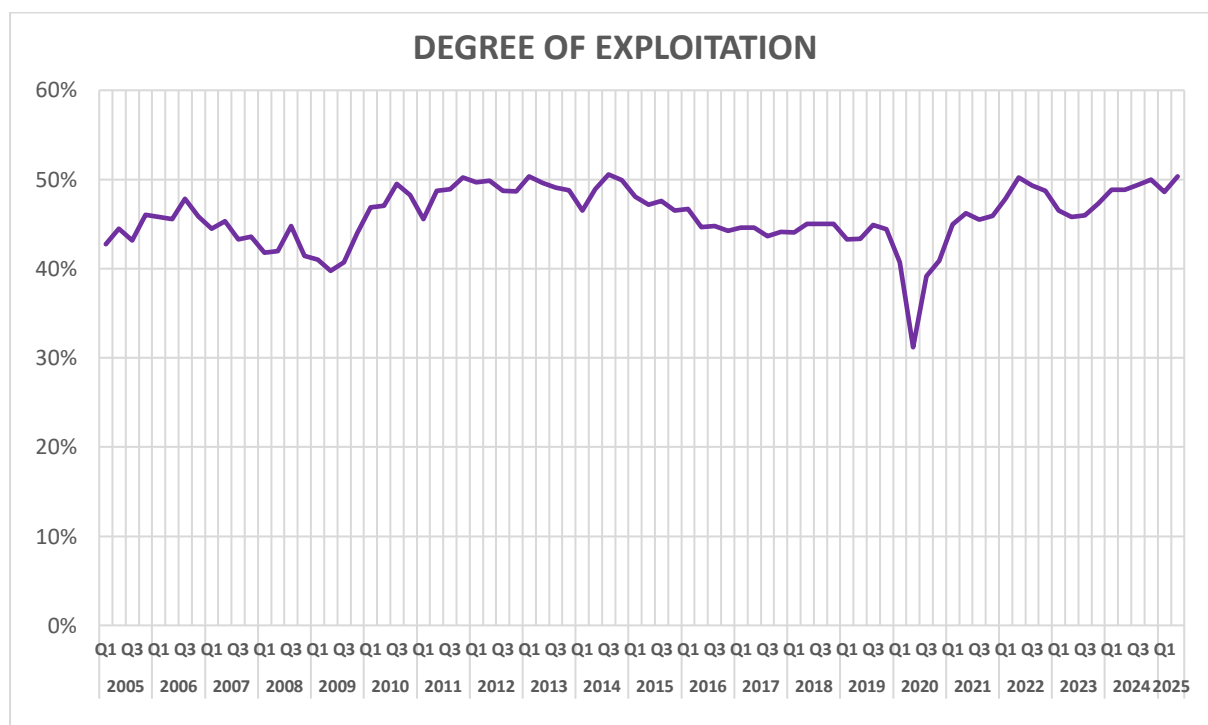
US CORPORATE PROFITS 2025-Q2: PLATEAUING BUT YET TO COLLAPSE.

The BEA has just released NIPA Table 1.14 providing profitability data for US corporations covering the last quarter. While profits are no longer growing, supported as they are by the Tech and Information sector, they have yet to fall decisively as I expected. However, with the phoney tariff war finally over in August, it is likely this fall was only delayed by three months, a quarter.

(Before I begin, your attention is directed towards the accompanying spreadsheet based on Table 1.14. There you will find all the data, all the equations and more graphs.)

