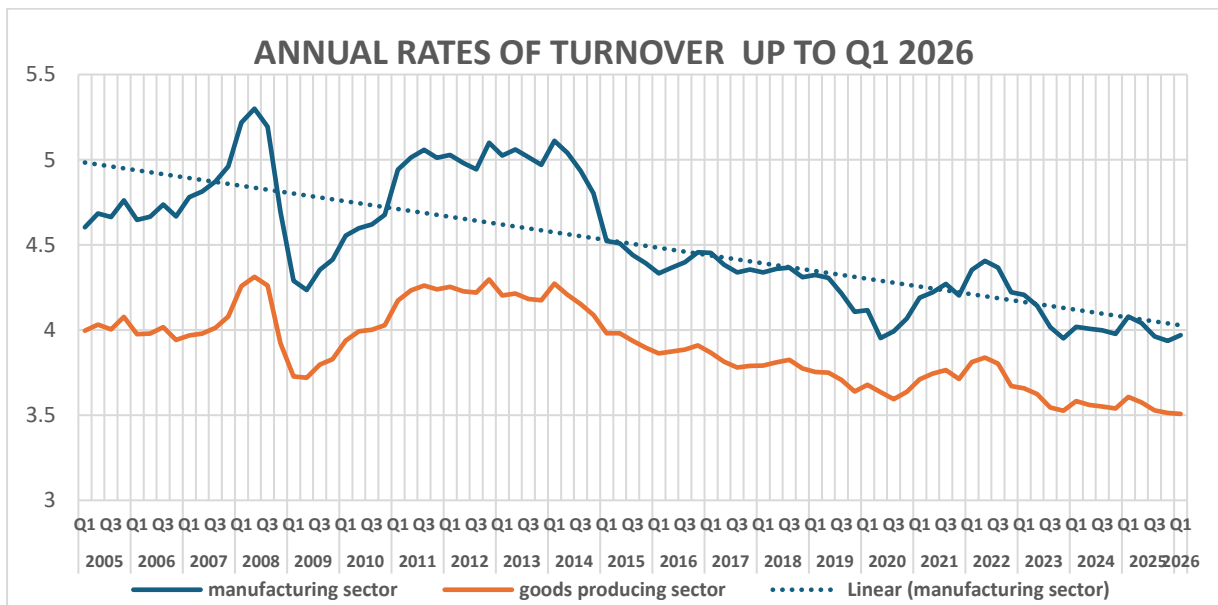


ADDITIONAL AND RECENT US AND CHINESE DATA

On the 25th of June the BEA released GDP by Industry data for Q1 2026 enabling turnover to be calculated for that quarter. In addition, the final release of corporate profits was announced. The upward revision to profits raised the rate of profit significantly and so a new graph is included. Finally, I have added further current information on both the US and Chinese economies.

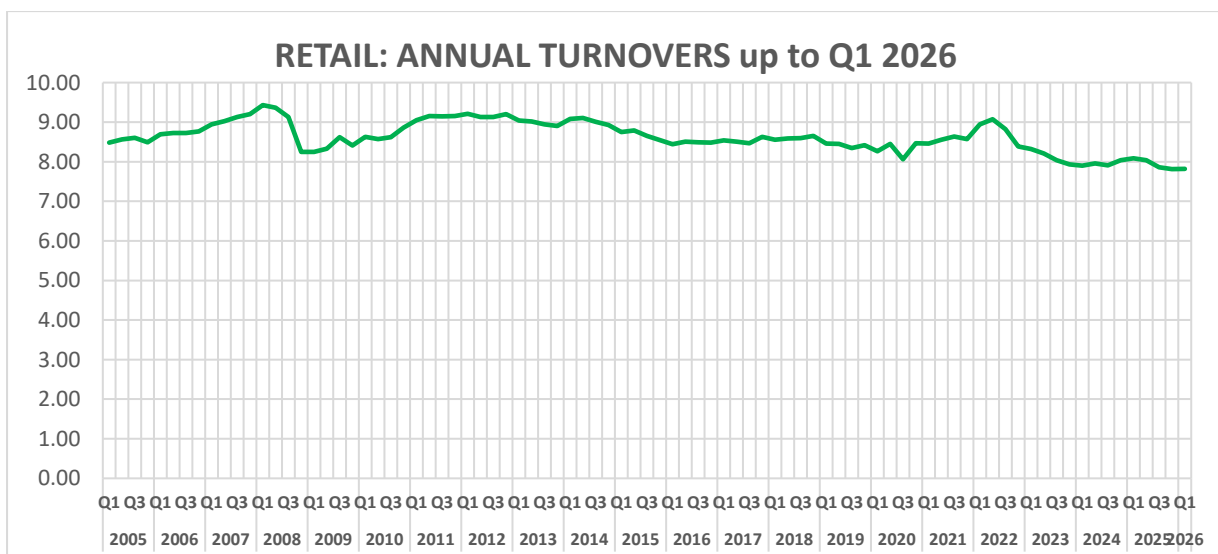
The data for the turnover formula can be found on [this link](#). There can be found the Gross Output (GO) and Gross Value Added tables. The formula for turnover which is $GO/GVA + (GO-GVA)/GVA$, applies that data to compile Graph 1. Over 20 years turnover has declined by a quarter and has stabilised at around 4 for manufacturing and 3.5 for the goods producing sector which includes manufacturing.

