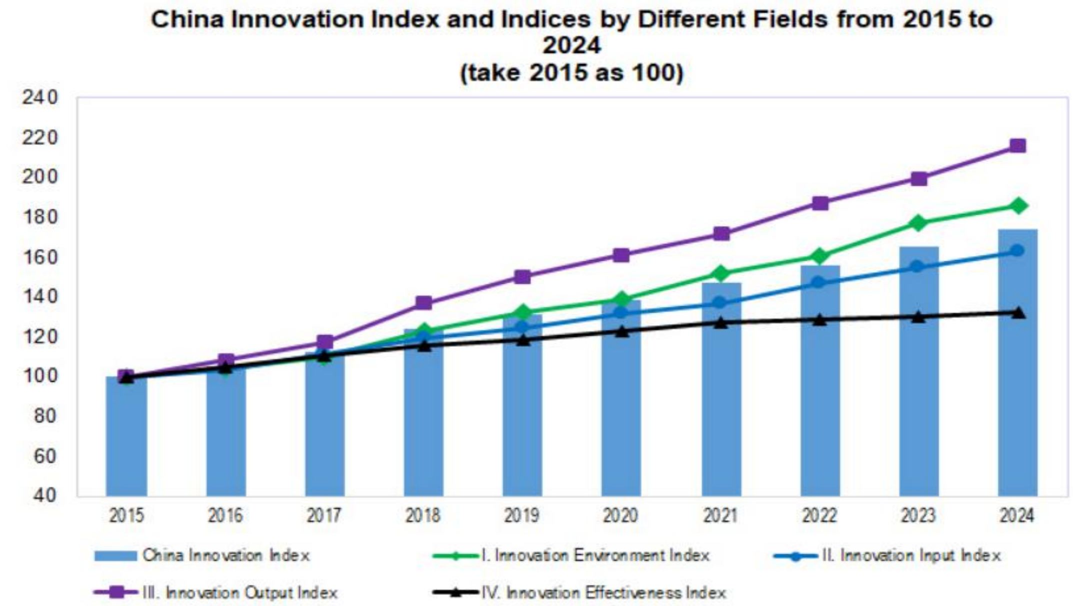
IT IS CHINA WHICH SUPPORTS THE WORLD ECONOMY NOT THE AI BUBBLE.

China has recently released its Q3 profit, output and investment data, unlike the USA where due to the government shutdown, no official data is ready. This article analyses this official data.

I will change the order I normally adopt in these articles and begin with an observation made by the Chairman of Maersk the world's second biggest shipping line. Maersk's observations on global shipping are always considered newsworthy, In an article last Friday in the Financial Times titled ***Maersk defies Trump tariff fears as China buoys demand*** this is what their Chairman had to say: *"The resilience of consumer demand has been a surprise, and we see that the strength of China by just the level of innovation and the products that they're bringing to market is fuelling a lot of that demand. There's no doubt that China is the engine of the stability and demand that we're seeing today,"* A useful summary of his comments can be found here. The reason why China is pivotal to global trade is because it now accounts for 37% of global trade dominating it according to Maersk. Furthermore, the outlook for Q4 hinges on Chinese production in this period.

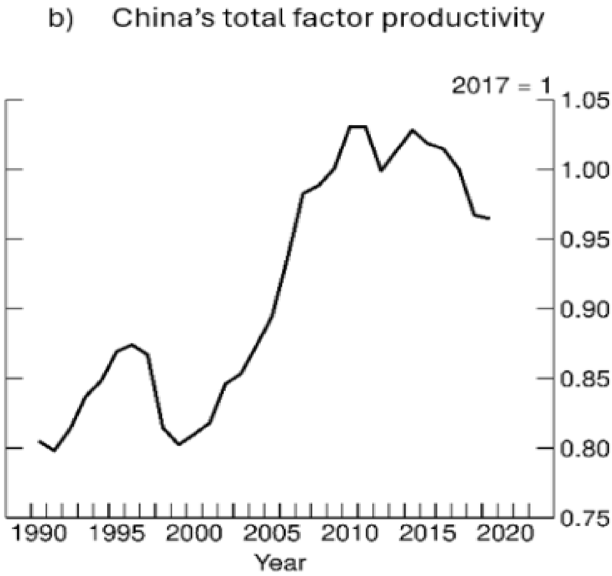
However, despite the Chinese innovation highlighted by Maersk, the value added by these innovations can be low. This observation is based on analysis by the National Bureau of Statics of China itself. *"According to the calculation of the research group of Department of Social, Science and Technology, and Cultural Statistics of National Bureau of Statistics on China's innovation index, the innovation index of China was 174.2 in 2024 (take 2015 as 100), an increase of 5.3% over the previous year"* This data is replicated in the graph below, the most important being the black graph the "*bang for the bucks*".

