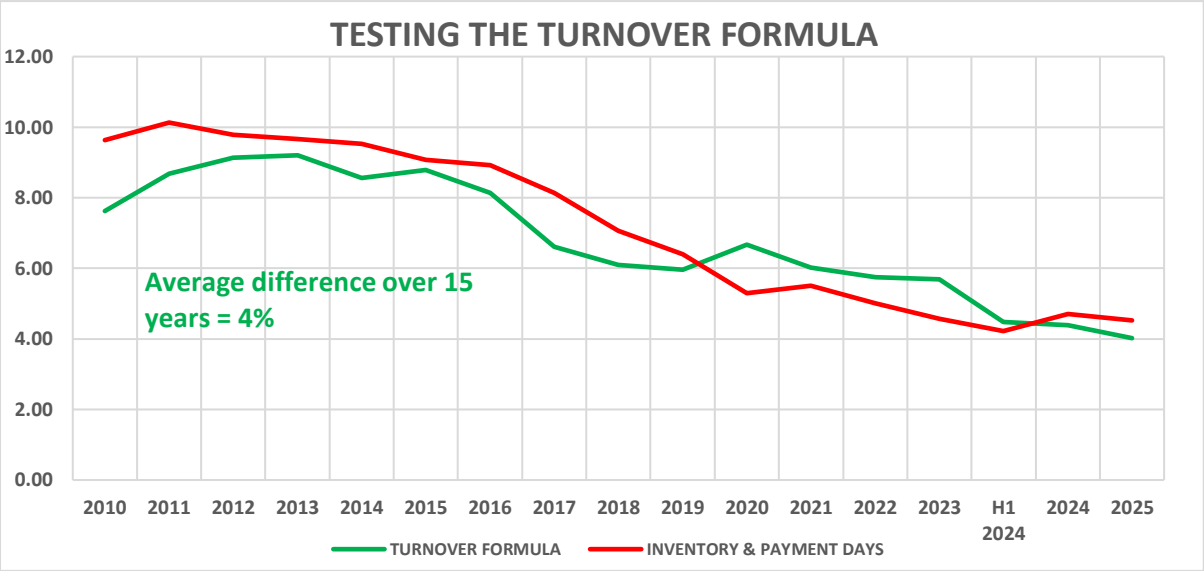
THE 'CASH CONVERSION CYCLE'. A PROXY FOR THE TURNOVER OF CAPITAL.

Many Marxists pay lip service to turnover even as they acknowledge its importance. The typical capitalist does not have that luxury. Turnover for them is the difference between survival or insolvency. The biggest single cause of company failures is a collapse in turnover, or what is the same thing, delays in selling and being paid. As a result, the capitalist class has evolved the following measure, the cash conversion cycle or CCC which measures the period between cash going out and cash coming back in.

I have consistently berated Marxists for ignoring turnover. They have done so because they believed it was impossible to determine turnover. This is simply not true. There has always been data available from capitalist sources as we are about to see. There was always data available on the days of inventory held in the economy. That figure could be arrived at by dividing the amount of inventory held into total sales or Gross Output. Both sets of data for the US can be found in the National Accounts published by the Bureau of Economic Analysis. In 2023 it was 21.4 days in the USA.

To this figure of 21.4 days all that was needed was to add in the average payment period in days which the likes of Dunn & Bradstreet regularly publish or The Credit Foundation (see below), to the days of inventory. In this way to cover the production and circulation period. In the case of China, where turnover is seen to be more important, that information is published monthly by their Statistical Bureau. I have compared that data to data based on the turnover formula GO/GVA + (GO – GVA)/GVA. The result can be seen in Graph 1. The correlation is strong. Over the period in review the average difference was a mere 4%. All that is left to say that in terms of trend the green graph is the more accurate.

Graph 1.



