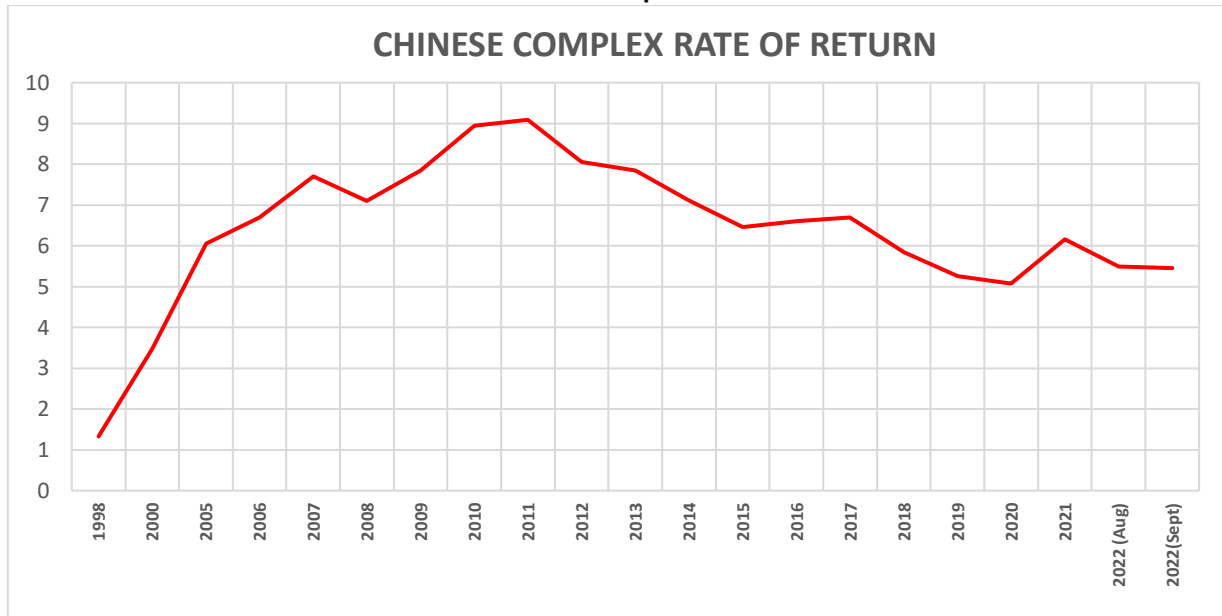


CHINA: ECONOMIC DATA RELEASED AFTER THE XX CONGRESS.

The Congress coincided with the release of key economic estimates, resulting in there delayed publication. The reports now released were mixed, some exceeded expectation, while others did not. On balance they were weak.

