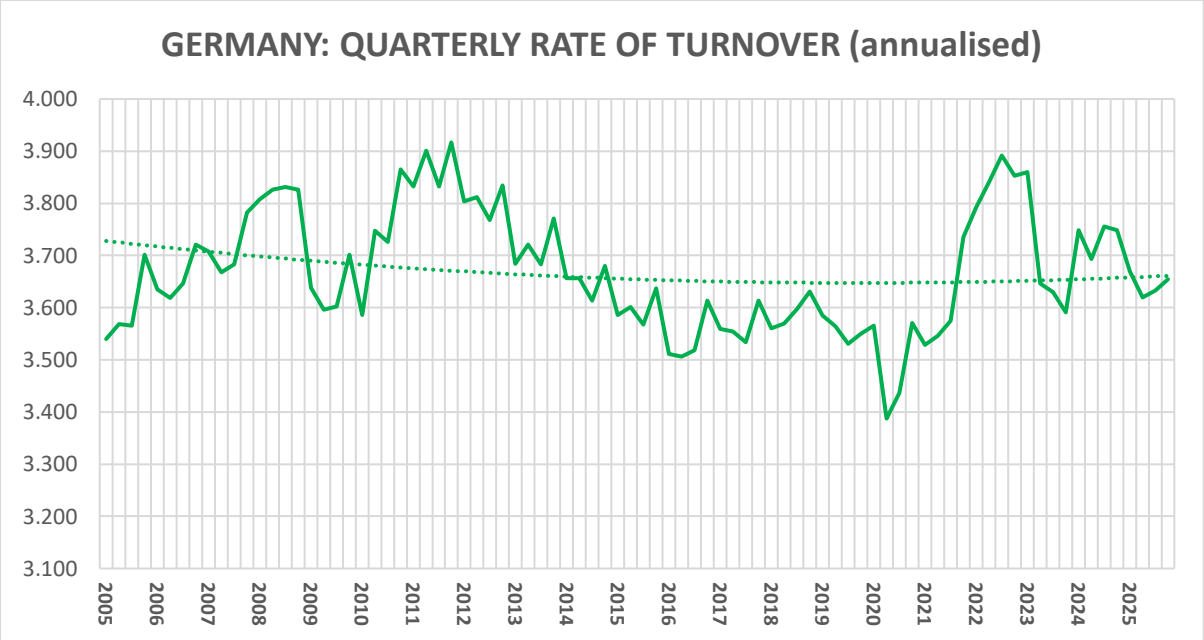
THE GERMAN AND JAPANESE ECONOMY BEFORE THE IRAN WAR

Both the German and Japanese statistical bureaus have just released their official data covering the final quarter of 2025. These can be found in the two attachments included with this posting where the original data, the equations and graphs can be found.

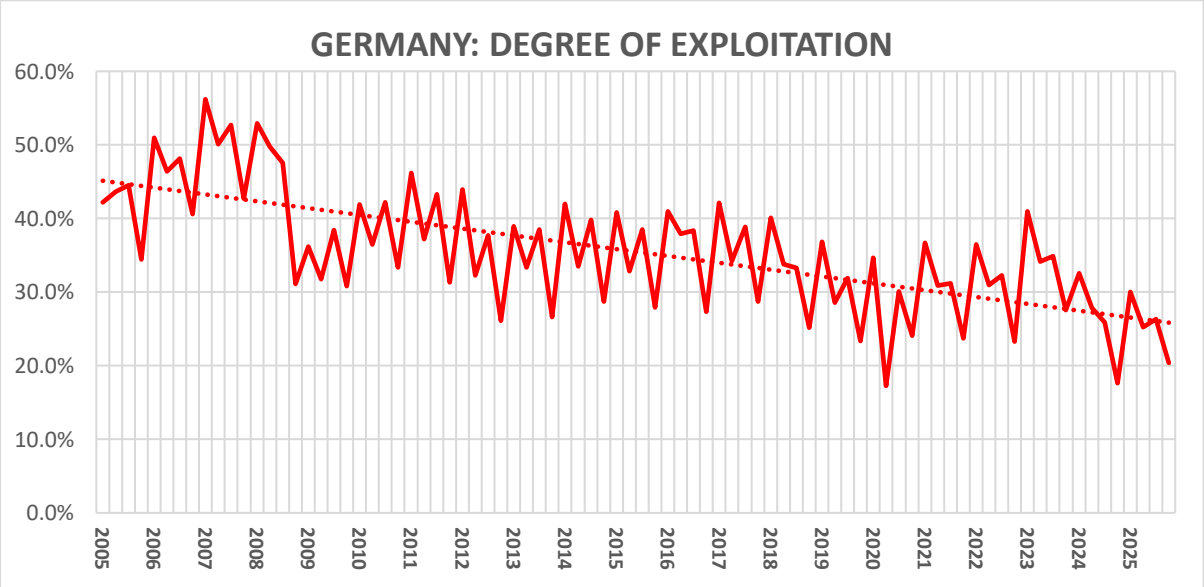
Here is the German Destatis link for the non-financial corporate sector accounts. The downloaded data for the non-financial sector accounts can be found in the accompanying 'GERMAN DATA WORKBOOK'. As always, we begin with turnover which remains range bound.

Graph 1.



