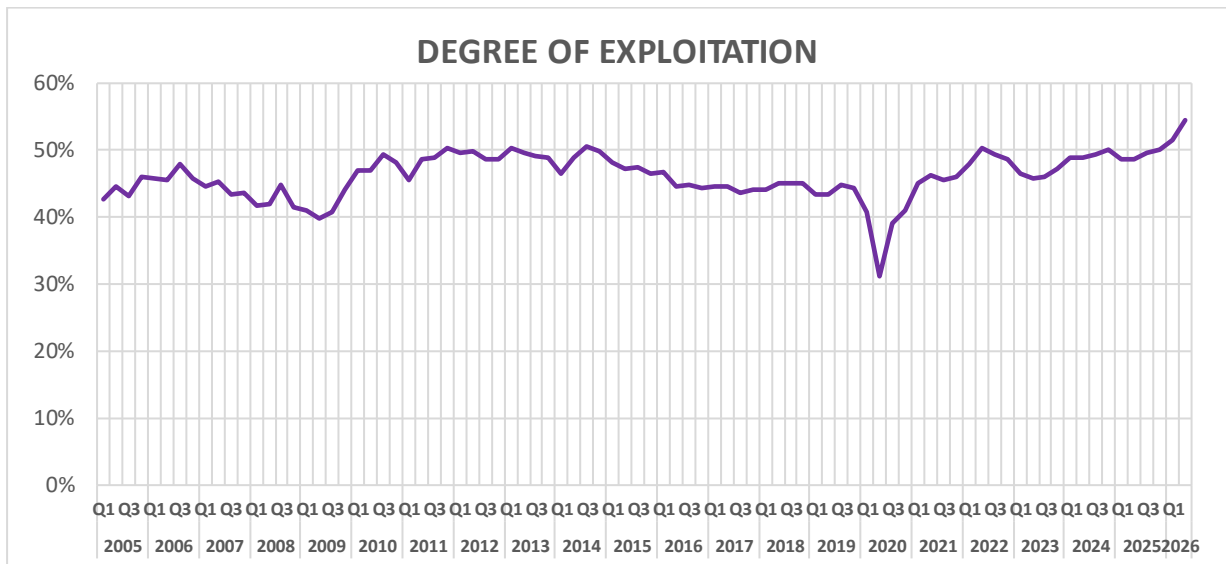


THE US IS AT ITS MOST PROFITABLE IN 60 YEARS.

The BEA just released [NIPA Table 1.14](#) providing its first estimate of corporate profits. And what a report it was with profits jumping as the AI movement delivered.

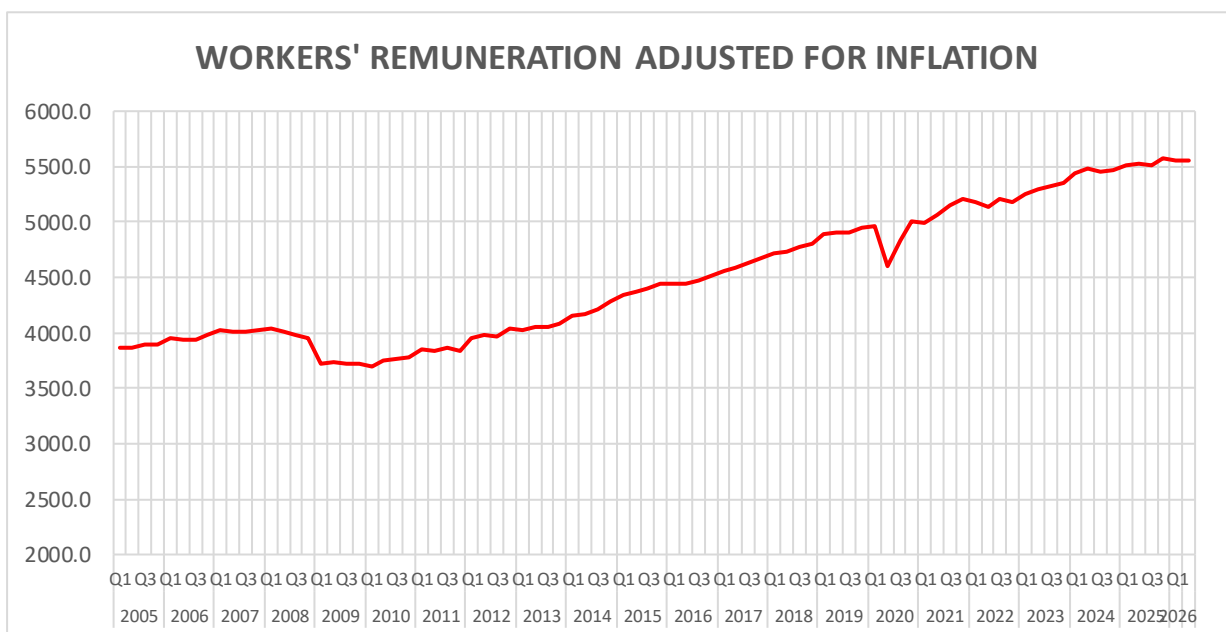
To begin our exploration. The degree of exploitation (net surplus divided by worker compensation) has risen from 44% before the pandemic to 54% now. The rate of exploitation can increase for two reasons. Either due to depressed worker compensation or due to an increase in profits. Graph 2 provides the answer. (See accompanying worksheet **Table 1.14 quarterly Q2 2026** for data and calculations.)

Graph 1.