Graph 1.



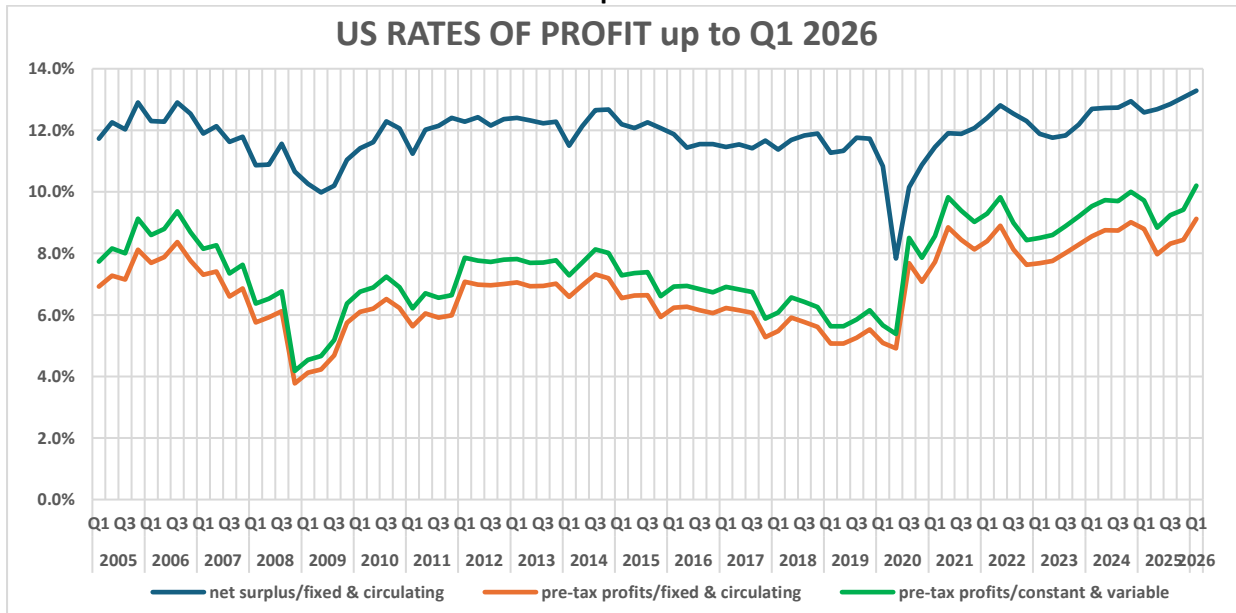
Flat retail sales volumes over the last three years have depressed turnover in this sector.

Graph 2.



The sparkling bit of the economy has been profitability. The rate of profit by every measure has hit 20-year highs. However, as I pointed out in [my previous analysis of the US economy](#), the rise in profits is due to a handful of Big Tech corporations benefitting from the AI boom. If anything, the turnover data graphed above shows an economy flatlining being supported by AI investment and consumer spending based on the capital gains arising from rising share prices.

Graph 3.



Financial problems in private equity and the unregulated banking sector continue to accumulate. An increasing number of firms are [capping withdrawals by investors](#). Each day another and then another firm tightens their caps. It's no longer a question of new capital going into this sector but capital leaving it. This marks the second phase of a deepening financial crisis.