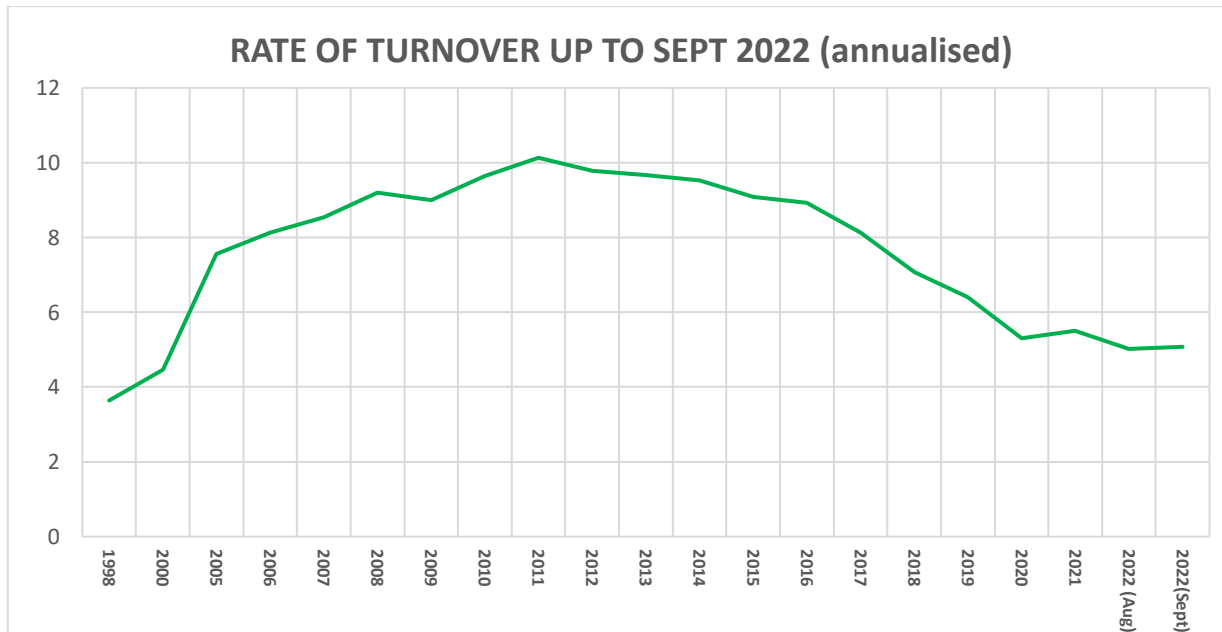
We will begin with the all-important Annual Complex Rate of Return. It fell to 5.45% from 5.49% between September and August annualised. In other words the rate as calculated over 9 months and then 8 months. Month on month the fall was steeper and over the year the mass of profits fell 2.6% before factoring in inflation. In particular the fall in manufacturing profits at 13.2% was even steeper reflecting weak retail and export sales. Thus profitability continues to ebb. (All data can be found in the report from the National Bureau of Statistics of China attached to the end of this article.)

Graph 1.



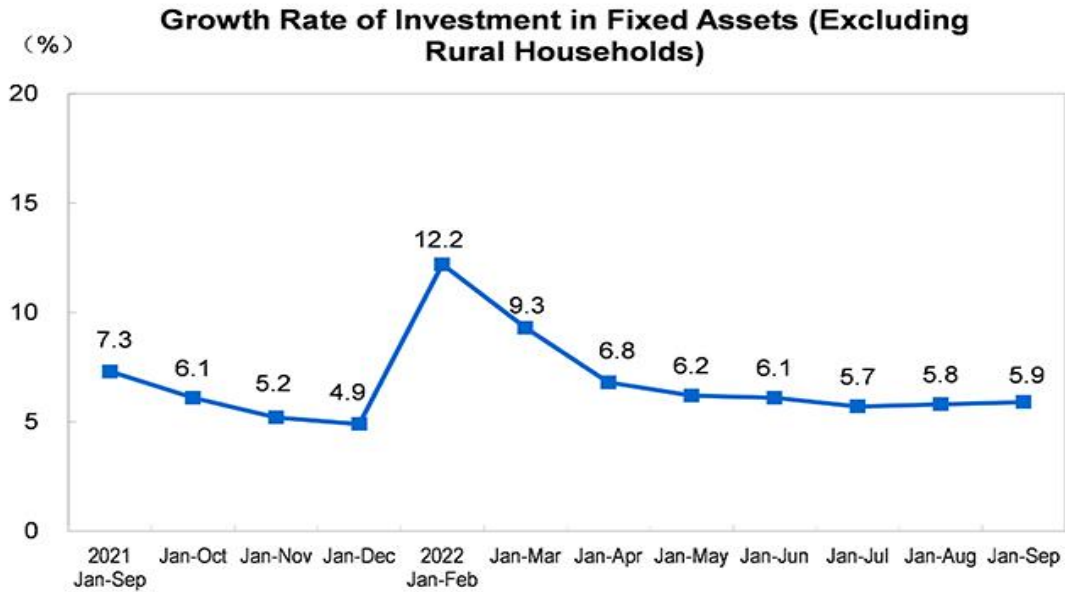
On the other hand the fall in the rate of turnover stabilised.

GRAPH 2.