In the analysis below, I have relied on JP Morgan's excellent report titled: *Increasing efficiency: Working Capital Index 2024 August 2024 for data on the CCC.* The link is below and so too is the one for China
https://www.jpmorgan.com/content/dam/jpmorgan/images/payments/working-capital-index/increasing-efficiency-working-capital-index-2024-ada.pdf

https://www.jpmorgan.com/content/dam/jpmorgan/images/payments/working-capital-index/achieving-sustainable-capital-efficiency-china-wci.pdf

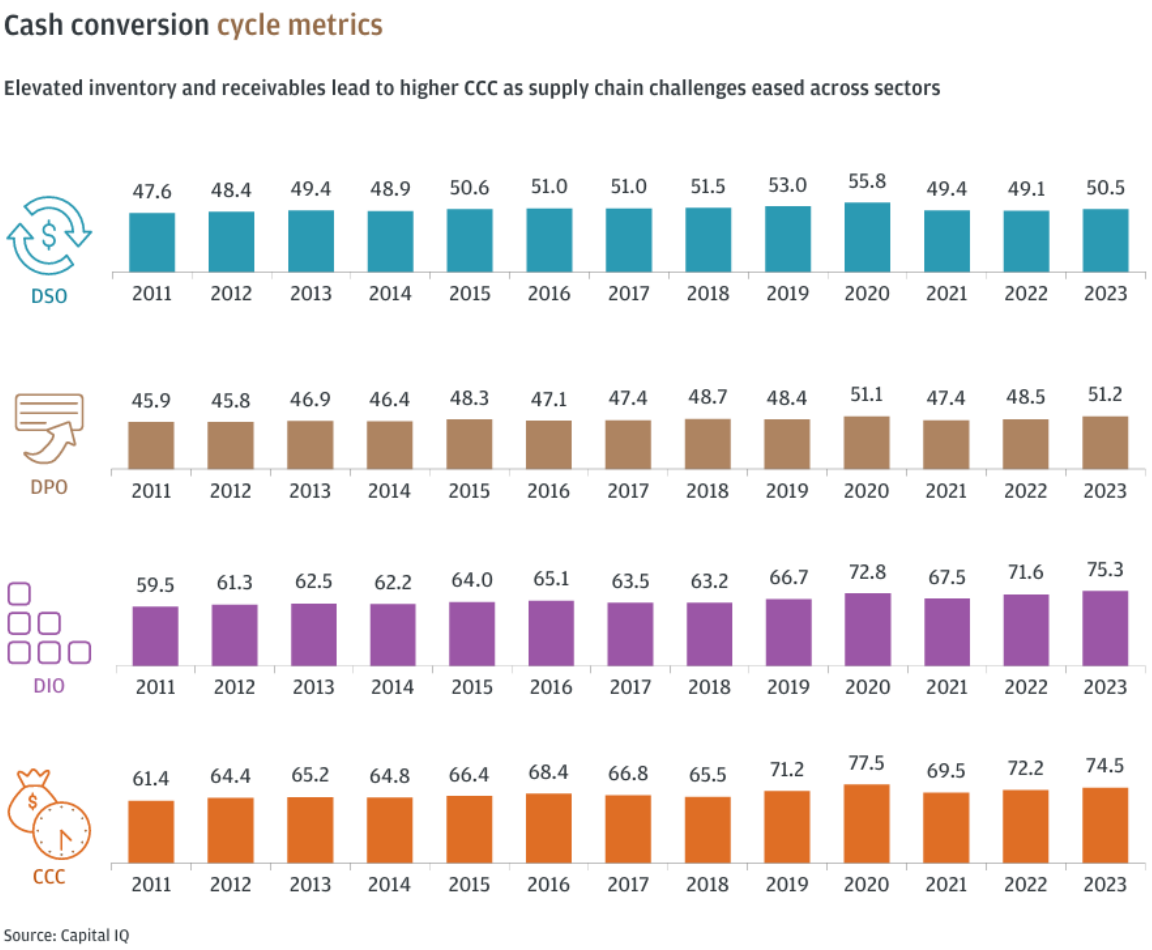
In evaluating which CCC data to use for the comparison graphs I have opted for the data found in the China report because it is more current.

What is the Cash Conversion Cycle and how is it calculated? The Cycle is the period between the payment of suppliers for inputs and the payment by customers for outputs. More precisely it is days of inventory on hand plus the days bills receivable remain outstanding (credit to customers) minus days bills payable remain outstanding (credit given by suppliers). The importance of bills is due to the phenomenon, where commodities outside of retail tend to circulate by means of trade credit, with cash only being used to clear this credit on due date.