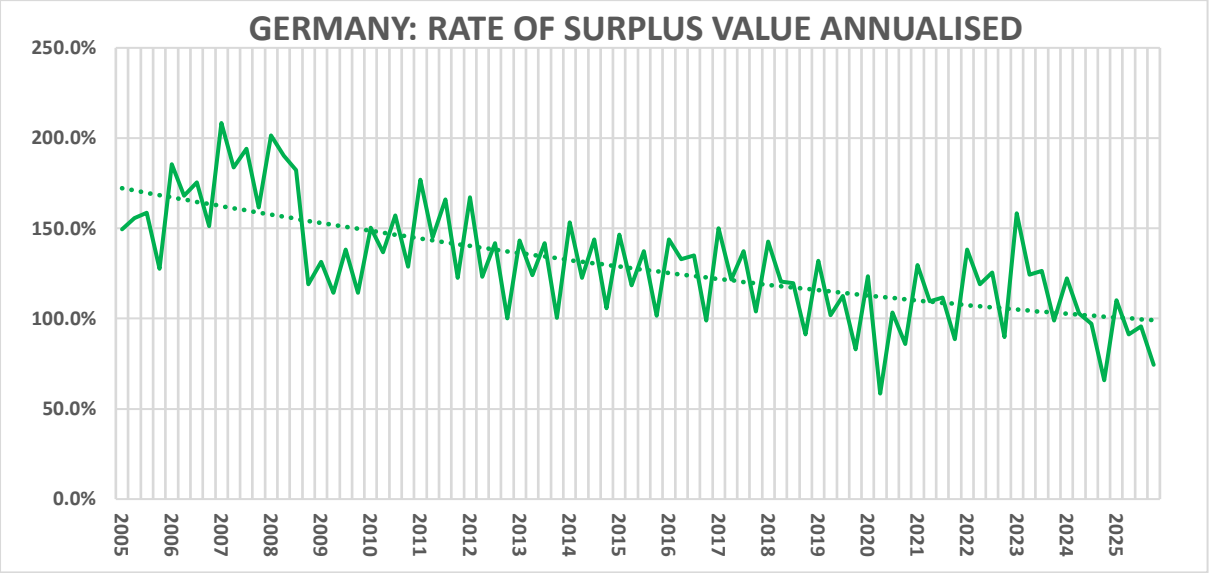
However, the degree of exploitation continues to fall.

Graph 2.



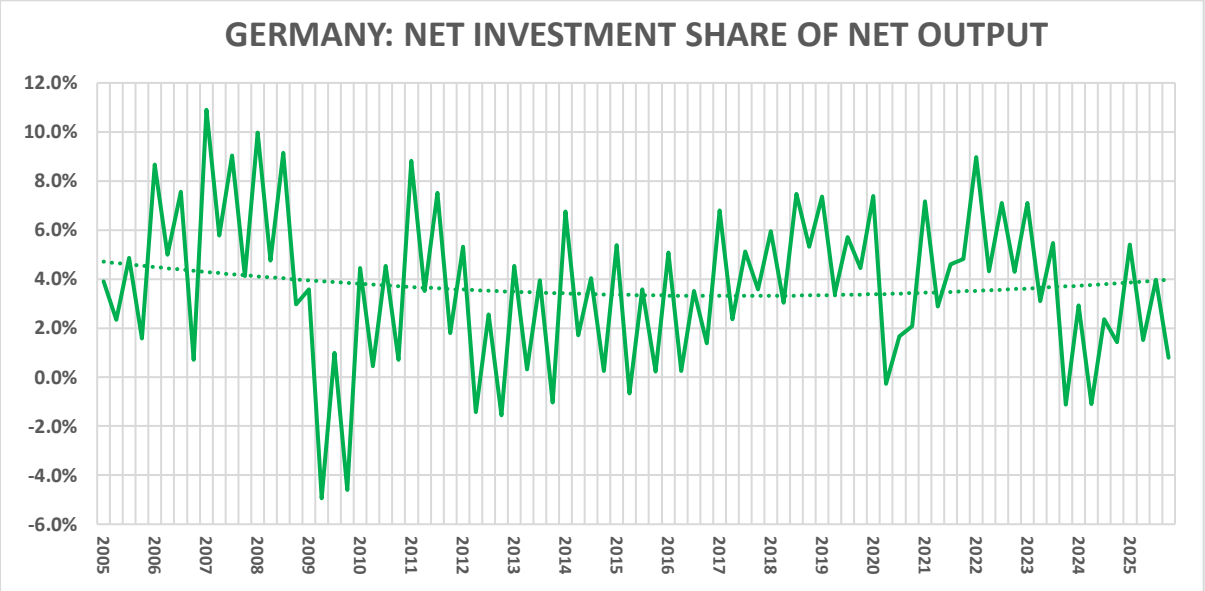
The slight improvement in turnover was insufficient to offset the fall in the degree of exploitation resulting in the fall in the rate of surplus value which feeds profits.

Graph 3.



