

“We are in a period where strategic opportunities and challenges coexist and uncertainties are increasing, but with solid resilience and growth potential in economy, the positive trajectory of China’s long-term development remains unchanged”

--- The Communiqué of Fourth Plenum of CCP 20th Central Committee

“Fourth Plenum”: towards more assertively shaping strategic conditions externally to better focus on “Chinese-style modernization” internally

CMG Primer – understanding process and key outcomes of the CCP 20th Central Committee’s “Fourth Plenum”

6th November 2025

Contact:

Markus Herrmann Chen | 陈瑞华
Co-Founder and Managing Director
mherrmann@chinamacro.ch

China Macro Group (CMG) – a specialized European management consulting and research firm



Profile

- CMG is an agile, service-minded and innovative **management consulting and research firm**
- CMG serves European **corporate, investment and public sectors** on China related questions
- It specializes in aiding **strategic decision-making** of governance and executive bodies
- CMG contributes **content publicly** via various initiatives such as Primers and webinars
- CMG operates with presences in **Zurich, Munich and Beijing**

Our approach

Cross-cultural epistemic

Team dialectics, socio-economic grounded China analysis and accountable also to Chinese discourse

Interdisciplinarity

Business management / strategy, public policy, macroeconomy and geopolitics / geoeconomics

“Multipolar” analytics

For geopolitical / geoeconomic analysis actively use or seek expertise and views from respective “pole”

Research values

Original, fact-based and calibrated – plus extensive Chinese expert network

Professional services DNA

Listening, ownership and co-creation as foundation to build trusted and tailored collaborations

Our value proposition – 4 service areas

Consulting

- Strategy devising / review
- China development scenarios
- HQ-subsidary alignment



Briefing / intelligence

- China's development strategy
- Strategic business context
- Market / competitive trends



Monitoring

- Strategic business context
- Sector / market factors
- Geopolitical / risk factors



Learning

- Learning conference / training
- Event / webinar moderation
- Speaker / expert referrals



CMG's mission

Accurately **interpreting China's development strategy** and analyzing its factual trajectory on macro, sector and market levels

to support **strategic decision-making** of European corporate, investment and public sectors with **original, fact-based and calibrated** research and strategic advice

thereby contributing to **sustainable cooperation with China**



1

Reviewing the “Fourth Plenum” of the CCP’s 20th Central Committee

- Strategic context – synopsis
- Process, key scenic moments and 14th Five-Year-Plan (2026-2030) evaluation
- “Proposition” (建议) – formal analysis
- “Proposition” (建议) – policy substance analysis

2

Proposed strategic considerations for European / international business

CMG services and resources

Agenda

1

Reviewing the “Fourth Plenum” of the CCP’s 20th Central Committee

- **Strategic context – synopsis**
- Process, key scenic moments and 14th Five-Year-Plan (2026-2030) evaluation
- “Proposition” (建议) – formal analysis
- “Proposition” (建议) – policy substance analysis

2

Proposed strategic considerations for European / international business

CMG services and resources

Context: “Plenum” takes place amid unstable economic recovery, accelerated reforms and US-China dealmaking

Economy: unstable post-Covid recovery



- Overall recovery:
 - Solid growth since macroeconomic interventions but new downward pressure in Q3 2025 and overall aggregate domestic demand restoring
 - Manufacturing still facing deflationary pressure due to overcapacity – yet: the negative trend slowed
 - “NQPF” contributing +4% to GDP in 2024 (vs. 2020)
- Real estate: ongoing market contraction (-10% GDP comparing 2024 to 2020), but demand recovering faster than new supply addition, positively signaling ongoing consumption of stock properties
- Unemployment: overall unemployment rate slightly dropped (0.5%) – youth segment still under pressure

Policy: 1 year into “Third Plenum” decisions



CCP 20th Central Committee's Third Plenum set new reform plan—most comprehensive one since 2013 (Jul 18, 2024)

- Highlights of implementing “Third Plenum” decisions – which in our view was held under the premise of Trump being re-elected – over past year include:
 - Equal treatment in public procurement: Private Economy Promotion Law, defining “Made-in-China”
 - “High-level” opening-up: expanded scope of trialing high-quality international economic standards
 - “New-quality productive forces”: more local-level implementation on supporting commercialization of public S&T research outcomes
 - “Anti-involution”: regulated local gov investment promotion and capacity governance in key sectors
 - Fertility: materialized fertility subsidy plan

Foreign affairs: an active and assertive China

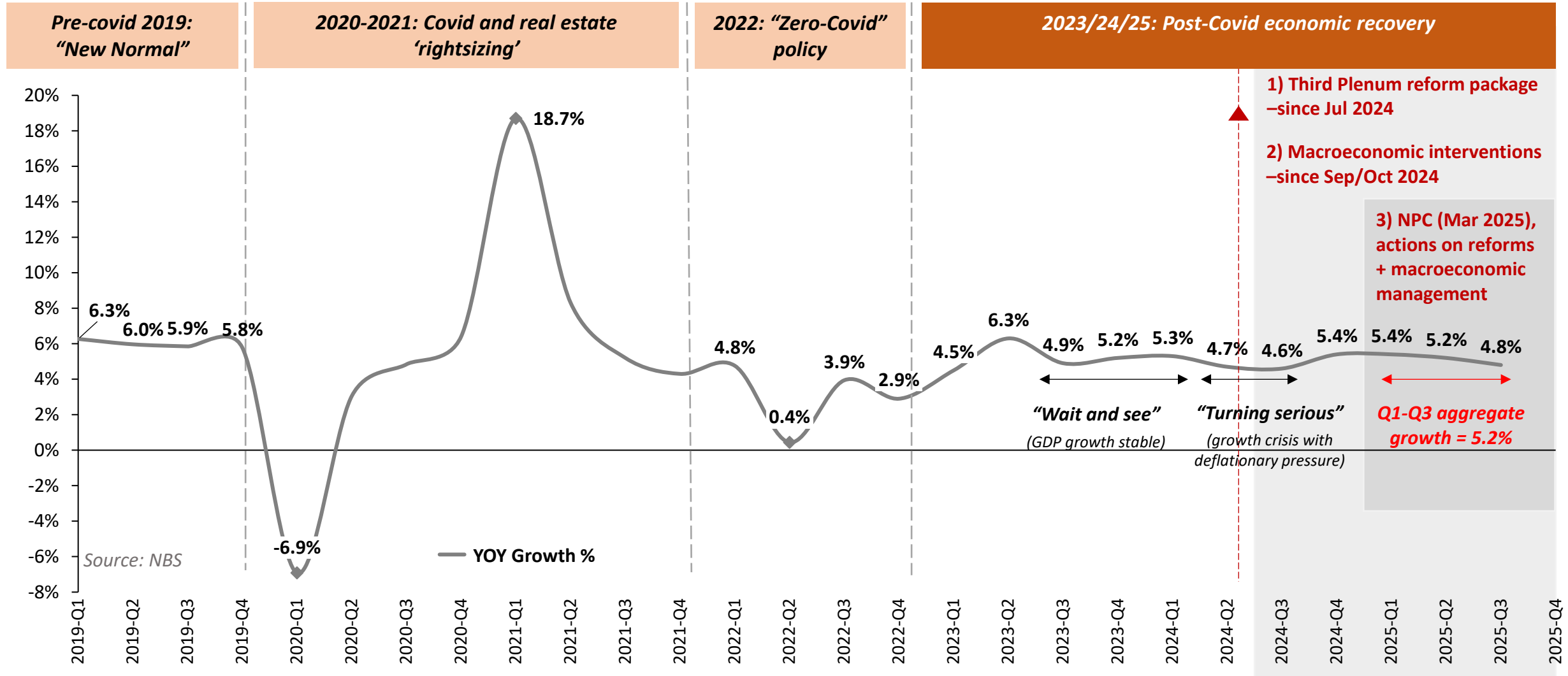


President Xi Jinping walking side-by-side with Vladimir Putin and Kim Jong-un at China military parade (Sep 3, 2025)

- US-China
 - China's retaliations to US decoupling and tariff actions using chokepoints (esp. REEs) shape deal exploration with Trump, leading to a temporary truce in form of a “trade deal” on 30th Oct.
- EU-China
 - Relationship deteriorating amid EU's persisting strategic (China's relationship with Russia) and broadening economic concerns (export controls, overcapacity, non level playing field)
- Russia-China
 - Deepening strategic cooperation and coordination in pluri-/multilateral formats (e.g. SCO, BRICS, UN)

Until “growth crisis” mid-2024, China’s policy focus lies on structural transition, tolerating a slower recovery

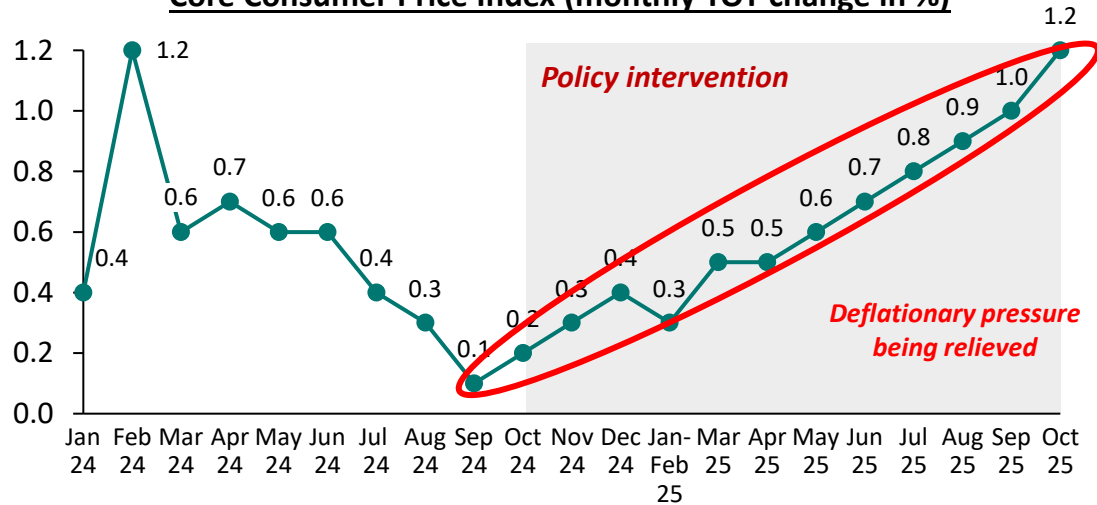
China’s quarterly GDP growth over the past 5 years



Intervention effectiveness: demand-side recovering positively, while supply-side negative trend being curbed

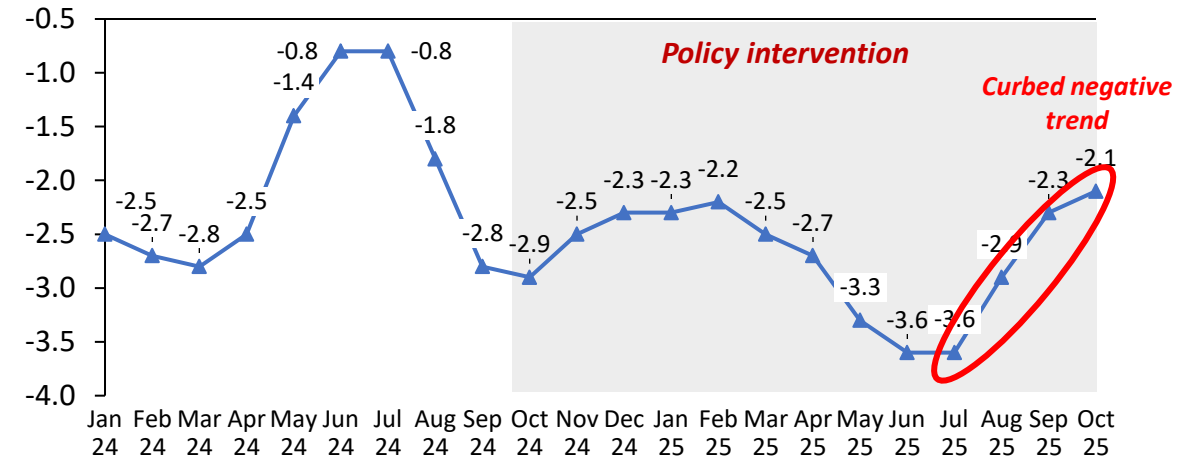
Demand-side indicators

Core Consumer Price Index (monthly YOY change in %)

