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**MACRO PICTURE:
China's Fourth Plenum and the
Strategic Orientation of
the 15th Five-Year Plan**

By

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26 November 2025

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Executive Summary

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- ✦ The Fourth Plenum approved the draft of the 15th Five-Year Plan, which will guide China's development from 2026–2030 and marks a new phase under more complex internal and external conditions.
- ✦ The 15th FYP aims to move China closer to its 2035 modernisation goal by prioritising high-quality development, technological self-reliance, deeper reforms, improved social welfare, and stronger national security.
- ✦ China is entering a “post-development era” marked by post-industrialisation, post-urbanisation, and post-globalisation, requiring simultaneous upgrading of industry, cities, and external engagement.
- ✦ Industrial policy will focus on upgrading manufacturing through digital and green transformation, strengthening traditional sectors, and consolidating emerging industries without triggering de-industrialisation.
- ✦ Urbanisation must shift from land-driven expansion to people-centred integration, improving services, labour mobility, and balanced development across city clusters.
- ✦ Strengthening domestic demand is central to the new strategy, linking livelihood improvements with consumption and encouraging a mutually reinforcing cycle between new demand and new supply.
- ✦ Data point to weak consumption momentum, with slowing retail growth and negative price indicators, underscoring the need to boost effective demand and remove bottlenecks to a unified national market.
- ✦ Structural constraints such as overcapacity, weak household balance sheets, labour mismatches, rising local-government debt, and deflationary pressures complicate the transition and require both short-term stabilisation and long-term fiscal and institutional reforms.
- ✦ A new investment map shifts resources from traditional infrastructure to power systems, renewable energy, data centres, computing networks, AI infrastructure, and strategic emerging industries to support high-quality development.
- ✦ Overall, the 15th FYP outlines a cautious but forward-looking strategy that deepens the shift from quantity to quality, prioritising technological self-reliance, structural resilience, sustainable growth, and a stronger domestic economic base.

Key Picture: Priority Industries in China's 15th Five-Year Plan

Traditional Industries	Emerging Industries	Future Industries	Key Core Technologies for Decisive Breakthroughs
Mining	New Energy	Quantum Technology	Integrated Circuits
Metallurgy	New Materials	Biomanufacturing	Industrial Machine Tools
Chemicals	Aerospace	Hydrogen Energy	High-End Instruments
Light Industry	Low-Altitude Economy	Nuclear Fusion Energy	Foundational Software
Textiles		Brain-Computer Interfaces	Advanced Materials
Machinery		Embodied Intelligence	Biomanufacturing
Shipping		6G Mobile Communications	
Construction			

Introduction: Planning for a New Development Stage

The Fourth Plenum Session of the Communist Party of China has approved the draft proposal for the country's 15th Five-Year Plan (FYP), marking the beginning of the next major chapter in China's long-term development strategy. Once formally endorsed by the National People's Congress in March, the plan will enter its implementation phase, guiding China's economic, social, and technological trajectory through 2026–2030.

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Five-year plans have long served as the strategic backbone of China's development model. Since the 18th Party Congress, three consecutive FYPs have weathered profound turbulence—including financial volatility, rising geopolitical frictions, a global pandemic, and growing security pressures—while preserving overall stability. The 15th FYP inherits this tradition but must do so in an environment far more complex than any China has faced since the launch of reform and opening in 1978. While China's long-term objective—achieving the “second centenary goal” of basic modernisation by 2035—remains intact, the path to get there has changed. The new plan places “qualitative development” at the centre: innovation, resilience, sustainability, and institutional strengthening outweigh headline GDP targets.

Today, China confronts the dual challenge of reconfiguring its development model while navigating mounting external uncertainty. Domestically, local-government debt, deflationary pressure, and structural imbalances require careful management. Internationally, a more fragmented and adversarial geopolitical landscape limits access to foreign technology, capital, and markets. It is against this backdrop that the Fourth Plenum's communiqué provides the clearest early signals of China's strategic intent.

From Quantity to Quality: A Long-Term Shift in China's Development Logic

The evolution across the 12th, 13th, and 14th Five-Year Plans reflects a clear policy shift: from prioritizing the speed of growth to focusing on its quality, from an emphasis on people's livelihood to an emphasis on national security, and from a narrow domestic focus to broader coordination between internal stability and external pressures.