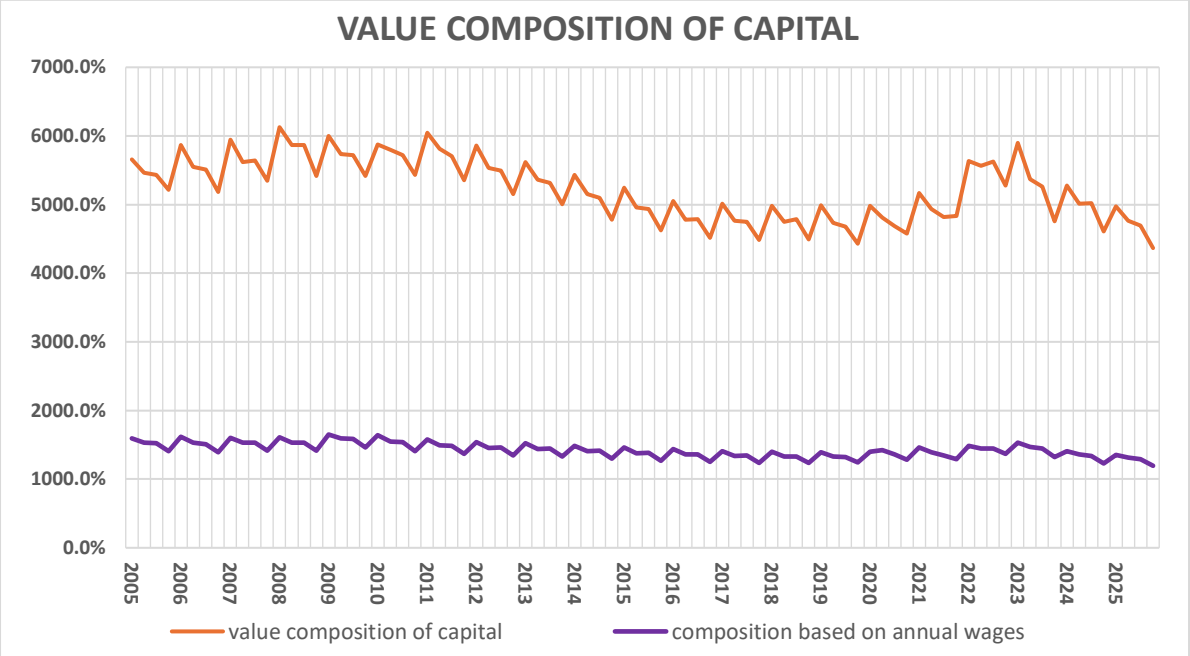
This completes our investigation of the income side allowing us to turn to the capital side to complete analysing both the numerator and denominator yielding the rate of profit. Investment continues to be weak.

Graph 4.



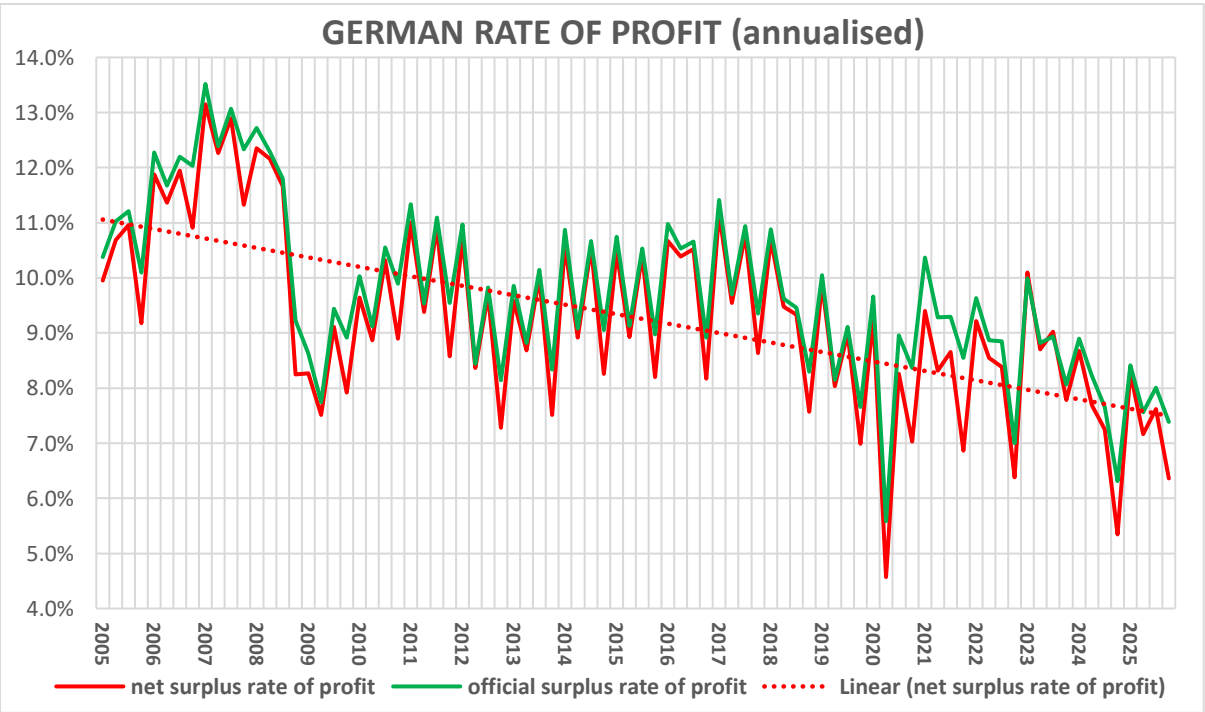
And it is this below trend investment which has restrained the rise in the value composition of capital graphed below. The brown graph, based on variable capital and which incorporates turnover, is the Marxian measure not the purple graph. This is why it shows movement in line with the industrial cycle. The green graph is the vulgar graph based on annual remuneration not variable capital; it is the vulgar composition used by most Marxian analysts.

Graph 5.



Having completed the income and capital side yielding the rate of profit we can now estimate the rate and see whether the fall in investment was sufficient to offset the fall in the rate of surplus value. It was not. The rate of profit based on fixed and circulating profit fell sharply towards the end of the year. The red graph is the important one. It stands nearly 20% below the level at the depths of the financial crises of 2008/9, and it is down by one third compared to the pre-COVID period.

Graph 6.