In other words, it conforms to Marx's formulation of the circuit of capital which begins and ends with money - C.M… P…C^{+}.M^{+}. The extent of the CCC can be seen below in the two graphs that JPM has prepared below. It is important to bear in mind this is the period of circulation not the annual rate of circulation. The annual rate in 2023 is obtained as follows: 365/75.8 = 4.8. (Using the figure found in Graph 3.)

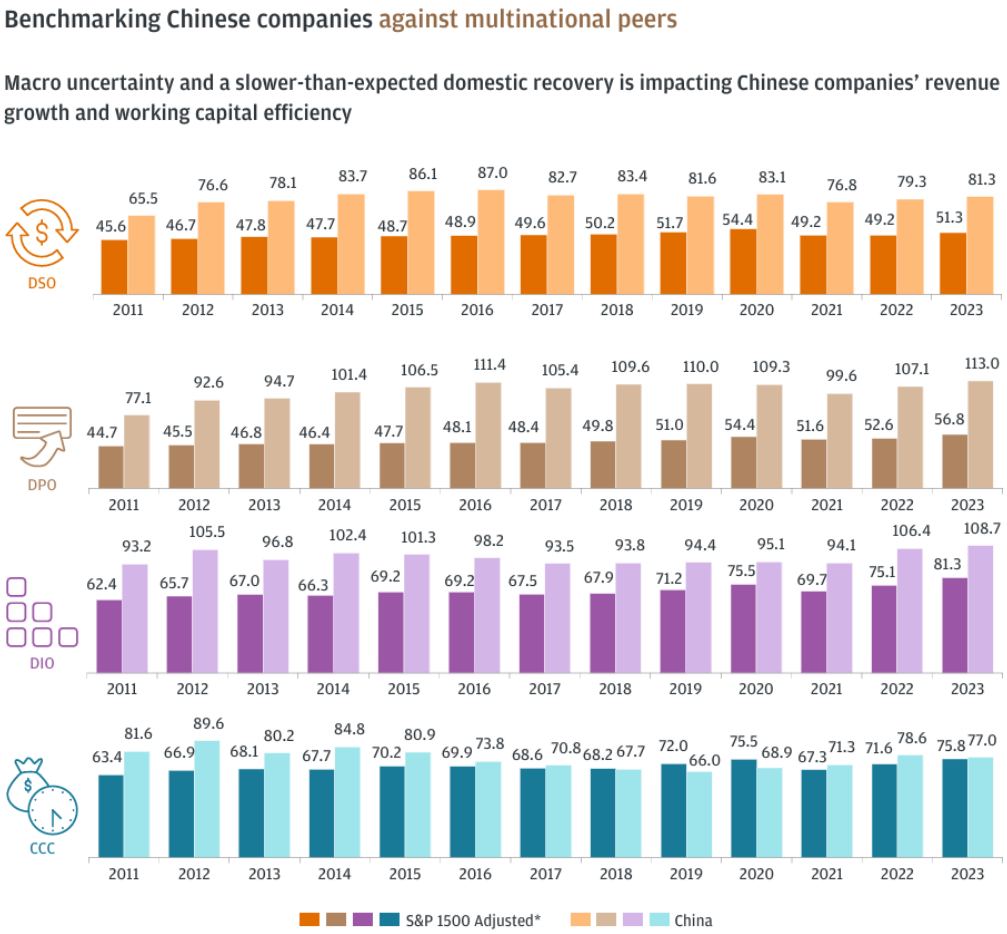
In the next section which compares the two rates, we will notice a discrepancy between the CCC rate and the Turnover rate using the turnover formula. That section will provide an explanation for the discrepancy as well.

Graph 2.



For comparison purposes, the global figure for Days Payment Outstanding or DPO is 67.1 days according to PWC'S [Working *Capital Study 24/25*]. China's is 81.3 days, higher than the official data but more extended than peers, something I have repeatedly commented on as ominous for the economy.

