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**“Let’s listen to market voices, collaboratively promote policy implementation and guide social expectations in a positive way”**

«要注重倾听市场声音，协同推进政策实施和预期引导，塑造积极的社会预期»

— Premier Li Qiang presenting Government Work Report on 5<sup>th</sup> March 2025

## **2025 “Two Sessions”– implementing reforms as follow-through from the “Third Plenum” in the face of insufficient domestic demand and Trump 2.0**

CMG Primer

**20<sup>th</sup> March 2025**

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

# 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



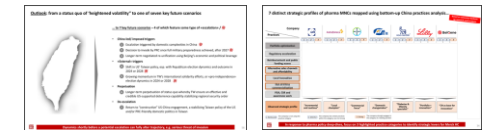
### Briefing

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



### Monitoring

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



### Curation

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



# Editorial info

## What is a CMG Primer?

- CMG develops primers on select China-related issues CMG deems particularly relevant for European businesses and investors in times of heightened geopolitical friction and fragmenting policy and regulatory trends towards better understanding the rapidly evolving China policy environment
- A CMG Primer concisely analyzes a critical event, trend or phenomenon in CMG's scope of policy, market and international affairs relating to the Chinese market, typically covering drivers, factors and key impacts for strategic corporate decision-making
- Primers are CMG's public research products to inform a broad audience and engage beyond our clients with stakeholders, partners and media on emerging issues of strategic interest – as such, these primers are distinctly different from tailored and confidential client products
- CMG works with a variety of partners and platforms to distribute its primers – they are also all available [here](#) on the CMG website

## How are CMG Primers prepared?

- CMG adheres to the same standards in its primers following rigorously fact-based, original and calibrated research and analysis as in its client products

**Also refer to the earlier CMG Primer “Chinese government remodeled at Two Sessions 2023 – policy, people and structure” (March 2023)**



# Agenda

1

## Baseline: China's economy into 2025

- Recap: China's evolved development strategy since the 14<sup>th</sup> Five-Year-Plan
- Reform priorities as per "Third Plenum" in July 2024
- Post-Covid economic recovery and macro-economic management

2

## Key substance of the 'Two Sessions' 2025

- Recap: polity and process
- Agenda, key scenic moments and core policy implementation priorities today
- Macro-economic measures, fiscal budget and lawmaking

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## Key take-aways for foreign business

*CMG's services and resources*

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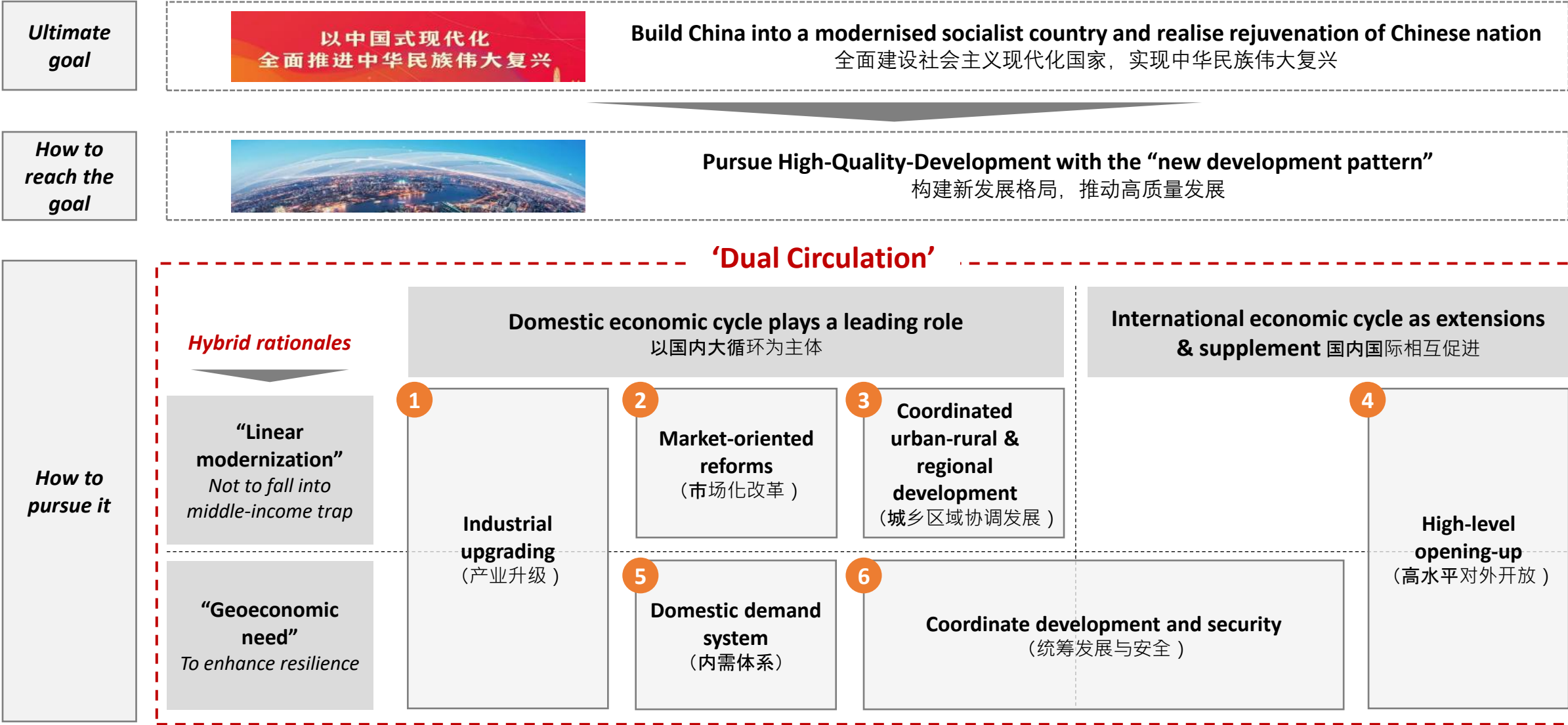
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# 'Dual Circulation' as core of development strategy shift introduced in 2020/2021 relies on 6 key policy pillars



