CHINA PROFITS GAIN FROM A BROADER TECH BASE THAN THE USA.

China issues official data monthly which is more frequent than the quarterly publications from the other major economies. Thus, the data here is current up to July. However, as China does not publish readily available tables on fixed assets and comparable Gross Outputs, we must rely on what is called the Complex Rate of Return which includes financial assets and is therefore not comparable to the rates of profit used elsewhere. All data on profits and turnover can be found here.

Before examining profitability in China, it is worth contrasting the scale of Chinese AI ambitions with that of the USA, particularly the market cap of their respective corporations. Table 1 below shows that the top 4 US Tech companies are worth ten times the market cap of the top ten Chinese tech enterprises. Even if we adjust for the fact that the Dollar is between 30-40% overvalued compared to the Yuan, this still leaves the market cap of the top 4 US corporations 5- 6 times bigger than their Chinese counterparts.

Table 1.

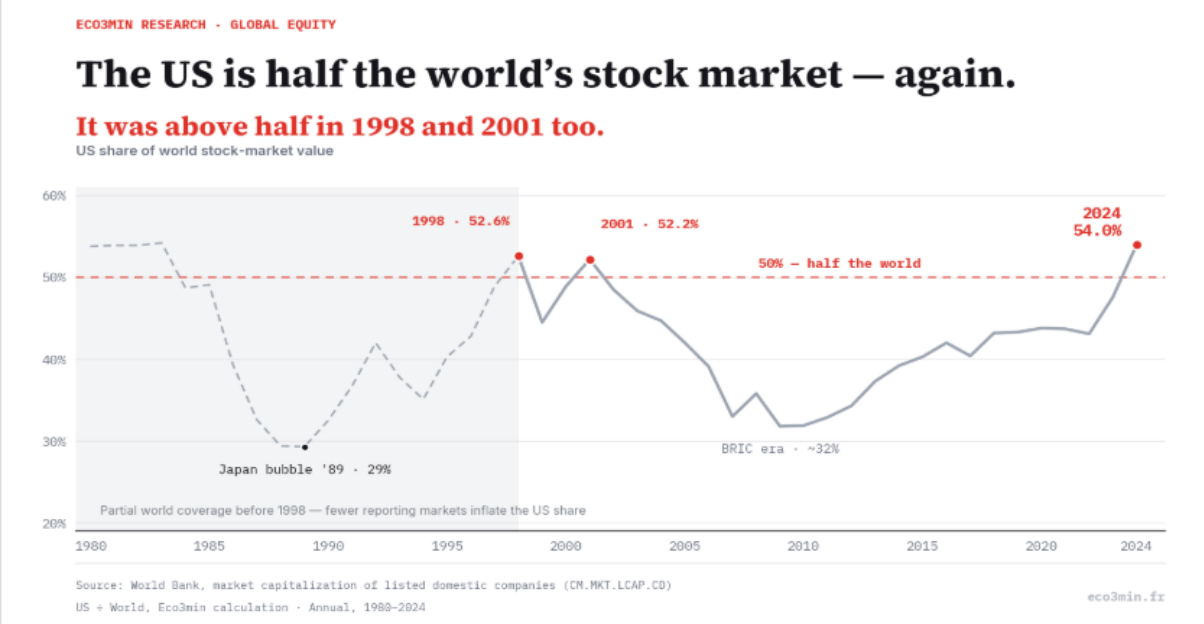
Company	Market Cap USD billions	
Huawei $579	579	
Tencent	511	
Alibaba	281	
Xiaomi	93	
Eoptolink	80	
SMIC	74	
Wuxi Apptec	73	
NAURA Technology Group	69	
Luxshare Precision	63	
Baidu	34	
Chinese TOTAL	**1857**	
NVIDIA		5562
Apple		4669
Alphabet		4100
Microsoft		3710
US TOTAL		**18041**

One reason for this, is that US share prices when measured against earnings, are more inflated than in China. This ratio is called the price to earnings ratio or the P/E ratio. The P/E ratio for all Chinese shares is 9.66, for the NASDAQ 100 it is 29.2 and for the S&P 500 it is 24.8. This means US shares tend to trade at a multiple to Chinese shares of around 2.5. Even were we to adjust for the above multiple of 10 using the difference in P/E ratios, US corporations will still be valued at over 3.5 times Chinese shares. And to be clear, the revenue of US tech is not 3.5 times greater than Chinese revenue which puts the US bubble in perspective. In fact US non-financial profits are only double the size of Chinese industrial operating profits.