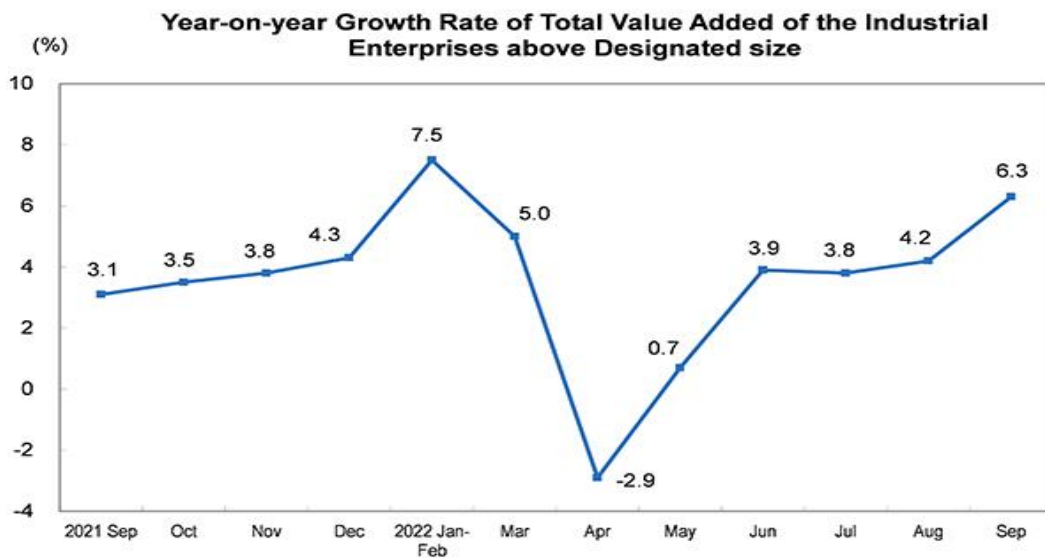
[Investment](#) stabilised on its lower trend. State Investment was 5 times higher than private investment which fell in real terms. Manufacturing investment continued at the current trend of 10% which is surprising given the collapse in profitability there, but then we are in a war economy scenario.

Graph 3.



House prices fell by 1.5% in September following a 1.3% fall in August adding up to the biggest annual fall in prices since 2015. Retail sales rose by 2.5% missing expectations. The effect of lockdowns are still being felt so it is impossible to construct the underlying rate. Foreign trade subsided. Annual exports rose by 5.7% in Dollar terms and imports by 0.3%. (Given the strong dollar, Yuan denominated rose much more strongly.) Industrial production, despite weaker retail sales, residential sales and exports, rose during the month. (War economy?)

Graph 4. (Industrial Production)



Finally the GDP print exceeded expectations rising by 3.9% over the third Quarter YoY. It is unlikely that the CPC will hit its 5.5% target for the year given that the central committee's position on strict lockdowns has not changed.

Conclusion.

Fewer lockdowns have improved some aspects of the economic data. But fundamentally the trends I pointed to in my two previous articles on China [here](#) and [here](#) remain intact. In the case of profitability it is clear that the downward trend is accelerating tearing at the pledges made by Xi in his report to Congress with regard to raising wages and tying them to productivity improvements. It is always possible to distort Marx, but the law of value remains unassailable. Stalin blamed planning failures on its invisible hand at a time when the law no longer existed. Xi on the other hand can blame the failures of his policies on this law which is very much in existence but which he honours.

His room for manoeuvre is non-existent. He and his bureaucratic comrades know that the economic success of China has been built on the market and by focusing on profitability. Something they are reluctant to turn their backs on. But what was a spur soon turns into a fetter as Marx observed on more than one occasion. The CCP is experiencing its most testing time, assailed by the hegemonic beast from without – the USA – and undermined by the profit beast from within. They like all the capitalist classes around the world are unlikely to survive what is coming - the most significant slump since the War occurring on an overheating planet facing a new War.

Brian Green, 29th October 2022.

