Can't Get There From Here

Why consensus earnings for America's largest companies run into the size of the economy

GB Wealth Inc. | OCTOBER 2026

Key points

- **Consensus asks corporate profit to absorb about 55% of all the growth the US economy can produce** between 2026 and 2028. Historically the median is under 9%.
- **The largest companies are now too big to outgrow the economy.** Earning roughly a quarter of all US corporate profit, the Magnificent Seven can no longer grow by taking share from a larger market. Their growth has become a claim on the economy itself.
- **Profits have to be paid for by someone.** Every dollar of profit is funded by business investment, household dissaving, government deficits, foreign demand or dividends. To meet the forecast, each of these would have to move beyond anything in the post-war record.
- **Our base case is convergence, not collapse.** We expect Mag 7 revenue growth to drift toward nominal GDP growth, and the depreciation of the current build to absorb much of what remains. Profits may not grow at all.

The forecast in one number

Analyst forecasts are built bottom up, one company at a time. Each one can look reasonable on its own terms. The trouble appears only when they are added together and set against the economy that has to pay for them.

At its potential growth rate and today's rate of inflation, US nominal output can expand by about **$4.0 trillion** between 2026 and 2028. Bloomberg consensus, compiled company by company, has S&P 500 operating profit rising by about **$2.2 trillion** over the same window. Put plainly, the forecasts assume that corporate profit captures more than half of all the new income the economy generates. Every wage, every small business, every tax receipt and every import share what is left.

How unusual is that? Across every overlapping two-year window since 1949, after-tax corporate profits have captured a median of 8.8% of nominal growth. The best tenth of outcomes in seventy-seven years reached 20.8%. On a comparable after-tax basis, consensus currently implies roughly 46%, about five times the historical median and more than double the best decile ever recorded.

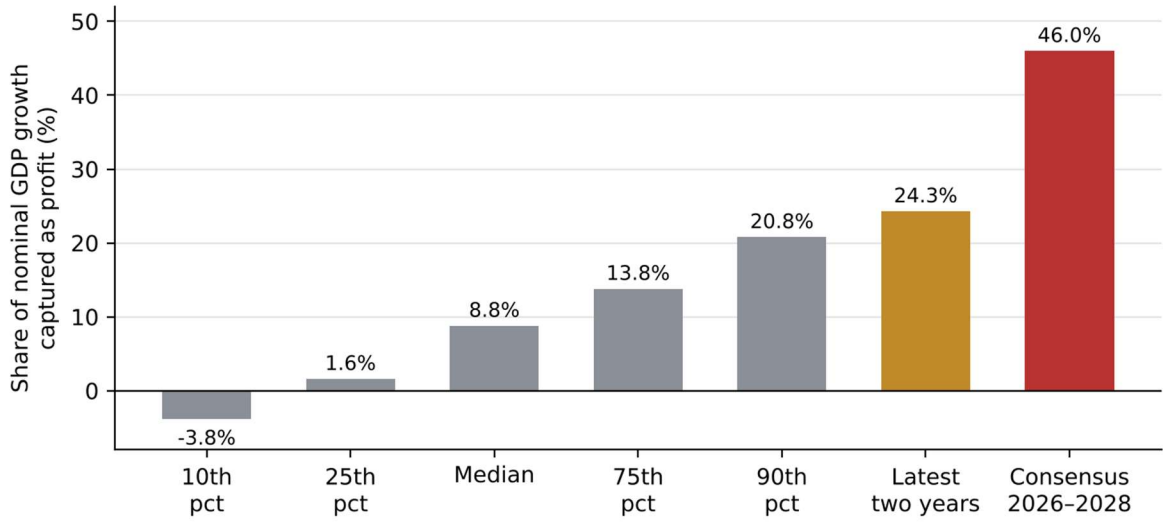


Figure 1. The share of each new dollar of output that ends up as corporate profit. Consensus sits well outside the historical distribution, and the most recent two years are already above its 90th percentile.