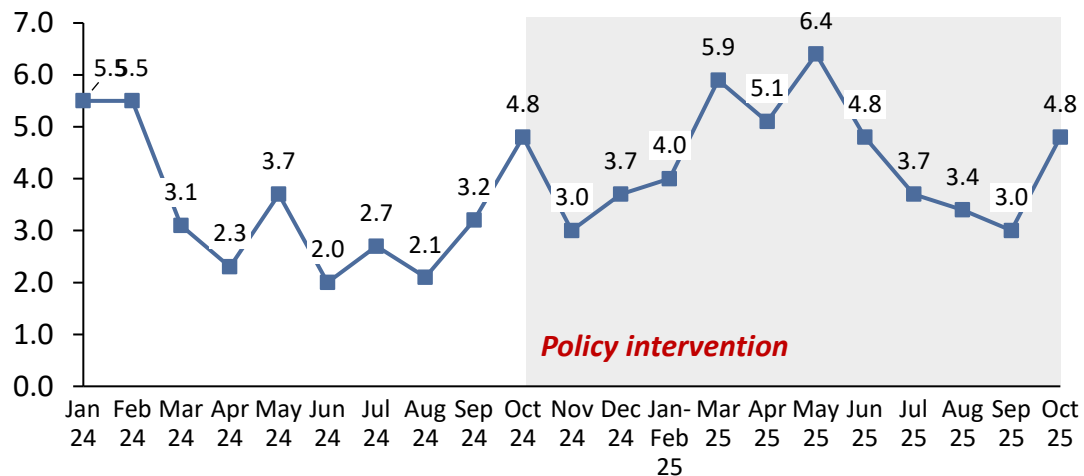


Supply-side indicators

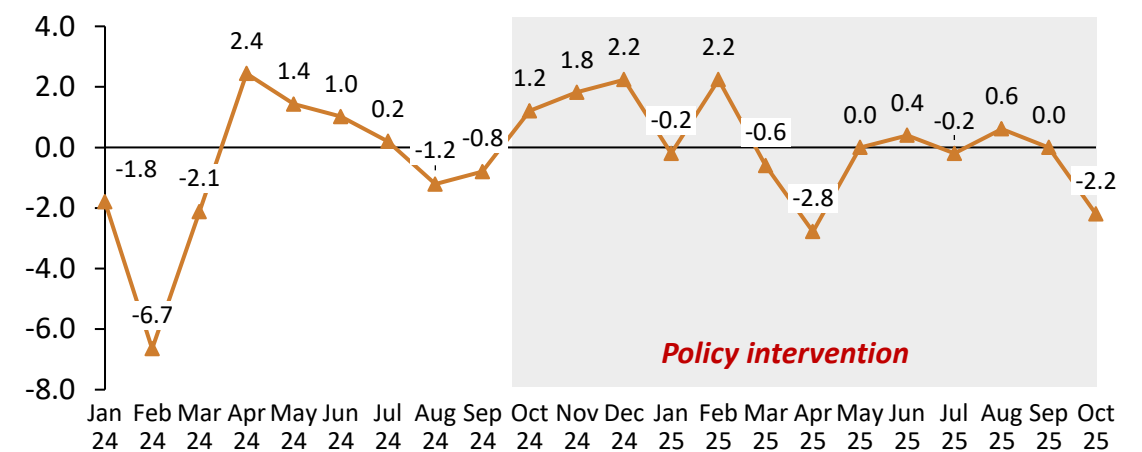
Producer Price Index (monthly YOY change in %)








Social Retail Sales (monthly YOY change in %)



Manufacturing Purchasing Manager's Index (monthly YOY change in %)



In third year of recovery, both short- and long-term efforts are made to tackle five biggest economic issues

Key economic issues	Status and trend to date	CMG view	Outlook
Insufficient domestic demand	<ul style="list-style-type: none"> Dangerous signal of deflationary pressure detected in H1 2024 Positive trend esp. since 2025, but net sustainability still uncertain 	<ul style="list-style-type: none"> Caused by Covid after-effect and “negative wealth effect” of real estate asset bubble burst Beyond short-term stimulate, more structural measures needed e.g. higher income jobs for middle class (via NQPF, replacing asset-backed wealth), subsidies to the poor, social security Biggest potential in service consumption, incl. entirely new demand e.g. “emotion economy” 	
Industrial overcapacity	<ul style="list-style-type: none"> Low capacity utilization rate plus “price war” in both traditional (e.g. cement) and in emerging sectors (e.g. EV, solar, battery) 	<ul style="list-style-type: none"> Caused by mismatch between consistent industrial capacity expansion and weak demand—both globally and domestically—since Covid and real estate crisis Systemic “pro-supply” incentives for both local governments and business to expand supply Solutions: domestic demand expansion, capacity off-shoring, market governance incl. standard 	
Real estate crisis	<ul style="list-style-type: none"> Slowing of negative trend seen earliest in 2023, but remains a drag to economy; stocks being consumed, but very gradually 	<ul style="list-style-type: none"> Real estate “rightsizing” is driven by social policy intent—“house is for living, not speculation” China could have been able to more smoothly address negative impact of “rightsizing”, but Covid created a timing-wise unlucky demand shock 10% GDP lost 2020-2024 compensated by 4% NQPF, 2% services, 1.6% net export and ~2% TFP 	
Local debt burden	<ul style="list-style-type: none"> Debt burden accumulated in past decade, esp. “hidden debt” Initial effectiveness of debt-swap is observed 	<ul style="list-style-type: none"> Caused by debt-based local investment—local revenue shortage as biggest issue Debt-swap program as short-term measure relieved some fiscal pressure of local governments, but more structural efforts needed for fiscal system reform China total debt level below G20 average; ~400T CNY state assets vs ~100T CNY total debt 	
Unemployment	<ul style="list-style-type: none"> Unemployment pressure since 2023, as an after-effect of Covid Overall stabilizing since 2025, but pressure in youth unemployment 	<ul style="list-style-type: none"> 4 labor-demanding areas: military (demand intact), agriculture (demand intact, absorbing some factory workers), factories (demand growth slowed), higher education (under demand) Dragging factors: slower economic growth, skill mismatch (lacking high-end and vocational) Solutions: job creation—NQPF, service, “going-out”; talent supply—high-end, vocational 	

Agenda

1

Reviewing the “Fourth Plenum” of the CCP’s 20th Central Committee

- Strategic context – synopsis
- **Process, key scenic moments and 14th Five-Year-Plan (2026-2030) evaluation**
- “Proposition” (建议) – formal analysis
- “Proposition” (建议) – policy substance analysis

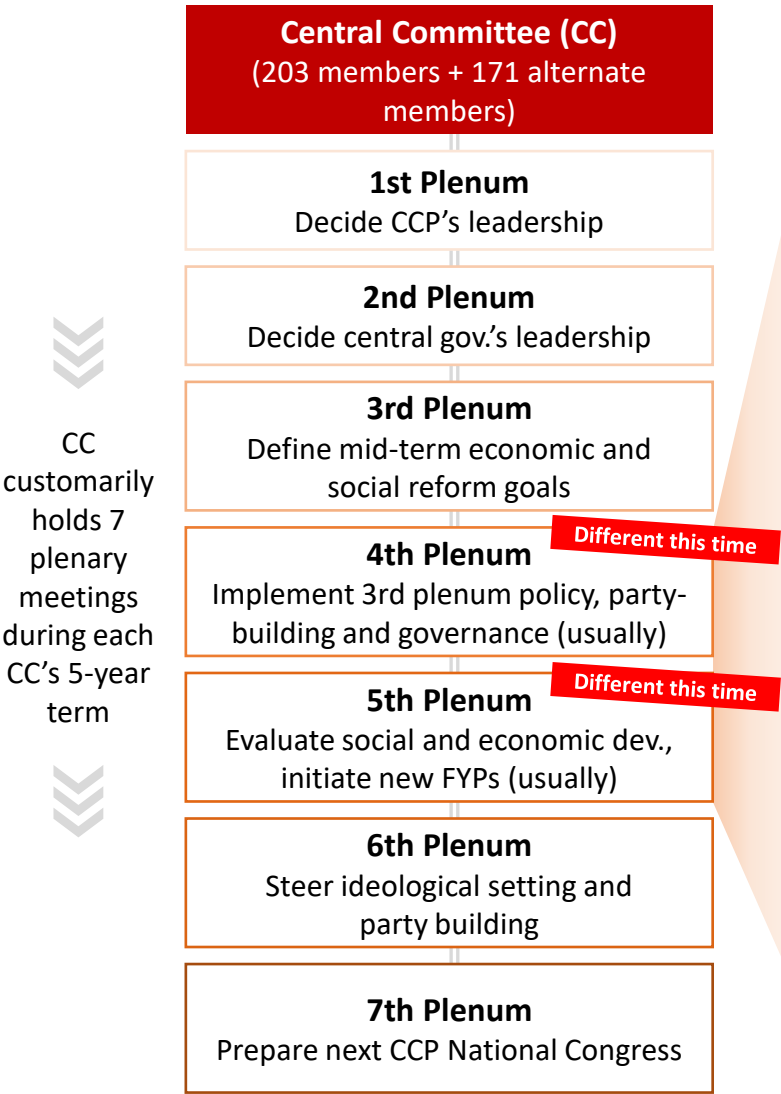
2

Proposed strategic considerations for European / international business

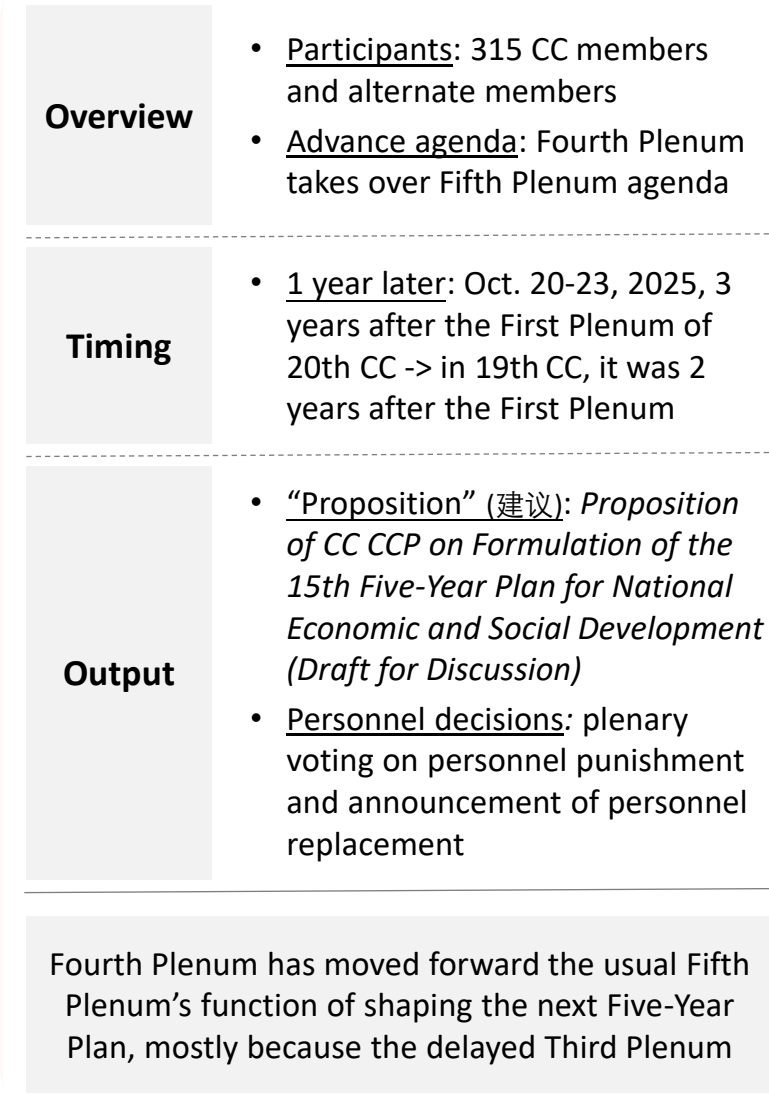
CMG services and resources

Deviating from tradition, this time it is the “Fourth Plenum” deciding the “proposition” (建议) for the 15th FYP

What is a “Fourth Plenum” in general?



What is different about this “Fourth Plenum”?



How does “Fourth Plenum” define 15th FYP?



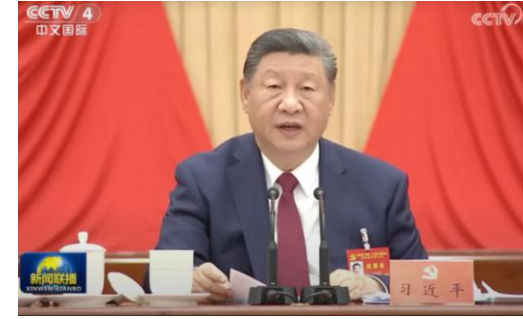
Key scenic moments: “Fourth Plenum” unfolds over four days, with two key speeches delivered by Xi Jinping



Xi Jinping, followed by Li Qiang, Zhao Leji, Wang Huning, etc. entering the **Opening Ceremony**



168 CC members, 147 CC alternate members, CCDI SC members and grass-root delegates, attending Plenum



Xi Jinping delivering the **work report** entrusted by the Politburo at the beginning of “Fourth Plenum”



Attendees of the “Fourth Plenum” **deliberating and passing “the proposition”** for the 15th FYP



Xi Jinping delivering a speech as (verbal) “**explanation**” (说明) of the “**proposition**” (建议) for the 15th FYP



Deliberation and passing of CCDI’s and CMC’s punishment decisions to **expel** 14 people from the CCP



Closing of the “Fourth Plenum” with all participants standing and playing L'Internationale



Press Conference on 24th October by select senior CCP politicians and selective ministers of government

14th FYP evaluation: NDRC and Xinhua summarize 14th FYP achievements, citing evidence across 9 dimensions