This article describes the disparity in size between the Chinese Stock Markets vs their US counterparts. *"As of November 2025, the United States dominated the ranking with a market capitalization of approximately $68.5 trillion, representing about 46% of the global total of roughly $148 trillion. China followed in second place at $11.1 trillion,"* (or 7.5% of the global total).

Here is also a graph of the market cap of US shares which the authors claim represented 54% of the global totals in 2024. The last time it went over 50% was during the Dotcom bubble. It is interesting how it fell under pressure from Japan in the 1980s and during the 2008 Financial Crisis before fully recovering in the late 2010s.

Graph 1.



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When we add in global debt markets priced at $160.7 trillion (compared to $148 trillion for shares) the US total of $61.2 trillion (38%) compares to China's share of $28.7 trillion (18%), the magnificent scale of US fictitious capital is revealed. At a combined $129.7 trillion it is $10 trillion larger than global GDP of $117.2 trillion in 2025 and it comprises 42% of the global market for shares and debt.

(On this basis, 18% vs 38% it is clear the US is the more indebted nation.)

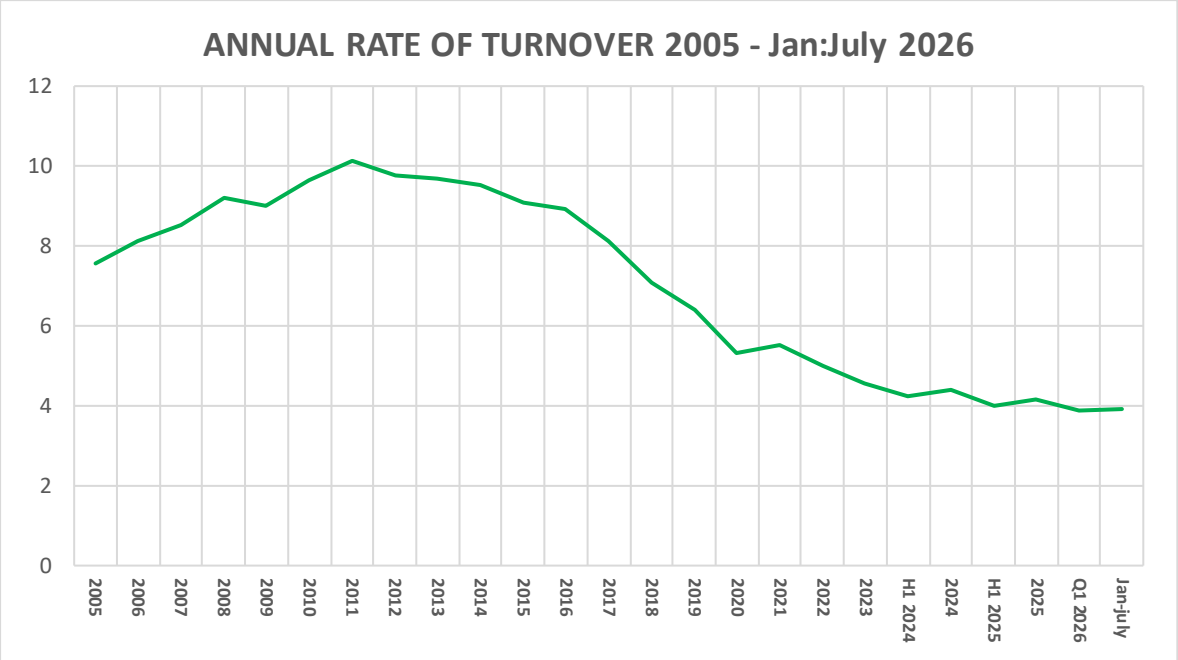
One of the reasons for the elevated share caps and debts is the sheer scale of annual US investments in AI which are currently 23 times greater than occurs in China when measured in Dollars. It is the expectations behind this vast investment that has driven up share values together with the profitability of existing businesses. These expectations however are built on quicksand. The Chinese have not only invested less but produced capable open sourced and open weight models which perform at a price ranging from one twentieth to one tenth the cost of their US counterparts as Michael Roberts has reported in his informative article on the matter. These cheaper but effective models are the equivalent of a chipped red swan paddling down the Hudson River towards Wall Street.