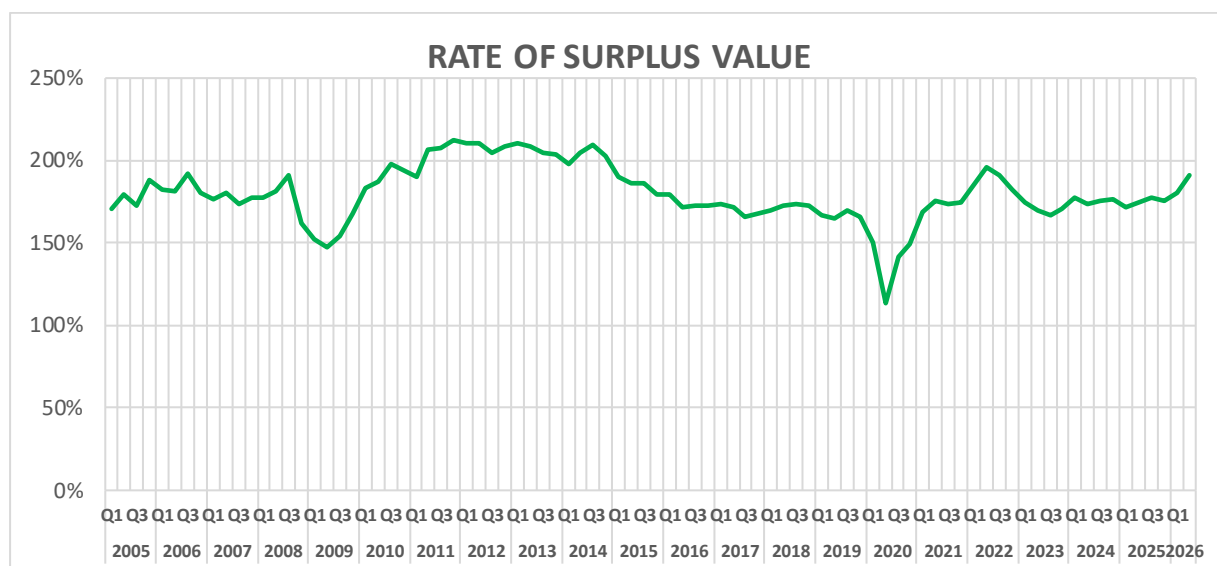
Worker compensation has only risen by 1.7% over the last two years. During that same time profits rose by 36% as found in Graph 4.

Graph 2.



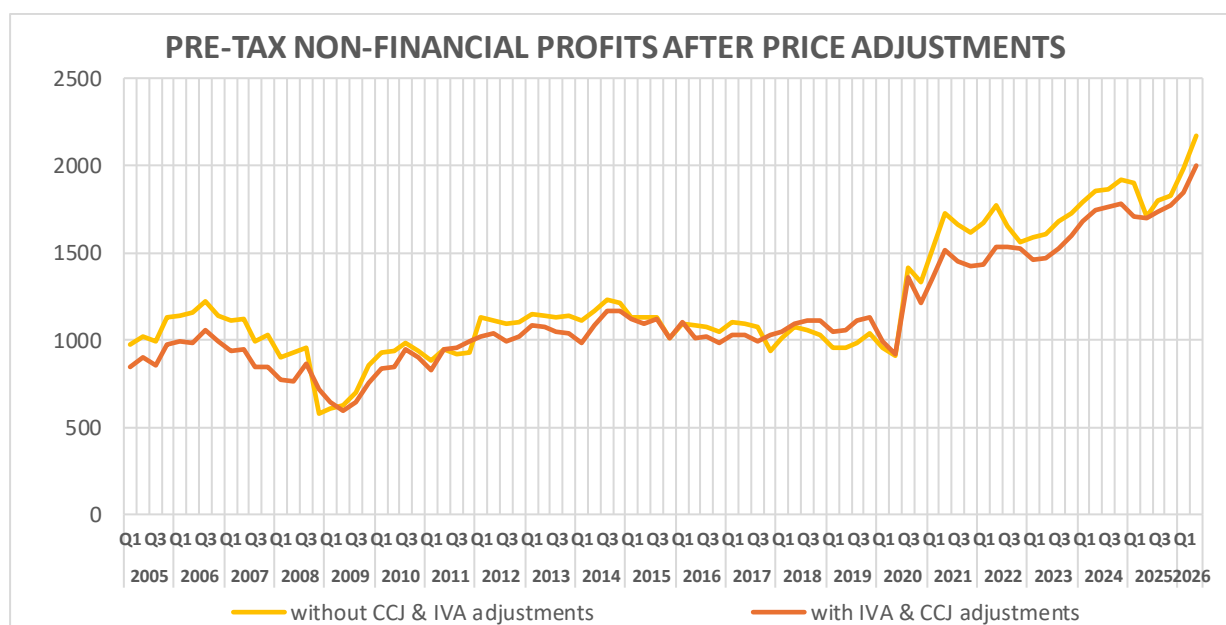
As turnover has remained static it has not had any effect on the rate of surplus value which is arrived at by multiplying the degree of exploitation by the number of annual turnovers or circuits of capital. But because turnover has fallen over recent years the rate of surplus value stands below that found in 2011 – 2014, whereas the degree of exploitation is higher than at any time since 2005. Hence the importance of not confusing the rate of surplus value which feeds profits with the degree of exploitation which does not.

Graph 3.