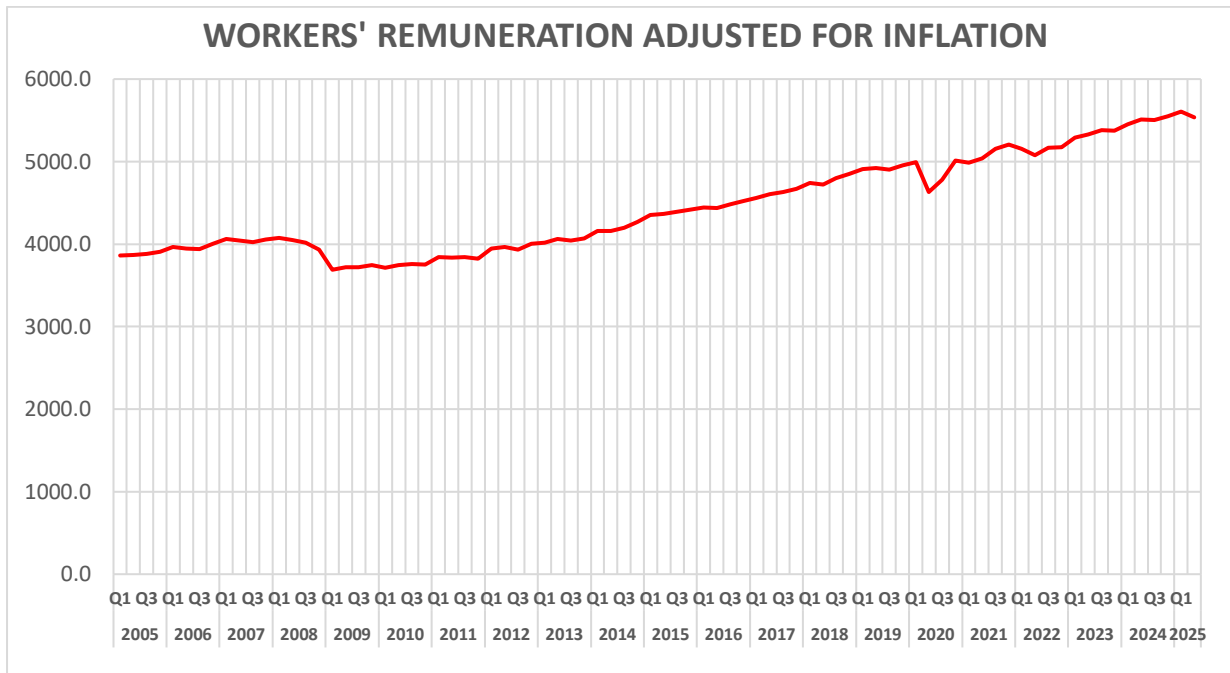
There were two reasons why profits plateaued, the first was an increase in the degree of exploitation as Graph 1 shows. The second is the contribution by the Big Six - Meta, Alphabet, Microsoft, Amazon, Apple and Nvidia to profits. Together they added \$79.2 billion of the \$118.4 billion increase in the net surplus between Q2 2024 and Q2 2025, or two thirds of the increase. As a result, their share of income went up from 10.3% to 12.5% over the same period showing how dependent non-financial corporation profits have become on the Big Six. Finally, adjusting for inflation of 2.8% and the increase in the Big Six's share of profits which amounted to 2.2%, it means that without the help of the Big Six profits would have fallen yoy in real terms.

Graph 1.



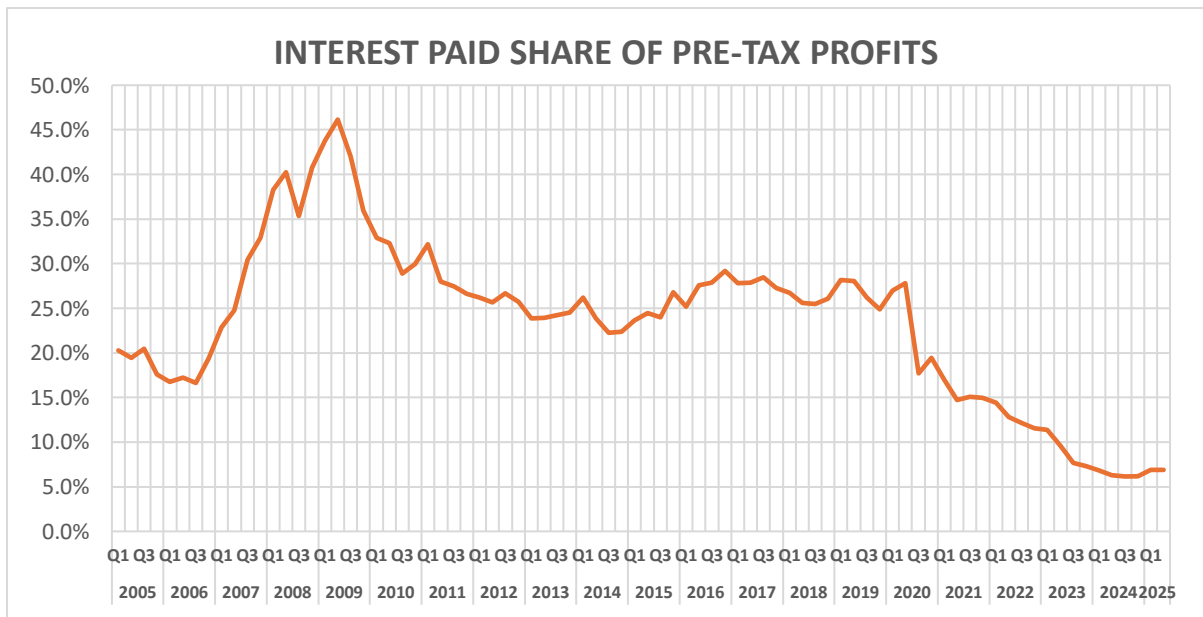
This rise in exploitation was primarily due to a fall in worker remuneration in the quarter. This is the first fall since 2022 as Graph 2 below indicates.