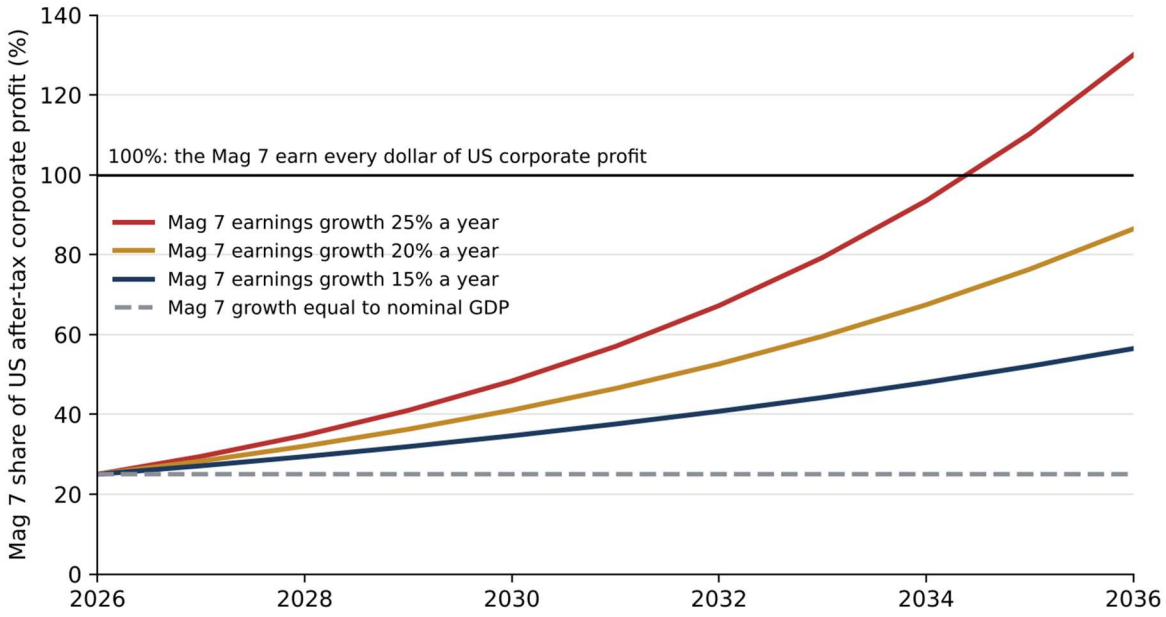
This is not a recovery from depressed levels. Corporate profits are already 11.9% of GDP, the highest reading on record and roughly double the 6.1% average of 1947 to 1999. Consensus would take that figure to about 15.7% by 2028.

Too big to outgrow the economy

A small, highly profitable company can compound at 25% or 30% for years at a time, because its growth is a market share shift. It takes revenue from competitors inside a market far larger than itself, and nothing about the wider economy needs to change for it to succeed.

That logic has a ceiling, and the ceiling is arithmetic rather than competitive. The seven largest American companies now earn roughly **a quarter of all after-tax corporate profit in the United States**. At that scale there is not enough “rest of the market” left to take. Growth faster than the economy must come from other companies getting smaller, or from profits taking a larger share of national income, which is already at a record.

Figure 2 makes the point with nothing more than compounding. If the national profit pool grows with the economy, at about 6% a year in nominal terms, then a Mag 7 earnings growth rate of 20% lifts their share of all US corporate profit from 25% to about 46% within five years and above 85% within ten. At 25% a year they would be earning nearly every dollar of US corporate profit inside a decade. No one forecasts that outcome, but it is where the growth rates being extrapolated would lead.



Illustrative. Starting share 25%; national profit pool grows with nominal GDP at about 6% a year (profit share of GDP held at its record).

Figure 2. Illustrative. The Mag 7 share of US after-tax corporate profit if their earnings compound at the rates shown while the national profit pool grows with nominal GDP.

The conclusion is not that these businesses are weak. It is the opposite. They have already won so much of the market that the market they are winning is now the economy, and the economy grows at nominal GDP.

Profits have to be paid for

There is a second constraint, and it is an accounting identity rather than a theory. In aggregate, profits are not produced by corporate effort; they are funded by somebody else's spending. For the corporate sector as a whole to earn more, some other part of the economy has to spend more than it earns. There are only five sources:

- **Business investment** in excess of what firms retain.
- **Household dissaving,** spending more than is earned.
- **Government deficits,** spending more than is taxed.
- **Foreign demand,** a current account surplus (reduced deficit).
- **Dividends,** which return to the economy as spending.

Added together, these are the profit pool. A forecast of $2.2 trillion in additional profit is therefore a forecast that one or more of them expand by that amount. The history of who has paid for American profits is telling.