The Profit of Industrial Enterprises above Designated Size from January to September in 2022

National Bureau of Statistics of China 2022-10-28 09:30

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From January to September, the total profits of industrial enterprises above designated size reached **6244.18 billion yuan**, a year-on-year decrease of 2.3 percent (calculated on a comparable basis, see Note 2 for details). **Annualized 12/9 x 6244.18 = 8325.6 billion yuan**

From January to September, among industrial enterprises above designated size, state-owned holding enterprises realized a total profit of 2094.79 billion yuan, a year-on-year increase of 3.8 percent; joint stock enterprises realized a total profit of 4559.34 billion yuan, down 0.4 percent; foreign and Hong Kong, Macao and Taiwan invested enterprises realized a total profit of 1481.45 billion yuan, down 9.3 percent; private enterprises realized a total profit of 1700.5 billion yuan, down 8.1 percent.

From January to September, the mining industry realized a total profit of 1246.96 billion yuan, a year-on-year increase of 76.0 percent; the total profit of the manufacturing industry was 4625.96 billion yuan, down 13.2 percent; the production and supply of electricity, heat, gas and water realized a total profit of 371.25 billion yuan, up 4.9 percent.

From January to September, among the 41 industrial categories, the total profit of 19 industries increased year-on-year, while that of 22 industries decreased. The profits of main industries were as

follows: The total profits of oil and natural gas mining industry increased by 1.12 times, the coal mining and washing industry increased by 88.8 percent, the electrical machinery and equipment manufacturing industry increased by 25.3 percent, the power and heat production and supply industry increased by 11.4 percent, the chemical raw materials and chemical products manufacturing industry increased by 1.6 percent, the special equipment manufacturing industry decreased by 1.3 percent, the automobile manufacturing industry decreased by 1.9 percent, the manufacturing of computer, communications and other electronic equipment decreased by 5.4 percent, the general equipment manufacturing industry decreased by 7.2 percent, the agricultural and sideline food processing industry decreased by 7.5 percent, the non-metallic mineral products industry decreased by 10.5 percent, the non-ferrous metal smelting and processing industry decreased by 14.4 percent, the textile industry decreased by 15.3 percent, the oil, coal and other fuel processing industry decreased by 67.7 percent, and the ferrous metal smelting and processing industry decreased by 91.4 percent.

From January to September, industrial enterprises above designated size achieved an operating income of 100.17 trillion yuan, an increase of 8.2 percent over the same period of last year; the operating cost incurred was 84.99 trillion yuan, up 9.5 percent; the profit margin of operating revenue was 6.23 percent, a year-on-year decrease of 0.67 percentage point.

At the end of September, the assets of industrial enterprises above designated size totaled 152.64 trillion yuan, a year-on-year increase of 9.5 percent; the total liabilities were 86.71 trillion yuan, up 9.9 percent; owner's equity totaled 65.93 trillion yuan, up 8.9 percent; the asset liability ratio was 56.8 percent, a year-on-year increase of 0.2 percentage point. $\text{Complex rate of return } 8.33/152.64 = 5.45\%$

At the end of September, the accounts receivable of industrial enterprises above designated size was 21.24 trillion yuan, a year-on-year increase of 14.0 percent; the inventory of finished products was 5.96 trillion yuan, up 13.8 percent.

From January to September, the cost of industrial enterprises above designated size per 100 yuan of operating income was 84.85 yuan, a year-on-year increase of 1.06 yuan; the expenses per 100 yuan of operating income were 7.92 yuan, a year-on-year decrease of 0.51 yuan.

At the end of September, the operating income of industrial enterprises above designated size per 100 yuan of assets was 90.6 yuan, a year-on-year decrease of 1.4 yuan; the per capita operating income was 1.779 million yuan, a year-on-year increase of 152,000 yuan; the turnover days of finished goods inventory was 18.0 days, a year-on-year increase of 0.9 days; the average recovery period of accounts receivable was 54.0 days, a year-on-year increase of 2.9 days. $\text{Annual rate of turnover } 365/(18 + 54) = 5.07$

Key Financial Indicators of Industrial Enterprises above the Designated Size from January to September

