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KKR Releases New Macro Report Discussing the "Shifting Landscape" in China and Japan

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NEW YORK--(BUSINESS WIRE)-- KKR today released Thoughts from the Road: A Shifting Landscape, a new report analyzing key investment-related issues in China and Japan.

"Looking at the big picture, our key conclusion from the trip is that the slowdown we are seeing in China is secular, not cyclical," Henry McVey, Head of Global Macro and Asset Allocation, said. "Given that China is expected to account for at least one-third of global GDP growth this year, this insight has important implications for global trade, monetary policy, and inflation expectations. It also means that the recent surge in consumer and corporate credit across many emerging market countries could — ultimately — act as the primary catalyst for the next global economic downturn."

In the piece, Henry McVey and his team cite several key takeaways:

- **China is in structural slowdown mode, as excess debt and capacity now weigh on profits, not just GDP**. Slowing Chinese GDP data seems to garner all the headlines these days, but after our most recent trip, we think the focus should be on trends in corporate profits.
- **Japan is no longer just a macro story**; **focus on the micro too**. The positive macro story in Japan is – on the margin – waning. As such, we think primarily just those companies that are actively shedding assets and/or returning cash to shareholders will outperform handily from current levels.
- **Overall, Asia is in somewhat of a funk**. Our trip reconfirmed our thesis that many EM Asia countries recently redirected their economies — potentially at just the wrong time — to take advantage of what they thought would be ongoing strength in China's economy. However, with China's growth now stalling amid lower commodity prices and weak inbound trade, many EM countries are now enduring weaker than expected growth, bigger deficits, and heightened political tensions.

Links to access the full report as well as an archive of our previous publications follow:

- To read the latest Thoughts from the Road, visit KKR's web site.
- Click the following link to download a PDF version.
- Click the following link for an archive of previous publications.

About KKR

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