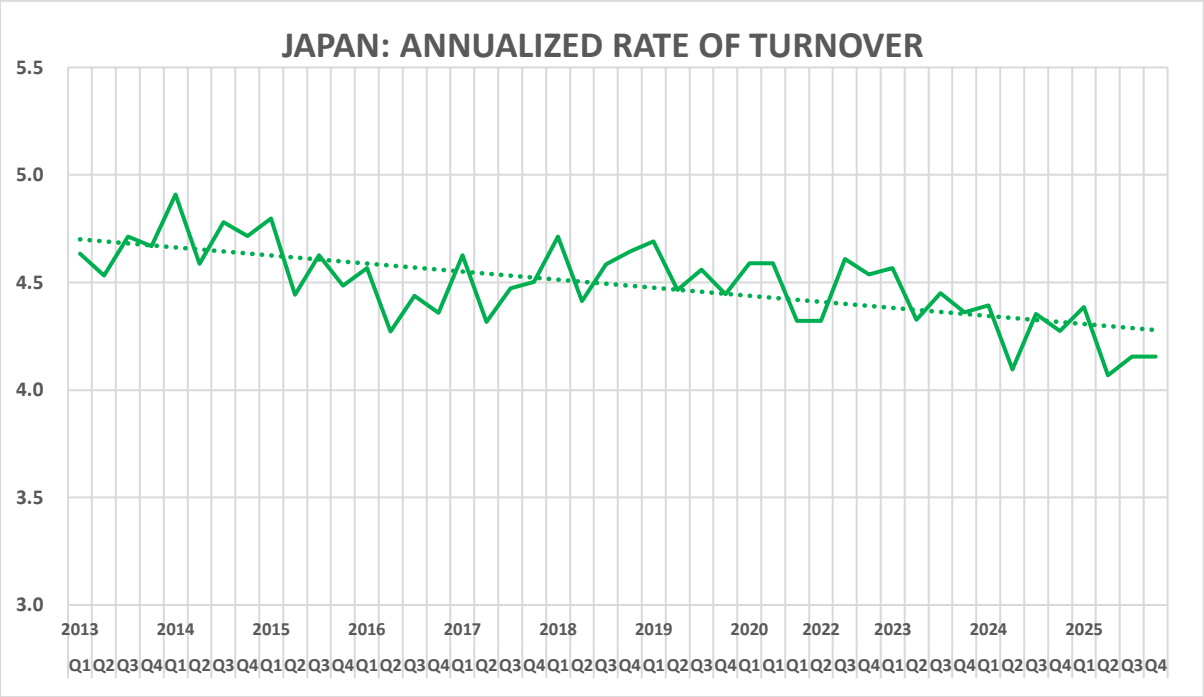


Japan.

The link to the official Japanese data can be found here.

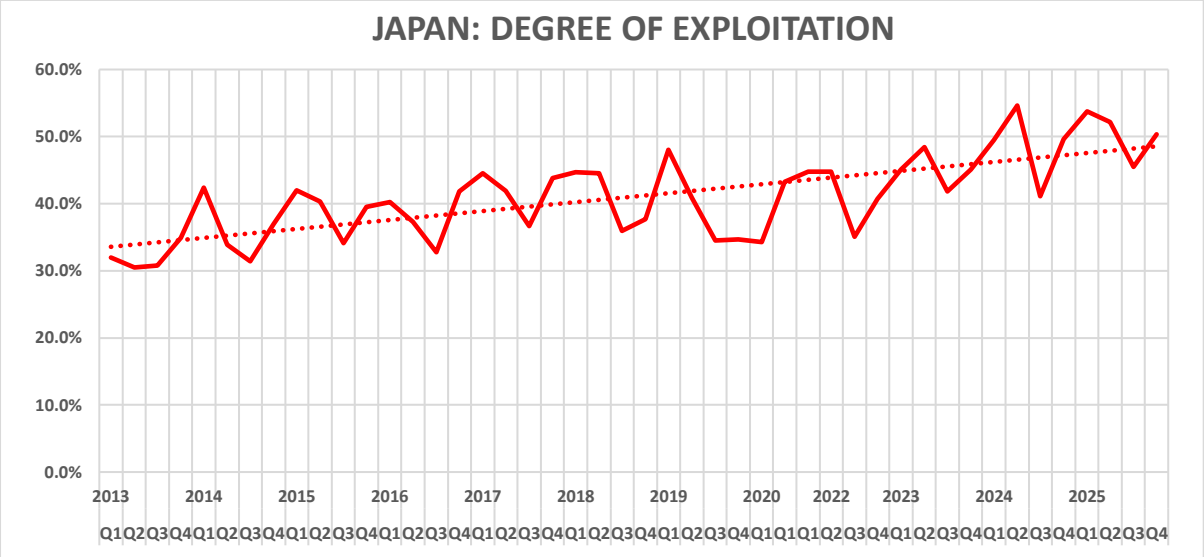
Like Germany, Japan's annual rate of turnover remains subdued-to-falling expressing weak market conditions.

Graph 7.