Policy dimension	Key issues and 14 th FYP policymaking	Key progress metric evidence cited	CMG assessment
Modern industrial system	<ul style="list-style-type: none">Issues: limited high-end industries, slow TFP growthPolicy: innovation-driven industrial upgrading	<ul style="list-style-type: none">High-tech manufacturing growing 8.7% yearly, outpacing 6.7% growth of overall manufacturing	Well progressed
High-tech innovation	<ul style="list-style-type: none">Issues: high-tech bottleneckPolicy: new system to mobilize national resources	<ul style="list-style-type: none">R&D intensity from 2.4% in 2020 to 2.68% in 2024, closing to OECD average 2.7%	Well progressed
Domestic demand and consumption	<ul style="list-style-type: none">Issues: weak consumption, low labor incomePolicy: domestic demand expansion	<ul style="list-style-type: none">Final consumption in average contributes 60% GDP, 11 p.p. up than 13th FYP average	Well progressed
Deepening reform	<ul style="list-style-type: none">Issues: market protection, discrimination, disorderPolicy: unified market, POE support, governance	<ul style="list-style-type: none">Market access negative list shortened 30+%Cleared 4218 rules that violated fair competition	Well progressed
High-level opening-up	<ul style="list-style-type: none">Issues: increasing geoeconomic disruptionsPolicy: broadening opening-up esp. to non-US	<ul style="list-style-type: none">Cleared FDI restrictions in manufacturing sectorsZero-tariff treatment to least developed economies	Well progressed
Coordinated regional and urban-rural development	<ul style="list-style-type: none">Issues: regional and urban-rual disparityPolicy: metropolitan clustering, rural revitalization	<ul style="list-style-type: none">Tailored development strategy to different regionsUrban-rural income gap from 2.56/1 to 2.34/1	Well progressed
Welfare and social policy	<ul style="list-style-type: none">Issues: aging, unemployment, public service accessPolicy: fertility support, enhancing social security	<ul style="list-style-type: none">Average life expectancy up 1.1 to 79 years oldBasic insurance participation maintained > 95%	Lagging (Fertility support lagging)
Environmental sustainability	<ul style="list-style-type: none">Issues: economic reliance on high-emission sectorsPolicy: energy transition, green finance	<ul style="list-style-type: none">Energy consumption per GDP unit declined 11.6%87% days of good air quality, 3 p.p. up than 13th FYP	Lagging (Reduction in energy consumption lagging)
National security	<ul style="list-style-type: none">Issues: fragility of critical supply, financial riskPolicy: holistic national security, resilience building	<ul style="list-style-type: none">Built over 1 billion mu of high-standard farmlandChina contributes 1/3 world total power generation	Well progressed

*Note: 14th FYP progress check is based on comparing all 14th FYP official targets with the reported achievements, then a CMG assessment



14th FYP prioritized security and resilience building, thus less policy efforts were directed to other policy goals, esp. social and green

Agenda

1

Reviewing the “Fourth Plenum” of the CCP’s 20th Central Committee

- Strategic context – synopsis
- Process, key scenic moments and 14th Five-Year-Plan (2026-2030) evaluation
- **“Proposition” (建议) – formal analysis**
- “Proposition” (建议) – policy substance analysis

2

Proposed strategic considerations for European / international business

CMG services and resources

“Fourth Plenum” frames external environment and China’s agency very differently from “Fifth Plenum” (2020)

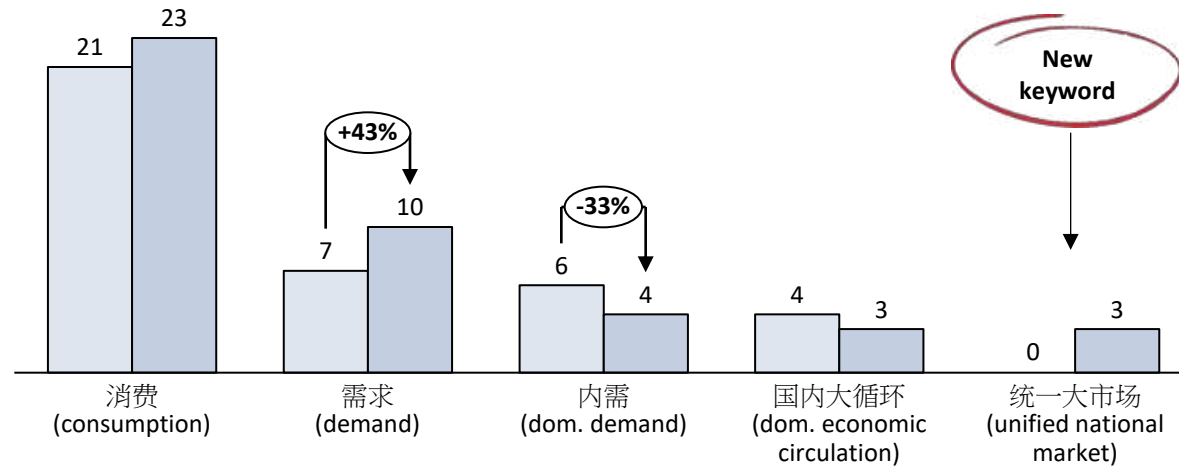
Dimension	“Proposition” (建议) of “Fifth Plenum” – Oct. 2020	“Proposition” (建议) of “Fourth Plenum” – Oct. 2025
State of external environment	From a cautiously optimistic...	... to a more pessimistic view
	<ul style="list-style-type: none"> International environment going through “<i>turbulent transformation period</i>” (动荡变革期) and globalization “<i>counter-currents</i>” (逆流) Yet: “<i>Peace and development remain the themes of our times</i>” (和平与发展仍然是时代主题) 	<ul style="list-style-type: none"> “<i>World in turmoil and turbulence intensifying</i>” (世界变乱交织、动荡加剧); the international economic order facing “<i>severe challenges</i>” (严峻挑战) “<i>Geopolitical conflicts have become more frequent and easily triggered</i>” (地缘冲突易发多发)
China’s general agency...	From believing in constructive outcome...	... to a more realist/sober view and assertive posture
	<ul style="list-style-type: none"> “<i>Actively creating a favourable external environment</i>” (积极营造良好外部环境) “<i>Uphold the banner of peace, development, cooperation, and mutual benefit</i>” (高举和平、发展、合作、共赢旗帜) 	<ul style="list-style-type: none"> “<i>Proactively shaping external environment and international space</i>” (主动运筹国际空间、塑造外部环境) “<i>Resolutely oppose hegemonism, power politics, and bullying</i>” (坚决反对霸权霸道霸凌行径)
... specifically on global governance reforms	From a participant...	...to a leader of reforms
	<ul style="list-style-type: none"> “<i>Actively participate in global governance reform</i>” (积极参与全球治理体系改革) 	<ul style="list-style-type: none"> “<i>Lead international order towards a more just and equitable direction</i>” (引领国际秩序朝着更加公正合理的方向发展)
China’s key IR reference system	From UN-centricity...	... to highlighting the focus on “Global South”
	<ul style="list-style-type: none"> “<i>Uphold UN-centered international system</i>” (维护以联合国为核心的国际体系), underpinned by international law 	<ul style="list-style-type: none"> “<i>Support the Global South’s collective self-strengthening</i>” (支持全球南方联合自强)

Note: words in “x” are direct quotes/use of wordings by Xi Jinping in his “explanation” or in “the proposition” document

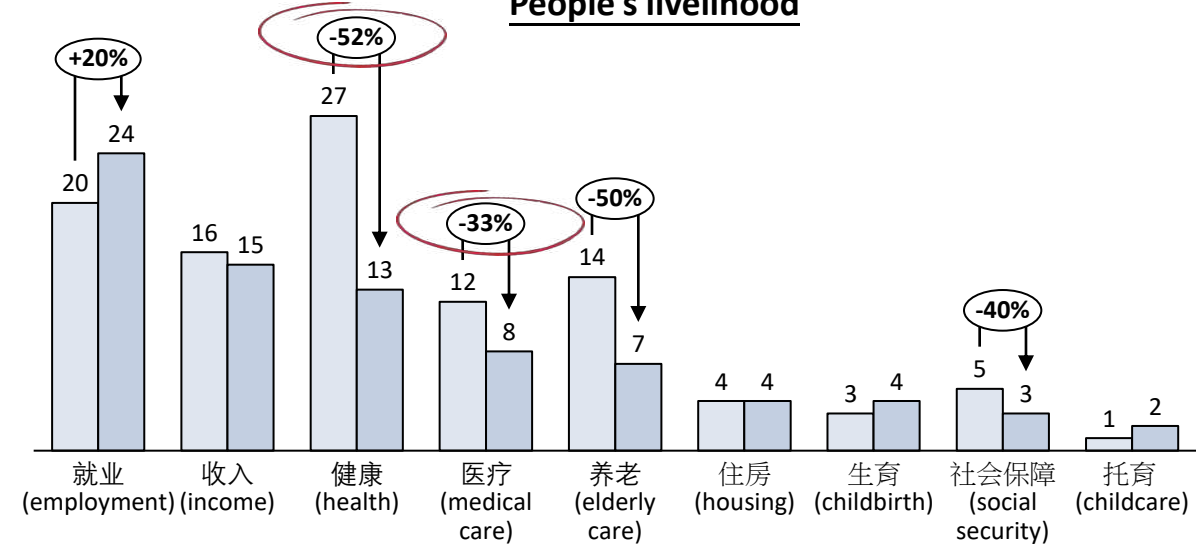
Policy topics (1/2): keywords put emphasis on sustainability, while re-calibrating health and medical care