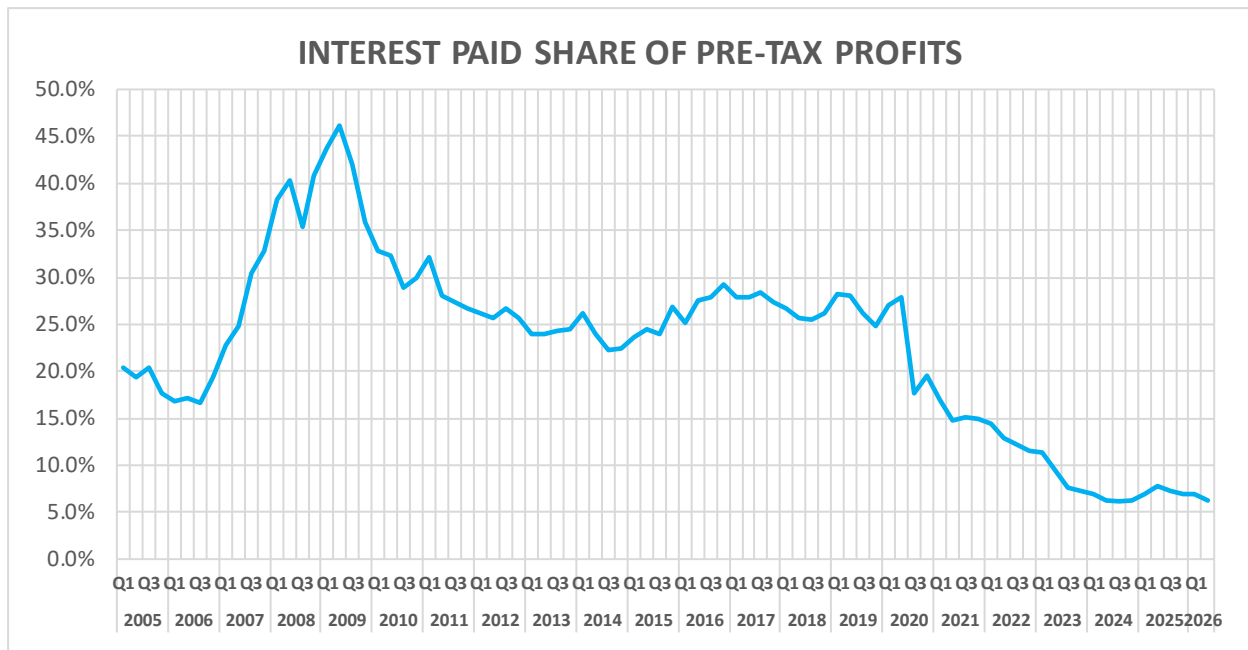
As a result of the recent rise in the rate of surplus value multiplied by the increase in output, profits have surged. They have more than doubled since 2019 or before the outbreak of the pandemic. This growth in profit is unprecedented and requires further investigation. It could be the case that deflators have become dislocated due to the pandemic, or it could be real. (The price adjustment is taken from Table 1.14 itself, line 52 adjusted by line 24 to obtain the index.)

Graph 4.



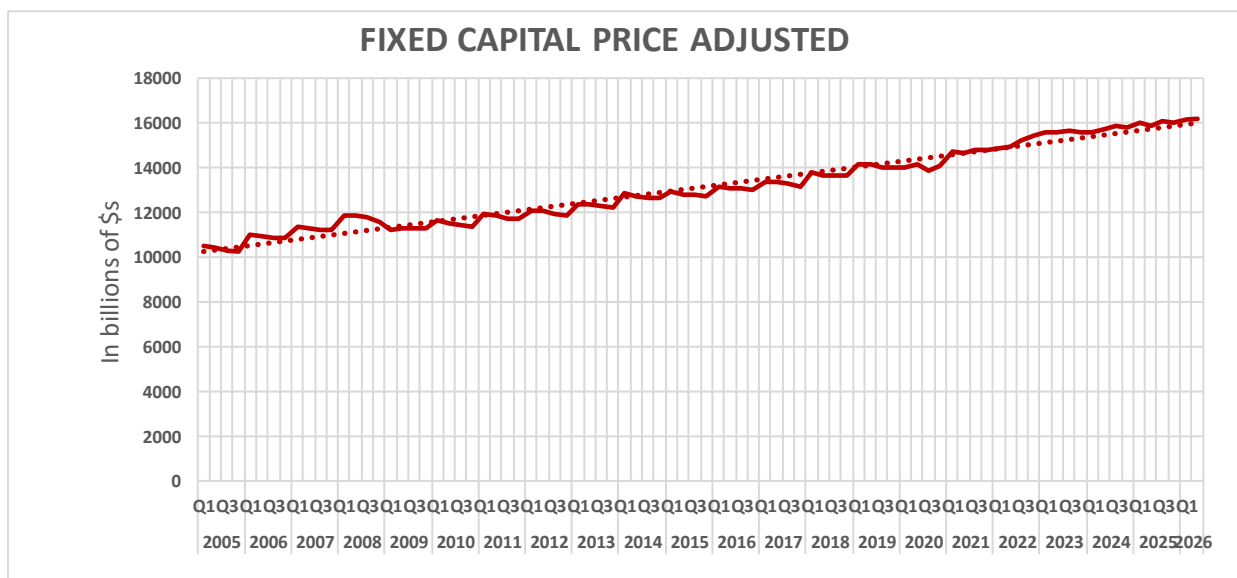
As in years past the amount of interest paid, always a deduction from gross profits has fallen as a share of profits. This is one of the more significant reasons why profits have increased. It seems the liquidity provided to companies during the pandemic together with profit gouging lingers on. Despite the amount of investment in AI recently and its associated debt, this has not yet shown up in the data.