Table I

Indicators	Profit Rate		Operating Costs		Total Profits	
	Volume (100 million yuan)	Increase rate Y/Y (%)	Volume (100 million yuan)	Increase rate Y/Y (%)	Volume (100 million yuan)	Increase rate Y/Y (%)
Total	1001708.2	8.2	849934.3	9.5	62441.8	-2.3
Of which: Mining and Quarrying	50256.5	27.6	30635.8	16.5	12469.6	76.0
Manufacturing	869521.6	6.3	744790.2	8.3	46259.6	-13.2
Production and Distribution of Electricity, Heat, Gas and Water	81930.1	18.8	74508.3	20.5	3712.5	4.9
Of which: State-holding Enterprises	269748.7	10.6	221876.3	12.2	20947.9	3.8
Of which: Joint-Stock Enterprises	756535.2	9.2	642593.7	10.5	45593.4	-0.4
Enterprises with Funds from Hong Kong, Macao and Taiwan, and Foreign Funded Enterprises	210864.7	3.7	178827.8	5.5	14814.5	-9.3
Of which: Private Enterprises	382238.9	5.4	332895.8	6.3	17005.0	-8.1

Note:

1. Due to the overlap of economic type grouping, the sum of sub-items is greater than the total.
2. Due to the rounding-off reasons, the subentries may not add up to the aggregate totals, no adjustment.

Quality Performance Indicators of Industrial Enterprises above the Designated Size in 2022

Table II

Indicators	Profit Rate of Revenue	Expenses for per- hundred- yuan	Expenses for per- hundred-yuan	Revenue from Brought by per Hundred yuan Assets	Per capital Income	Asset- Liability Ratio	Turnover Days of Finished Goods	Average Payback Period of Accounts Receivable
	Jan-Sep (%)	Jan-Sep (yuan)	Jan-Sep (yuan)	By the end of September (yuan)	By the end of September (10 thousand yuan/ person)	By the end of September (%)	By the end of September (days)	By the end of September (days)
Total	6.23	84.85	7.92	90.6	177.9	56.8	18.0	54.0
Of which: Mining and Quarrying	24.81	60.96	8.66	54.4	159.5	56.5	11.5	39.7
Manufacturing	5.32	85.66	8.09	104.8	171.8	55.9	20.0	55.1
Production and Distribution of Electricity, Heat, Gas and Water	4.53	90.94	5.64	44.5	319.8	60.9	0.8	50.9
Of which: State-holding Enterprises	7.77	82.25	6.33	66.2	287.8	57.4	11.8	42.8

Of which: Joint-Stock Enterprises	6.03	84.94	8.02	88.7	176.6	57.7	18.3	51.3
Enterprises with Funds from Hong Kong, Macao and Taiwan, and Foreign Funded Enterprises	7.03	84.81	8.00	97.7	178.6	53.3	18.5	67.0
Of which: Private Enterprises	4.45	87.09	8.31	121.5	141.2	58.9	20.4	51.7

Key Financial Indicators of Industrial Enterprises above the Designated Size from January to September (Group by Industries)