Keyword frequency analyses: 19th CC Fifth Plenum vs. 20th CC Fourth Plenum

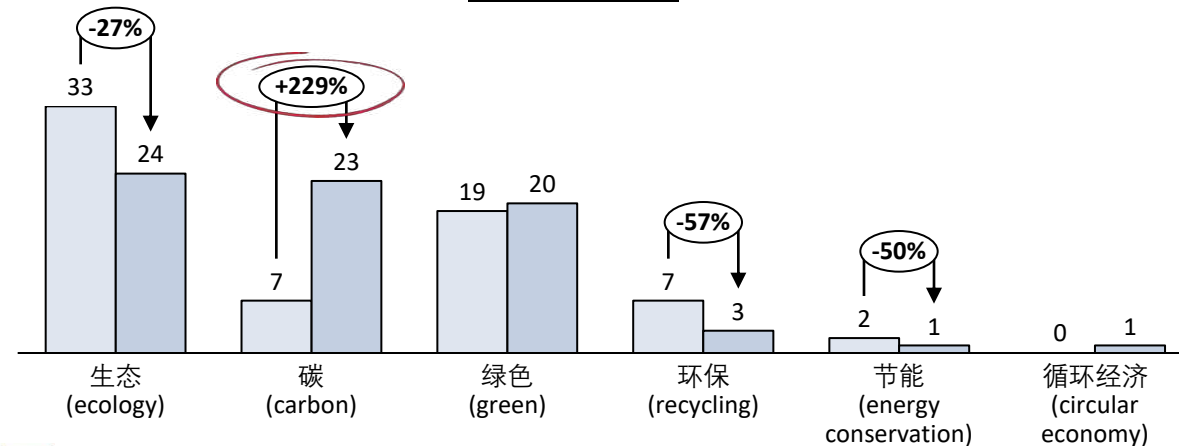
Domestic demand



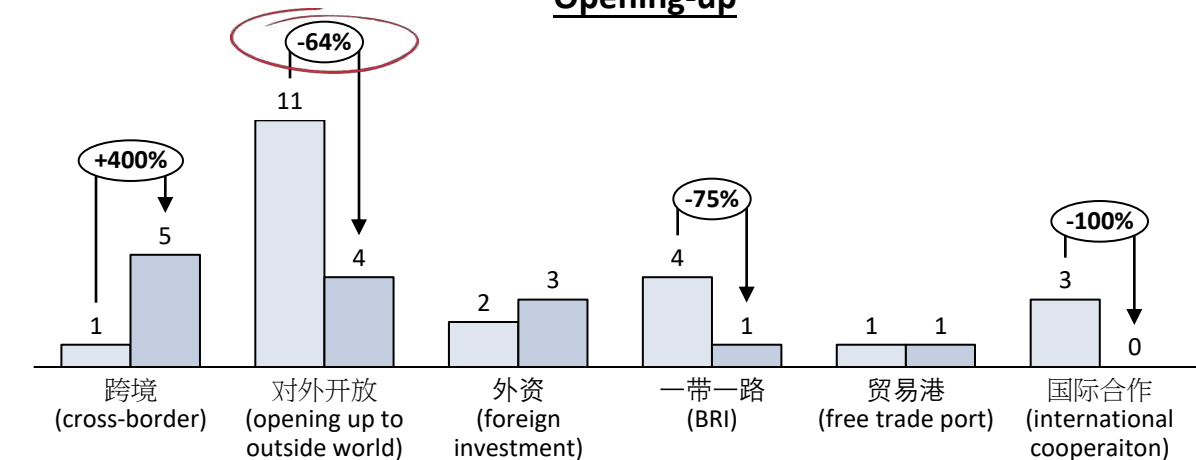
People's livelihood



Sustainability

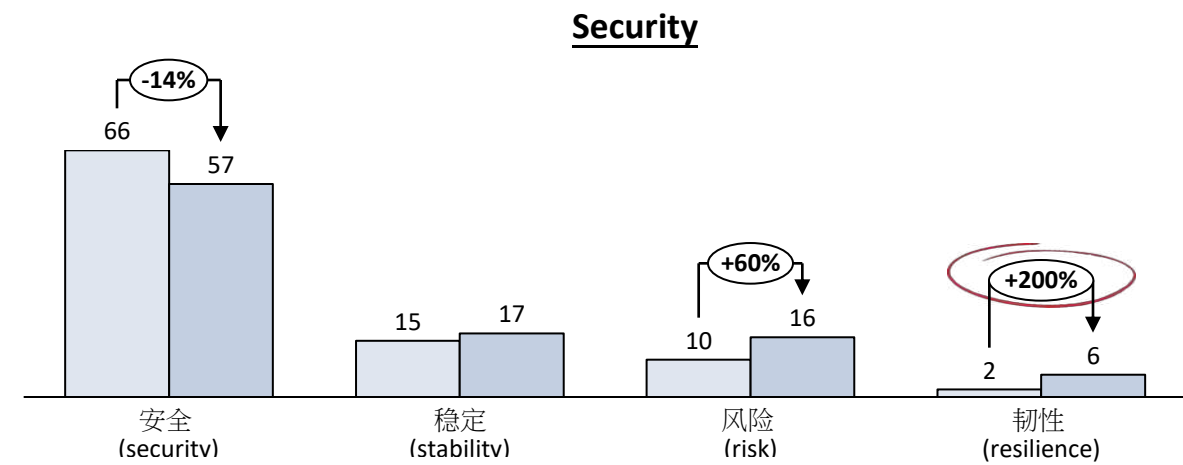
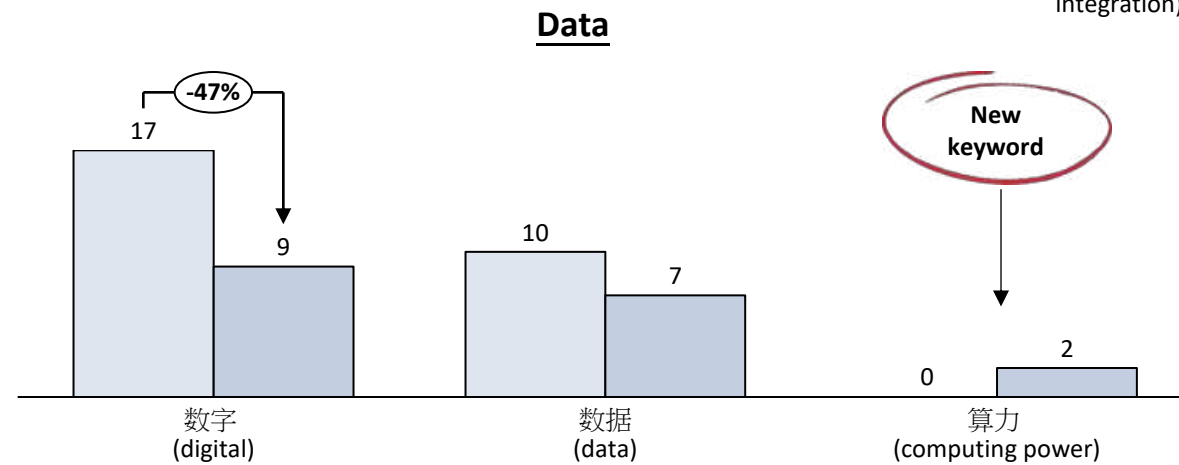
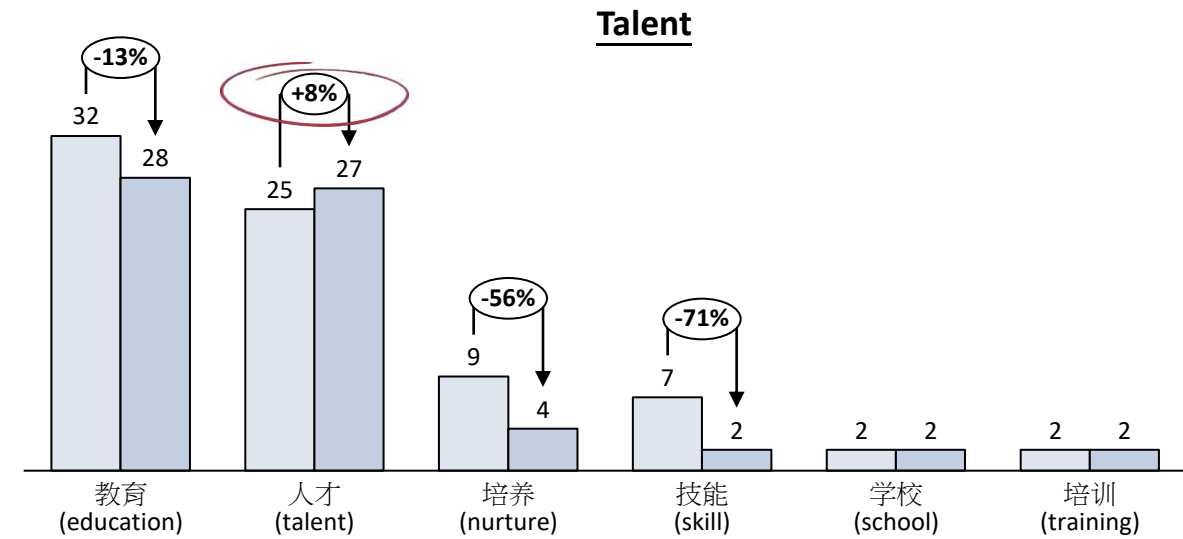
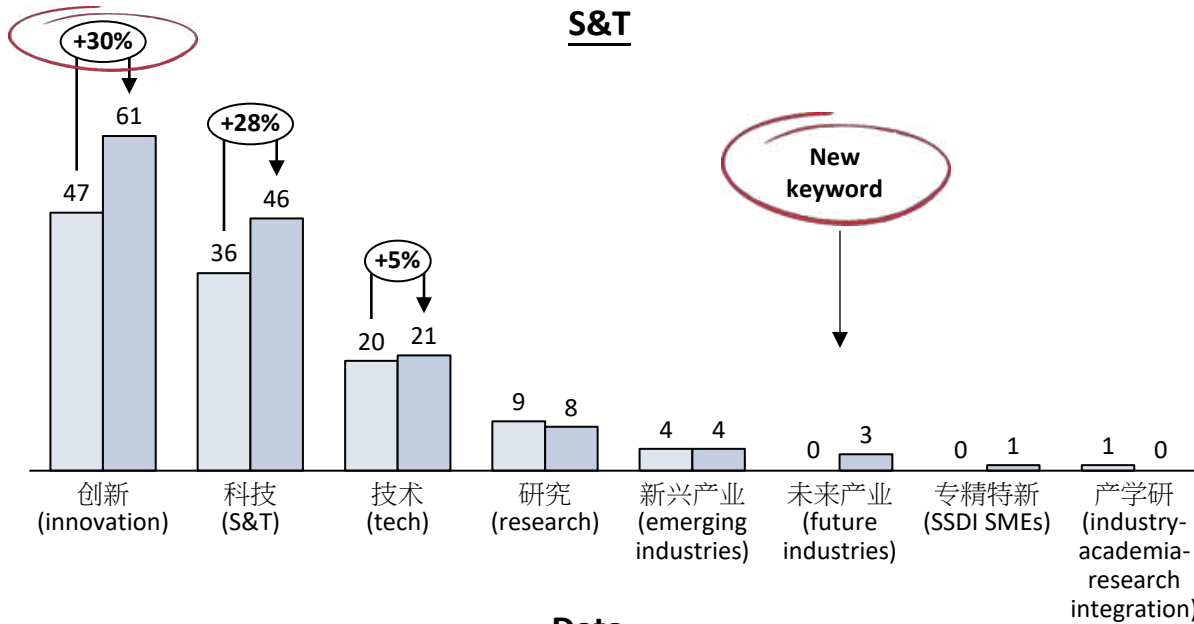


Opening-up



Policy topics (2/2): keywords put emphasis on innovation, S&T topic and talents – no special focus on “digital”

Keyword frequency analyses: 19th CC Fifth Plenum vs. 20th CC Fourth Plenum



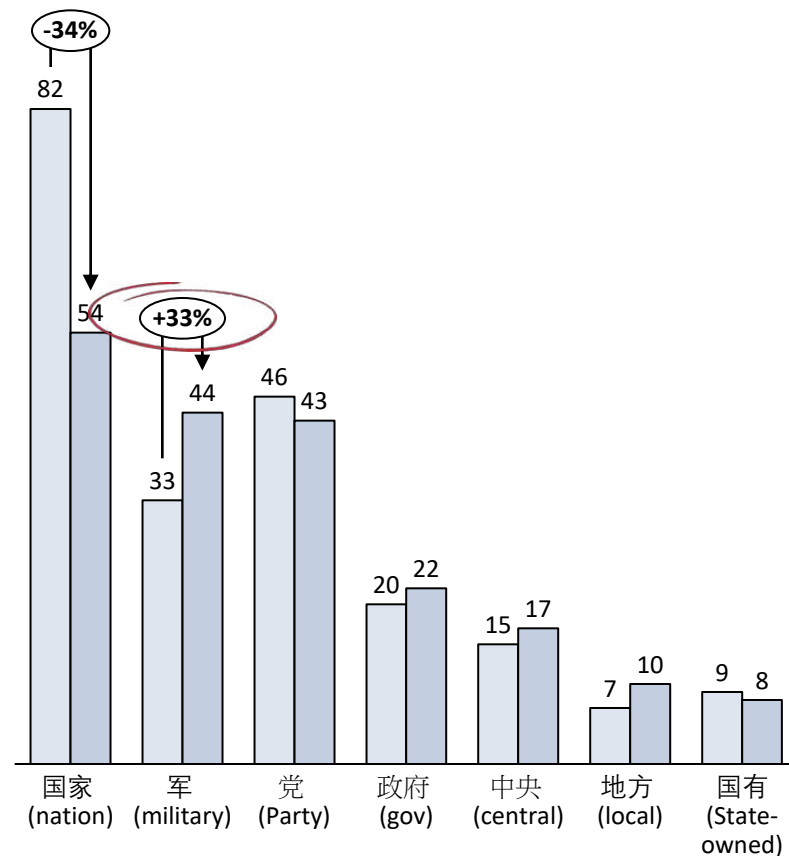
*Note: SSDI refers to Specialized, sophisticated, distinctive, and innovative

Note: 14th FYP *Jianyi*: ~20,060 words; 15th FYP *Jianyi*: ~20,377 words — overall length comparable.

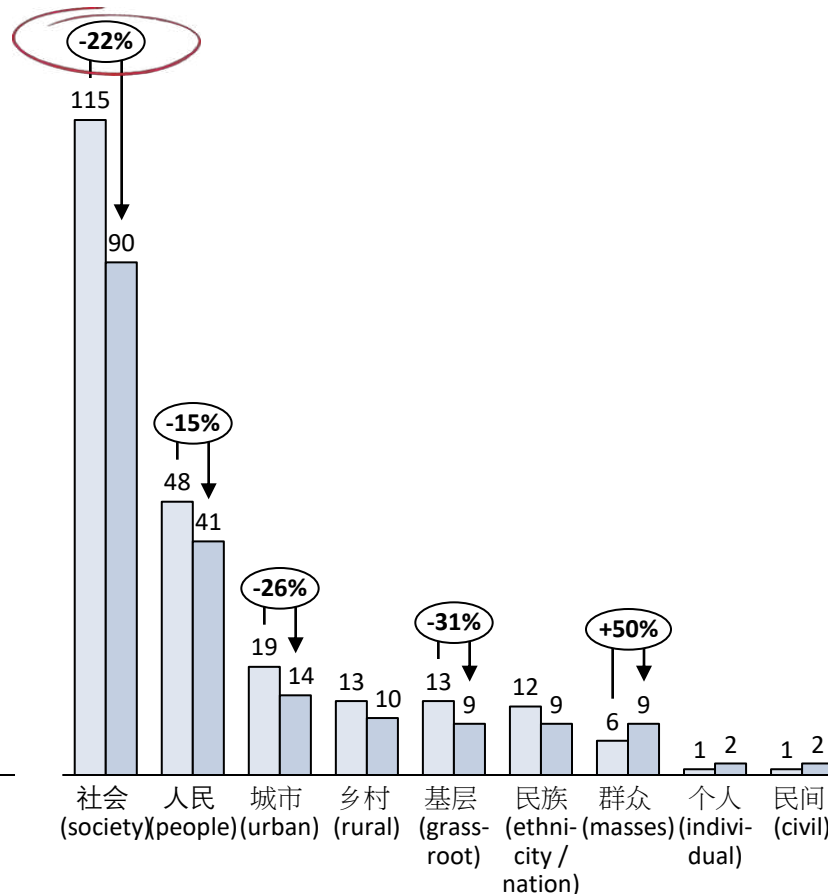
Actors: keywords reveal focus on “military” amid overall decline of emphasizing societal and economic actors