Graph 5.



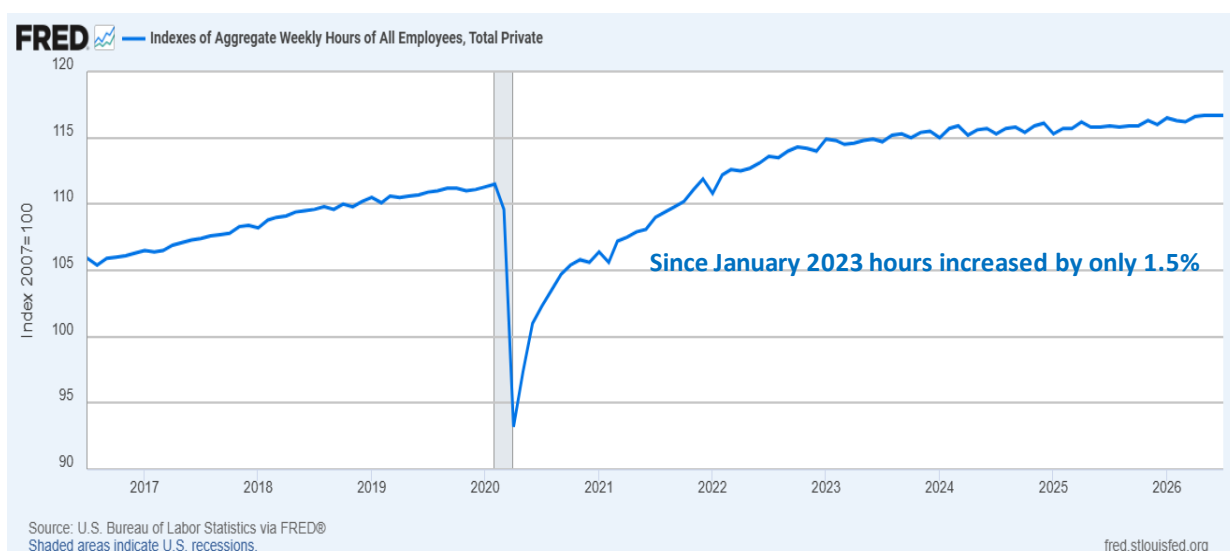
Having exhausted our analysis on the income side of the profit calculation it is time to turn to the capital side. Over the last four years fixed capital has increased by just over 8% in price adjusted value or by 2% p.a.

Graph 6.

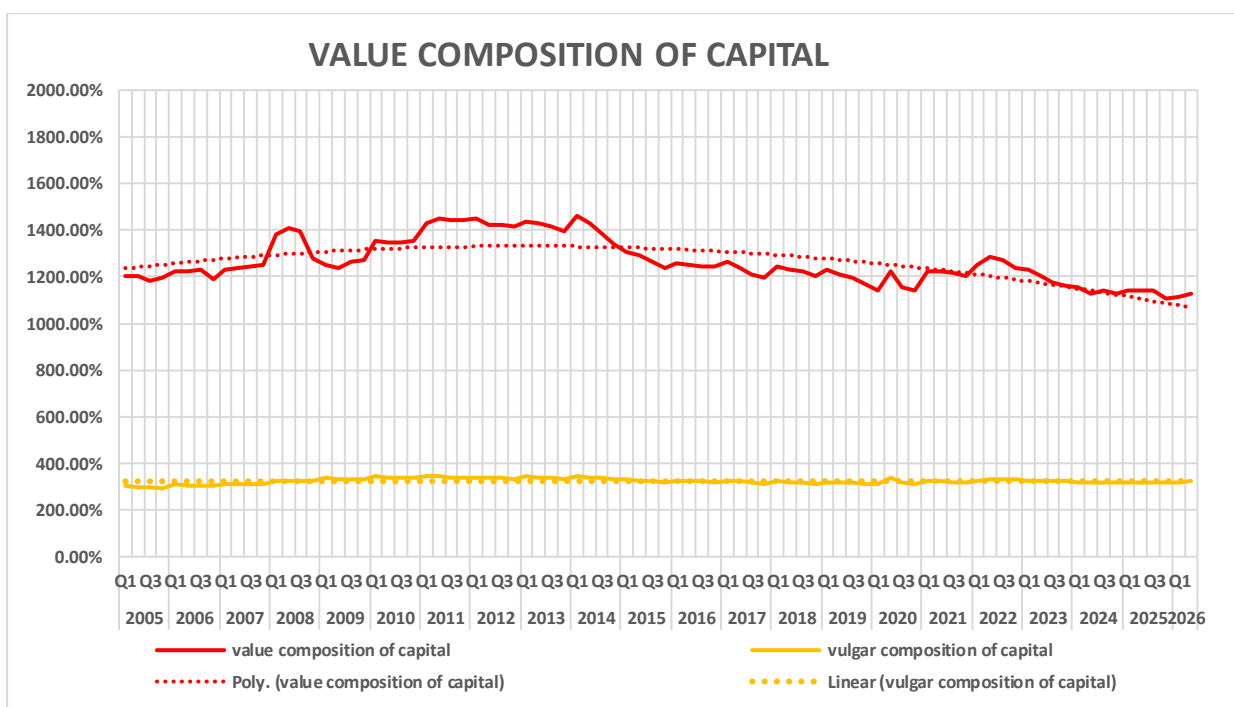


During the same period the number of hours worked by production and supervisory workers increased by only 3.7%. This would suggest a rising composition of capital when instead it fell (Graph 8). Again, this may indicate that deflators have been underestimated.