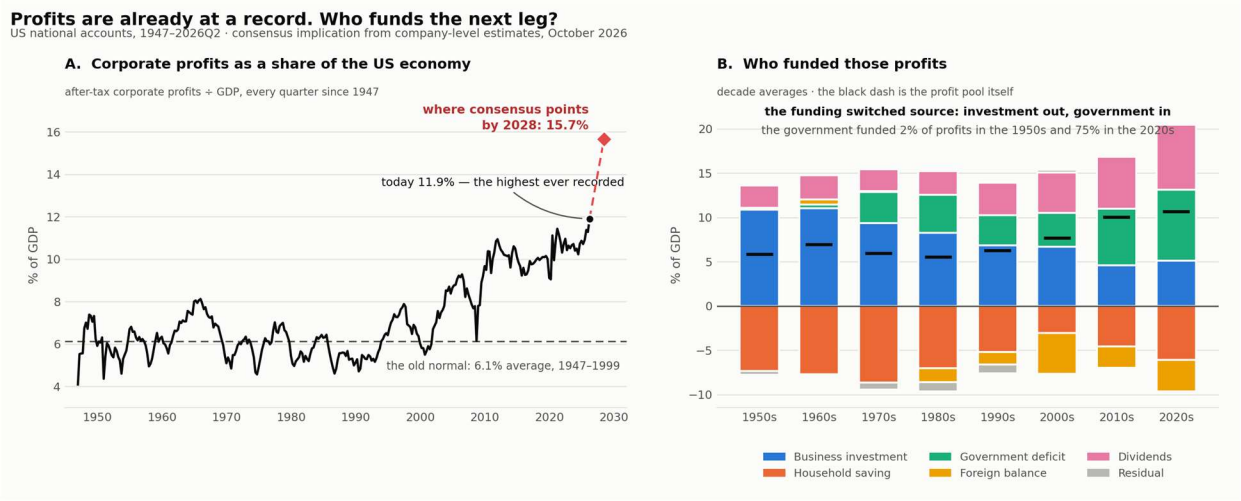


Figure 3. Corporate profits as a share of GDP (left) and the sources that funded them, by decade (right). Source: US national accounts, GB Wealth Inc.

In the 1950s, profits were funded by American companies building things, with net business investment above 10% of GDP. The government's share of the profit pool was about 2%. Today business investment is less than half that level and the federal deficit funds about 75% of the pool. The question “will profits grow another third from a record high?” has quietly become “will the government keep borrowing, and then borrow more?”

If any one source had to fund the whole increase, the required moves would be:

Funding source	Today	Required
Business investment	4.9% of GDP	8.7% to 11.0%
Household saving	saving 3.2%	dissaving 0.5% to 2.8%
Government deficit	6.2% of GDP	10.0% to 12.3%
Trade balance	deficit 3.4%	surplus 0.4% to 2.7%

Two of these have no precedent. American households have been net savers in every quarter since 1949, and the US external account has not funded domestic profits since 1991. The other two would require a COVID-scale deficit made permanent, or a business investment boom at roughly double today's rate. Neither is in the forecasts.

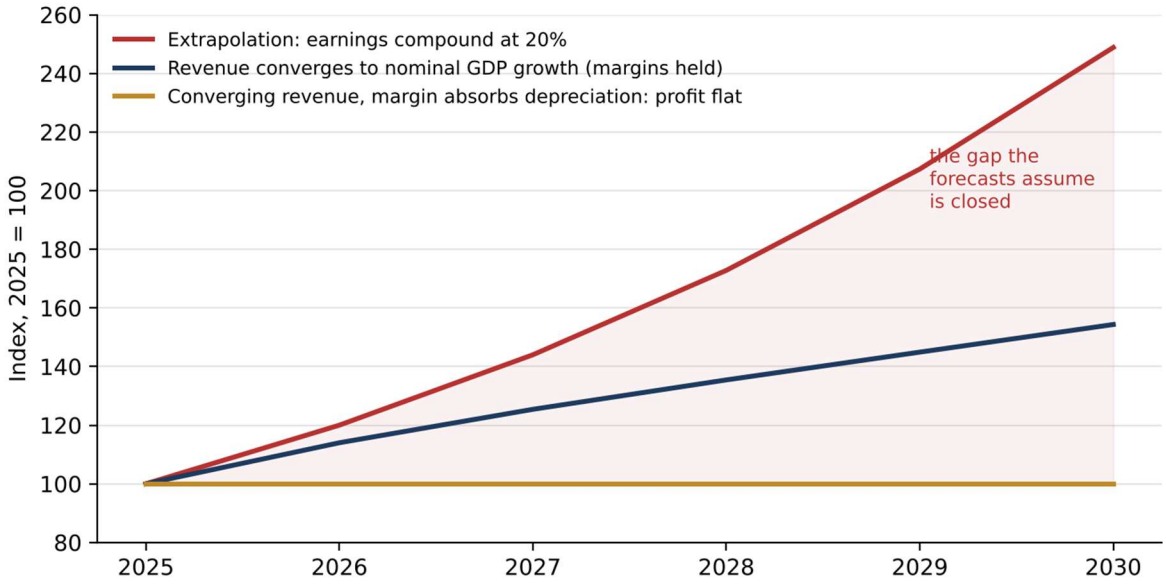
What we expect instead: convergence

Our base case is not a collapse in technology earnings. It is a gradual return to the economy's own speed, which is what the arithmetic eventually requires of any company that has become large enough to be the market.