Graph 2.



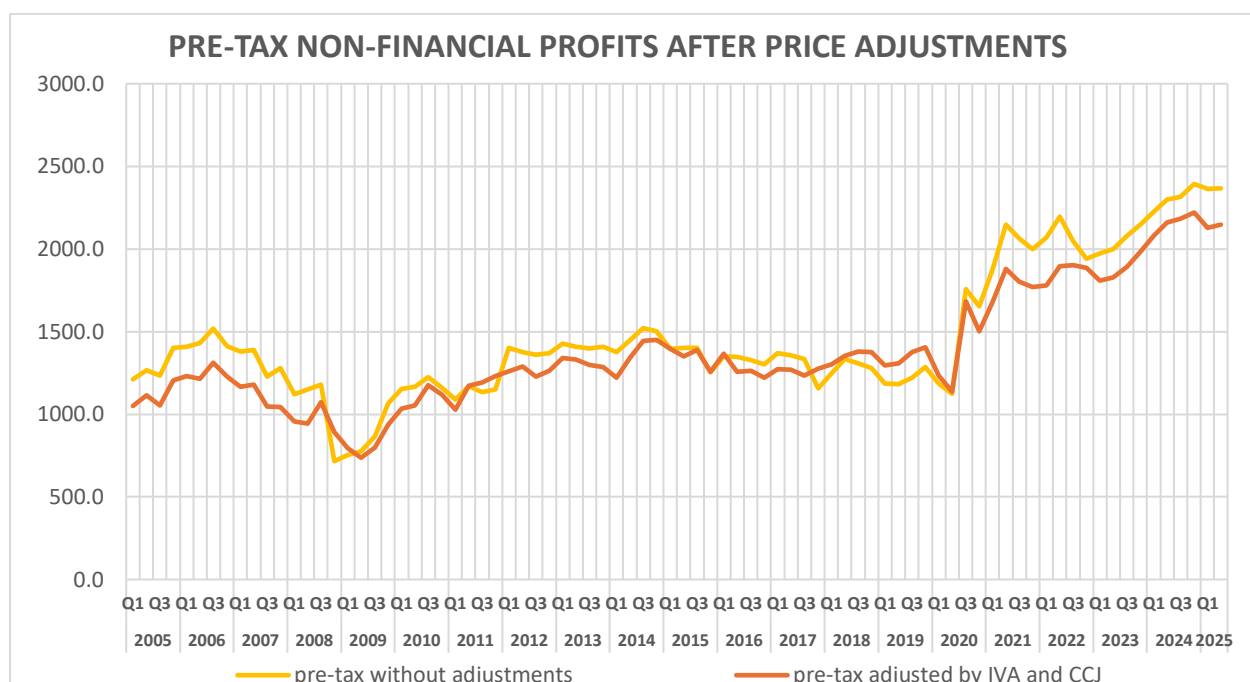
The support for profits from the Big Six and the degree of exploitation was offset somewhat by the rise in net interest payments. The fall in net interest payments, always a deduction from profits has buoyed up profits since 2020, but this trend is now reversing with negative implications for profits. The fall in interest payments explains why the rate of profit measure in terms of pre-tax profits has exceeded the rate of profit measured in terms of the net surplus which includes both interest and profits.