Table III

Indicators	Profit Rate		Operating Costs		Total Profits	
	Volume (100 million yuan)	Increase rate Y/Y (%)	Volume (100 million yuan)	Increase rate Y/Y (%)	Volume (100 million yuan)	Increase rate Y/Y (%)
Total	1001708.2	8.2	849934.3	9.5	62441.8	-2.3
Mining and Washing of Coal	29889.6	38.0	17865.9	28.4	7845.5	88.8
Extraction of Petroleum and Natural Gas	9427.3	44.8	4350.2	10.6	3231.0	112.0
Mining of Ferrous Metal Ores	3747.7	-19.2	2964.0	-12.6	523.1	-28.9
Mining of Non-Ferrous Metal Ores	2531.5	16.4	1688.0	13.2	542.8	44.1
Mining and Processing of Nonmetal Ores	3111.7	4.3	2294.0	3.4	318.9	9.9
Mining Support Service Activities	1534.2	9.0	1460.6	8.8	7.7	234.8
Mining of Other Ores N.E.C	14.6	57.0	13.2	71.4	0.6	100.0
Processing of Food from Agricultural Products	41208.9	6.2	38050.6	6.9	1109.8	-7.5
Manufacture of Foods	16359.6	6.1	13023.7	7.1	1255.1	9.5
Manufacture of Wines, Beverage and Refined Tea	12842.1	7.4	8620.4	5.1	2488.5	22.7
Manufacture of Cigarettes and Tobacco	10663.5	6.9	3093.0	5.3	1456.0	10.8
Manufacture of Textile	18947.4	2.1	16944.9	2.8	626.8	-15.3
Manufacture of Textile Wearing Apparel and Ornament	10814.2	2.2	9299.5	2.7	495.5	1.8
Manufacture of Leather, Fur, Feather and Its Products	8354.7	3.3	7275.2	3.5	423.4	1.4
Processing of Timbers, Manufacture of Wood, Bamboo, Rattan, Palm, and Straw Products	7155.8	0.9	6474.2	1.1	239.1	-4.6
Manufacture of Furniture	5467.9	-5.5	4568.5	-5.5	305.8	4.8
Manufacture of Paper and Paper Products	11082.5	1.9	9811.5	5.0	374.4	-42.0
Printing, Reproduction of Recording Media	5451.4	0.8	4615.6	1.1	272.4	-4.5
Manufacture of Articles for Culture, Education, Artwork, Sport and Entertainment Activity	10691.0	2.5	9270.0	2.3	522.8	10.6
Petroleum, coal and other Fuel Manufacturing	48558.6	21.8	41868.1	30.2	775.8	-67.7
Manufacture of Chemical Raw Material and Chemical Products	67999.1	15.2	56989.7	18.4	5909.2	1.6
Manufacture of Medicines	20970.5	-2.2	12225.5	8.2	3203.8	-29.3
Manufacture of Chemical Fibres	8109.3	7.7	7556.6	13.6	176.9	-63.4
Manufacture of Rubber and Plastics Products	21692.5	0.5	18551.9	1.6	1063.2	-13.0
Manufacture of Non-Metallic Mineral Products	48428.8	0.9	40714.3	2.2	3367.5	-10.5
Manufacture and Processing of Ferrous Metals	66177.7	-9.1	63386.4	-4.6	313.0	-91.4
Manufacture and Processing of Non-Ferrous Metals	56179.1	12.7	52484.3	14.5	1919.9	-14.4
Manufacture of Fabricated Metal Products	35072.0	1.6	31045.6	2.1	1331.9	-10.0

Manufacture of General-Purpose Machinery	34480.2	-2.0	28509.9	-1.7	2196.8	-7.2
Manufacture of Special-Purpose Machinery	26614.7	1.7	21059.5	1.6	2060.9	-1.3
Manufacture of Motor Vehicles	66085.1	6.7	57104.7	7.7	3706.8	-1.9
Manufacture of Railway Locomotives, Building of Ships and Boats, Manufacture of Air and Spacecrafts and Other Transportation Equipments	9311.6	2.8	7956.5	2.9	471.1	9.5
Manufacture of Electrical Machinery and Equipment	73068.4	22.2	63163.8	23.4	3885.8	25.3
Manufacture of Computer, Communication Equipment and Other Electronic Equipment	110362.5	8.0	96128.3	9.2	5330.8	-5.4
Manufacture of Measuring Instrument and Meter	6766.4	4.8	5141.4	5.6	673.2	2.3
Other Manufacturing	1533.5	6.5	1297.8	7.0	79.9	6.8
Waste Recycling and Recovery	7946.2	17.4	7598.1	18.8	174.6	-16.3
Repair of Fabricated Metal Products, Machinery and Equipment	1126.5	8.7	960.7	10.8	48.6	-4.0
Production and Supply of Electric Power and Heat Power	67825.1	18.2	62251.8	19.3	2828.8	11.4
Production and Distribution of Gas	10960.4	27.0	9921.3	31.7	581.2	-13.0
Production and Distribution of Water	3144.7	6.6	2335.2	8.9	302.5	-9.2

Note: The total of some indicators in this table is not equal to the sum of sub items, which is caused by data rounding, without mechanical adjustment.

Annotations:

I. Explanatory Notes:

1. Total Profits: refer to the surplus of various revenue deducting various costs in the production process of enterprises, reflecting the total profit and loss in the report period.