Another aspect of the emerging debt crisis are bankruptcies. [US bankruptcies](#) for the twelve-month period ended March 31st increased by 11.9% to 591,850 cases compared to the previous year. [More recent data](#) covering week 23 (the first week of June) show a 236% increase in business failures.

Graph 4.

Year-Over-Year Weekly National Bankruptcy Filings (Through Week 23)

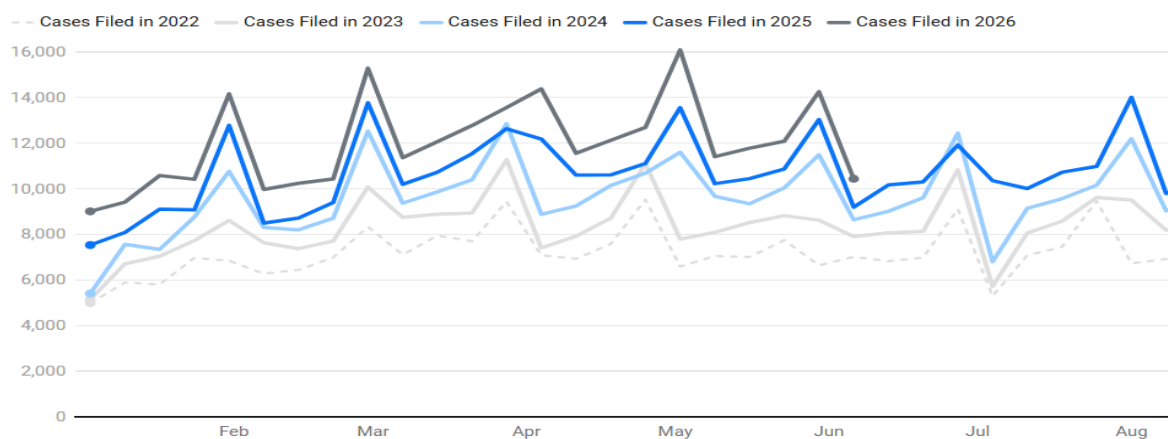


Chart: Marco Varela, 2026, BankruptcyWatch • Source: BankruptcyWatch • Get the data • Created with Datawrapper

In addition, the sales of new homes collapsed in May [“Sales of new single-family houses in May 2026](#) were at a seasonally-adjusted annual rate of 580,000, according to estimates released jointly today by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 7.3 percent (± 13.3 percent)* below the April 2026 rate of 626,000, and is 6.8 percent (± 12.8 percent)* below the May 2025 rate of 622,000. Unsold homes represent “a supply of 10.3 months at the current sales rate. The months' supply is 10.8 percent (± 19.2 percent)* above the April 2026 estimate of 9.3 months, and is 6.2 percent (± 15.4 percent)* above the May 2025 estimate of 9.7 months.” This is the worst data since the depths of the pandemic.

Similarly small business optimism is falling to levels last seen towards the tail end of the Pandemic.

Graph 5.