Keyword frequency analyses: 19th CC Fifth Plenum vs. 20th CC Fourth Plenum

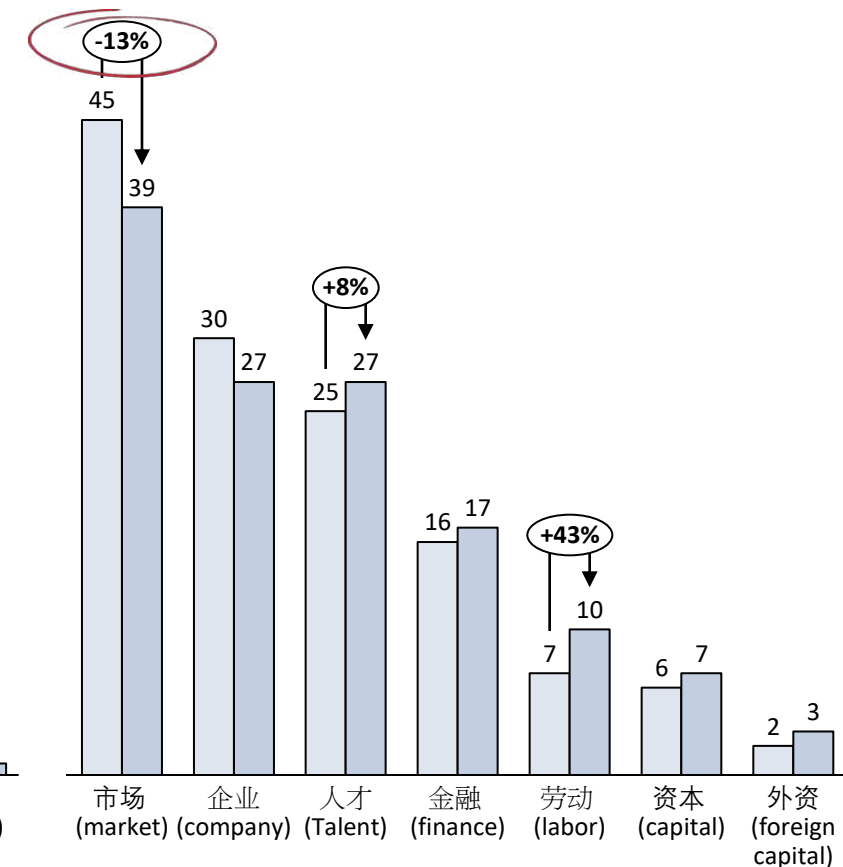
Key government actors



Key societal actors



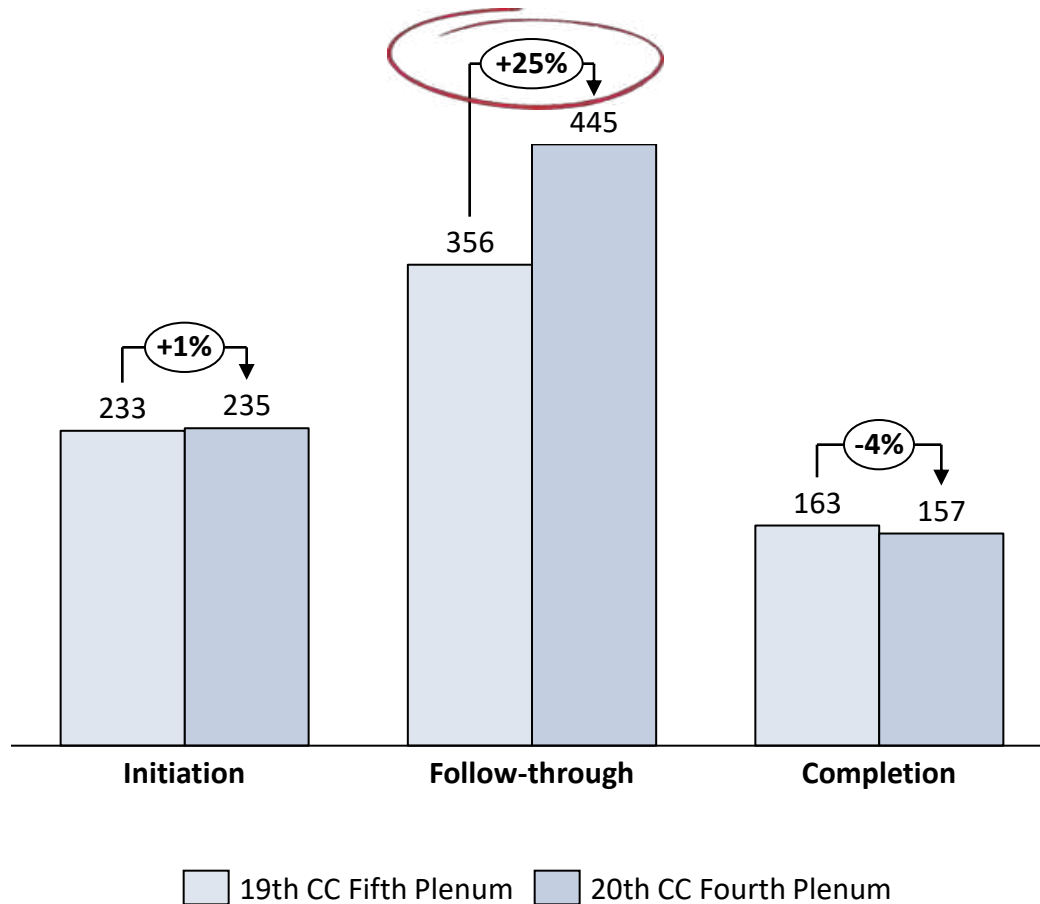
Key economic actors



Verbs: terms used by the “Fourth Plenum” indicate focus on “follow through” in policymaking

Frequency of 18 key policymaking verbs across 3 life-cycle categories

19th CC Fifth Plenum vs. 20th CC Fourth Plenum

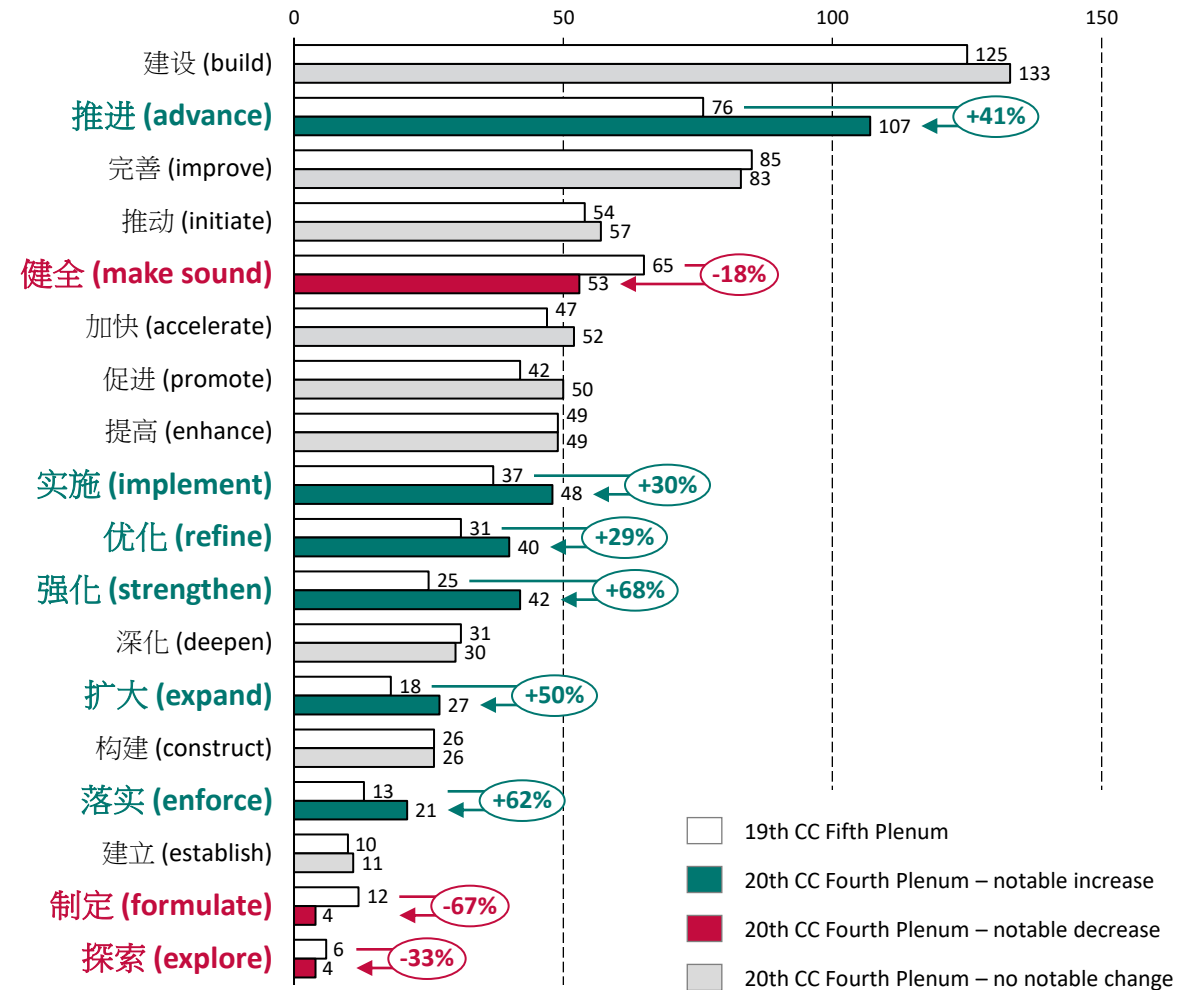


Note: one-to-one mapping of 18 key policymaking verbs across 3 categories in backup slide

Note: 14th FYP *Jianyi*: ~20,060 words; 15th FYP *Jianyi*: ~20,377 words — overall length comparable.

Deep-dive: frequency of 18 key policymaking verbs

19th CC Fifth Plenum vs. 20th CC Fourth Plenum



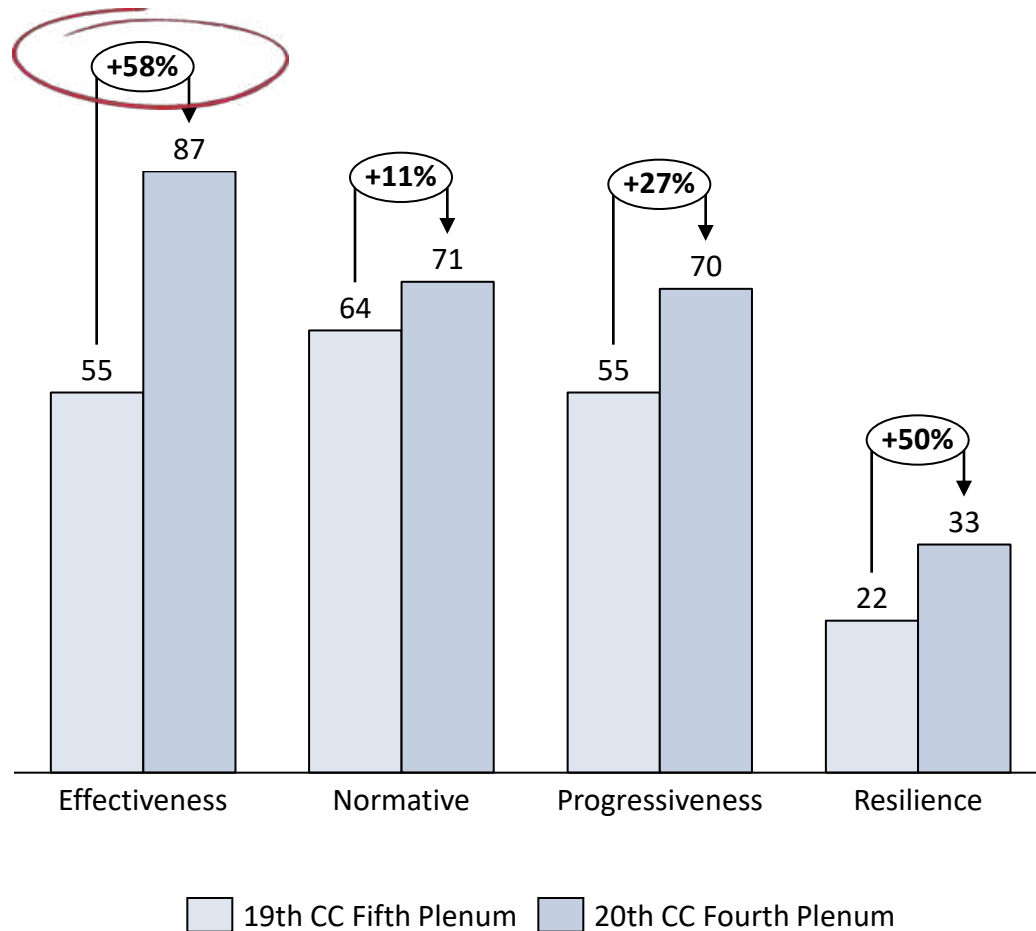
Mapping of 18 key policymaking verbs across 3 life-cycle categories: initiation, follow-through, completion

No.	Category	Key policymaking verb	19 th CC Fifth Plenum	20 th CC Fourth Plenum	Change
1	Initiation	探索 (explore)	6	4	-33%
		建设 (build)	125	133	6%
		建立 (establish)	10	11	10%
		推动 (initiate)	54	57	6%
		构建 (construct)	26	26	0%
		制定 (formulate)	12	4	-67%
2	Follow-through	实施 (implement)	37	48	30%
		推进 (advance)	76	107	41%
		深化 (deepen)	31	30	-3%
		优化 (refine)	31	40	29%
		促进 (promote)	42	50	19%
		强化 (strengthen)	25	42	68%
		提高 (enhance)	49	49	0%
		扩大 (expand)	18	27	50%
		加快 (accelerate)	47	52	11%
3	Completion	完善 (make it complete)	83	83	-2%
		健全 (make sound)	65	53	-18%
		落实 (enforce)	13	21	62%

Adjectives/adverbs: terms used by the “Fourth Plenum” focus on “effectiveness” in policymaking