# Policymaking across 6 pillars of 'Dual Circulation' shows deviation from pre-14<sup>th</sup> FYP trajectory

| Policy substance of 'Dual Circulation' across six policy pillars                   |   |  | Deviations compared to pre-14 <sup>th</sup> FYP policy trend  |
|--|---|--|---|
|    | <b>1</b><br><b>Industrial upgrading</b>                               | <ul style="list-style-type: none"> <li>Enhance indigenous innovation</li> <li>SSSR*, modernized and complete industrial system</li> <li>Unleash growth potential of service sector</li> </ul>              | <ul style="list-style-type: none"> <li>Mobilized national resources to enhance innovation</li> <li>Enterprises as core actor to innovate</li> <li>Stronger industrial support to local/localized players</li> </ul> |
|    | <b>2</b><br><b>Market-oriented reforms</b>                            | <ul style="list-style-type: none"> <li>SOE reform to sharpen SOE competitiveness</li> <li>Unleash the potential of all types of market entities</li> <li>Market governance progression</li> </ul>          | <ul style="list-style-type: none"> <li>Stronger roles to SOEs and state-owned economy</li> <li>Strengthened ideological control over business</li> </ul>  |
|    | <b>3</b><br><b>Coordinated urban-rural &amp; regional development</b> | <ul style="list-style-type: none"> <li>Rural revitalization and common prosperity</li> <li>People-centered urbanization (incl. livelihood)</li> <li>Balanced regional development</li> </ul>               | <ul style="list-style-type: none"> <li>Rebalanced societal interest against economic interest—sometimes prioritizing societal interest with a trade-off of economic loss</li> </ul>                                 |
|    | <b>4</b><br><b>High-level opening-up</b>                              | <ul style="list-style-type: none"> <li>Broaden opening-up in more sectors</li> <li>Chinese firms 'going-out', incl. both export and ODI</li> <li>More active participation in global governance</li> </ul> | <ul style="list-style-type: none"> <li>More institutional reform e.g. proactive alignment with global economic standards</li> <li>Leveraged connectivity with BRI, BRICS, global south</li> </ul>                   |
|   | <b>5</b><br><b>Domestic demand system</b>                             | <ul style="list-style-type: none"> <li>Expand domestic consumption</li> <li>Increase efficiency and return of investment</li> <li>Build unified market</li> </ul>  | <ul style="list-style-type: none"> <li>Coordinated SSSR and domestic demand expansion, SSSR more driven by market demand</li> <li>More trade activities within domestic market</li> </ul>                           |
|  | <b>6</b><br><b>Coordinate development and security</b>                | <ul style="list-style-type: none"> <li>Ensure economic resilience esp. food &amp; energy supply, industrial- and supply-chain resilience, and technological self-reliance</li> </ul>                       | <ul style="list-style-type: none"> <li>Rebalanced security interest against economic development interest—sometimes prioritizing security with a trade-off of economic loss</li> </ul>                              |