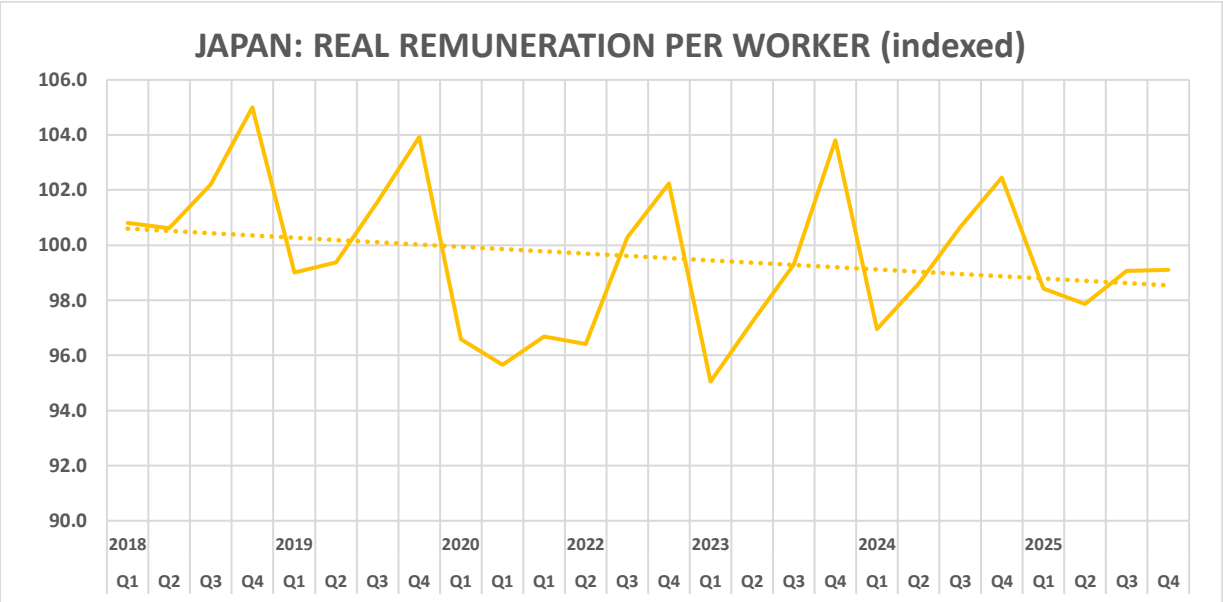
However, unlike Germany, Japan's industrial employers enjoyed a rising degree of exploitation. Since 2013 exploitation has risen more or less consistently by half, reflecting the weakness of the trade union movement there.

Graph 8.



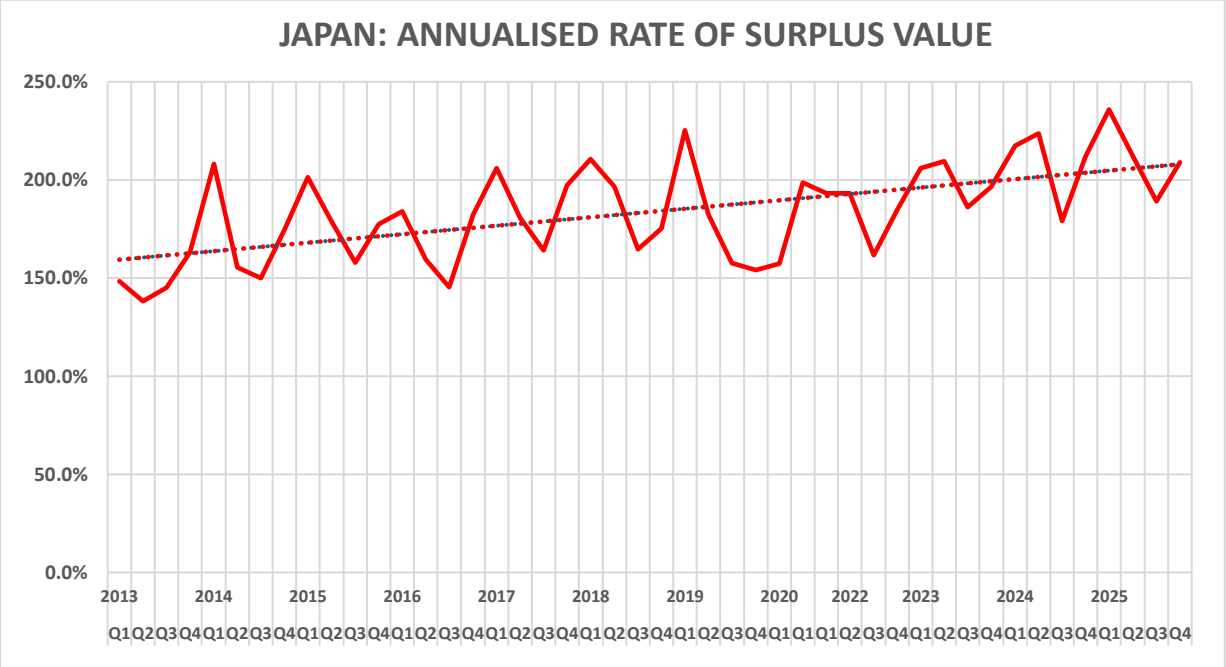
The rise in the degree of exploitation was due to the fall in real wages despite the appeals by the Japanese government for employers to raise wages to boost consumption. Real remuneration is deflated using the CPI.

Graph 9.



The rise in the rate of exploitation more than offset the fall in the rate of turnover, yielding a rise in the more important rate of surplus value which feeds profits. (Formula for rate of surplus value is degree of exploitation times number of turnovers.)