Chinese industrial profits and metrics.

We will begin with the rate of turnover based on the days of unsold finished inventory (defining the production period) plus the payment period (defining the circulation period). Since 2024 the annual rate of turnover has settled around the four per annum implying a total period of circulation of around 90 days, elongated by delayed payments. This data can be found on the attached official report from

the Chinese Statistical Bureau. It is similar to rates found elsewhere and represents weak market conditions. It is a far cry from the investment boom ten years ago which accelerated turnover.

Graph 2.



I cannot construct a degree of exploitation for industry as worker compensation is not readily available. Instead, the Chinese Bureau of statistics uses total expenses without breaking them down. The degree of exploitation however does not differ markedly from China's major competitors when viewed across the economy. Below is a graph compiled by the International Labour Organisation which estimates Labour's share of National income at roughly 51.3% in 2025, slightly below the other major economies and very stable.

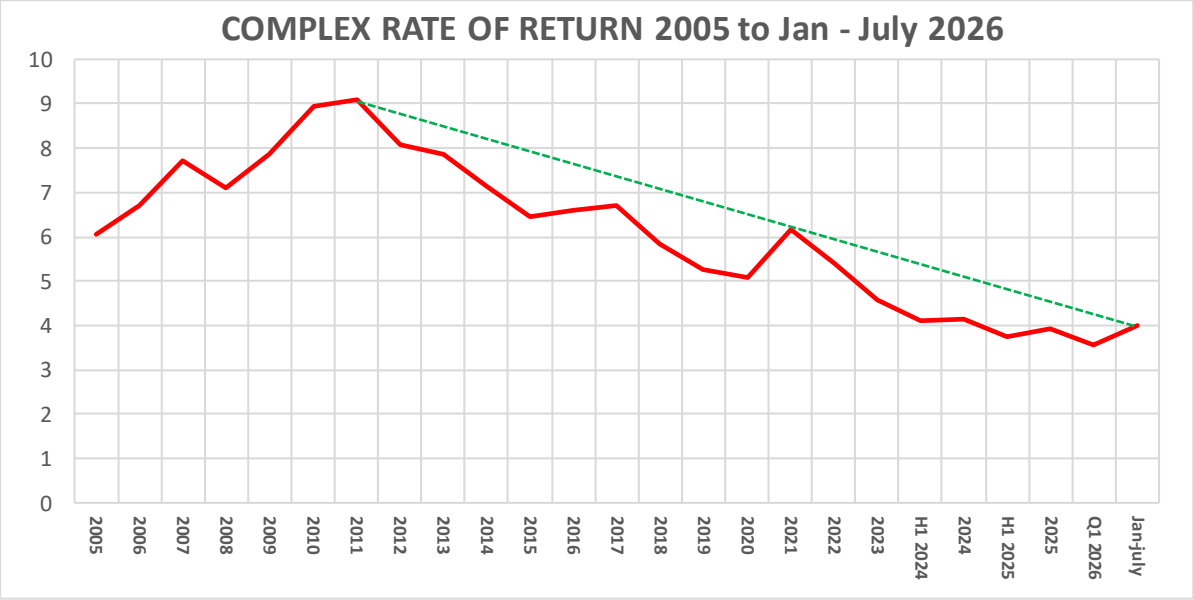
Graph 3.

The FED's calculations also based on GDP puts it higher at 56%. Even at 56% this is not dissimilar to shares of income found in the G7 countries. I approve of the FRED graph because it shows the impulse from the investment boom that occurred in China from 2009-2013 and whose effects lingered on. China's 2025 Yearbook Table 6.1 puts labour income at 56% of disposable income in 2024.

Graph 4.

Which brings us to the rate of profit measured here as the *Complex Rate of Return* which is total profits divided by total assets which includes fixed assets, inventory and financial assets. For the first time in two years the rate poked above 4% having fallen to a low of 3.6% in 2025. Although total profits and operating profits differ, unlike Japan, they do so by less than 1.5% barely affecting the rate, so the difference can be ignored.