Frequency of 26 key policymaking adjectives/adverbs

19th CC Fifth Plenum vs. 20th CC Fourth Plenum

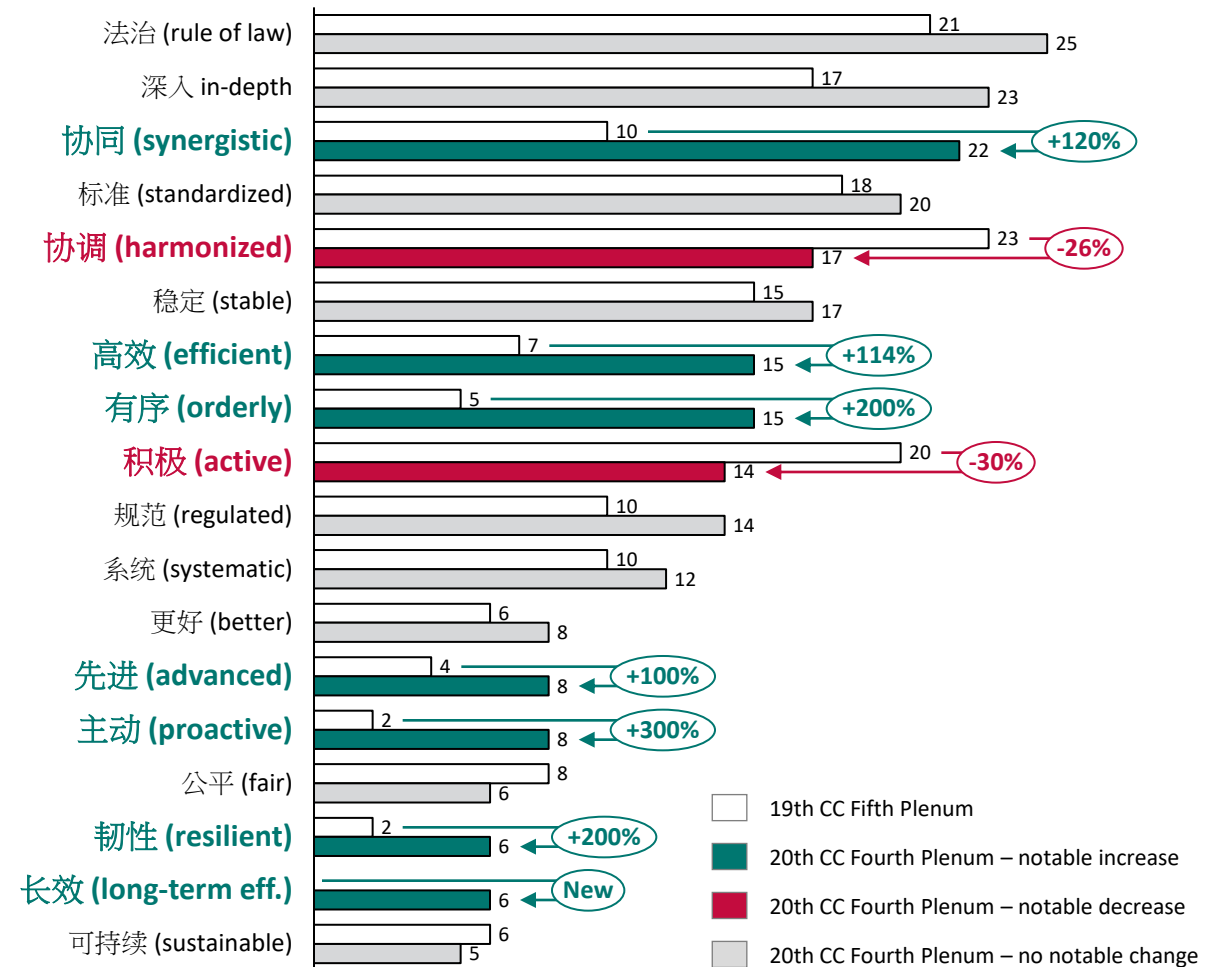


Note: one-to-one mapping of 26 key policymaking adjectives/adverbs across 4 categories in backup slide

Note: 14th FYP *Jianyi*: ~20,060 words; 15th FYP *Jianyi*: ~20,377 words — overall length comparable.

Deep-dive: frequency of 18 (of 26) most key policymaking adjectives/adverbs

19th CC Fifth Plenum vs. 20th CC Fourth Plenum



26 key policymaking adjectives/adverbs, clustered by effectiveness, normative, progressiveness and resilience

No.	Category	Key policymaking adjective	19 th CC Fifth Plenum	20 th CC Fourth Plenum	Change
1	Effectiveness	协同 (synergistic)	10	22	120%
		系统 (systematic)	10	12	20%
		长效 (long-term effectiveness)	0	6	New keyword
		协调 (harmonized)	23	17	-26%
		有序 (orderly)	5	15	200%
		高效 (efficient)	7	15	114%
2	Normative	规范 (regulated)	10	14	40%
		法治 (rule of law)	21	25	19%
		标准 (standardized)	18	20	11%
		透明 (transparent)	1	1	0%
		公平 (fair)	8	6	-25%
		可持续 (sustainable)	6	5	-17%
3	Progressiveness	先进 (advanced)	4	8	100%
		更好 (better)	6	8	33%
		原创 (innovative)	0	3	New keyword
		快速 (rapid)	0	2	New keyword
		强大 (strong)	6	4	-33%
		深入 (in-depth)	17	23	35%
		主动 (proactive)	2	8	300%
		积极 (active)	20	14	-30%
4	Resilience	稳妥 (prudent)	1	3	200%
		稳定 (stable)	15	17	13%
		可靠 (reliable)	2	2	0%
		可控 (controllable)	2	3	50%
		韧性 (resilient)	2	6	200%
		持久 (enduring)	0	2	New keyword

Note: 14th FYP *Jianyi*: ~20,060 words; 15th FYP *Jianyi*: ~20,377 words — overall length comparable.

Agenda

1

Reviewing the “Fourth Plenum” of the CCP’s 20th Central Committee

- Strategic context – synopsis
- Process, key scenic moments and 14th Five-Year-Plan (2026-2030) evaluation
- “Proposition” (建议) – formal analysis
- **“Proposition” (建议) – policy substance analysis**

2

Proposed strategic considerations for European / international business

CMG services and resources

Substance analysis: “Proposition” shows 7 key new political economy trends, compared to 14th Five-Year-Plan



The “Proposition” for the 15th FYP, as key output of the CCP 20th Central Committee’s “Fourth Plenum”

- #1-#3 = paradigm shifts
- #4-#6 = major policy programs
- #7 = addressing practical issues



#1 Changing from a factor-input to TFP-led economic growth model

Evidence: (1) new top-level goal to grow TFP; (2) new goal to leverage overarching tech enabler esp. AI+ to upgrade industries; (3) new goal to enhance human capital development; (4) enhanced market-driven allocation of factors, with data and tech market as new reform areas

Deep-dive #1



#2 Shifting investment paradigm from infrastructure first to human capital first (“investing in people”)

Evidence: (1) New goal to increase household income’s share in GDP; (2) New goals for welfare improvement incl. to build up all-life-cycle support system for all demographic groups; (3) Shifted investment focus—increasing public investment to people’s welfare



#3 Shifting security logic from “domestic resilience” to geopolitical capacity

Evidence: (1) new goal to strengthen capacity to defend national security interests in foreign affairs; (2) new goal to improve tools to deal with foreign sanctions of foreign influence e.g. export control, investment screening



#4 “NQPF”: Focusing on next-level ambition for industrial competitiveness and high-tech leadership

Evidence: (1) Future industries more on-the-ground, newly positioned as economic growth driver; (2) Traditional industries newly targeted at maintaining global competitiveness; (3) New goal to obtain tech development “commanding height” (制高点)

Deep-dive #2



#5 Doubling-down on demand expansion—through industrial-upgrading-driven income increase

Evidence: (1) new top-level goal to increase consumption’s share in GDP, consumption as primary force to drive economic growth; (2) calibrated supply-demand dynamics—from supply-led to demand-led market; (3) new approach to boost consumption by improving welfare



#6 Reforming tax system towards stronger central fiscal spending and autonomous local tax revenues

Evidence: (1) new goal to broaden fiscal responsibilities for central government and increase central fiscal spending; (2) new goal to increase fiscal autonomy for local governments; (3) new approach for local revenue enhancement—activating idle state-owned assets



#7 Systematically addressing China’s overcapacity issue

Evidence: (1) Enhanced market governance efforts to address “involution” types of competition (内卷); (2) more explicit policy tone to promote gradual outsourcing of industrial capacity to overseas

Deep-dive #3

12 entirely new policy concepts identified in 6 areas– compared to “Third Plenum” 2024 and NPC 2025 (1/2)

Policy area		New policy concepts and significance	CMG interpretation
Economic policy	Industrial upgrading & tech innovation	<ol style="list-style-type: none"> ① “Maintain China’s competitiveness in traditional industries incl mining, metallurgy, chemical, light industry, textile, machinery, shipbuilding, construction, etc.” <ul style="list-style-type: none"> “巩固提升矿业、冶金、化工、轻工、纺织、机械、船舶、建筑等（传统）产业在全球产业分工中的地位和竞争力” 	<ul style="list-style-type: none"> China aims to stay <i>competitive</i> in “traditional industries” (not phasing out) to preserve a complete industrial system for resilience, plus to ensure a more gradual and stable industrial transition China intends to boost and better manage the service economy with a refined and dedicated statistical approach China’s tech ambition is shifting from “catching-up” as late comer to “pioneering and leader” for frontier high-technologies
		<ol style="list-style-type: none"> ② “Improve statistical and monitoring system for service sector” <ul style="list-style-type: none"> “健全服务业统计监测体系” 	
		<ol style="list-style-type: none"> ③ “Progress new-type infrastructure construction moderately ahead of time” <ul style="list-style-type: none"> “适度超前建设新型基础设施” 	
		<ol style="list-style-type: none"> ④ “Obtain the ‘commanding height’ of S&T development” <ul style="list-style-type: none"> “抢占科技发展制高点” 	
	Domestic demand system	<ol style="list-style-type: none"> ⑤ “New demand to drive new supply, and new supply to create new demand — fostering a positive feedback loop between supply- and demand-side” <ul style="list-style-type: none"> “以新需求引领新供给，以新供给创造新需求，供给和需求良性互动” 	<ul style="list-style-type: none"> China is recalibrating its long-standing pro-supply policy attitude as part of how it sees supply-demand dynamics, now positioning demand as a factor for shaping supply—in previous thinking there was solely emphasis on supply driving demand
		<ol style="list-style-type: none"> ⑥ “Strengthen efforts of inclusive policy measures that directly benefit consumers” <ul style="list-style-type: none"> “加大直达消费者的普惠政策力度” 	
	Fiscal reform	<ol style="list-style-type: none"> ⑦ “Promote the revitalization and shared utilization of the existing state-owned assets held by public institutions nationwide” <ul style="list-style-type: none"> “推进全国行政事业单位存量国有资产盘活共享” 	<ul style="list-style-type: none"> China newly encourages to monetize idle state-owned assets (e.g. by leasing, securitization) to ease local fiscal pressure

12 entirely new policy concepts identified in 6 areas – compared to “Third Plenum” 2024 and NPC 2025 (2/2)

Policy area		New policy concepts and significance		CMG interpretation
Economic policy	Opening-up	<p>8 “Ensure all market entities can both access market and operate business equally”</p> <ul style="list-style-type: none"> “落实好“准入又准营”” 		<ul style="list-style-type: none"> FIEs to be ensured not only market access, but newly also fairer conditions in day-to-day operations in China’s business environment China signals new intent to gradually offshore industrial capacity with OFDI, as one lever to address the overcapacity issues
	Green transition	<p>10 “Accelerate the building of a new-type power system”</p> <ul style="list-style-type: none"> “着力构建新型电力系统” 		
Foreign policy	Global governance	<p>11 “Build a community of shared future with neighboring countries”</p> <ul style="list-style-type: none"> “构建周边命运共同体” 		<ul style="list-style-type: none"> China seems to further elevate importance of more assertively shaping its strategic conditions externally beyond relationship with the US
		<p>12 “Support the Global South’s collective self-reliance / “strength”, strengthen foreign aid efforts, and provide more public goods internationally”</p> <ul style="list-style-type: none"> “支持全球南方联合自强，加大援外力度，提供更多国际公共产品” 		

Deep-dive 1: investment focus is shifting from “investing in things” (投资于物) to “investing in people” (投资于人)

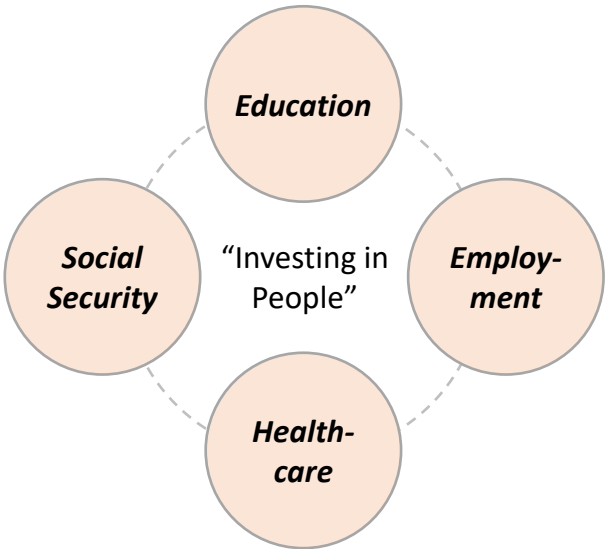
What does “investing in people” mean?

Definition

- “Investing in People” means more fiscal funds and public resources are invested in people and improving people's livelihood

Underlying logic

- Unleashing consumption potential with improved income and better livelihood
- Enhancing human capital with elevated productivity



Why China has to shift to “investing in people”?

Key context—old “physical capital” model: for a long time, China focused on "physical capital" investment (e.g., infrastructure), with quick and visible results. “Human capital” investments required patience and were slow in results, thus less favored. However, this has changed now:



Declining return of “physical capital” investment

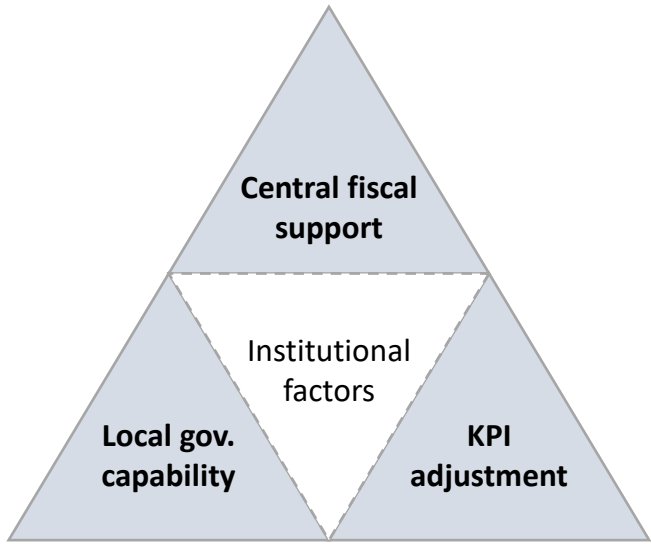
- “Physical capital” investment is close to saturation in China
- Incremental capital-output ratio grew from 2.84 to 9.44 (2008-2023) -> investment needed to increase output significantly increased



Increasing multiplier of “investing in people”

- More people care about the quality of life, and are willing to spend for health, capability, and experiences
- Significant “multiplier effect”, e.g., larger spending power, higher labour quality, and enhanced innovation

CMG view: What are key success factors?