\*Note: SSSR = Supply-side structural reform

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# New reform priorities as per “Third Plenum” (July 2024) show momentum across economic reform categories

| Addressing key reform areas with select entirely new reform measures — as compared to NPC 2024 |  |   | Execution since July 2024 / examples  |  |
|--|--|---|---|--|
| Economic reforms   | Socialist market economy   | <ul style="list-style-type: none"><li>Improve equal treatment between state-owned and private economy, esp. regarding access to factors of production, market access and legal protection</li><li>Defined more SOE responsibilities in innovation, industrial upgrading and national security</li></ul>   |    | <ul style="list-style-type: none"><li>Draft of Private Economy Promotion Law</li><li>Draft “Made-in-China” definition</li></ul>                            |
|  | New-quality productive forces<br>(industrial policy + S&T innovation policy) | <ul style="list-style-type: none"><li>Expanding innovative talent supply, e.g. via promoting international knowledge exchange</li><li>Effective policy coordination – vertically between central and local governments</li><li>Ensuring financing of innovation, e.g. via foreign VC/Pes</li><li>Refined industrial upgrading blueprint: upgrade traditional industries (via standards), cultivate strategic emerging industries (via policy system), and build early leading position in future industries (via fundraising mechanism)</li></ul> |    | <ul style="list-style-type: none"><li>2024 National Key R&amp;D Program</li><li>Special financing scheme for high-tech SMEs (“hidden champions”)</li></ul> |
|  | Macro-economic governance  | <ul style="list-style-type: none"><li>Systemic policy design and effective policy coordination – horizontally among ministries</li><li>Improve financial capability and granting more financial autonomy for local governments</li></ul>  |    | <ul style="list-style-type: none"><li>Closer policy coordination between PBOC and MOF on counter-cyclical measures</li></ul>                               |
|  | Opening-up   | <ul style="list-style-type: none"><li>Proactive alignment (主动对接) with global economic standards</li><li>Unilateral opening-up to least developed economies</li><li>“Systemic trade policy making (贸易强国制度支撑和政策支持体系)”</li></ul>   |    | <ul style="list-style-type: none"><li>Broadened pilot programs e.g. cross-border data transfer</li><li>Broadened visa-free entry</li></ul>                 |
| Social and cultural reforms  | Urban-rural development and social security                                  | <ul style="list-style-type: none"><li>Further equal treatment to rural immigrants, esp. for access to public service based on long-term residency</li><li>Measures to restore population growth, e.g. birth-giving subsidy and public childcare service</li></ul>   |    | <ul style="list-style-type: none"><li>Announcement of enhanced public service provision to rural immigrants</li></ul>                                      |
|  | Media governance   | <ul style="list-style-type: none"><li>More effective governance on all-media channels and (esp. online) public opinion</li></ul>  |  | <ul style="list-style-type: none"><li>Restrictions on “immoral behaviors” by self-media</li></ul>  |
| Security reforms   | Coordinate development and security  | <ul style="list-style-type: none"><li>Ensuring China’s security interest, mainly—supply-chain resilience, technological self-reliance, risk-responding mechanism for trade activities</li><li>Special focus on holistically coordinating supply chain of strategic minerals</li></ul>   |  | <ul style="list-style-type: none"><li>2025 export control list for “dual-use items” released</li></ul>   |

\*NQPF = “New Quality Productive Forces”, a policy term for S&T and industrial policy, invented by Xi during his visit to Heilongjiang in Sep 2023



Third Plenum as first top-level party reform meeting since China’s adoption of the ‘Dual Circulation’ evolving its development strategy

# Vice-Premier Ding at WEF: pledges to work with foreign business to improve China’s business environment

## Key statements and take-aways for foreign business across five reform themes



China’s Vice Premier DING Xuexiang on Jan 21<sup>st</sup> 2025 delivering a special address at the WEF 2025