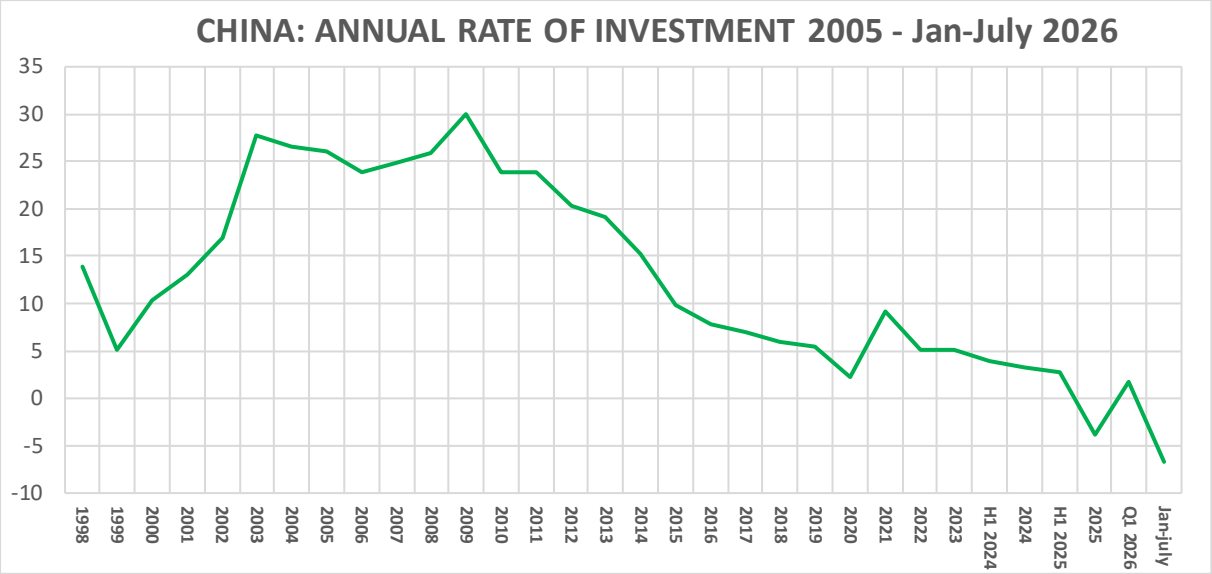
Graph 5.



Clearly, the long-term halving of the rate of profit has had a profound effect on investment. Firstly, an absolute fall in the rate of profit disincentivises investment. Why invest when the returns are falling devaluing capital. Secondly, a falling rate of profit reduces the capacity to accumulate as the surplus available to invest contracts. The second point is the one usually missed, but in the case of China with

its historically high rates of debt laden accumulation, this is important, because the taking on of debt offers only limited relief because interest must ultimately be covered by future profits.

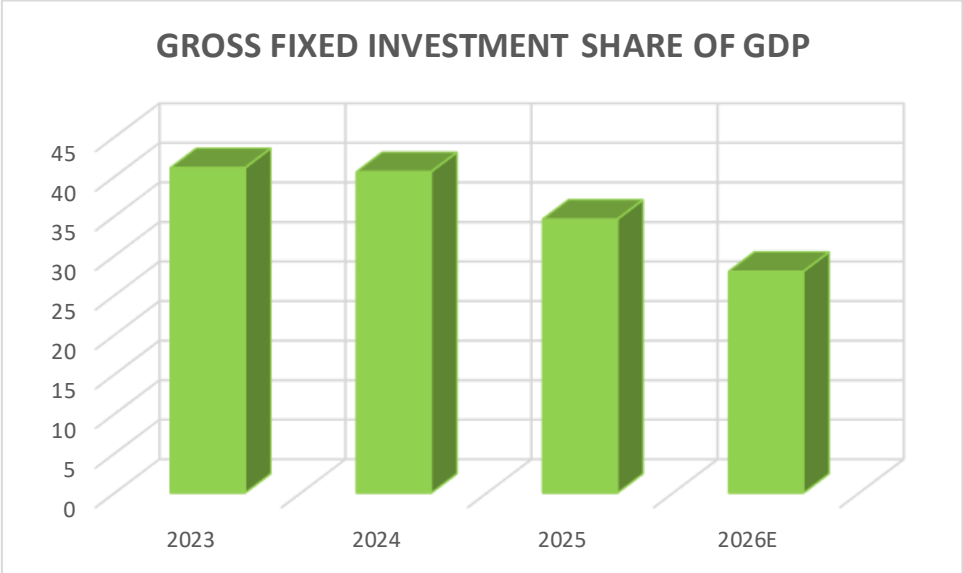
Graph 6.