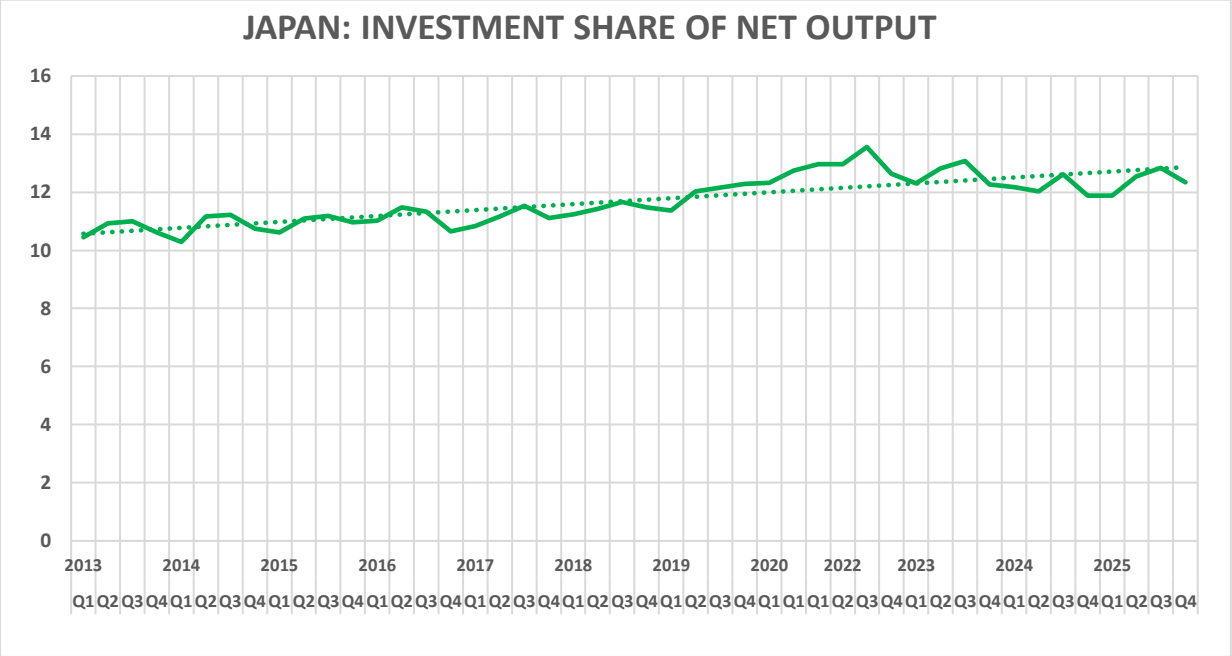
Graph 10.



Having examined the income side feeding the rate of profit, we can now turn to examine the capital side which completes the equation.

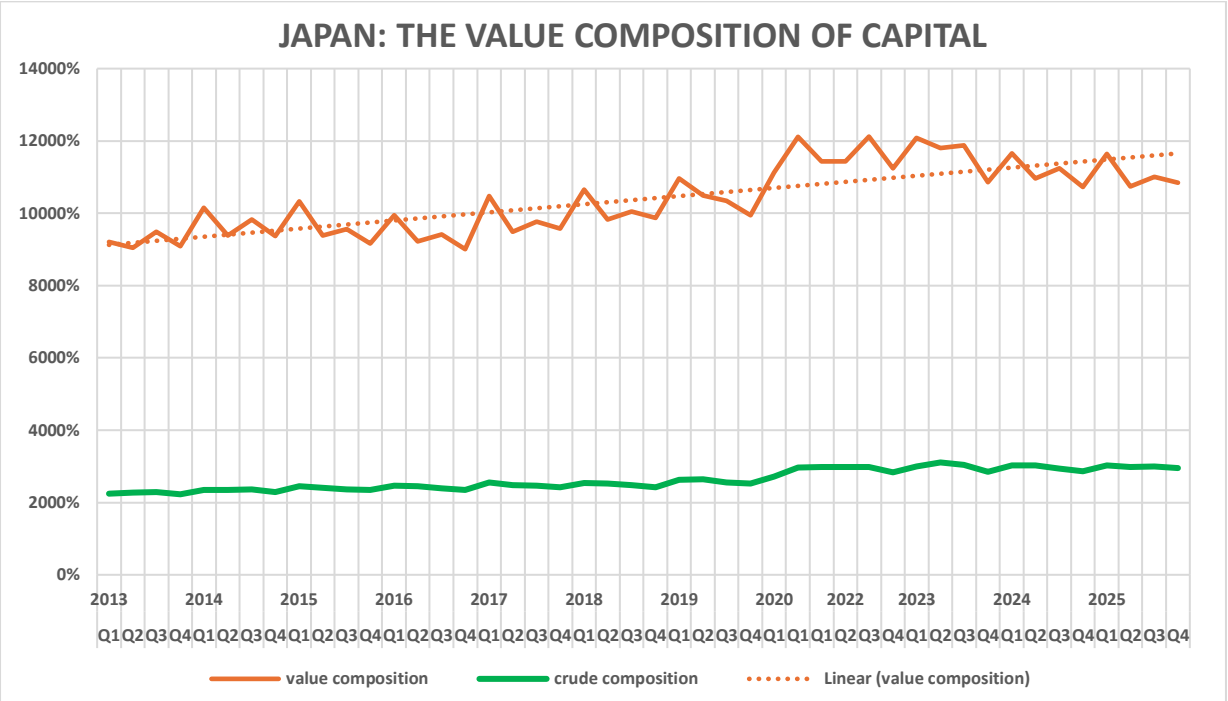
Japan's investment continued to plateau around 12% of net output. It fell in the last quarter.

Graph 11.



This level of investment was insufficient to prevent the value composition of capital, which had risen into the Pandemic, from declining since then.