Graph 1.



Within that, the Innovation Effectiveness is the key Index, because it translates innovation into revenue and this only rose by 1.2% between 2023 and 2024 despite productivity in this sector increasing by 4.9% p.a. However, that figure of 4.9% refers to labour productivity not Total Factor Productivity (TFP). The lack of revenue generation suggests that Chinese TFP is stagnant which seems to be confirmed by this article published by the Federal Reserve, and which is recognised to be a problem as well by the Chinese Leadership when in 2024 they designated it as a "*core hallmark*" of high quality production.

Graph 2.

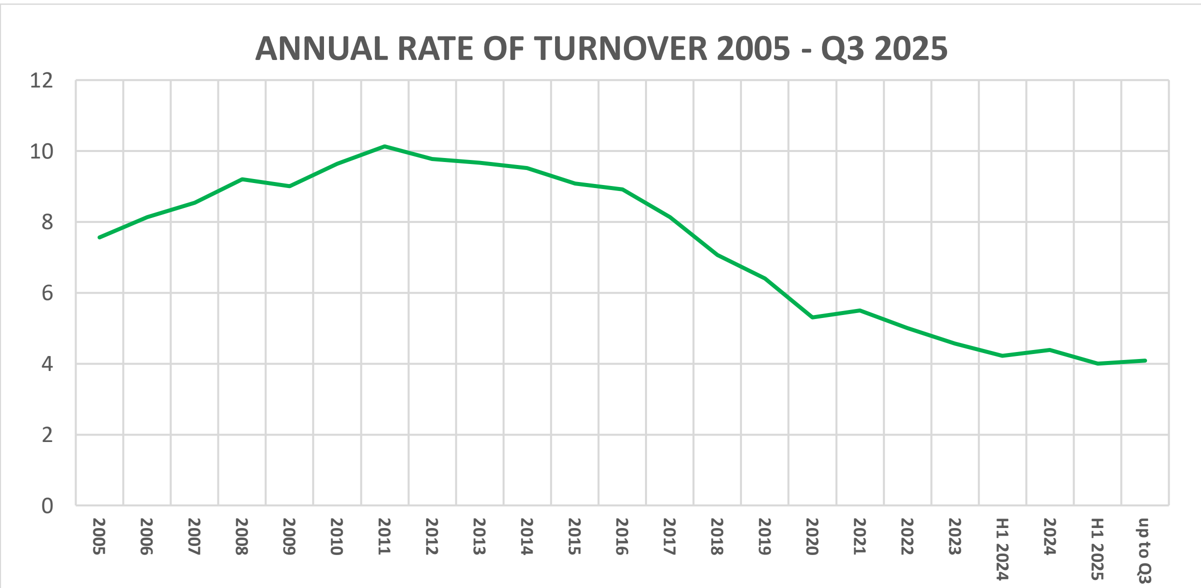


Total Factor Productivity and the falling rate of profit are intimately linked. Labour productivity is a simple calculation based solely on the physical labour input (hours worked) vs the volume output. But while labour is the sole source of value it is not the only input. Total Factor Productivity tries (with difficulty) to capture all the inputs vs the outputs, but this time in terms of value, not volume, unlike with labour productivity. It must therefore necessarily fall because the rise in the number of inputs compared to outputs is a function of the rise in the technical composition of capital and with it the capital to output ratio. If the TFP did not fall then neither would the long-term profit rate. This link is insufficiently recognised by Marxists.

