



CNBC – Closing Bell

Real estate and consumer confidence are key areas for China, says investment banker Robert Kuhn

Robert Lawrence Kuhn – August 18, 2023



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CNBC HOST: Property giant Evergrande filing for bankruptcy protection in a U.S. Court. This filing comes amid fears that China's real estate troubles could spill over into other parts of the economy, which has already seen signs of a slowdown. What does this mean for investors?

Joining me now is NWI Managing Director Tara Hariharan, and Kuhn Foundation Chairman Robert Kuhn. He's a longtime advisor to China's leaders and multinational corporations. It's so great to have both of you here to break this down.

Robert, I guess especially since the data can be a little opaque and not always the most realistic, at least how Wall Street interprets it with China, just set the stage for me in terms of what's happening in real time in the country.



ROBERT LAWRENCE KUHN:

There's a confluence of issues, a perfect storm: coming off of COVID, three years of lockdowns, the uneasy breaking with it. Consumer confidence is low. And then all of the issues having to do with real estate, what we see in the property giants, Evergrande, Country Garden – the trust companies. China has a long history of shadow banking in one form or another, with wealth management products being managed in trust funds. I think there's something close to \$3 trillion in trust accounts in China, and a healthy percentage of that is exposed to real estate.



KUHN: Real estate is also important because it has been the traditional funding for local governments, which have been under tremendous stress, and there's great amount of debt, which we've heard about building up independent of all these other issues. You have everything coming together now.

Real estate is key, and consumer confidence. China's leaders have known this for a long time. They had a meeting in last December. They went through five or six critical categories. I covered that extensively, and real estate and consumer confidence were really at the top of the list.



KUHN: It's important to note that China's leaders, economically, are very competent people. They always have been. The difference now is that there is political stability of a kind that we've not seen in our lifetime. Now, some people might think that's not good because all the people are related to Xi Jinping. I take a contrarian position.

Li Qiang, the Premier, ran Shanghai and Jiangsu Province. He was governor of Zhejiang Province. All together, the three GDPs would be like the fifth largest country in the world. Premier Li is very sensitive to entrepreneurship, works with foreign businesses. So you have a very competent team, but they have their work cut out for them. We can discuss the details.