Graph 7.



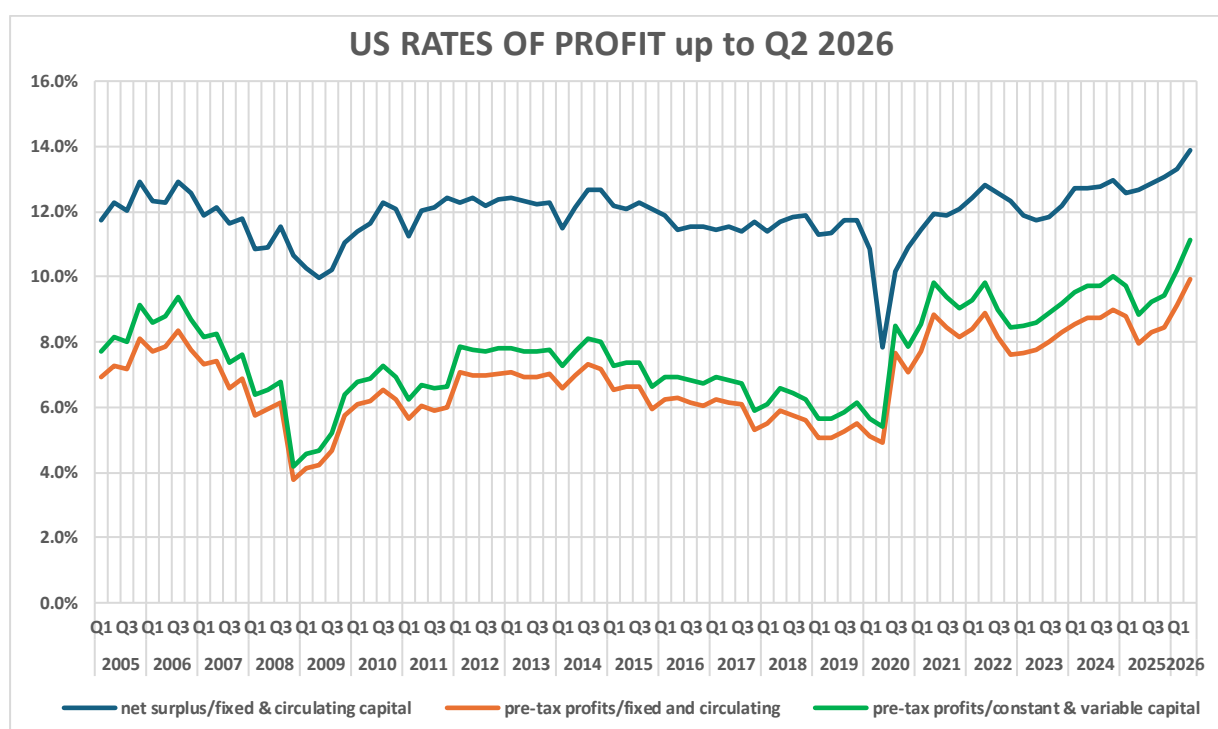
Graph 8.



Again, there is only one value composition of capital and that is constant capital divided by variable capital c/v , which is the red graph. The light brown graph uses annual wages as its denominator. This is incorrect. Annual wages are four times bigger than variable capital and only variable capital is affected by turnover. Hence the volatility of the red graph compared to the light brown graph.

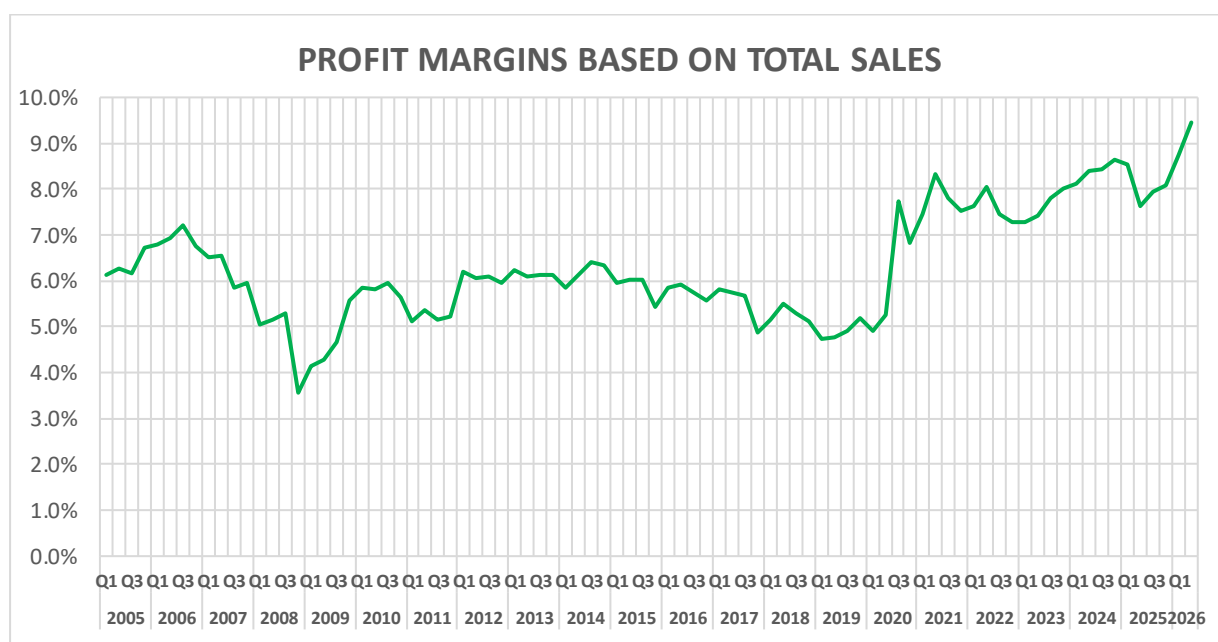
We have now estimated the rate of surplus value and the composition of capital. A rising rate of surplus value, the fountain of profits, meeting a falling composition of capital, always uplifts the rate of profit, and indeed this is the case as the next graph shows. The rate of profit has risen to its highest peak since the 1960s and the [FT attributes](#) this to repressed wages whose share of national income has fallen to its lowest level since the 1950s. But as we have already discussed, workers compensation is only one side of the equation. Profits have not only risen relatively they have risen absolutely.