Revenue converges toward nominal GDP. As the largest platforms saturate their markets, revenue growth should decay toward nominal GDP growth of around 6%. In the illustration in Figure 4, revenue still grows by more than half over five years. That is still a healthy business. It should not compound at 20%.

Profit growth may be smaller still, and possibly zero. The capital being installed today is short lived. Data centre equipment wears out over a relatively short period of time, and the depreciation on the current build lands on income statements in 2027 to 2029, exactly when the earnings acceleration is forecast. Financing costs are rising as the build shifts from internal cash flow toward debt and equity issuance, and our estimates put the payback on the current build at about seven and a half years against a hurdle of roughly five and a half. Revenue that grows at the pace of the economy, with a rising depreciation and financing burden set against it, can leave profit broadly flat.

A plateau in spending is enough. It is the change in investment, not its level, that funds profits across the economy. Capital spending that merely levels off at a record high stops adding to the profit pool. The build does not have to stop for the profit to stop; slower revenue growth should meaningfully reduce profit growth.



Illustrative. Revenue growth starts at 14% and halves its excess over 6% nominal GDP growth each year.

Figure 4. Illustrative paths, indexed to 2025. The shaded area is the gap between extrapolated earnings and what a business growing with the economy can deliver.

Figure 4 shows why this matters for valuations. The extrapolated path reaches about 2.5 times its starting level in five years. A business whose revenue converges to nominal GDP reaches about 1.5 times, and if margins absorb the cost of the build, profits can stay closer to where they are today. The market is currently paying for the growth of the top line.

Why 2000 is the wrong comfort

The usual reassurance is that today's builders are extraordinarily profitable, unlike the telecom and internet companies of 1999 and 2000. That is true, but it cuts the other way. Unprofitable builders were disciplined by their financiers. Profitable builders have more alternatives, so the build can run larger and for longer. And because they already substantially represent the profit pool, their further growth must come from the rest of the economy rather than from a market they have yet to enter.

	1999 to 2000	Today
Corporate profits, share of GDP	5.8% to 6.4%	11.9% (record)
Net business investment, share of GDP	9.0% to 9.3%	4.9%
Federal budget	Surplus	Deficit of 6.2% of GDP

In 2000 the economy had a cushion. When the internet build ended, the federal budget swung from surplus to deficit, and aggregate corporate profits actually rose, from 5.5% of GDP in late 2000 to 7.8% by late 2003. What fell, by 47%, was the stock market's share of those profits. Today the deficit is already 6.2% of GDP with inflation above 3%. There is no surplus left to swing.

That episode also identifies where the risk lies. One does not need a recession in profits to lose a great deal of money in the market's largest names. One needs only a normalization in who captures them, and a market that has priced continued compounding at roughly three times the multiple of the rest of the economy.

What could prove us wrong

- **Productivity.** If artificial intelligence materially lifts the economy's potential growth, every ratio here loosens. We regard this as plausible but slow, and unlikely to arrive inside the nine quarters the forecasts cover.
- **The external account.** Tariffs and reshoring are moving the foreign balance in a helpful direction. The swing required is very large, and technology firms are a weak channel because much of their foreign revenue is booked offshore and their hardware is largely imported.
- **Timing.** A profitable build can be sustained for a long time. This framework says where the arithmetic ends, not when markets will recognize it.
- **Index resilience.** Listed companies have historically defended their share of a squeezed profit pool, which is why we locate the risk in concentration rather than in aggregate index earnings.

What we are watching

The signal that the constraint is binding seems unlikely to be an earnings miss. It is more likely to be capital spending guidance that merely holds flat. Beyond that, we would revise our view on evidence of business investment sustained above about 7% of GDP, a durable improvement in the trade balance of more than a point of GDP, or productivity gains appearing in measured output rather than only in the earnings of the companies selling the technology.

The bottom line. These are excellent companies. Our concern is that the forecasts ask them to do something the economy cannot pay for. When a company becomes the market, it grows at the speed of the economy, and the analyst forecasts assume otherwise. From where profits stand today, we cannot get there from here.

Basis and sources

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Profit, investment, saving, deficit and trade figures are from the US national accounts, on GB Wealth Inc.'s quarterly dataset running from 1945. The funding identity is the Kalecki and Levy profits equation, which holds by construction of the national accounts. Company and index forecasts are Bloomberg consensus, compiled company by company and retrieved 26 October 2026; operating profit is earnings before interest and tax. Historical distributions are computed across all overlapping two-year windows since 1949. Comparisons of company-level operating profit with national-accounts profit involve different accounting conventions and a domestic versus global mismatch; these affect precise levels but not the direction or orders of magnitude of the argument. Figures 2 and 4 are illustrations of the arithmetic described in the text, built on stated assumptions. They are not forecasts of any company's results.

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