Graph 3.



S&P vs. Chinese companies for 2023

And here is another example of a company collecting payment details.

[National Summary of Domestic Trade Receivables Results Summary - The Credit Research Foundation]

https://www.crfonline.org/tools/national-summary-of-domestic-trade-receivables-results-summary/

Third Quarter 2025

Independent median calculations show:

	This Quarter	Last Quarter	Year Ago
Collection Effectiveness Index	83.00	79.02	83.82
Days Sales Outstanding	39.07	36.70	36.96
Best Possible DSO	35.70	30.18	30.00
Average Days Delinquent	2.65	5.00	3.00
Percent Current	91.09	82.79	90.11
Percent Over 91 Days Past Due	0.20	0.39	0.53

Comparing the results for the CCC and the actual circuit of capital.

The formula for the turnover of capital is

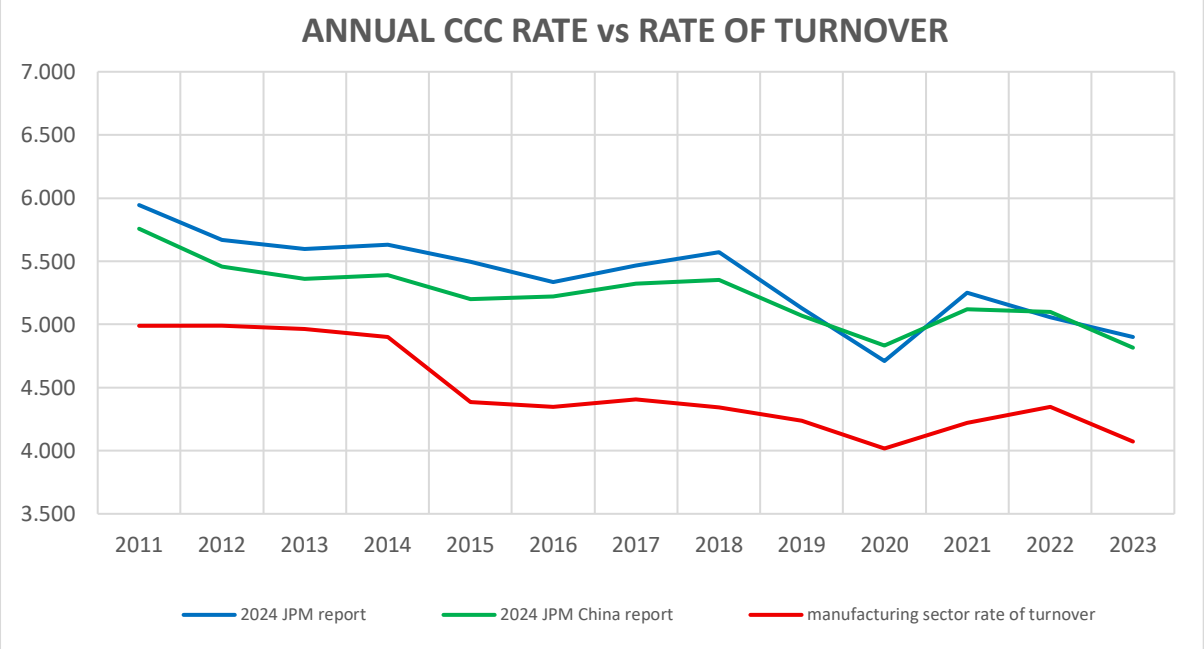
$$\frac{GO}{GVA} + \frac{(GO - GVA)}{GVA}$$ where GO stands for Gross Output and GVA for Gross Value added

For a more detailed explanation please read my article: *An Introduction to the Turnover Formula*.

Gross Output represents total sales while GVA represents only final sales. As my introduction to the turnover formula shows the ratio of GO to GVA reveals the number of sales, and the number of sales reveals the number of turnovers. However, as we see below, the CCC rate and the turnover rate differ by approximately 15% with the rate of turnover being the slower.