Over the last 18 months investment has been negative falling by 6.7%. This was due to a fall in real estate investment as well as weakening manufacturing investment which fell by 1.7% (in the period Jan – July). The fall in manufacturing investment is ominous and was mainly driven by the fall in consumer facing industries. Computers and transport were the only positive exceptions.

For years western economists have urged China to pivot from investment to consumption. They have got their wish, but not because the state ordered this but because market forces made it so. The Chinese State may be able to redirect investment into priority sectors, but it has no control over the market itself. Yet another example why China is a capitalist state. State directed investment vs short-termism are merely two sides of the same capitalist coin.

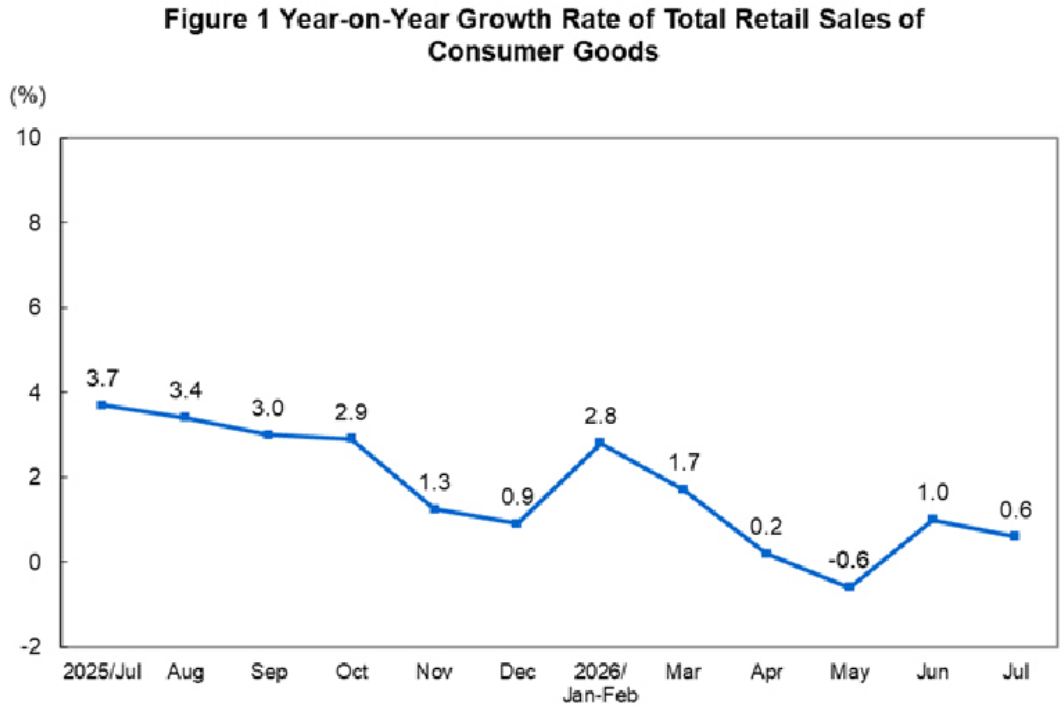
Graph 7.



Instead of being a driver of growth investment has now become a brake. Whereas GDP is growing by over 4% investment is falling by over 6% a difference of over 10%. In times past analysts looked at China with awe when investment rose above 40% of GDP, now it has fallen into the 20% range, not far removed from other major competitors. The historical OECD average being 22.5% with the United States at 21.5% and **South Korea above 30%.**

Nor has twin circulation helped. Consumer spending alongside consumer credit has been weak. Clearly there is no stock exchange boost unlike the USA. If we exclude the top 10% of income earners in the USA then retail sales there would look similar to China, probably worse.