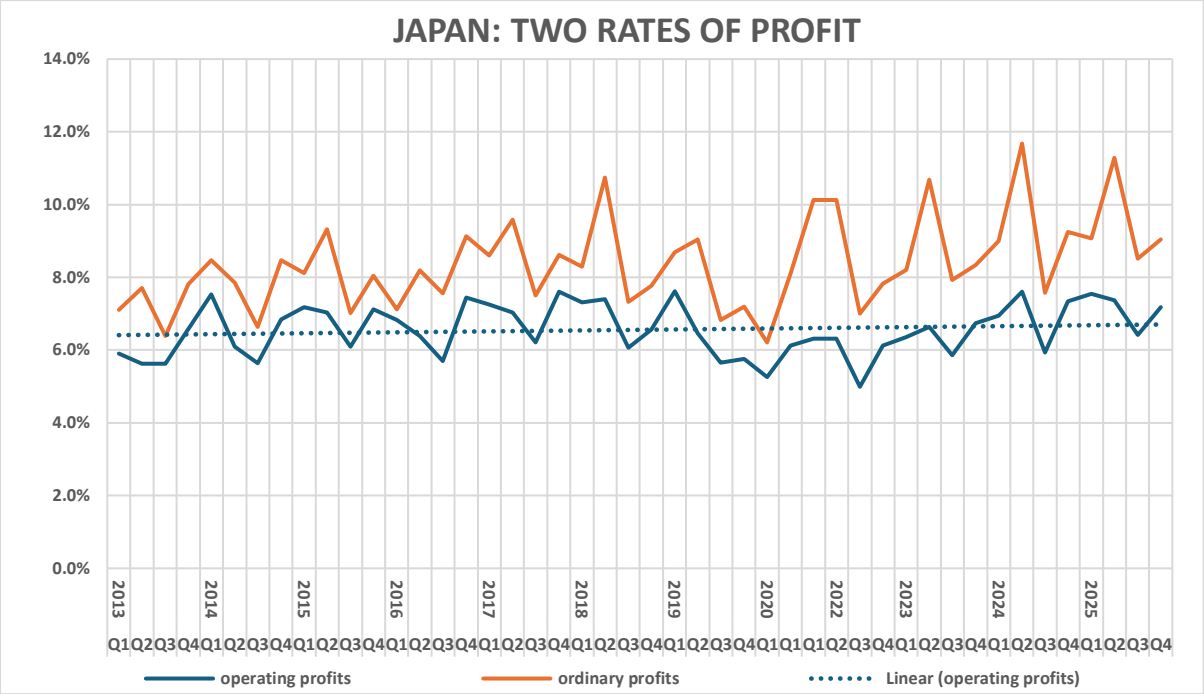
Graph 12.



The combination of a rising rate of surplus value and a weakening composition of capital ensured a rising rate of profit as can be seen below. I provide two rates because Japanese companies pro-rata hold more financial assets than elsewhere as share buy backs are less prominent in Japan. Ordinary

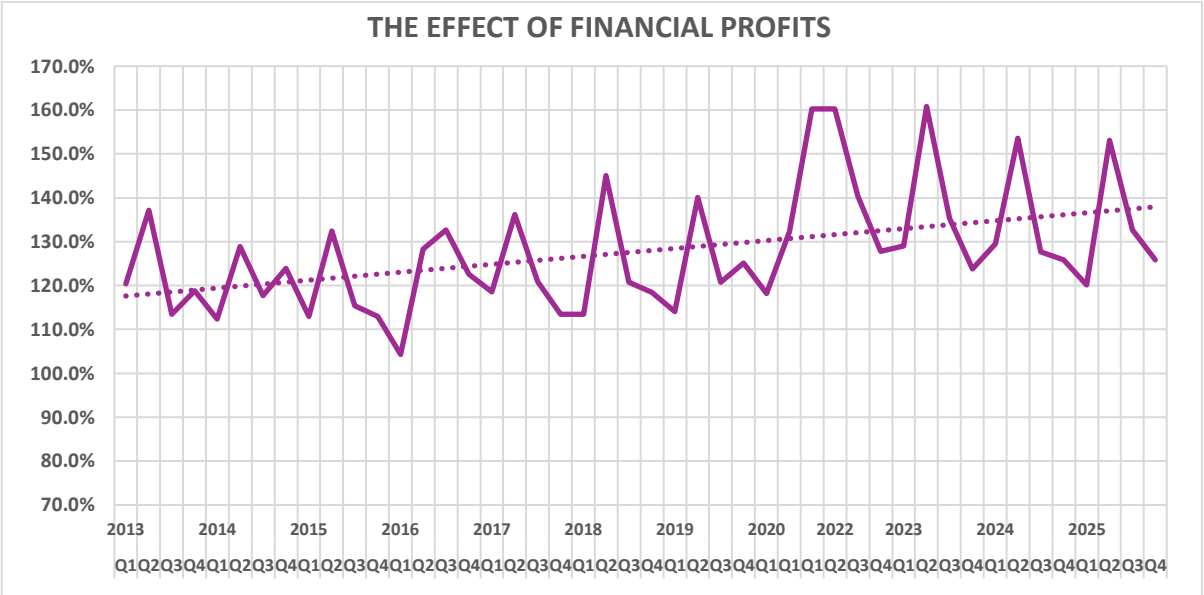
profits include operating as well as financial profits. Unlike Germany over the medium term, there has been a shallow rise in the profit trend (blue graph).

Graph 13.