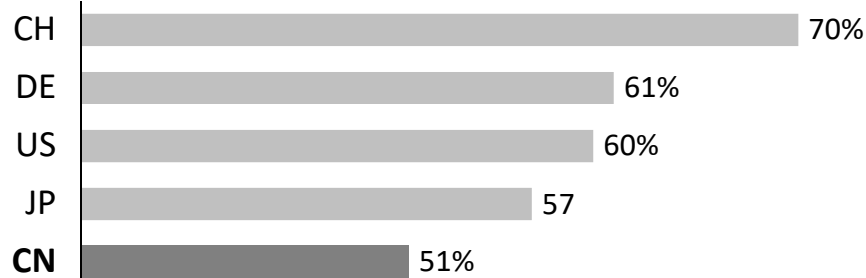


- Central fiscal support:** stronger central gov. fiscal support to ensure stable funding for “investing in people”
- Local gov. capability:** necessary fiscal reform to enhance local gov. revenue, e.g., sharing consumption tax between central and local
- KPI adjustment:** adjust KPI for local officials, prioritize long-term investment in people rather than short-term visible outcomes

Deep-dive 2: China seeks to improve household income and equality to build larger middle-class consumer base

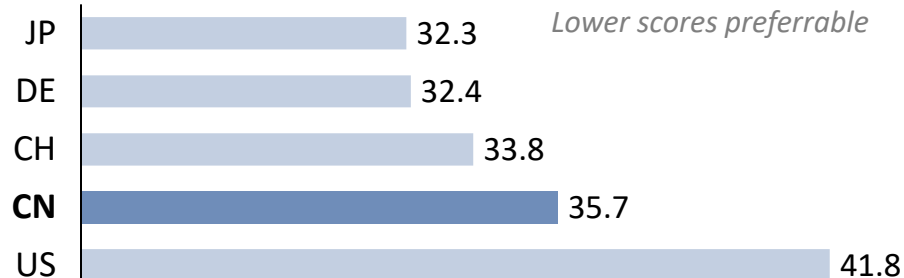
Key issues: low labor income share in GDP and inequality

Global comparison on labor income in % of GDP



- Compared to OECD economies, China remains c.a. 10% space in raising the share of labor income in GDP

Global comparison on Gini Coefficient Index



- China's income inequality at moderate level, but still lagging behind selected OECD countries except for US

China's policy seeks to use 4 levers to increase income and improve equality

"Making bigger cake"
(Raise total income with higher value-added labor output)

- Develop **high-value-added industries** (e.g. advanced manufacturing, high-end services) to create more **high-skilled, high-paying jobs**

"Dividing cake better"
(Labor to share more gains from total income pool)

- Guide enterprises to raise **employee compensation** in line with productivity and profitability increase
- Curb excessive reinvestment** and speculative use of profits, directing more returns to labor

"Redistributing cake fairly"
(Narrow income gaps through fiscal and social transfers)

- Progressive tax reform** (e.g. on income, property, inheritance) to prevent wealth concentration
- Enhance **public welfare** and targeted subsidies to mid- and low-income groups

"Baking other types of cakes"
(Diversify household income sources beyond wages)

- Broaden **access to capital markets** (e.g. pensions, mutual funds, REITs) for household investment
- Households to gain more stable and productive returns from real estate holdings, e.g. rental market
- Encourage **employee stock ownership** in enterprises

Sources: UNECE, International Labor Organization

Deep-dive: broad policy “anti-involution” measures complement market trends in addressing overcapacity













Policy measures	Systemic level						
	Restriction of local gov. policy	• Limit local governments from offering excessive preferential policy incentives to attract investment					
	“Price war” governance	• Provide government or regulatory guidance to curb destructive price competition in key industries and stabilize market prices					
	Domestic demand expansion	• Stimulate domestic consumption to support market growth					
	Overseas support	• Assist firms in expanding internationally to reduce domestic overcapacity pressure					
	Investment focus change	• Investment focus shift from domestic capacity expansion to RoA/RoE approach for state-owned assets and OFDI assets					
	Sector-level	Steel	Cement	Chemicals	NEVs	Batteries	Solar (PV)
	Government-guided price coordination						
	Export management						
	Capacity offshoring						
Market trends	Raising industrial standards						
	Government-guided capacity coordination						
	Consolidation						
	OFDI						
Market trends	Price stabilization						
	Aggregated effect to date	Strong	Limited	Limited	Mid	Strong	Strong

Calibration: “Proposition” stays within “DC” framework, but adjusts priorities and adds evolved policy thinking

Six policy pillars of “Dual Circulation (DC)”...

... from shift in 14th FYP...

... to emphasis in 15th FYP

	Social “rebalancing”	<ul style="list-style-type: none"> • “Common prosperity” • Social fairness and social protection • Balanced regional and urban-rural development 	<i>Elevate social policy to the level of economic policy</i>	Shifted investment focus to «people»	
	Domestic demand system (内需体系)	<ul style="list-style-type: none"> • Expand domestic consumption • Build unified national market • Increase efficiency and return of public investment 	<i>Make household consumption core driver of economic growth</i>	Demand as a factor for shaping supply	
	“De-risking” (统筹发展与安全)	<ul style="list-style-type: none"> • Protect 17 key security needs (e.g. food security) • Increase resilience of governance and economy • Build towards more technological “self-reliance” 	<i>“Embrace” need for trade-offs between development and security</i>	Shifted focus from “domestic resilience” to geoeconomic capacity	
	Industrial upgrading	<ul style="list-style-type: none"> • Enhance indigenous innovation • SSSR*, modernized and complete industrial system • Unleash growth potential of service sector 	<i>Improve function/role of government</i> (政府起到的作用)	Next-level industrial competitiveness and deepened industry-university-research synergy (产学研协同)	
	Market-oriented reforms	<ul style="list-style-type: none"> • SOE reform to sharpen SOE competitiveness • Unleash the potential of all types of market entities • Market governance progression 	<i>Add focus on market governance</i> (“visible hand”)	Factor market reform, “anti-involution” and further improving function of government	
	High-level opening-up	<ul style="list-style-type: none"> • Broaden opening-up in more sectors • Facilitate Chinese ODFI and more trade integration • More active participation in global governance 	<i>Continue open-up “unilaterally” and “autonomously” (自主)</i>	Add focus on OFDI and industrial capacity offshoring	

Agenda

1

Reviewing the “Fourth Plenum” of the CCP’s 20th Central Committee

- Strategic context – synopsis
- Process, key scenic moments and 14th Five-Year-Plan (2026-2030) evaluation
- “Proposition” (建议) – formal analysis
- “Proposition” (建议) – policy substance analysis

2

Proposed strategic considerations for European / international business

CMG services and resources

Proposed strategic considerations for European / international business

- **HQ-level**

- “Getting China right”
 - China as emerging tech winner
 - Analyzing China as China and from “within”
 - China beyond the “B2B” arena
- Geopolitical factors
 - Doing business with China, under increasingly multipolar conditions
- Evolving strategic themes
 - Leverage China as a value creation system – not just “doing business in China”
 - Leverage subsidiaries’ experience in competing / collaborating with Chinese firms – for third / home markets
 - Rapidly evolving collaboration models with Chinese (state) capital










- **FIE in China effectiveness**

- Strategic self-awareness – what was past business success really driven by?
- Strategic choice / clarity: four archetype strategies (cf. next slide)
- Policy alignment (e.g. awards, subsidies, research programs)
- Corporate citizenship
- Local-style networking
- Governmental Affairs capability





- **HQ-China subsidiary alignment – critical questions**

- Aligned analysis?
- Long-term thinking in Europe vs. in China?
- Europe’s self-interests?

Sector view: growth, policy and sector/market trends for foreign business sectors during and from the 15th FYP

		Key growth drivers during 15 th FYP	Key sectoral policy / governance trends	High-level sector/market trends
	Industrial and machinery	<ul style="list-style-type: none"> Key drivers: demographics, rising operational costs, and competition Full-scale transition toward automation 	<ul style="list-style-type: none"> New Industrialization (新型工业化) Digital transformation Support for specialized SMEs (专精特新) 	<ul style="list-style-type: none"> Strong market growth Mass deployment of automated production Market consolidation amid competition
	Energy and climate	<ul style="list-style-type: none"> Policy-driven fossil fuel substitution with renewable energy Infrastructure upgrading esp. grid 	<ul style="list-style-type: none"> Carbon peak (2030) Energy market reform Green manufacturing 	<ul style="list-style-type: none"> Financialization and investor pull Regionally asymmetric energy landscape
	Civil aviation	<ul style="list-style-type: none"> Key drivers: world-largest middle-class population, growing cargo demand World largest air travel market by 2043 	<ul style="list-style-type: none"> Airport network expansion Low altitude/drone economy & UAM “Green” aviation (esp. SAF) 	<ul style="list-style-type: none"> Domestic pax demand in resilient growth Rise of LCCs and regional players Point-to-point connectivity in smaller cities
	Chemicals and materials	<ul style="list-style-type: none"> Increasing demand for advanced/specialty chemicals used for high-tech sectors Increasing demand for green chemicals 	<ul style="list-style-type: none"> Push for green processing Recycling of chemical waste Advanced materials as strategic sub-sector 	<ul style="list-style-type: none"> Integration with strategic downstream sectors Growing recycled-content market
	Automotive	<ul style="list-style-type: none"> Electrification scale NEV infrastructure Software-defined vehicle platforms 	<ul style="list-style-type: none"> Digitalization of automotive industry Expanding charging facilities network “Anti-involution” 	<ul style="list-style-type: none"> Greater NEV penetration; rapid growth Consolidation and vertical integration Product premiumization
	Transport, logistics and shipping	<ul style="list-style-type: none"> Growing e-commerce parcel volumes Scalable digital platforms that integrate last-mile cross-border flows 	<ul style="list-style-type: none"> Rail-sea-road multimodal integration Creation of “National Hubs” Digitalization and smart logistics 	<ul style="list-style-type: none"> Logistics services ecosystem growth Supply chain reconfiguration towards hubs Acceleration of warehouse automation
	Pharma and MedTech	<ul style="list-style-type: none"> Key drivers: middle-class, aging population, social security, growing health awareness Fast growth of innovative drugs 	<ul style="list-style-type: none"> Healthcare affordability Public procurement reform Localization of high-end medical devices 	<ul style="list-style-type: none"> Demographics sustain long-term demand Rapid scaling of AI-enabled diagnostics Localization of high-value segments
	Financial services	<ul style="list-style-type: none"> Key drivers: demand for pensions, health insurance, and wealth management State-led financial governance reform 	<ul style="list-style-type: none"> “Five Chapters” for financial service sector Financial stability and systemic risk control Capital market deepening to support NQPF 	<ul style="list-style-type: none"> Increasing customization Profit margin compression Rebalancing away from real estate and LGFVs
	Semi-conductor value chain	<ul style="list-style-type: none"> Downstream demand from electrification and AI ecosystems State-driven tech self-reliance agenda 	<ul style="list-style-type: none"> Indigenization of supply chain Massive capital deployment mechanisms Talent and R&D ecosystem 	<ul style="list-style-type: none"> Increasing localization of upper-stream areas in value chain

Anticipating China's annual calendar: monitoring key events/meetings until end 2026

	2025 Q4	2026 Q1	2026 Q2	2026 Q3
 Top-level party events: CC	The 4th Plenary Session of the 20th Central Committee			
 Top-level party meetings: PB / PBSC	Politburo Standing Committee Meetings (principally held every week)			
	Politburo Meetings (principally held every month)			
 Top-level party commissions <i>(focus on economy/finance and reforms)</i>	CEWC 2025 (Dec)	Central Financial Commission (CFC)	CFEAC (Apr)	'Beidaihe' leadership Conclave
		Central Financial and Economic Affairs Commission (CFEAC)		
	Meetings of Central Comprehensively Deepening Reforms Commission (CCDRC), held irregularly throughout the year			
 Top-level gov. meetings	“Two Sessions”: NPC+CPPCC (Mar)			
	Weekly executive meetings of the State Council (usually on Wednesday)			
	Bi-monthly meetings of the NPC Standing Committee (usually late in even-numbered months)			
Foreign affairs milestones	47 th ASEAN summit Malaysia (Oct)	WEF 2026 (Jan)	Shangri-la Dialogue 2026 (June)	NATO Summit in Turkey (Jul)
	APEC 2025 South Korea (Oct-Nov)	Munich Security Conference (Feb)	48 th ASEAN summit Philippines (April/May)	
	COP30 Conference Brazil (Nov)	China Development Forum	G7 Summit in France (Jun)	
	G20 Summit in South Africa (Nov)	Bo’ao Forum 2026 (Mar)		
Key trade Fairs	CIIE (Import Expo) 2025 SH (Nov)		Canton Fair (Apr)	
Economic data releases	Monthly: PMI, trade, CPI/PPI, ind. production, FAI, retail sales / Quarterly: GDP, current account, PBoC monetary policy committee (MPC) meeting			
Key events/meetings to watch				

Agenda

1

Reviewing the “Fourth Plenum” of the CCP’s 20th Central Committee

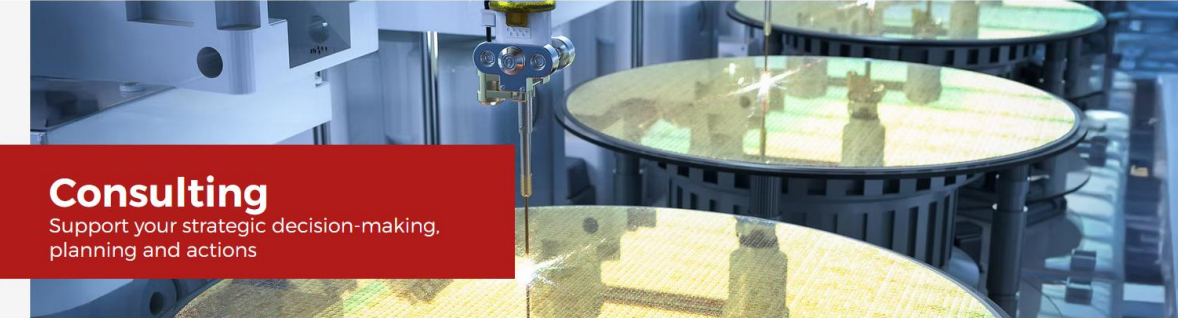
- Strategic context – synopsis
- Process, key scenic moments and 14th Five-Year-Plan (2026-2030) evaluation
- “Proposition” (建议) – formal analysis
- “Proposition” (建议) – policy substance analysis