Graph 8.



It's not that Chinese consumer goods are inferior. Despite the technical choke points, particularly advanced chip making, Chinese goods are comparable to the best in the world and improving all the time. Take smartphones, probably the most user dependent product on the planet and the god of culture. This paragraph sums it up covering 2025. "*Global smartphone shipments reached approximately 1.26 billion units. Within those 1.26 billion units, six Chinese brands — Xiaomi, vivo, OPPO, Huawei, Honor, and Transsion — together shipped over 600 million units,* ***accounting for more than half of the world total****. If Apple's Chinese-mainland contract manufacturers are included, Chinese factories physically produced more than 90% of all smartphones shipped globally."* (My emphasis) And if a country has such a big production base, it has an unparalleled take-off platform for innovation.

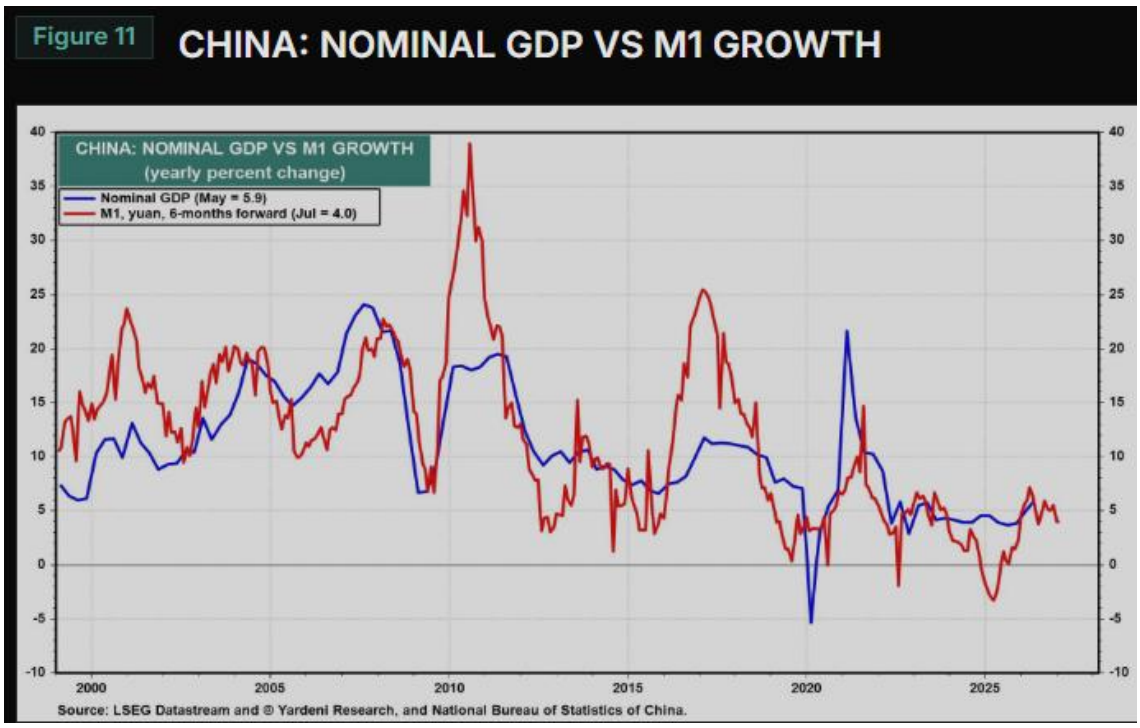
And this shows in the field of exports where high value Chinese products excel. China's exports as a share of GDP is once again above 20% at 21.1% having risen by 3% since 2019. Add in falling imports and the current balance of payments is even more impressive as the graph below shows. From 2019

it is up by nearly 4% of GDP. In contrast, over the course of the year retail sales as a share of GDP has fallen by between 1 and 2% while the current balance has improved by 1%.

Graph 9.

