



## KKR Releases “China: Mounting Macro Paradox” by Henry H. McVey

May 11, 2016

New Macro Report Discusses Key Investment-Related Concerns in China

NEW YORK--(BUSINESS WIRE)-- KKR, a leading global investment firm, today released China: Mounting Macro Paradox, a new macro Insights piece by Henry H. McVey, Head of Global Macro and Asset Allocation (“GMAA”).

“A recent visit to China gives us more assurance that there is a base rate of economic growth that the government will – using a variety of monetary and fiscal tools – work hard to achieve in 2016,” Henry McVey said. “However, our bigger picture conclusion remains that the Chinese economy is structurally slowing, driven by disinflation, declining incremental returns, demographic headwinds, and the law of large numbers. How these transitions unfold have major implications not only for China, but also for a global economy that now relies on one country, China, for more than one-third of total GDP growth.”

In China: Mounting Macro Paradox, Henry McVey discusses the following short-term and long-term investment conclusions:

1. As it relates to the short term, we are lifting our 2016 GDP forecast for China to 6.5% from 6.3%. This change represents the team’s first uptick in forecasted Chinese GDP growth since arriving at KKR in 2011.
2. Longer-term, however, we do not think that the recent stimulus can help the Chinese economy to re-establish a higher sustained growth rate.
3. Corporate credit growth remains outsized relative to GDP, which has implications for – among others – the country’s banks, insurers, and brokers.
4. There is no “One China” anymore, as the country’s economy is undergoing a massive transition.
5. To offset the slowdown in global trade and flows, China is also repositioning its export economy to take market share in higher value-added services.
6. China Inc.: Coming to a theater near you. Without question, this trip’s consensus view centered on the desire by many Chinese business leaders to acquire companies, properties, and experiences outside of China.

Links to access this note as well as an archive of Henry McVey's previous publications follow:

- To read the latest Insights: click [here](#).
- To download a PDF version: click [here](#).
- To download the KKR Insights app on iTunes: click [here](#).
- For an archive of previous publications of Insights and Thoughts From the Road: click [here](#).

### About Henry McVey

Henry H. McVey (New York) joined KKR in 2011 and is Head of the Global Macro and Asset Allocation team. Mr. McVey also serves as Chief Investment Officer for the Firm’s Balance Sheet. Prior to joining KKR, Mr. McVey was a managing director, lead portfolio manager and head of

global macro and asset allocation at Morgan Stanley Investment Management (MSIM). Prior to that, he was a portfolio manager at Fortress Investment Group and chief U.S. investment strategist for Morgan Stanley. While at Morgan Stanley, Mr. McVey was also a member of the asset allocation committee, and the top ranked asset management and brokerage analyst by Institutional Investor for four consecutive years before becoming the firm's strategist. He earned his B.A. from the University of Virginia and an M.B.A. from the Wharton School of the University of Pennsylvania. Mr. McVey serves as co-chair of the TEAK Fellowship board of trustees and is a member of the Pritzker Foundation and Lincoln Center Investment Committees.

## About KKR

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Source: KKR