Covering 2026–2030, the 15th FYP plays a pivotal role in steering China toward its 2035 modernization goal. While the ultimate objective, achieving the “second centenary goal”, remains unchanged, the new recommendations mark a shift in development philosophy. The focus moves from “quantitative change” to “qualitative change,” emphasizing quality, resilience, and sustainability rather than headline growth figures.

Early signals suggest that the 15th FYP adopts a more cautious stance than its predecessors. The plan emphasizes persistence, stability, and long-term development challenges rather than short-term economic fluctuations. A defining feature of the new plan is its sober assessment of the international environment. While the 14th FYP described a world filled with both risks and opportunities, the guidance for the 15th FYP highlights a far more complex global landscape. The official stance points to rising uncertainty, intensifying geopolitical tensions, and unpredictable shocks—factors that demand greater strategic resilience in China's policymaking. Compared to the 14th FYP—focused on economic development, reform and opening, social civility, ecological progress, and governance—the 15th FYP introduces a reshaped set of priorities:

- High-quality development
- Scientific and technological self-reliance
- Deeper comprehensive reform
- Improved social welfare and living standards
- Strengthened national security

China at a Structural Inflection Point

China is currently at a structural inflection point—a “post-development era” shaped simultaneously by post-industrialization, post-urbanization, and post-globalization dynamics. These transitions not only define the 15th FYP; they also create new constraints and new opportunities.

Post-Industrialization: Upgrading Without De-industrializing

After decades of real-estate-driven expansion, the economy must discover new sources of momentum while avoiding a hard landing. Industrial policy now must focus on upgrading manufacturing—currently around a critical 25 percent of GDP—without allowing premature de-industrialization. The challenge is to revitalise traditional industries through digital and green transformation while consolidating emerging sectors. This is less about chasing re-industrialisation for its own sake and more about managing the internal and external pressures that accompany industrial restructuring.

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Post-Urbanization: From Land-Led to People-Centred Growth

Urbanization also faces a structural shift. With a 65 percent urbanization rate but only 47 percent urban household registration, China's future growth depends on turning "land-led urbanisation" into "people-centred urbanisation," improving public services, integrating migrant workers, and promoting coordinated development across city clusters. Urbanization must now focus less on expansion and more on quality and inclusion.

Post-Globalisation: Reconfiguring China's External Strategy

Externally, the post-globalization environment adds yet another layer of complexity. Rising protectionism, technological containment, and supply-chain realignment mean China must simultaneously strengthen domestic resilience and deepen selective international engagement. Compared with the period of the 14th FYP, the global landscape is more fragmented and less predictable. Smart, focused opening—supported by domestic institutional reform and a world-class business environment—will be essential.

These transitions do not unfold separately but reinforce one another. Industrial upgrading affects urbanization quality; shifts in globalization reshape the room for domestic industrial policy; and the pressure to ensure security interacts constantly with the pressure to maintain growth. Policymaking under the 15th FYP must therefore be more systematic, more coordinated, and more attentive to long-term risks than ever before.