Turnover and Profit.

We can now turn to two of the most fundamental rates governing any capitalist economy, turnover and profitability.

Graph 3.

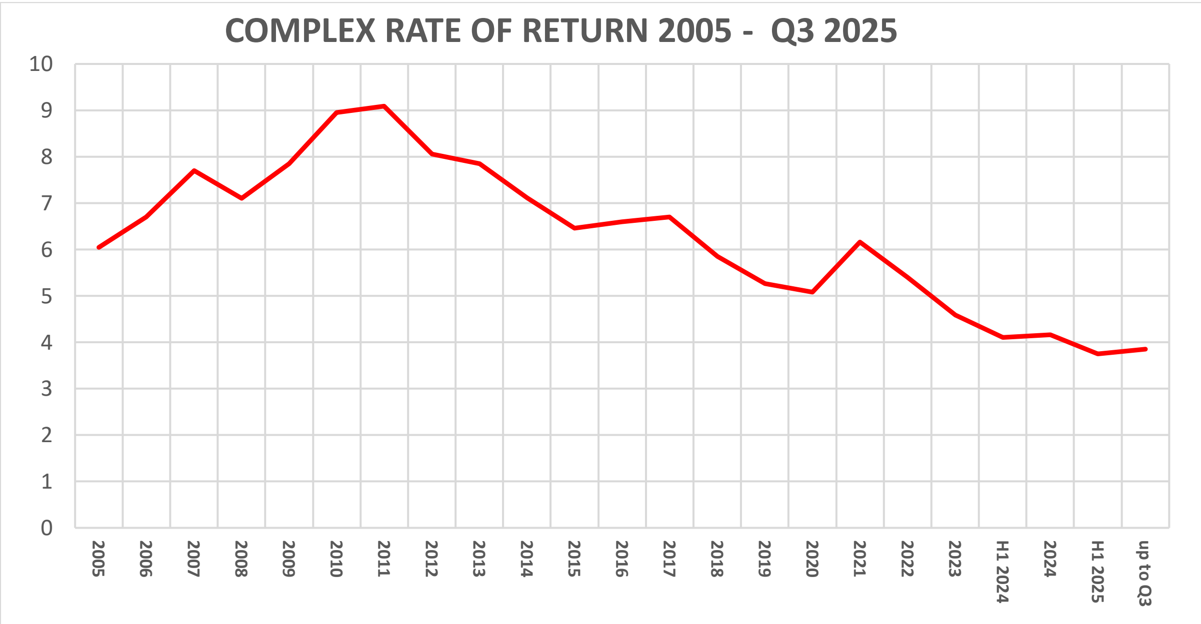


Graph 3 recognises the marginal success that the Chinese Authorities have had in curbing over-selling in many key markets such as cars due to excess capacity. The reduction in extended credit associated with reducing over selling is reflected in an improvement in the annual rate of turnover in Graph 3. It is slightly better than the graph suggests because H1 represents Jan to June and Q3 represents Jan to September. So, the nine-month figure is weighed down by turnover in the first six months of 2025.

The same success the Chinese authorities have had in curbing excess supply saw a reversal in the fall in what I call the Complex Rate of Profit, a measure of profitability. This metric is not directly comparable to Western Rates of Return as it includes an element of financial capital alongside fixed capital. Once again, the improvement in the last quarter is better than the graph suggests because Q3 embraces the period Jan to Sept overlapping with the weaker first half of the year. In September alone profits were up 21.6% compared to September 2024.

For a more detailed and granular look at profitability I have attached the official report ***The Profits of Industrial Enterprises above Designated Size from January to September in 2025.***

Graph 4.