Small Business Optimism Index

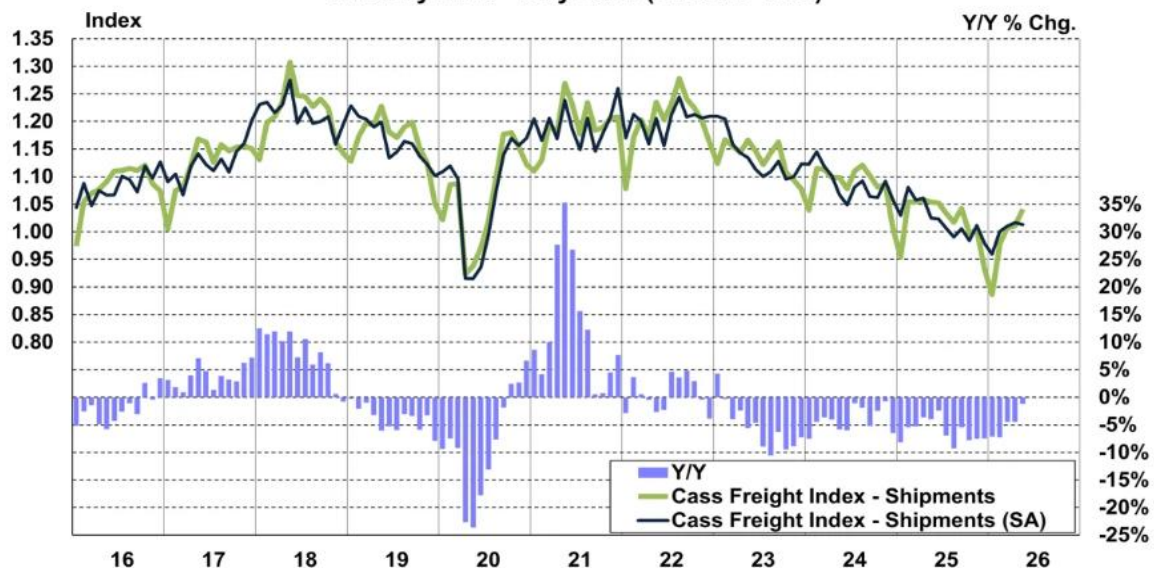


Freight movements have tracked this fall in optimism.

Graph 6.

Cass Freight Index® - Shipments

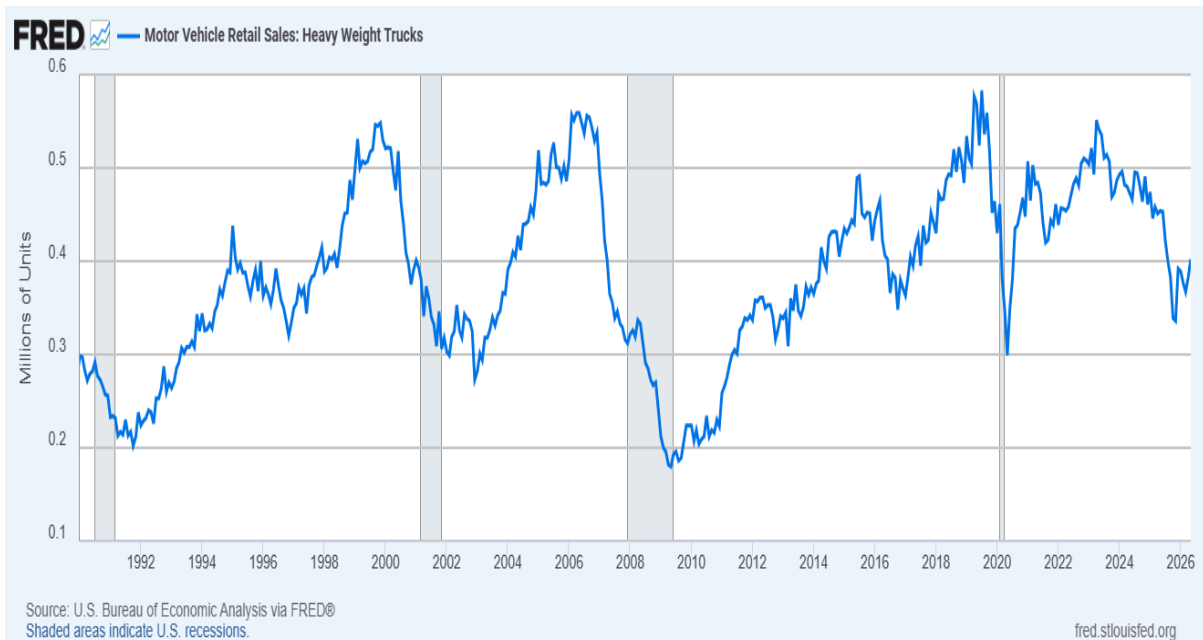
January 2016 - May 2026 (01'1990=1.00)



Source: Cass Information Systems, Inc., ACT Research Co. © 2026

Tracking the contraction in freight movements the trucks which carry this freight has also seen their sales fall.

Graph 7.



So, despite the AI construction and energy boom exemplified by [Caterpillar's latest financial report](#) (below), heavy duty truck sales struggled. This is highly significant. These trucks fall under the category of fixed capital investment. As I have shown before, any retrenchment in sectoral fixed investment first appears as a fall in truck sales. Sales at the beginning of 2026 hit levels last seen during the depths of the pandemic. Truck sales are strongly associated with turnover, tending to fall when turnover does. This provides further confirmation of the relationship between the movement of fixed and circulating capital, where any fall in fixed investment exemplified by truck sales, inevitably leads to a fall in the cycling of circulating capital forming the business cycle.

Table 1.