Graph 3.



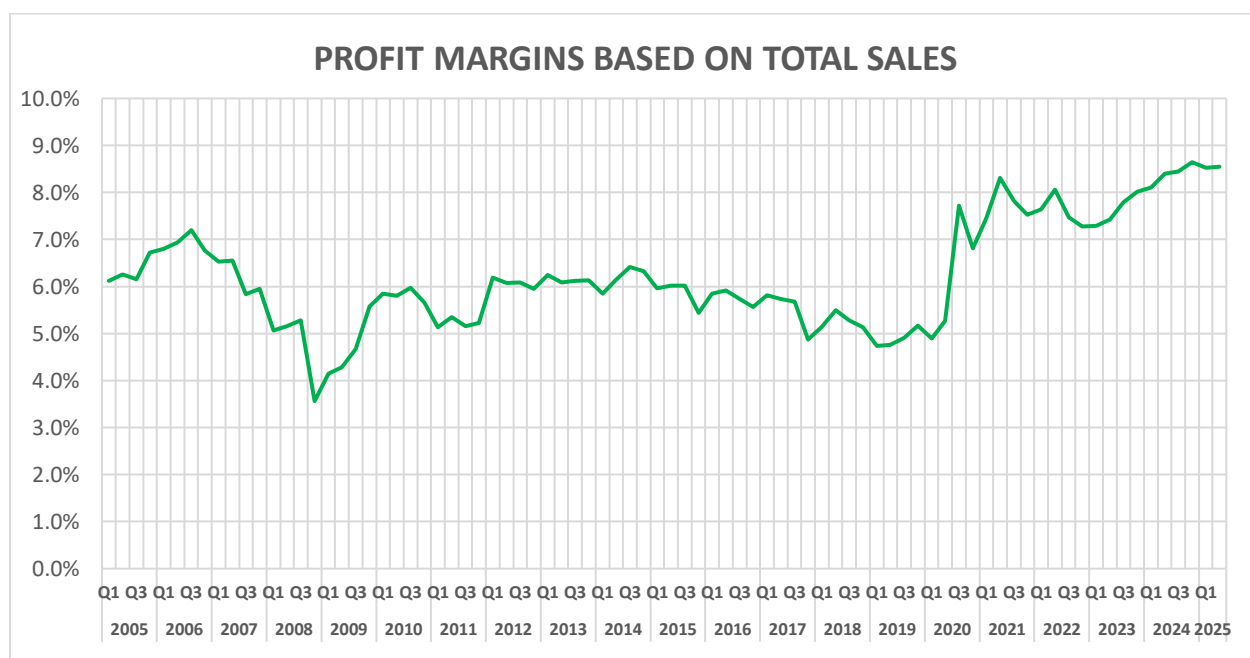
We can now investigate the trend in profits. On a methodological note, the deflator used here is the one contained in Table 1.14 obtained through comparing line 41 to line 17. Graph 4 below shows no appreciable improvement in profits this year, aka the last two quarters.

Graph 4.