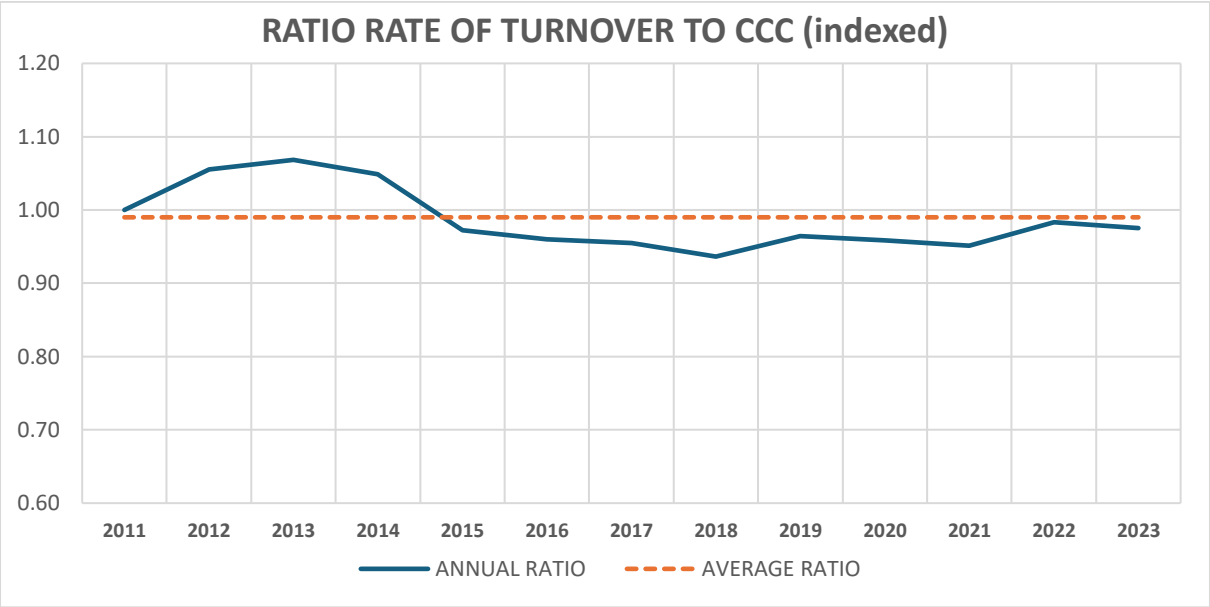
There are several reasons for this. The CCC refers only to credit purchases and credit sales. On the input or purchase side there are bound to me more purchases not covered by credit than there are sales on the output side. For example, quarterly payments like rents, energy contracts and taxes all of which form part of the working capital. If these are added in, they would reduce the CCC. Secondly, and to a lesser extent, the aggregate value of bills payable versus bills receivable differ. Bills payable is based on cost-prices whereas bills receivable is based on selling prices or what is the same thing, cost price plus profit margin. The average value of a bill receivable is therefore higher than the average price of a bill payable. Finally, the turnover formula applies to whole sectors of the economy, embracing smaller corporations alongside the larger corporations. In contrast, the JPM data is limited to the larger corporations covering the listed S&P 1500 corporations. Smaller corporations suffer different credit terms to larger corporations which would affect the median CCC.

Graph 4.



More important than the absolute difference is the relative movement in the two measures. And here, over the period under investigation, we find a correlation of 99% using 2011 as the base year of 100 in both cases.

Graph 5.



Conclusion.

There are three key formulas in the Marxist analysis of the capitalist economy. They are s/v (the rate of surplus value), c/v (the composition of capital) and the all-important s/(c+v) (the rate of profit. All have v in common, or variable capital. Without turnover it is impossible to convert annual worker remuneration (wages +) into variable capital. So instead, many Marxists have ignored v altogether or substituted annual wages. Either way the results are inaccurate therefore unacceptable.

We may feel superior to the capitalists, but instead we need to think like the capitalists, in so far as they must contend with urgent and unignorable issues in their economy. They cannot ignore turnover without putting their capital at risk, and if not at risk, then failing to take advantage of more efficient usages of their capital. Turnover is not optional; it is a necessity if we are to look deeper and more precisely into the capitalist economy in order to understand its movement.

Brian Green, 20th January 2026.