

Our first look at the next Five-Year Plan shows China staying the course

The communiqué following China's Fourth Plenum has given markets a first look at the priorities for the 15th Five-Year Plan. The key focus for policymakers looks little changed, as modernisation, innovation, self-sufficiency, and boosting domestic demand feature prominently



China's next Five-Year Plan continues to focus on key themes and moderate growth

This week, China published a communiqué on the takeaways from the Fourth Plenum. As previously signalled, the main focus was on the 15th Five-Year Plan, which will cover the years 2026-30. The full text, which is considerably longer and more detailed, is set to be published at next year's Two Sessions in March, but the communiqué gave a first look at the key categories. Overall, the next Five-Year Plan looks to be reiterating and building upon existing policy focuses, rather than signalling any major changes in strategy, on our first read.

The main goals of the Five-Year Plan aim to continue to build out China's high-quality development, achieve breakthroughs in technological self-sufficiency, deepen reforms, and improve the people's quality of life, among other goals. The longer-term targets, with 2035

mentioned as a goalpost, included taking big steps forward in terms of improving China's economic strength, technological strength, defence capabilities, and international influence.

The goal to have per capita GDP reach the level of a "moderately developed economy" was also mentioned, which, in conjunction with previous goals to double the size of the economy between 2020 and 2035, continues to imply an emphasis on maintaining growth of 4-5% in the coming decade.

Industrial modernisation, tech self-sufficiency and innovation feature prominently

We have seen a bit of a shift in the order of priorities compared to the 14th Five-Year Plan. Following the broader economic and social development targets, building a modern industrial system and strengthening the real economy was the first broad category mentioned, followed by technological self-sufficiency and innovation, and then building a strong domestic market.

In terms of the key content, the modern industrial system moved to the first category mentioned, and continued to emphasise previous themes of green, smart, and integrated development. It noted that China must maintain a reasonable level of manufacturing while transitioning to a modern system with advanced manufacturing at the core. The text also reiterated China's goal to accelerate development in five areas: manufacturing, quality, aerospace, transportation, and the internet.

In terms of the tech and innovation category, the order went down one spot compared to the 14th Five-Year Plan, and did not offer too much new content for markets to digest, mostly reiterating existing talking points. Given ongoing tensions and the events of recent years, unsurprisingly, tech self-sufficiency has gained more prominence compared to the past, and continues to call for boosting original innovation and research. The digital China concept was mentioned in this same category. While the Fourth Plenum mentioned "key core technologies", they did not specify where the focus might be.

On domestic demand, which was one of the most closely-watched areas by markets, the communication remained positive in tone but light on detail, which was more or less expected. The big picture directions, such as improving people's livelihoods, guiding a virtuous cycle for supply and demand, vigorously boosting consumption, and improving macroeconomic governance, are all positive themes, but there is still limited indication of how this will be done.

In terms of other categories featured in the next Five-Year Plan, China will continue to emphasise expanding external cooperation through trade and investment. This goal remains very important in an increasingly protectionist global economy, and current efforts have also contributed to China's trade remaining resilient despite the trade war with the US. Rural development has also been a recent focus, which has seen good success in many regions, and looks to remain a highlighted area for the next Five-Year Plan as well.

The Fourth Plenum communiqué would suggest that, at least at this stage, the next Five-Year Plan will likely continue with the same big picture strategic directions that have been frequently communicated with markets. As we often discuss when talking about [China's Great Transition](#), China is continuing to stay the course in terms of its long-term goals of evolving its manufacturing to move up the value-added ladder, while aiming to increase the role of tech and innovation, as

well as consumption as key growth drivers for the future. Transitions are seldom quick or easy, but ultimately remain vital if China is to take the next step in its development.

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