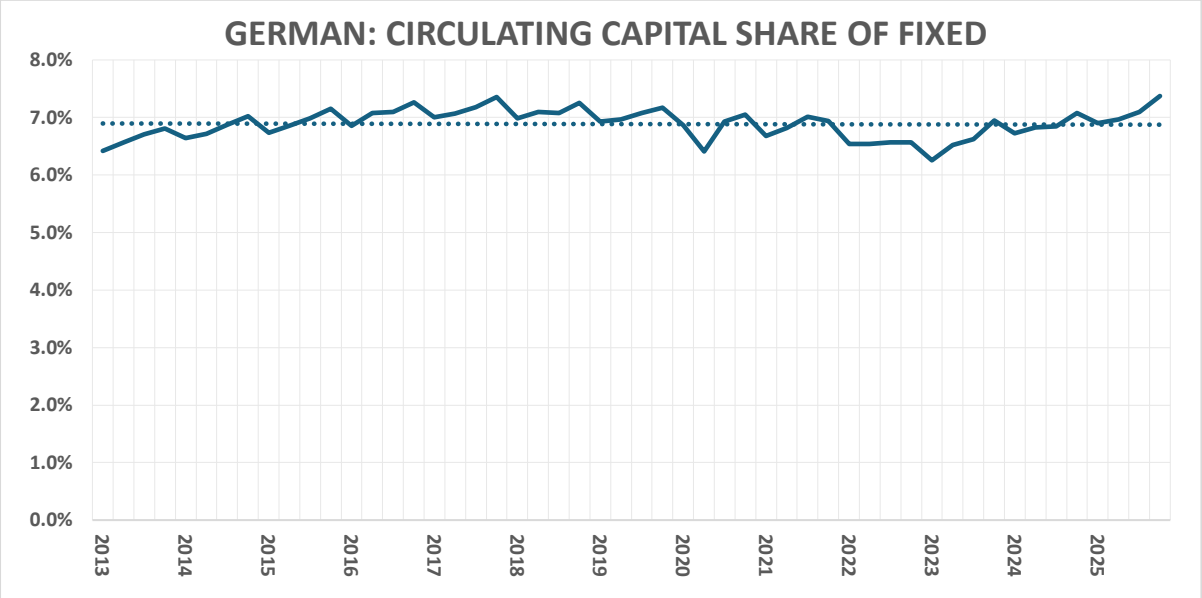
Despite booming share markets financial profits relative to operating profits declined in the second half of 2025 to a level no higher than during the pre-pandemic period.

Graph 14.

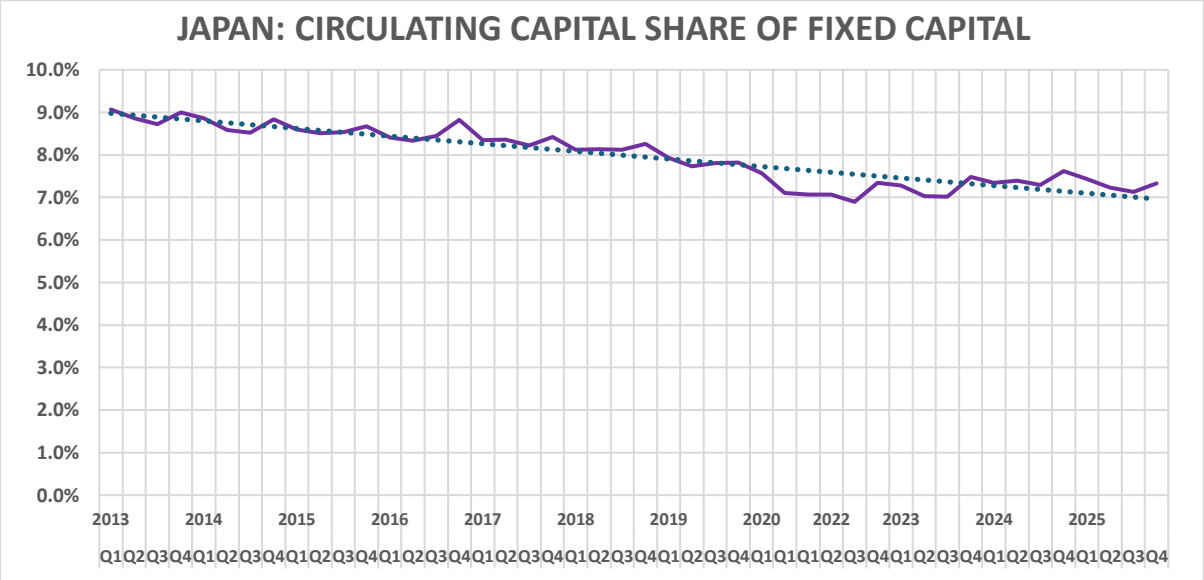


Finally, to diverge into interesting territory, on the next page I have compared the ratio of circulating to fixed capital in the two countries. Japan shows a falling share due to demographic factors and a workforce suffering a higher degree of exploitation which reduces working capital even against the background of weaker fixed investment.

Graph 15



Graph 16.



Conclusion.

Both Japan and Germany, with large industrial bases have similar rates of profit, they vary by about a tenth. Both economies, when viewed through the prism of turnover show weak market conditions. This is due to their subdued investment in fixed assets; some even speak of de-industrialisation in Germany. However, when measured by the trend in profitability, Japanese corporations have the edge over German corporations, courtesy of a more poorly organised labour movement in Japan.

These are not robust economies with buffers, and for this reason they are likely to be significantly impacted by the war in Iran especially by the disruption in energy supplies and rising prices.

Brian Green, 12th March 2026.