Graph 9.



Similarly profit margins are at a record high of 9.5%. [FactSet](#) puts it at 16.9%. The difference is that my measure is based on total sales or Gross Output which includes intermediate sales. This is a bigger number which also includes changes in turnover due to its effect on intermediate sales. It is thus a more accurate and more responsive barometer of profitability.

Graph 10.



In previous analyses of the US economy, I have investigated the big Tech companies which in previous quarters have contributed up to 100% of the increase in total non-financial corporate profits. On this occasion they have only contributed a surprisingly low 30% (view line 12 in Table 1.)

Table 1. (\$s millions)

	Company	Revenue 25	Revenue 26	difference	Profit 25 Q2	Profit 26 Q2	difference
1	Nvidia	46743	96221		28440	63734	
2	Alphabet	96428	119796		31271	40770	
3	Microsoft	69632	81273		31653	38275	
4	Apple	66613	78678		28202	35695	
5	Micron	11315	50000		3955	40617	
6	Amazon	167702	200606		19171	27461	
7	Meta	47516	60861		18775	20441	
8	TOTALS	505935	687435	35.9%	160002	266993	66.9%
9	ANNUALISED	1214244	1649844		384005	640783	256778
10	Profit MARGIN				31.6%	38.3%	
11	BEA Total Profit				2691600	3561200	869600
12	Big 7/BEA total						30%

All profits are operating profits to avoid non-core profits. The annualised figures which are being used are obtained in the following way; the quarterly number is multiplied by four to convert quarterly into annual figures in line with the BEA data, then multiplied by 60% to remove revenue and profits earned abroad. The normal spread for these multinationals is 60% within the USA and 40% without confirmed by FactSet analysis of the S&P 500. There is a final adjustment to the Micron figures as Micron only releases its current quarterly performance in late September. The data for Micron is based on their forward-looking data. (I will adjust when Micron issues its profit report in late September.)

There are several notable features to examine. Firstly, the BIG 7 raised revenue by 35.9% but profit by 66.9% causing profit margins to increase from 31.6% to 38.3% a truly remarkable event driven by Micron and Nvidia. (Graph 10 shows the average as 9.5%) This led to an increase in the mass of profits of two thirds in just one year which goes a long way to explain why Wall Street has been so buoyant.

When we compare Q1 the total increase in the BIG 7 tech giants accounted for 96% of the increase in corporate profits. One of the reasons for the smaller rise this time is base effects. Profits were down \$210 billion from the previous and following quarters. This base effect represented over 24% of the increase in total profits.

Table 2 (Nipa Table 1.14)

	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Profits	2984.6	2966.7	2696.1	2849.1	2921.7	3202.8	3561.2

If we add this 24% to the 30% contributed by the BIG 7, we arrive at over half the increase. And of course, these 7 corporations are part of a bigger sector which most probably added another 5%. The [utility sector](#) thanks to the AI build up added \$115 billion in income equal to 13%. Thus, together the tech and utility sector linked through AI was responsible for nearly half of the increase. Another large contributor was the [energy sector](#) which saw profits rise by more than 100% due to the Gulf Conflict or by around \$50 billion in operating income. Thus, they added around 6% to the total bringing us up to 73% -78%. Health care and retail did not add to this total. To conclude the picture we will have to wait for [NIPA Table 6.16D](#) to be completed detailing sectorial profits.