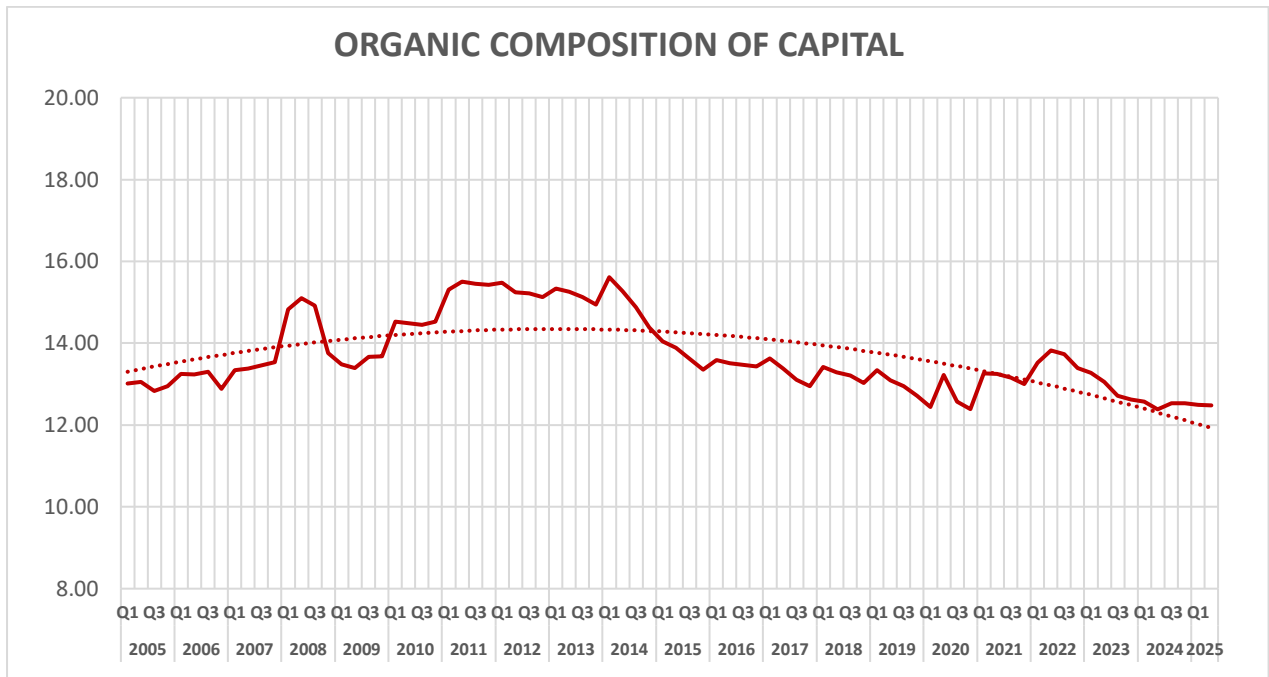
This plateauing of inflation adjusted pre-tax profits is replicated by profit margins. In this case the margin is calculated over total sales, that is final sales plus intermediate sales, as this is more representative than the usual margin which is only based on final sales. By measuring it this way the influence of turnover is also measured.

Graph 5.



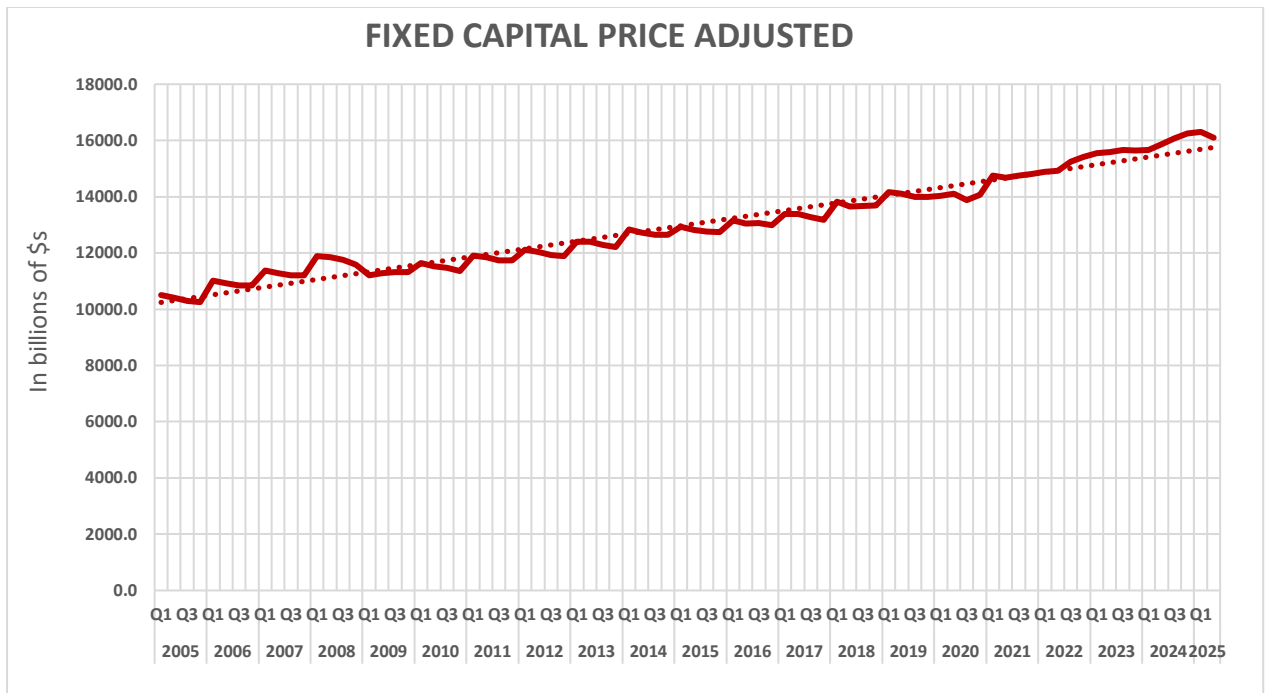
This completes the analysis of the profit side. In order to move on and examine the rate of profit we must now turn to the capital side. As the graph below shows, the composition of capital has not increased over the course of this year despite the AI investment wave.