Strengthening Demand

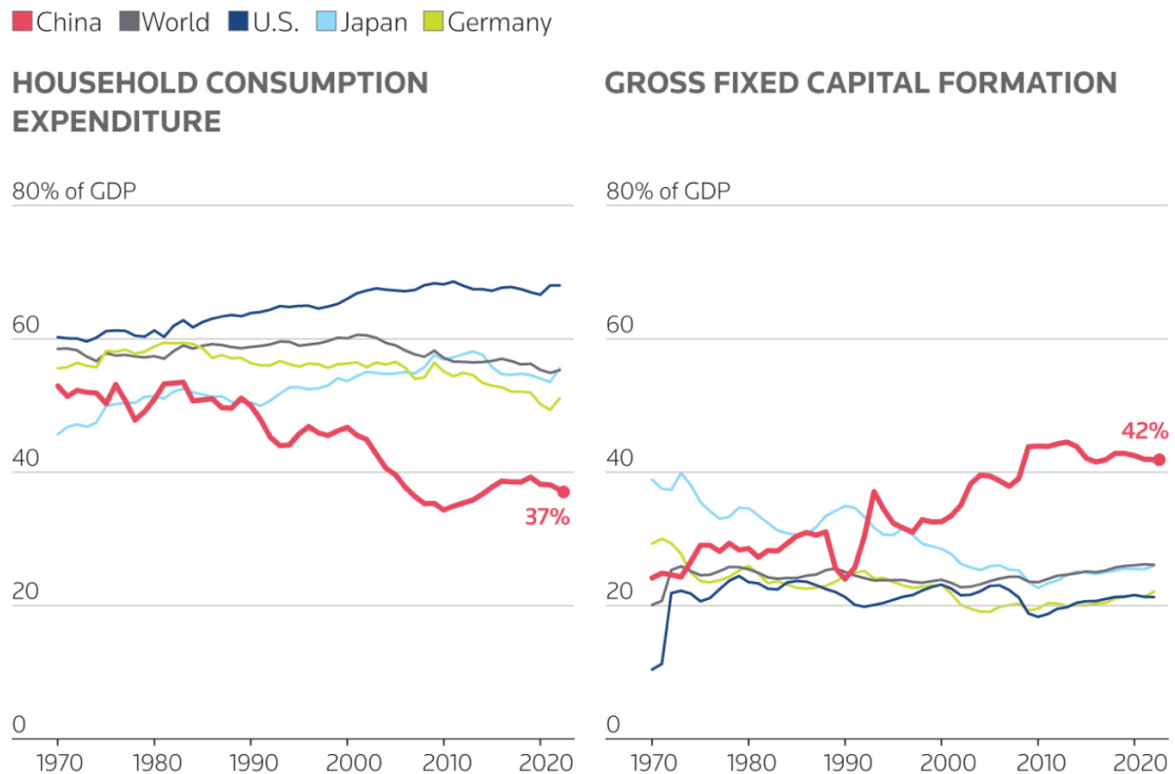
The recommendations highlight the central role of the market economy and prioritise domestic demand (**Figure 1**). The communiqué put expansion of domestic demand at the strategic core, stressing a tight link between improving people's livelihoods and stimulating consumption, between "investing in goods" and "investing in people". The aim is to let new demand guide new supply, and new supply in turn create new demand, so that consumption and investment, supply and demand, reinforce each other and strengthen the endogenous momentum and resilience of the domestic economic cycle. This will also require breaking the institutional and logistical bottlenecks that still prevent the emergence of a truly unified national market.

The latest data underline the urgency. In the first three quarters, total retail sales of consumer goods reached 36.587 trillion yuan, up 4.5% year-on-year. Commodity retail sales grew by 4.6%, while catering revenue rose by 3.3%. In September, however, growth slowed: overall social retail sales increased by 3.0%, goods retail by 3.3%, and catering by just 0.9%. At the same time, indicators such as declining ride-hailing orders and still-negative CPI and PPI suggest that the domestic cycle remains under strain and that the core problem is insufficient effective demand.

Supply-Side Upgrading and Industrial Modernization

On the supply side, the 15th FYP aims to strengthen the real economy by integrating technological innovation with industrial upgrading. Rather than relying solely on innovation as a standalone driver, the plan envisions a modern industrial system where innovation supports productivity, competitiveness, and the alignment of production with domestic consumption.

Figure 1: China's Imbalance Between Consumption and Investment



Source: [Reuters](#)

Structural Constraints and Emerging Contradictions

The practical constraints facing the 15th FYP are significant.