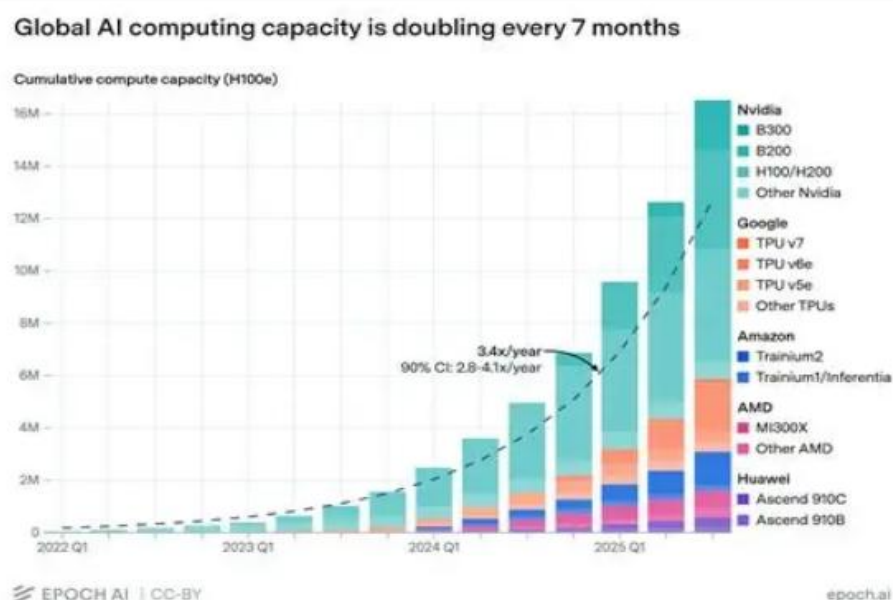
On a separate note, the sheer scale of the hyperscaler profits, especially the chip manufacturers, raises theoretical concerns. Normally, monopoly profits represent the transfer of value from customers to producers. But in this case, there is more to the theoretical picture. The money pouring into the industry is not only coming from within the industry but from without, through investments and additional liquidity pumping up demand. This goes beyond round tripping; it is analogous to Covid. Then there were supply interruptions, today chipmakers allege they can't provide chips quickly enough. The government pumped nearly \$5 trillion in Covid support funds into the economy. This liquidity allowed profit gouging to take place creating a cost-of-living crisis similar to the cost of chip crisis today. This is why Nvidia and Hymix and Micron can enjoy unprecedented 80% gross margins.

The rest of the economy.

The AI boom is the only strength currently propping up the ailing US economy. And it looks set to continue if the industry trend setter, Nvidia, is correct with the forecast contained in its latest earnings report. *"Nvidia guided to revenue growth next year of 70% despite a supply-constrained environment. Wall Street had been modeling fiscal 2028 sales growth of 44%. "The 70% growth is the floor with unconstrained demand closer to 100%," Jefferies analyst Blayne Curtis said in a client note."* *"CFO Colette Kress told investors the company has "full confidence in \$1 trillion in Blackwell and Rubin revenue we foresee from 2025 through calendar 2027," fueled by data center demand. That is forward revenue visibility, not booked sales, and it is the clearest quantification of chip scarcity NVIDIA has ever put in writing".* The more advanced processors have been sold out a year in advance. [Amazon](#) just doubled its orders for Nvidia processors.

Nvidia may be counting its chips before they are etched. On the face of it demand seems insatiable, which begs the question, why? Global AI computing power as this graph below shows is increasing at the rate of 340% a year. But demand measured in Dollars, by all accounts, is not even doubling each year. If this extra capacity keeps outstripping revenue, then the industry is heading for a damaging correction which will wipe many trillions off share values on Wall Street.

Graph 11.



As of August 2026, [there are 12,259 data centres](#) located across 179 countries with demand for data centres predicted to nearly **triple** by 2030 bringing the total to nearly 40,000. The US is currently home to 4542 of them, the largest national cluster.

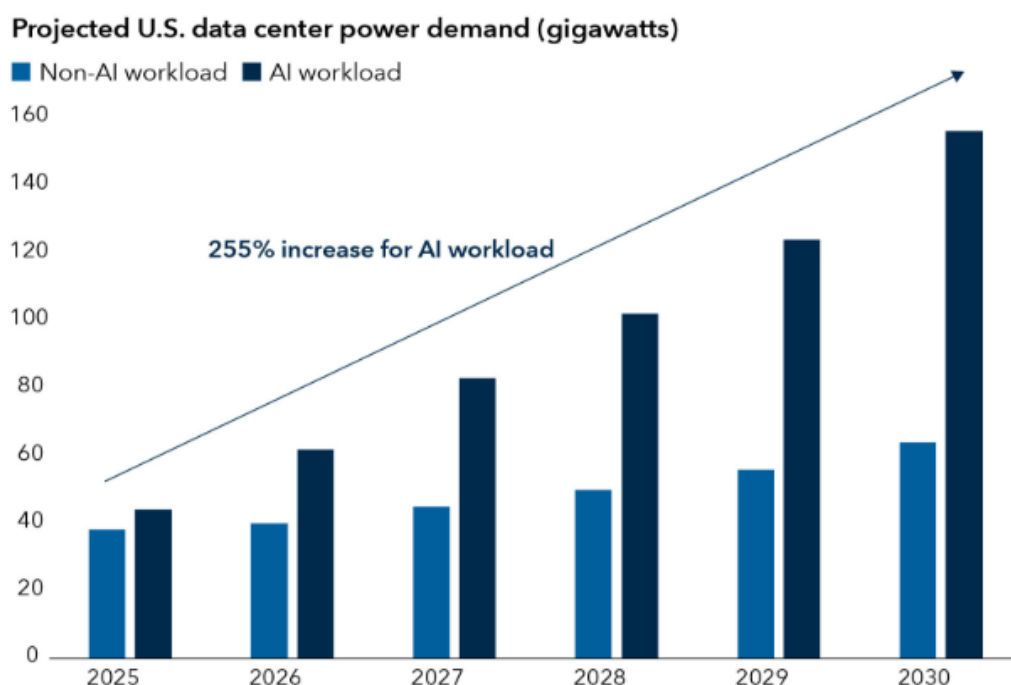
What about turnover? *“The global artificial intelligence market size was valued at USD 390.9 billion in 2025 and is projected to grow from USD 539.5 billion in 2026 to USD 3,497.3 billion by 2033, at a CAGR of 30.6% from 2026 to 2033. The North America held the largest share of 35.5% of the global market in 2025.”* In crude percentage terms, between 2025 and 2026 revenue globally increased 38% and is expected to grow 30.6% compounded up to 2033. In contrast global automotive revenue in 2025 was \$2,750 billion or 7 times larger than AI though the capitalisation of auto companies was a small fraction of the tech company valuations. Additionally, all auto companies need to do is grow by just over 4% to match the growth of the AI industry due to their difference in size.