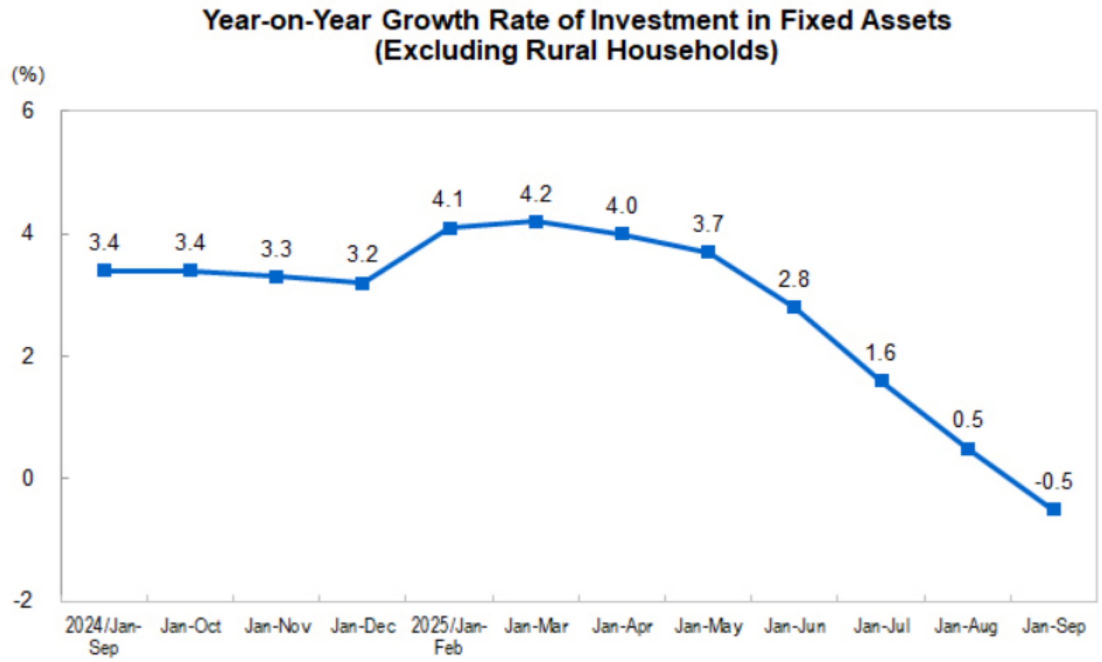


Investment.

Investment predictably followed the path of profitability just as a cart follows a horse. This is the whole economy index. As we can see from Graph 4 below the annual rate of investment has turned negative. In the past robust investment boosted GDP growth, now it is a drag on GDP. Non-government investment was down 3.1% in September yoy. At a more granular level investment in manufacturing was up 4%, but even here that figure is subdued when viewed historically. Within manufacturing the picture is disconcerting. While the manufacture of transport equipment including cars is up, that of special machinery, electrical equipment, communication equipment and computers, most of which is concentrated in advanced tech, is significantly down. (This table is taken from the official release.)