Graph 6.



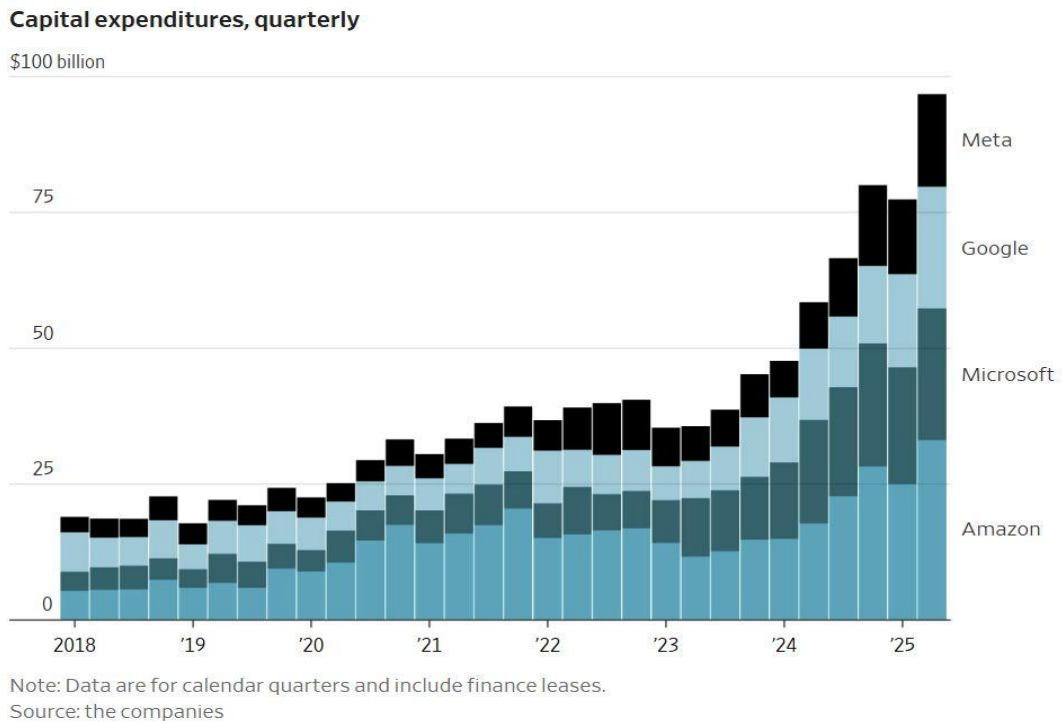
This flattening of the composition was primarily due to weak investment, even a fall in the net addition to fixed capital over the quarter. Over the quarter year on year, total fixed capital in volume terms has grown by only 1.5% despite the surge in expenditure on A.I. as graph 8 shows.

Graph 7.



Economic growth remains dependent on the investment in AI which is big enough to move the GDP dial. Even adjusting for inflation investment in AI hardware, mainly Nvidia servers, is up over 50%. How sustainable this is, is the billion-dollar question!