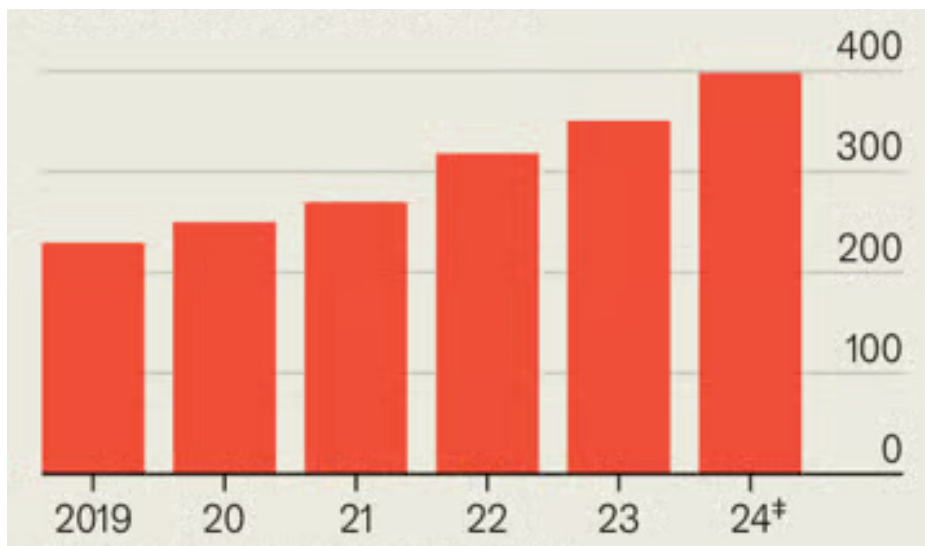
China faces simultaneous surpluses and shortages. Traditional sectors still struggle with overcapacity, while high-quality public services—education, healthcare, elderly care—remain insufficient. Labour-market mismatches are widening: graduate unemployment rises even as skilled-worker shortages worsen. Meanwhile, households burdened by property-market adjustments face weakened balance sheets and reduced consumption.

Layered on top of this is the rising pressure from local-government debt (**Figure 2**). Explicit debt levels are already high, while implicit liabilities continue to accumulate. Slower economic growth and falling land-sale revenues—long the backbone of local public finances—have further increased repayment pressure. At the same time, the asset quality of financial institutions is deteriorating, and vulnerabilities among small and medium-sized banks are becoming more visible. Banks face growing asset-quality pressure, while local governments lack stable revenue sources—pointing to the need for deeper fiscal reform and more efficient public spending.

Addressing this requires both short-term and long-term solutions. In the near term, tools such as debt restructuring and maturity extensions can relieve immediate pressures. Over the longer run, China must strengthen nominal growth, reform the fiscal system, expand local tax sources, and prioritise efficient, livelihood-oriented public spending.

Deflationary pressure compounds these challenges. Persistently low CPI readings and prolonged negative PPI growth weaken corporate profitability and investment confidence. More worrying is the risk of a debt-deflation cycle. Addressing this requires more effective policy transmission, stronger counter-cyclical fiscal support, and structural reforms capable of unlocking domestic demand.

Figure 2: Local Government Debt As % Of Broad Fiscal Revenue



Source: [The Economist](#)

At the heart of the 15th FYP lies a core contradiction: the old growth engines—real estate and local-government debt—are shrinking faster than the new productive forces are expanding. Managing this imbalance without triggering a hard landing will define the next five years. The central challenge is to rebalance the relationship between development and security. Excessive securitization risks undermining efficiency and dynamism; neglecting security risks exposing systemic vulnerabilities. Growth remains the ultimate foundation of national security.

A New Investment Map: From Traditional Infrastructure to Computing Power

The Fourth Plenum communiqué’s call to “vigorously boost consumption and expand effective investment” underscores a clear hierarchy: consumption is an unconditional priority, while investment must meet the test of effectiveness.

This signals a shift away from traditional infrastructure—roads, bridges, railways—toward:

- power systems and renewable energy
- data centres and integrated computing networks
- AI infrastructure
- strategic emerging industries

The centrepiece of this shift is the “East Data, West Computing” initiative, which deploys data-processing capacity across regions according to comparative advantages. Western regions with abundant renewable energy host large data centres; eastern regions with higher demand access computing resources through high-speed networks. This model supports both regional development and national productivity.

Stronger tax administration will also help expand social-insurance coverage and raise disposable incomes, while liberalising high-end services—such as low-altitude aviation, premium healthcare, and modern leisure industries—will create employment and encourage affluent consumers to spend domestically rather than abroad.

Overall, the 15th Five-Year Plan continues the transition from quantity-driven to quality-driven development that began under the 14th FYP. Technological self-reliance, long-term structural resilience, sustainability, and strategic flexibility stand at the center of China’s development agenda for 2026–2030. The early outline from the Fourth Plenum suggests a forward-looking, cautious, and stability-oriented roadmap for the next phase of China’s modernization.