*“I know, in reality, there might be cases where **invisible barriers and hidden hurdles** stand in the way of both FIEs and domestic ones...we **sincerely hope to work out these problems with all of you.**”*

----VP DING Xuexiang



- 1

**Engagement with “Global South”**

Ding mentioned China’s intent to **help “third countries” (各国) develop emerging and future industries** via building new-type infrastructure incl. AI, smart transportation or smart energy. That is in line with Beijing’s new overarching economic policymaking principle of developing “*New-quality productive forces*”, which is meant to drive **integration of the innovation value-chain and help increase China’s TFP**. Pushing this interpretation further, this means that China’s ongoing efforts of engaging with “*Global South*” countries under the framework of the BRI, will see a broadening towards **exporting “new-type” of infrastructure**, thus drawing on Chinese corporate capabilities beyond EPCs.
- 2

**Economic perception and challenges:**

On China’s economy, Ding described the key challenges faced while framing the deteriorated external environment plus the trade-off effects from China’s structural reforms as key root-causes. He also reiterated China’s current policy stance of “**effectively pursuing higher-quality economic growth and appropriately increasing economic output**” (推动经济实现质的有效提升和量的合理增长). This is particularly in line with Pan Gongsheng’s speech in late October last year which we see as the most explicit and “*didactic*” clarification that Chinese leaders know that short-term growth is the prerequisite to sustain China’s longer-term structural reforms. Based on this, Chinese government took counter-cyclical macroeconomic interventions in September and October last year which Pan framed as a short-term “*fix*” (校正).
- 3

**China’s opening-up efforts**

Although at the risk of being overheard by the international business community, VP Ding gave convincing examples – e.g. shortened FDI negative list from 190 items in 2013 to 29 in 2024, full removal of FDI barriers in the manufacturing sector, trade of service governance changed to negative list-approach, as well as the opening-up of more sectors including telecom, medical and education. **Accelerated opening-up efforts by China with special emphasis on least developed countries** can be witnessed. The “*Third Plenum*” held in July 2024 decided a variety of reforms including opening-up measures already under conscious premise of Trump’s re-election, thus casting a **strategic response to Tump 2.0**.
- 4

**China’s trade relations**

Regarding trade connections, it is noteworthy that Ding stated that China does not seek “*trade surpluses*” but is **willing to import more competitive quality products and services to reach a better balance**. Referring to President Xi’s earliest commitment in this same reign at the 4th CIIE in 2021 to develop towards **more balanced trade relations** (促进贸易平衡发展), China has indeed been trying to increase its share in global total imports with 0.1% YOY increase for the first three quarters in 2024, reaching 10.5% of global total imports.
- 5

**China vowing to treat FIEs equally**

Finally, on China’s business environment for foreign capital, Ding stressed many measures to guarantee “*National Treatment*” of FIE. He reiterated, in line with the core take-away from the “*Third Plenum*” last year, that **different capital forms shall henceforth be treated more equally in China’s economy**, and gave the draft definition of what “*Made in China*” means in context of public procurement processes. He was clear-eyed on a host of implementation issues still persisting and **invited foreign business to actively work with Chinese government** to implement these reform measures.