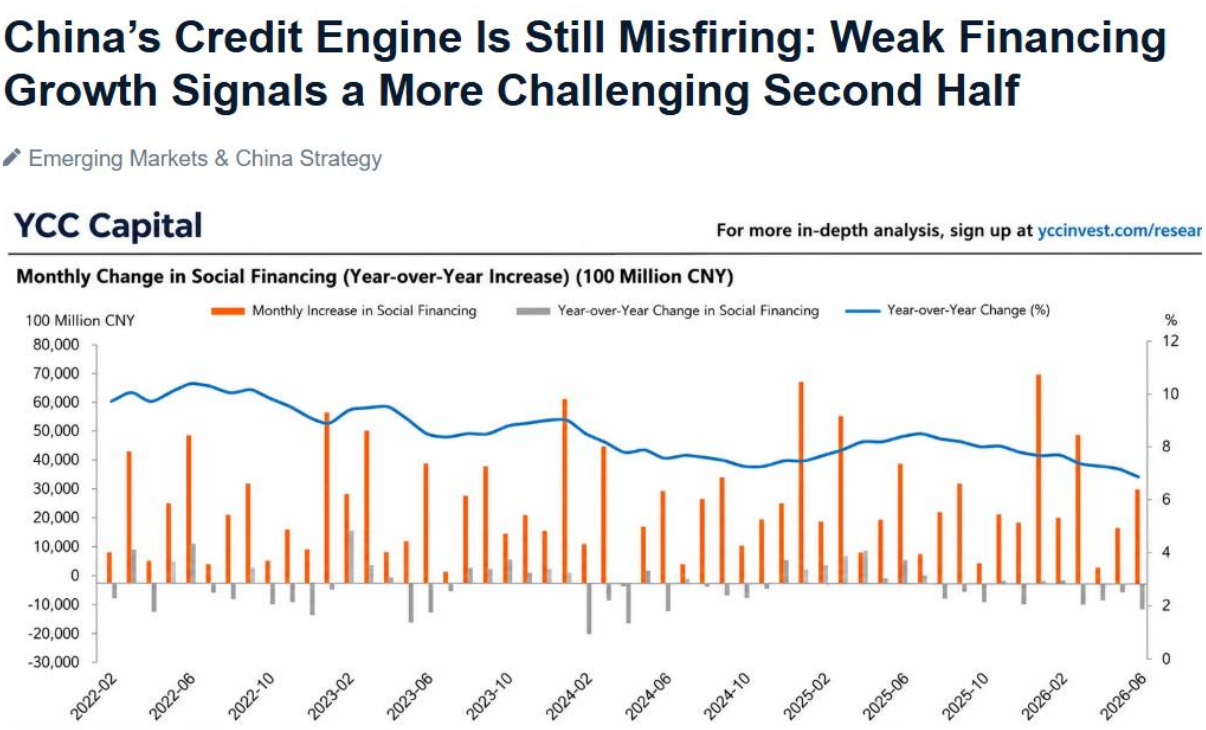
Money and credit creation remained weak, always an ominous forward-looking indicator. The money supply recovered from its trough in 2025 to track GDP.

Graph 10.



Credit creation did not recover. It continued to decline up to June. "*Aggregate Social Financing (ASF) growth slowed again, corporate borrowing remained subdued, household leverage failed to recover meaningfully, and monetary aggregates softened after temporary strength earlier this year.*"

Graph 11.



Conclusion.

China's profitability strengthened primarily due to AI but also to more broad-based Tech than in the USA. Its economy is fragile. Unlike the USA this fragility is not obscured behind an AI bubble.

China in the longer run is better placed than the US. Whereas the US is living off past fat, China is building new muscle both economic and political. It is more competitive than the US and offers a much broader range of products. It has worked around tech bottlenecks created by US sanctions and once its domestic EUV lithography machine is scaled up, it will be unassailable. Importantly unlike the US it is not a debtor nation. Finally, its research base is overtaking the US, its remaining bastion of strength.

Geopolitically the balance of forces is moving away from the US towards China. The US is thwarted in Ukraine and trapped in the Gulf. These wars, instead of strengthening the West, have weakened it. In many ways China has been the winner, without ever having to fire a shot. The US's traditional order of battle has been the application of overwhelming force, but it is debatable whether it is the US or China which now has overwhelming force?

Brian Green, 7th September 2026.