Sales were higher across the three primary segments.

Sales and Revenues by Segment									
(Millions of dollars)	First Quarter 2025	Sales Volume	Price Realization	Currency	Inter-Segment / Other	First Quarter 2026	\$ Change	% Change	
Power & Energy	\$ 5,783	\$ 840	\$ 108	\$ 111	\$ 189	\$ 7,031	\$ 1,248	22%	
Construction Industries	5,184	1,459	356	143	19	7,161	1,977	38%	
Resource Industries	3,661	85	(39)	78	12	3,797	136	4%	
All Other Segment	70	1	—	—	6	77	7	10%	
Corporate Items and Eliminations	(1,320)	(67)	1	19	(226)	(1,593)	(273)		
Machinery, Power & Energy	13,378	2,318	426	351	—	16,473	3,095	23%	
Financial Products Segment	1,007	—	—	—	89	1,096	89	9%	
Corporate Items and Eliminations	(136)	—	—	—	(18)	(154)	(18)		
Financial Products Revenues	871	—	—	—	71	942	71	8%	
Consolidated Sales and Revenues	\$ 14,249	\$ 2,318	\$ 426	\$ 351	\$ 71	\$ 17,415	\$ 3,166	22%	

All the above information is presented to demonstrate that the profitability picture is somewhat anomalous even contradictory. Generally, a rise in the general rate of profit is associated with a general improvement in market conditions. Not this time. Everything about the US economy is narrowly based as the table on income distribution below shows. The economy is propped up by the top 10% of income earners who own [93% of listed shares](#) and who are the primary beneficiary of capital gains made there. The top 10% of income earners consume as much as the other 90% of income earners.

Table 2.

	2024 Share of PI (Published)	2025 Share of PI (Nowcast)	2025 Nominal Growth in PI (Nowcast)
Q1: 0-20%	5.3	5.2	4.1%
Q2: 20-40%	9.5	9.6	5.8%
Q3: 40-60%	13.4	13.4	5.0%
Q4: 60-80%	19.0	19.1	5.4%
Q5: 80-100%	52.8	52.7	4.6%

 National Data & Documentation

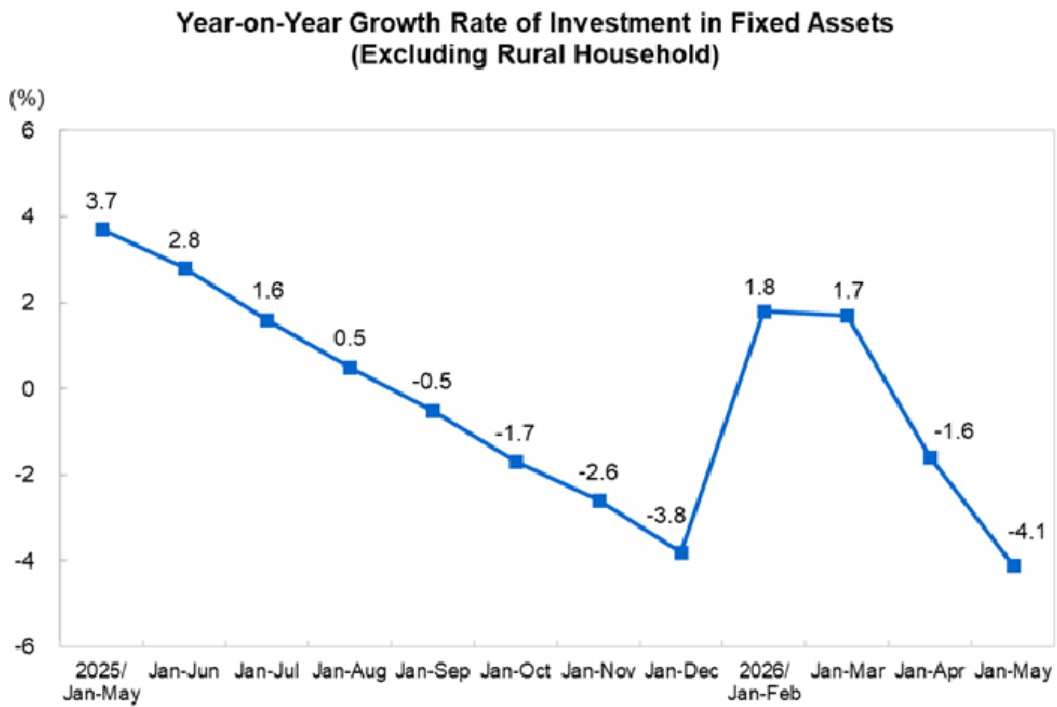
The US economy was also propped up by foreign money being invested in the country and in its financial markets. The US is a significant debtor country, sustainable only for as long as the Dollar acts as the world's currency. *"[The U.S. net international investment position](#), the difference between U.S. residents' foreign financial assets and liabilities, was $-\$21.27$ trillion at the end of the first quarter of 2026. Assets totaled $\$43.37$ trillion, and liabilities totaled $\$64.64$ trillion. At the end of the fourth quarter of 2025, the net investment position was $-\$21.87$ trillion (revised)."* The nearly $\$22$ trillion the US owes the rest of the world, is equal to two thirds of its annual output.