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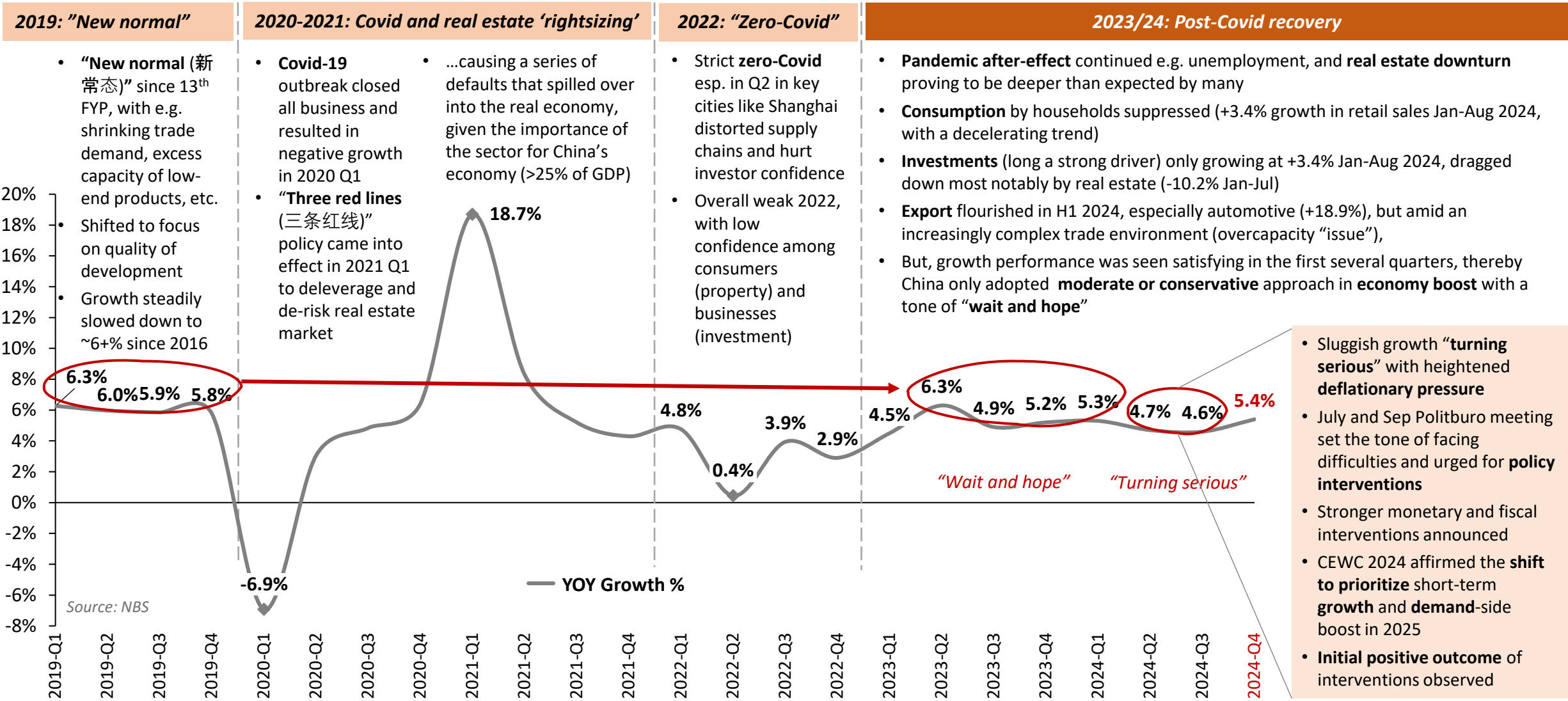
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# Economic performance in last 5 years: post-pandemic economic recovery is an unexpected struggling process

China's quarterly GDP growth over the past 5 years



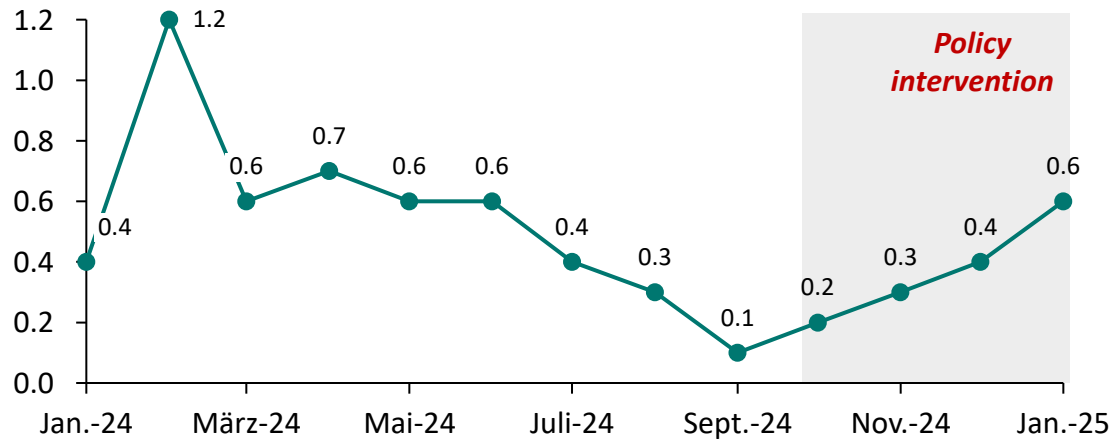
CEWC 2024: first time adjusting to prioritize short-term growth over longer-term reforms since CEWC in 2022