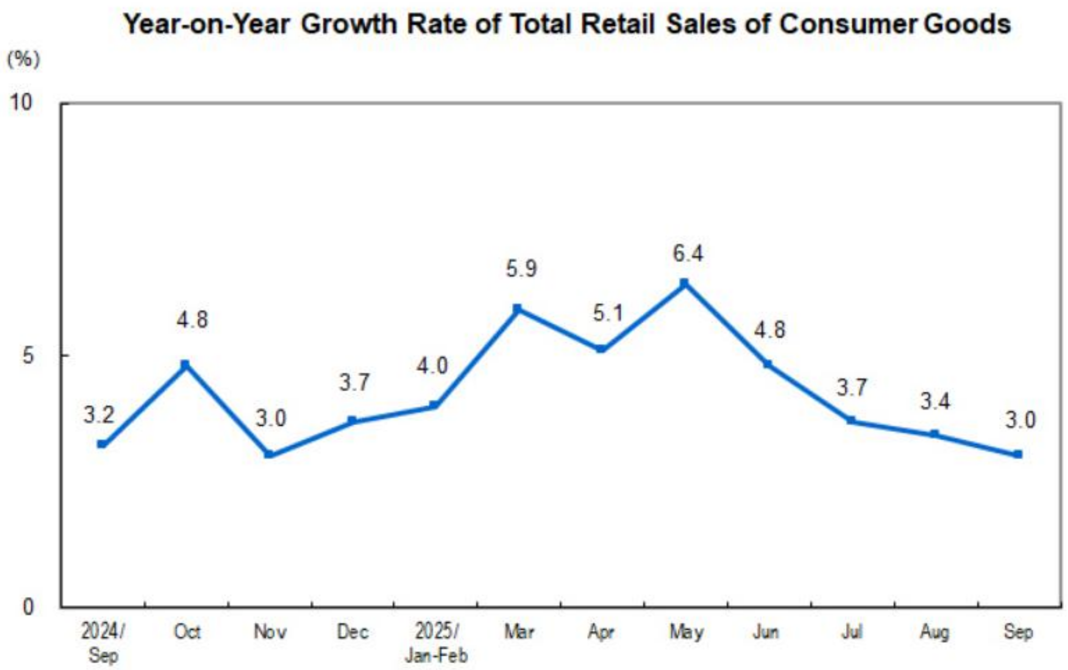
Manufacture of special-purpose machinery	-0.7
Manufacture of automobiles	19.2
Manufacture of railway, ship, aerospace and other transport equipment	22.3
Manufacture of electrical machinery and apparatus	-9.5
Manufacture of computers, communication equipment and other electronic equipment	-2.1

Graph 5.



Nor did retail and catering sales compensate. The trend also weakened here. On its own retail sales rose 3.3%. Interestingly the combined urban retail and catering sales were weaker than in rural areas. These consumption figures tend to challenge the income figures provided by the Bureau. According to the linked release, salaries in urban areas increased by 5.4% in real terms, far higher than the growth rate in retail sales, a disparity which is difficult to reconcile. I have made this point in correspondence with Michael Roberts stating my scepticism regarding Chinese salary and wages data.

Graph 6.



Conclusion.

The data suggests a further deterioration in China's fundamental economic indicators. This is in line with a weakening global economy. Everywhere weakness is found intensifying competition including in China itself.

This weakening global market makes it more, not less important, for China to not only support the global economy, but to dominate it. For this to happen it needs to build multi-nationals on par with the USA. Currently there are only 4 Chinese non-financial corporations in the top [50 Global Corporations listed by Fortune] despite China producing 40% of the world's industrial output. China may have the goal of dual circulation, developing the internal and external markets, but when every national market is weakening, as is happening now, it is in the international market where national capitals seek to compensate for weakness at home by eliminating competition.

Clearly China is seeking this goal as it develops its technology base, first to replace western products within China, secondly to export them internationally and thirdly through brand loyalty to establish internationally recognised multi-nationals. It is beginning to succeed. Its first success has been in consumer electronics, but its more notable success is in the automotive industry with corporations like BYD. But it has a long way to go in the many sectors where it is still unrepresented.

We can expect rivalries to become acute. During periods of expansion with profits rising and with the resulting investment expanding production in its wake, the capitalists can indulge in rules and diplomatic etiquettes, but when profits are falling (and we should not be sidetracked by what is happening in AI), then it is the law of the jungle, the survival of the fittest, the most cost efficient.

Workers have no interest in supporting their bosses' efforts to navigate this competitive jungle, because capitalist survival and cost efficiency means fewer jobs, harder work, and deteriorating conditions. And in the end, the ultimate form of competition is war, raw power. What serves the interest of workers is to replace a society based on competition with one based on co-operation, to replace a society based on capitalist private property with one based on collective property, but for that to happen workers need to become true internationalists grasping their brothers and sisters' hands across and beyond borders. Exactly the opposite to what the self-called communists who lead China intend with their grand patriotic vision for the *Great Rejuvenation of the Chinese Nation*.

Brian Green, 12th November 2025.