(Just out of interest, [the BEA recently published its estimate for unpaid domestic labour](#) for 2024. It came to $\$7.525$ trillion equal to 26% of GDP. Talk about propping up the capitalist economy. That is twice as much as the net surplus generated by all the non-financial corporations in the USA which stood at around $\$3$ trillion in 2024.)

Briefly on China.

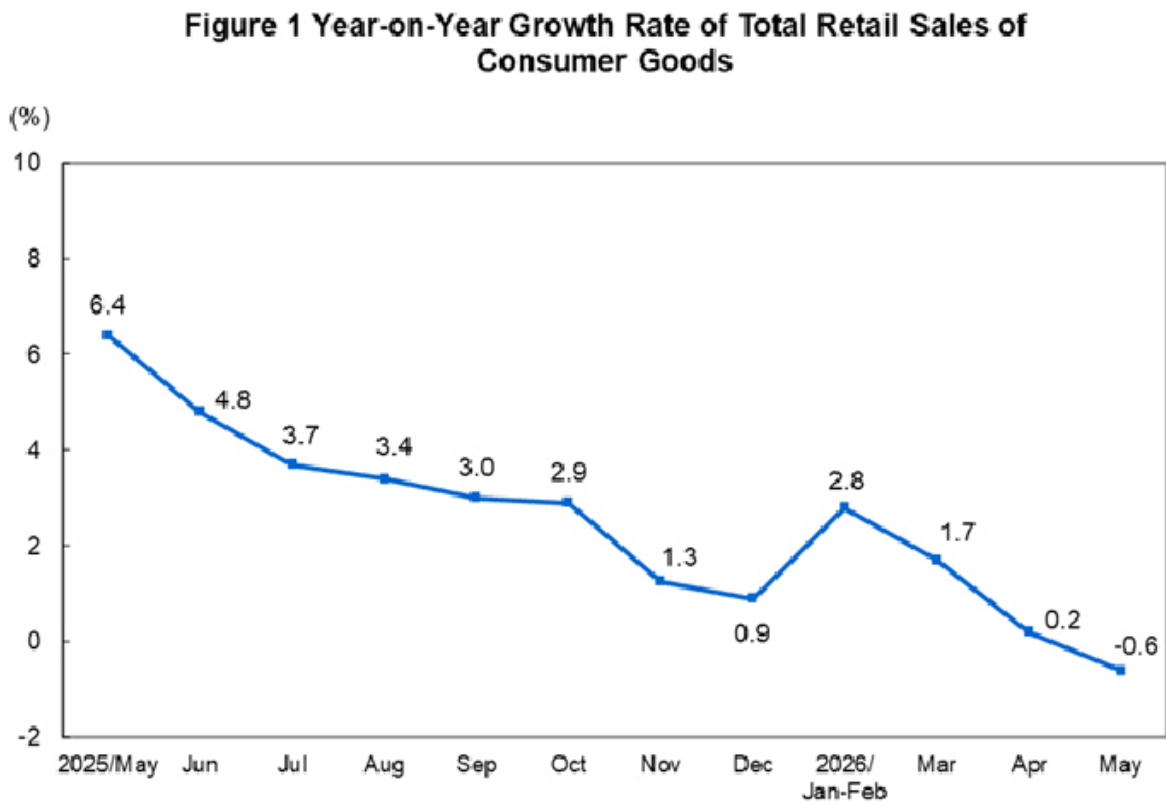
In my previous article on China, [I pointed to a slight improvement in Q1 data](#), but considered the economy, like the US economy, to be fragile. Whatever improvement occurred up to April evaporated by May. The early data for May in terms of investment and retail sales were very weak. Investment which began to be positive reversed over the month resulting in an actual fall in investment. [Manufacturing investment fell by 0.4%](#). Until recently industrial investment more than compensated for the fall in real estate investment. Not anymore. Foreign investment decreased again continuing what is now an established trend.