2

Proposed strategic considerations for European / international business in China

CMG services and resources

CMG's four key service areas



Consulting

Support your strategic decision-making, planning and actions

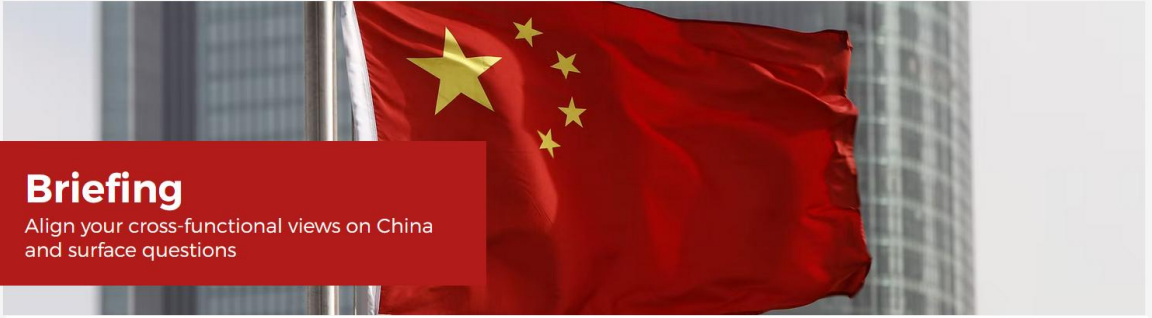
Consulting is our service area that focuses on supporting our clients in devising factually up-to-date, clearly articulated and actionable corporate strategies and plans or – more generally – the requisite research and analysis for sound decision-making. Our products are fully tailored to our clients' needs as well as evolving sector, market, competitive and regulatory realities. We usually co-create, working closely with our clients, bringing CMG's capabilities, experience and methodologies complementarily to the ongoing discussions and project work at our client for highest value-add and impact.



Monitoring

Track what is relevant to you strategically and operationally

Monitoring is our service area that focuses on delivering regular and tailored monitoring reports for our clients that concisely yet systematically summarize relevant developments of given time-frames and flag key implications. The monitoring framework is being aligned and finetuned as needed with our clients and takes the breadth and depth seen as most value-adding, considering all available reports and information channels. Monitoring reports can be delivered to governance, executive or cross-functional bodies both at headquarter level and for the China operations. With client feedbacks, CMG optimizes layout, language and analytical depth to continually increase value-add of these monitoring reports



Briefing

Align your cross-functional views on China and surface questions

Briefing is our service area that focuses on preparing outside-in content inputs as high-value engagements with the clients and their governance, executive or cross-functional bodies, or any relevant process or platform. The goal of briefings is not immediate content decisions or conclusions, but their substance shall help bring critical momentum to ongoing discussions, identify open strategic questions and help spur process alignment on what further action shall be taken. Briefings can take place with or without actively involving the expertise and viewpoints of the clients' China operations – if involved, CMG can bring its cross-cultural DNA to full fruition for more ambitious alignment. In fact, briefings for global bodies are often initiated by China operations. Tailored research mandates also result in briefings.



Learning

Design value-adding events and interactions related to China

Learning is our service area that focuses on curating fully tailored high-value interactions and events focusing or related to China for our clients. CMG can take different roles in such interactions and events, as moderator, speaker, (co-)host or note-taker. Preceding the interaction or event, there are usually several steps of co-creation with the client: a detailed alignment on the clients' needs and vision for the event, followed by the calibrated search of suited experts/speakers, preparing clear and engaging marketing materials and developing rundown covering event logistics and all required pre-event briefings. A key type of interaction learning CMG has special expertise in are training or business learning conferences where the goal is to equip a target group with relevant conceptual or practical knowledge and insights for transfer into day-to-day work contexts.

Key publication series: CMG Primers

Understanding the “Taiwan issue” – context, influencing factors and outlook



Chinese government remodeled at the Two Sessions 2023 – policy, people and structure



Understanding supply chain distortions of critical minerals powering the green energy transition



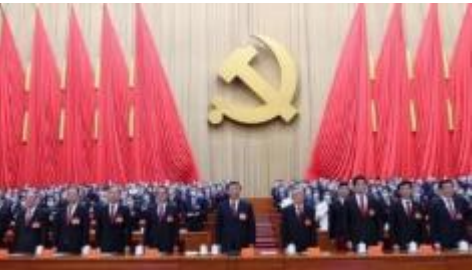
Xi's third ‘Third Plenum’ pivots to implementation, doubling down on China’s industrial ambition



Caixin Summit 2024 - CMG's analytical digest: slide deck and read-out webinar recording



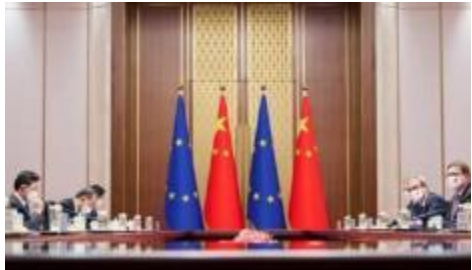
Understanding process and key outcomes of China’s 20th Party Congress



Two Sessions 2024 – Strengthening proactive and better coordinated economic policy



EU-China relations – from economic integration to EU’s strategic autonomy and ‘de-risking’



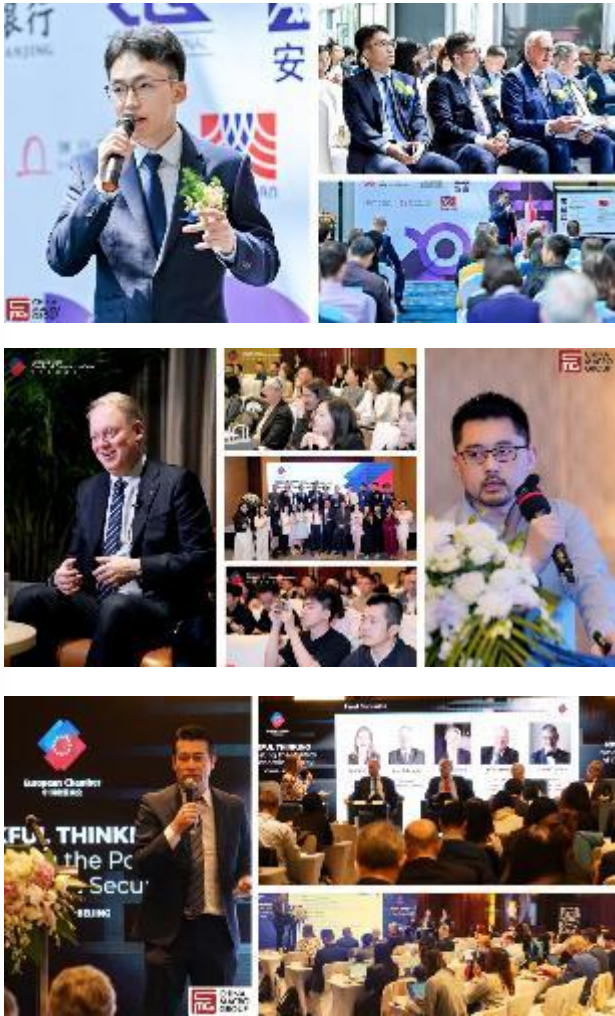
Understanding China’s economy into 2025 – evolved development strategy, reform priorities and short-term macroeconomic management



2025 "Two Sessions" - implementing reforms as follow-through from the "Third Plenum" in the face of insufficient domestic demand and



EUCCC-CMG report “Riskful Thinking – Navigating the Politics of Economic Security”



Download
report here

CMG-hosted webinar series: China's 15th FYP 2026-2030 – building towards China's next milestone in 2035



26 February 2025

9-945am CET | 4-445pm CST

Dealing with Trump 2.0 – is China making tactical or strategic adjustments in view of the 15th FYP?

DA Wei, Director of Center for International Security and Strategy (CISS) and Professor of International Relations, Tsinghua University



9 October 2025

9-945am CEST | 3-345pm CST

“Changes Unseen in a Century” – How Beijing Sees Foreign Affairs, Geopolitics and Geoeconomics as It Drafts the 15th Five-Year-Plan (2026-2030)

Yu Tiejun, President of the Institute of International and Strategic Studies (IISS), Professor at the School of International Studies (SIS) of Peking University (PKU)



23 April 2025

9-945am CEST | 3-345pm CST

Four years into 14th FYP – taking stock of its execution after the NPC 2025

ZHU Guangyao, former Vice-Minister of Finance and Counsellor of the State Council



November 2025

9-945am CET | 4-445pm CST

“Reality check” – interpreting the “15th FYP outline” as per the 20th CC 5th Plenum and anticipating shifts

BAI Chong-En, Dean of School of Economics and Management, Tsinghua University



20 June 2025

9-945am CEST | 3-345pm CST

The long view – 10-year outlook imagining China in 2035 as the next key modernization milestone

XIE Danxia, Associate Professor at the Institute of Economics, Tsinghua University



December 2025

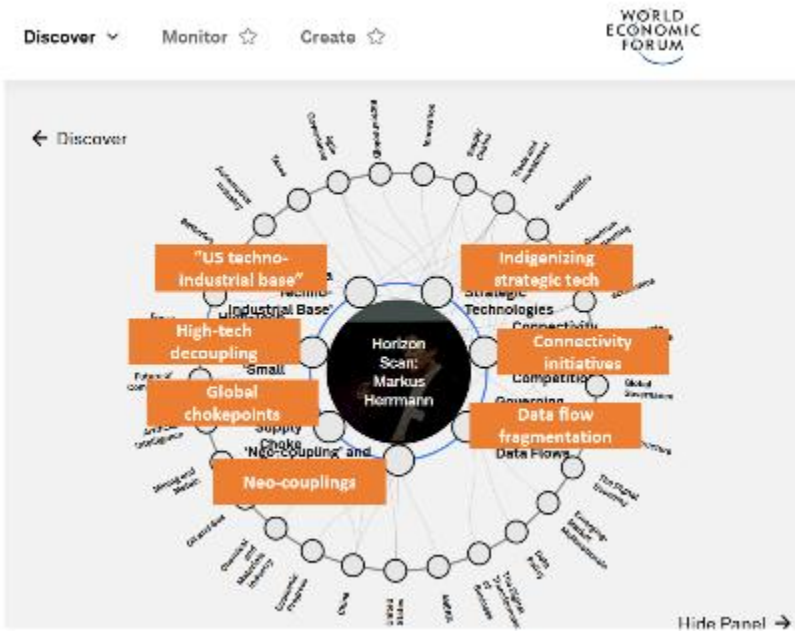
9-945am CEST | 4-445pm CST

Transitioning to the 15th FYP – zooming-in on Shenzhen as local government case-study

ZHANG Lin, Director of Science, Technology and Innovation Commission of Shenzhen Municipality

“Summer Davos” – a multi-year partnership engaging international Executives on China analysis

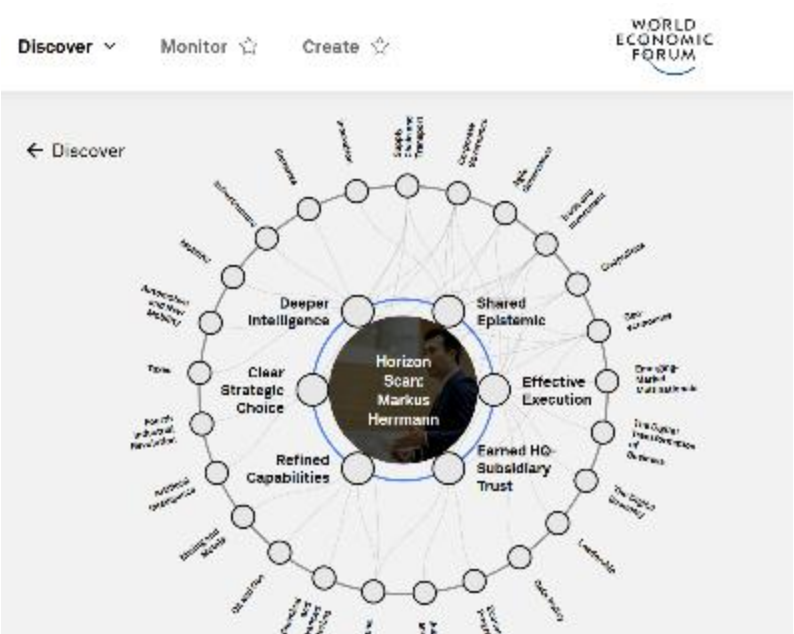
Tianjin 2023



Predictions and insights on seven emerging geoeconomic trends



Dalian 2024



Six building blocks for effective corporate strategy-making in China today



Tianjin 2025

Industry intelligence

China's political economy and foreign business

How China has been preparing strategically to deal with Trump 2.0

Markus Herrmann Chen, China Macro Group (CMG)

25th June 2025
Tianjin, China



Subscribe at CMG to receive regular updates and follow us on LinkedIn



Contact:

Markus Herrmann Chen | 陈瑞华
Co-Founder and Managing Director
mherrmann@chinamacro.ch

[China Macro Group \(CMG\)](#)