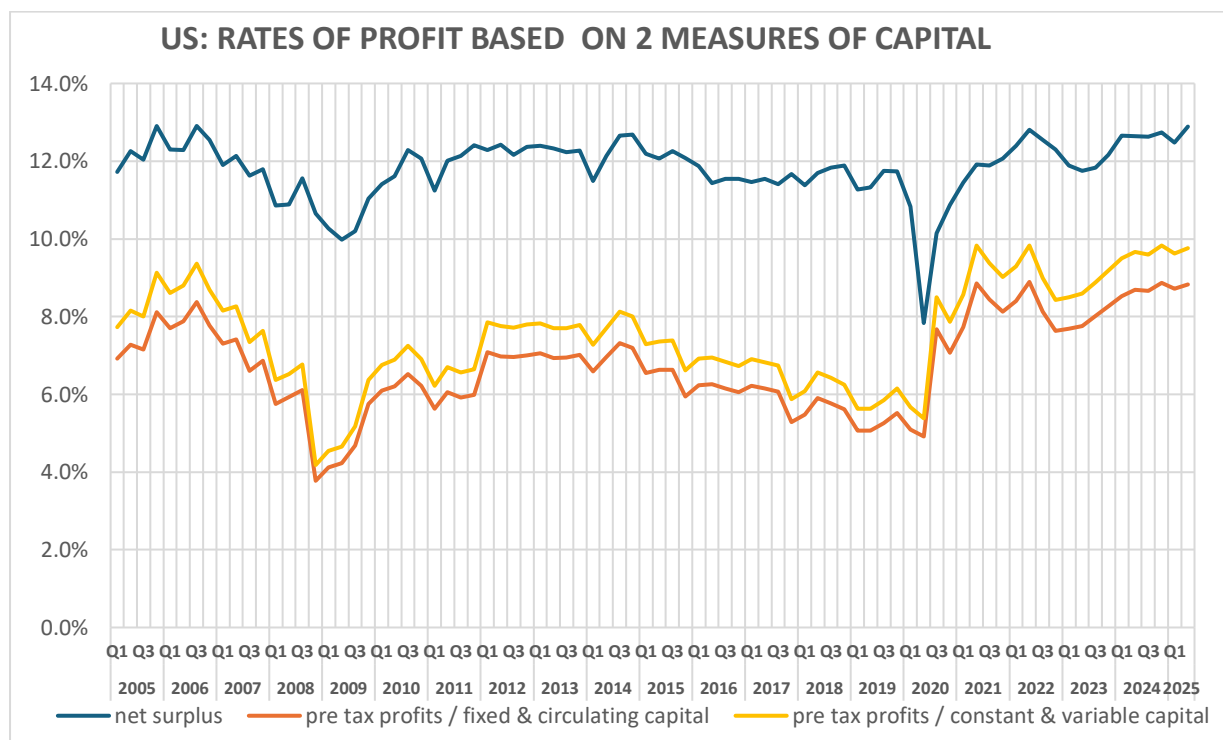
Graph 8.



(Source: Mish Talk)

Which brings us to the all-important rate of profit. With the exception of the net surplus rate of profit based on fixed and circulating profit, the rate of profit using pre-tax profits has been flat over the last year. Without the assistance of the Big Six, the rate would have fallen yoy.

Graph 8.



Conclusion.

The [unexpected rise in imports](#) in July is a last-ditch effort to import before the phoney tariff war ended in August. Notably on Friday de-minimis exceptions for duty free imports of goods valued at under \$800 ended. De-minimis exceptions amount to close to \$50 billion a year with the average daily deliveries adding up to 4 million (Bloomberg) and the average value being \$48. Its removal will hit [lower income groups disproportionately harder](#) because they rely on the cheap goods shipped in this way tariff free. As of the end of the week most postal and courier services around the world have frozen deliveries of de minimis goods to the USA.

While credit conditions measured by the spread between high yield and investment grade bonds remains sanguine, the stock markets have been more febrile, increasingly concerned for the future. Since the end of the Q2 reporting season, stock markets have been on hold, waiting, as concerns for the future grow. This includes the FED which for the first time indicated a willingness to reduce rates, something they should have done in July.

And investors and bankers should be concerned because it will only be in the third quarter that the consequences of the fracturing of the global economy by *Trump Tariffs* will be felt.

Brian Green, 30th August 2025.