| Dimensions                          | 2025 policy focus as per key changes made in CEWC 2024 compared to 2023  | CMG assessment  |
|-------------------------------------|--|---|
| Status perception                   | <ul style="list-style-type: none"><li>Perceived “not few” (不少) economic difficulties in 2024 rather than merely “some (一些)” in 2023, and “insufficient demand” remains the biggest challenge</li><li>Being more explicit about the fact that some businesses facing challenges and households are dealing with job insecurity and income</li><li>Perceived a further deteriorated external environment</li></ul>   | <ul style="list-style-type: none"><li>Heightened “crisis” perception observed in top-level policy thinking</li><li>Such thinking paves road for introduction of stronger or bolder interventions in 2025 for restoring economy</li></ul>  |
| High-level policy-making principles | <ul style="list-style-type: none"><li>Set goal to maintain economic growth, ensure job creation, and stabilize consumer price</li><li>Removed “cross-cyclical macroeconomic management (跨周期调节)”, and stressed “more proactive and effective (更加积极有为)” (counter-cyclical) interventions for domestic demand expansion</li></ul>   | <ul style="list-style-type: none"><li>A signal for Beijing to temporarily prioritize short-term growth revival over long-term development interest e.g. structural reforms</li></ul>  |
| Macroeconomic policy                | <ul style="list-style-type: none"><li>Monetary policy: changed from “flexible but prudent (稳健灵活)” to “moderately loose (适度宽松)”; announced new rounds of cut in policy interest rate and RRR; newly addressed PBOC’s using innovative tools to stabilize financial market</li><li>Fiscal policy: changed from “moderately adding efforts (适度加力)” to “more proactive (更加积极)”; newly stated to focus spending on improving livelihood and consumption boost</li></ul> | <ul style="list-style-type: none"><li>Strongest monetary easing signal after GFC</li><li>Broadened PBOC role in supporting financial market e.g. inject liquidity to stock market</li><li>Fiscal spending no longer (at least in a near term) focuses on supply but demand side</li></ul> |
| Demand vs supply                    | <ul style="list-style-type: none"><li>Domestic demand expansion esp. consumption is positioned as the primary policy focus, compared to the second place in 2023, new policy package announced e.g. increase pension and SHI subsidies</li><li>Industrial upgrading deprioritized to be the secondary policy focus</li></ul>   | <ul style="list-style-type: none"><li>Consumption boost as core effort in 2025, but such consumption-centered policy making so far remains a post-pandemic recovery logic</li></ul>   |
| Domestic risk containment           | <ul style="list-style-type: none"><li>Newly articulated to “consistently putting efforts (持续用力)” to stabilize real estate market, and promote the consumption of inventory housing</li></ul>   | <ul style="list-style-type: none"><li>Release of demand potential (e.g. cheaper loan) and relaxation on financing developers (e.g. whitelist) will continue</li></ul>   |
| Reform implementation               | <ul style="list-style-type: none"><li>Proceeded improving financial capability and granting more financial autonomy for local governments</li><li>Proceeded promoting introduction mid- and long-term capital into capital market</li></ul>  | <ul style="list-style-type: none"><li>The only two proceeded reforms serve tackling local debt and stabilizing capital market</li></ul>   |