Graph 8.



For the first time in [2026 retail sales](#) fell yoy. This fall was driven by a fall in car sales.

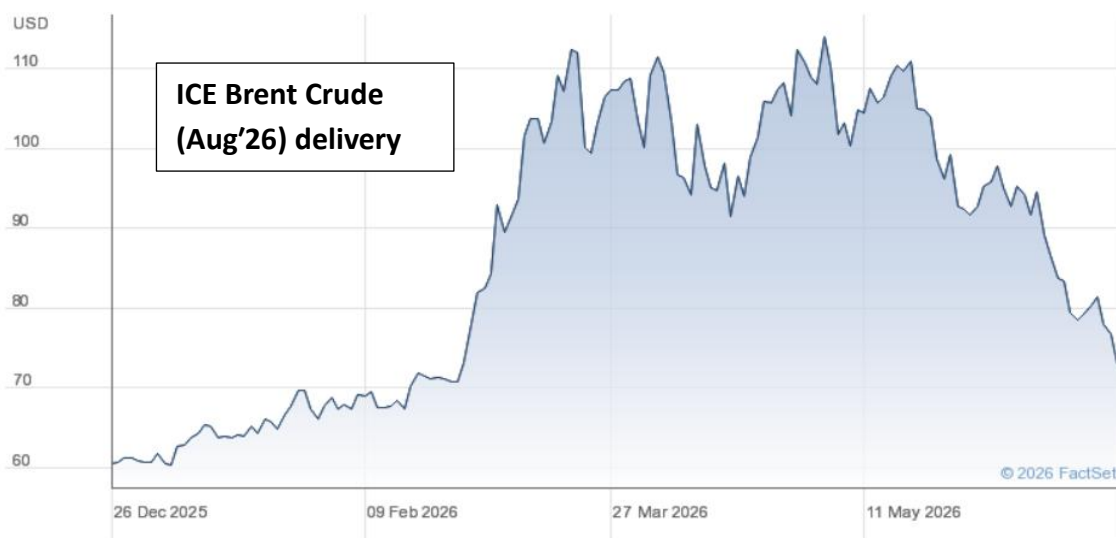
Graph 9.



Conclusion.

The oil price says it all. The oil price is notoriously sensitive to minor changes in supply. However, despite losing the equivalent of 19 days of global oil production due to the closure of the Straits of Hormuz, or over 5% of annual production, the oil price based on Brent has settled around \$75 a barrel. In other words, it is back to its price at the end of February when the conflict broke out. Despite all the warnings that oil would not return to its pre-conflict price due to the interruption in supply, tankers needing to be repositioned, the replenishing of reserves and damage to facilities, it has confounded its sceptics. There is only one reason this could happen; the price is a vote of no confidence in the world economy. This is a price which is responding to demand not to supply.

Graph 10.



As usual the US is trying to have its can and to drink it. In the talks with Iran, the US is trying to roll back the concessions implied in the Memorandum of Understanding. But the US negotiators are faced with a stark choice. To keep share price up, they need to keep oil prices down. At least in the run up to the mid-terms. Thus, the initiative remains with the Iranians.

But there is another source of inflation pending the price of chips. Previously the concern was AI choke points, now it is becoming inflation. [Micron's latest financial release](#) showed its gross margin rose to 84.6%. In the olden days that kind of gouging would have invited a government response invoking anti-monopoly legislation because it heralded economic damage to the rest of the economy. No longer. And that damage was evident in Apple and Microsoft shares today which fell by 5% and 4% respectively due to these companies being forced to raise their prices.

The turnover data provided, shows that while the US economy may be K shaped, that K could be spelling Krap. The fundamentals outside AI remain weak. The US is a one card trick, even though the card may be an Ace. Seldom in history has an economy been so narrowly based. AI must remain the gift which keeps on giving to keep the party going. The question is what happens when the giving stops.

Brian Green, 25th June 2026