The question is posed, if revenues are expected to grow by 30% while computing power grows by 340%, how will this computing power ever be profitable? Its not only the chips which are being miniaturized, it’s also the bucks per chip. Thus, the losses experienced by AI providers may not simply be start up incentives designed to hook users but may be permanent.

I also said I would look at the interest rate coverage on the \$3 trillion in debt already incurred by the hyperscalers. This amount of debt could incur interest payments adding of up to \$150 billion. In 2025 pure AI revenue amounted \$78 billion though it is expected to grow fast. Globally it amounted to \$391 billion. Assuming an operating margin of 38.3% (see Table 1) it would take revenue of \$800 billion to generate two to one interest rate coverage everything else being equal. That is ten times the revenue generated in 2025 adding up to half the turnover of the BIG 7 in 2026.

And it is not only the profit bottleneck, but there is also the power bottleneck. Data centres consume substantial amounts of electricity. Between 2025 and 2027 alone, demand for electricity is expected to double.

Graph 12.



By 2030, data centres could consume up to 17% of total electricity in the United States. The US is struggling to build extra missiles never mind extra transformers. We have already seen electricity prices skyrocket which is why Utility profits more than doubled as we saw above. We can expect a lot more data centres being built outside the US if strategic concerns can be overcome.

But there is another question lurking in the background, and it is this, how real is the actual demand for chips? There many stories of customers doubling their orders, something called double booking, to get enough chips or processors. Experience has taught purchasing managers that the key providers only fulfil half or less of their orders. If this practise is widespread, and this is difficult to determine, then many of these orders which Nvidia and others have bragged about are phantom orders.

There is a final chipped swan floating down the Hudson River towards Wall Street. Capable open-source models, especially Chinese models, can run on powerful laptops and corporate servers. *[“Models like Kimi K2.6, Qwen3-Coder, DeepSeek V4, and GLM-5.2 are now inside real engineering pipelines, not just benchmark leaderboards.”](#)* [And this article](#) on running Qwen on a powerful MacBook. Little wonder more and more companies are adopting these virtually free LLM models, running it on their own hardware while accepting that they are only 80-90% as good as subscriptions to closed models.

Self-hosting does not require cloud computing the mainstay of the data centres and a source of growth for the hyperscalers such as Amazon and Microsoft. Nvidia is not only facing competitors producing similar processors, though Nvidia remains insulated by its software called CUDA, but it is increasingly facing these cheaper models which may or may not require its chips. As expected, hyperscaler influencers are being rolled out to claim the difference between the closed paid for systems and the open free systems is so large that the cost saving is fools’ gold. But little by little they are losing the argument as adoption of these open-source systems by professionals grows.

The longevity of the AI boom remains in doubt. But in the meantime, it is obscuring fundamentals outside its bubble. The fact that Walmart has initiated a discount war by discounting 11,000 lines, that the housing market is frozen, that private Credit casualties are mounting as with the case of [Jane Street](#). *“Profits at the proprietary trader are the envy of Wall Street. But after a \$15bn hit from AI bets that soured, the secretive firm may need to change to keep pace with its growth and risk appetite.”* However, the crunch will come when stock prices plateau then fall, erasing trading gains which are disguising losses. This may be happening now. The Nasdaq index has been essentially flat since May.

Graph 13.



In conclusion there is a paradox at play teasing the future. On the one hand, observers are comparing the advent of AI to the birth of the *information age* in the late 1980s, which helped by the leading role of the Pentagon, rebirthed the US economy pushing it to the fore once more. But the late 1980s was a different age, the USSR was about to collapse. The opposite is happening now. Today, due to Russia and China, the US has lost not one but two major wars, one in the Ukraine the other in Iran, depleting its offensive capabilities other than nuclear. Externally it is in a weakened position necessitating the head of the CIA to make an unexpected but brief appearance in Moscow. The head of the CIA cannot negotiate only threaten, or alternatively, lay the ground for negotiations by sounding out his counterpart. No doubt the US is asking Russia to help it extricate itself from the Gulf with a promise to help Russia in the Ukraine.

Financially the US as a debtor nation is increasingly dependent on foreign investors. Its budget deficit is out of control. This is pushing up bond yields and weighing on the Dollar, which has been in a period of sustained weakness. This is probably why Scott Bessent made a fool of himself at the press conference where he announced secondary sanctions on Iran conditional on Donald Trump making phone calls to national leaders gaining their support for these sanctions. As if China would acquiesce. Head scratching rather than bone crushing sanctions. The full implementation of these secondary sanctions would not only dislocate the global economy, but it would also hasten the demise of the dollar as reserve currency. And then of course there is the hit and run negotiations with Canada.

The AI bubble is hiding growing weaknesses in both the US economy and society while driving the rate of profit to its highest peak in sixty years. It appears that if the US economy goes out with a bang, it will do so from a high note. In the meantime, the planet heats up.

Brian Green, 29th August 2026.