# Effectiveness of interventions: initially positive trends observed in both demand- and supply-side (by Jan 2025)

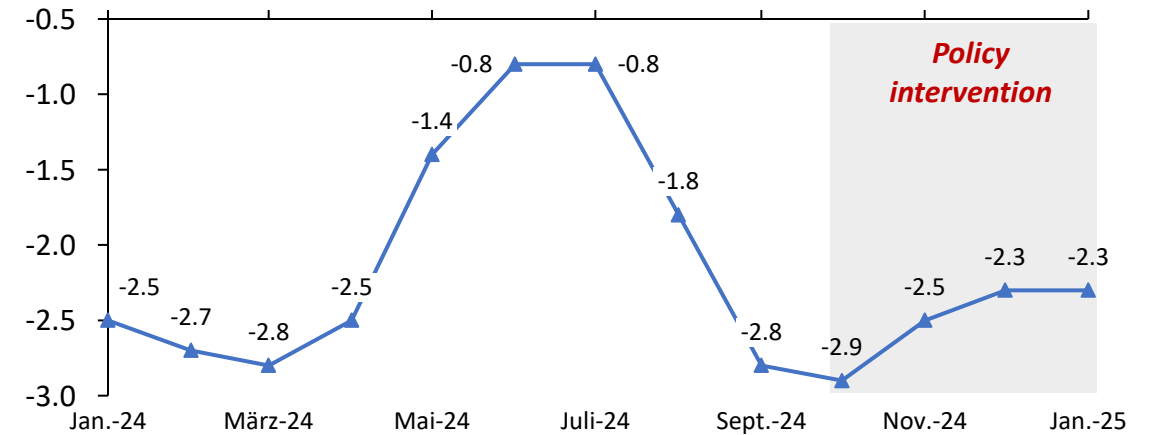
## Demand-side indicators

### Core Consumer Price Index (monthly YOY change in %)

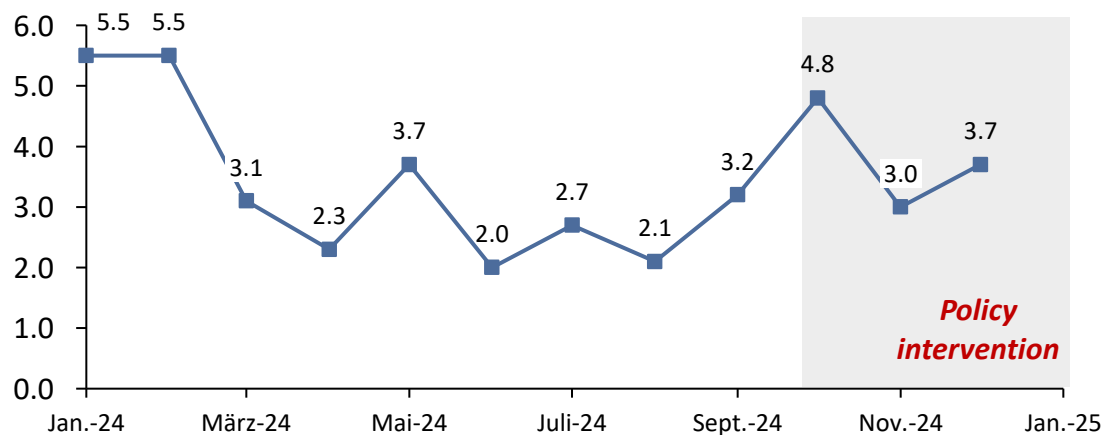


## Supply-side indicators

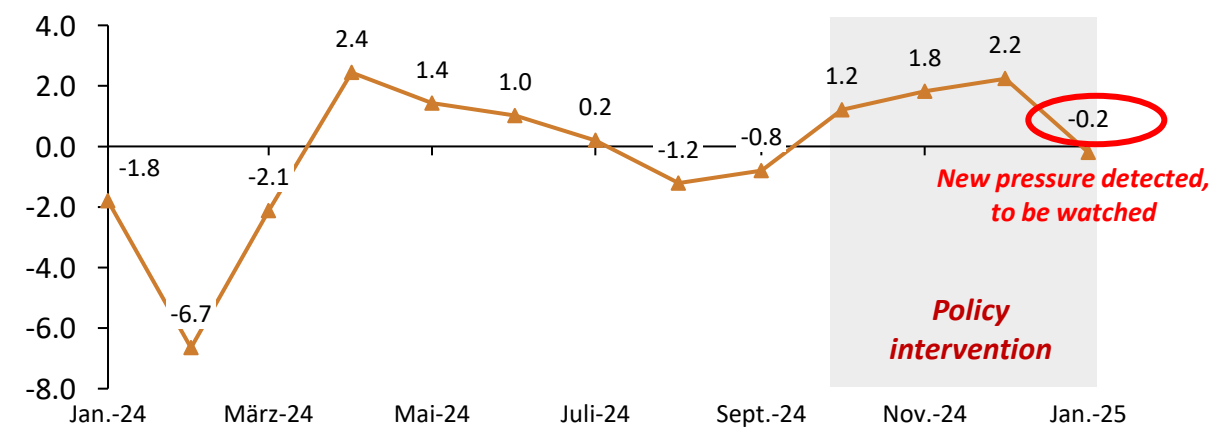
### Producer Price Index (monthly YOY change in %)