2. Operating income: refers to the total amount of revenue of enterprises recognized by the principal business and other business operations.

3. Operating costs: refers to the total costs of enterprises incurred by the principal business and other business operations.

4. Total Assets: refers to the resources which are gotten from past transactions or events, owned or controlled by enterprises, and expected to bring economic benefits to the enterprises.

5. Total Liabilities: refers to the current obligation generated from past transactions or events, and expected an outflow of economic benefits from the enterprises.

6. Total Owners' Equity: refers to the residual interests after deducting liabilities, which belongs to the enterprise's owners.

7. Accounts Receivable: refers to the amount that should be collected by an enterprise due to its business activities, such as selling goods and providing services, measured at amortized cost on the balance sheet date.

8. Finished Goods: refers to manufactured products which are ready for sale by the end of report period.

9. Profit Rate of Revenue from Principal Activities = total profits / revenue from principal activities × 100%, unit: %.

10. Costs for per-hundred-yuan Turnover of Principal Activities = the costs of revenue from principal activities / the revenue from principal activities × 100, unit: yuan.

11. Expenses for per-hundred-yuan Turnover of Principal Activities = (selling expenses + administrative expenses + financial expenses) / the revenue from principal activities × 100, unit: yuan.

12. Revenue from Activities Brought by per Hundred-yuan Assets = the revenue from activities / average assets / the cumulative number of months × 12 × 100, unit: yuan.

13. Revenue from Activities per Capita = revenue from activities / average number of employment / the cumulative number of months × 12, unit: 10 thousand yuan/ person.

14. Asset-Liability Ratio = total liabilities / total assets × 100%, unit: %.

15. Turnover Days of Finished Goods = 360 × average finished goods / revenue from activities × the cumulative number of months / 12, unit: days.

16. Average Payback Period of Accounts Receivable = 360 × average accounts receivable / revenue from activities × the cumulative number of months / 12, unit: days.

17. In the columns of increase rate year-on-year of the three tables above, the “note” refers to negative total profits in the same period last year, which means loss; the positive value refers to a year-on-year increase of profits; the negative value which is greater than or equal to -100% refers to a year-on-year decrease of profits; the value less than -100% indicates turning gain in the same period last year into loss in current period; and the value of 0 indicates that the profits remain at the same level year-on-year.

18. In the main groups, state-owned holding enterprises include state-owned absolute holding enterprises and state-owned relative holding (including agreement holding) enterprises. Enterprises invested by foreign investors and Hong Kong, Macao and Taiwan businessmen include Sino foreign (or Hong Kong, Macao and Taiwan funded) joint ventures, cooperative enterprises and joint stock limited companies whose shareholders of foreign capital (or Hong Kong, Macao and Taiwan funded) account for more than 25% of the company's registered capital. Private enterprises include private limited liability companies, private joint stock limited companies, private partnerships and private sole proprietorships.

II. The growth rates of the total profits and revenue from activities of industrial enterprises above designated size are calculated on a comparable basis. There are incomparable factors between the data in the reporting period and the same indicator data published in the previous year, which cannot be directly compared to calculate the growth rate. The main reasons are: (1) According to the statistical system, the survey coverage of industrial enterprises above designated size is adjusted regularly every year. Each year, some companies will be included in the survey after having reached designated size, and some will exit the survey due to their smaller size, and there are also influence of new built and starting enterprises, bankruptcies, and companies that have been suspended or sold. (2) By strengthening the statistical law enforcement, the enterprises found in the statistical law enforcement inspection that do not meet the industrial statistics requirements above designated size have been cleared, and relevant bases have been revised in accordance with regulations. (3)

Strengthen data quality management and eliminate the cross-regional and cross-industry repeated calculation.

III. Statistical Coverage

Industrial enterprises above the designated size, which refer to industrial enterprises with revenue from principal activities over 20 million yuan.

IV. Survey Method

The Financial Report of Enterprises above the Designated Size conducts complete survey by month (the data on January are not required to report).

V. Industrial Classification Standard