### Social Retail Sales (monthly YOY change in %)



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



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# Key bodies overview: NPC as legislator and nominal decision maker, CPPCC as consultative discussion forum

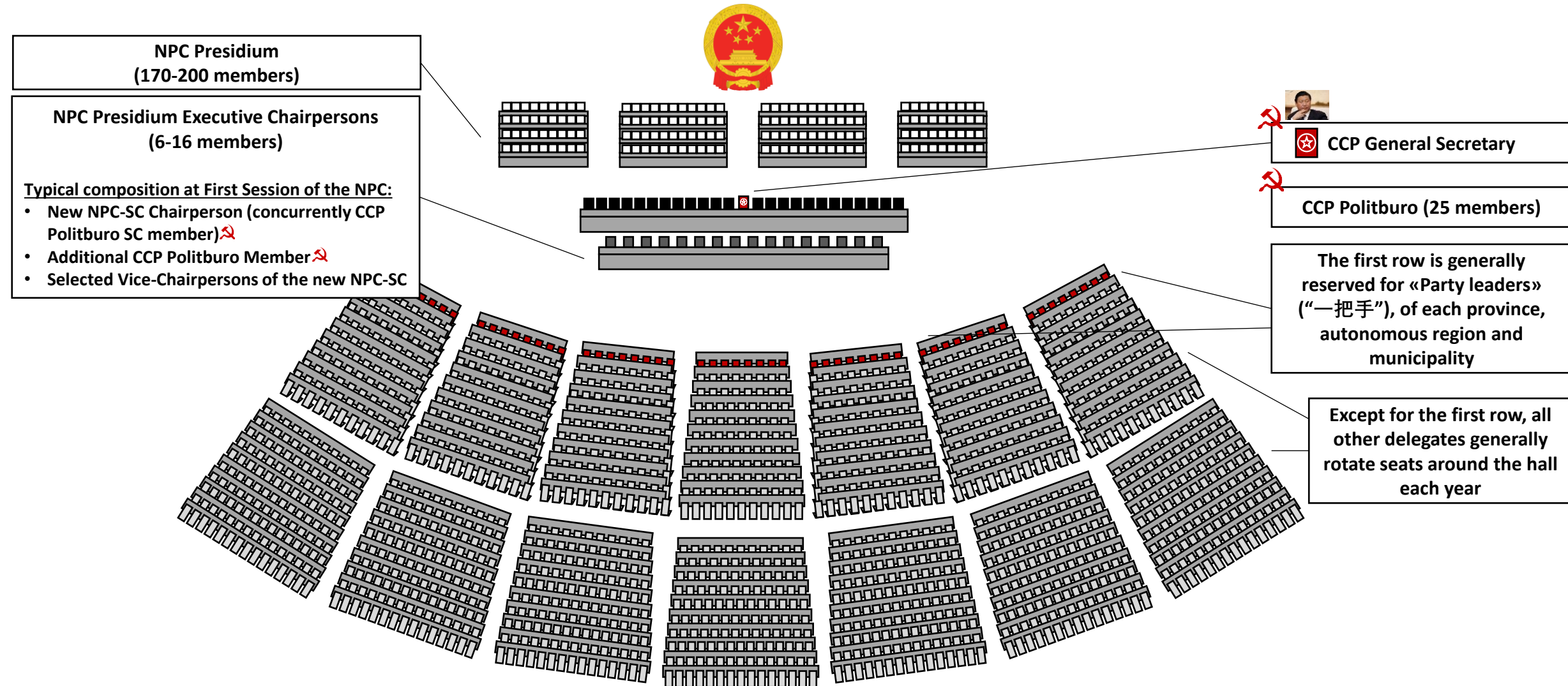
| Lens          |  National People's Congress (NPC)  |  Chinese People's Political Consultative Conference (CPPCC)   |
|---------------|---|--|
| Status        | <ul style="list-style-type: none"> <li>The <b>highest de jure organ</b> of the PRC, cf. the PRC constitution Art. 57ff.— concentration of legislative, executive and judicial functions; government as NPC's implementation arms</li> </ul>   | <ul style="list-style-type: none"> <li>A <b>united front organ</b> serving as a <b>purely consultative platform</b> to conduct multi-Party cooperation and political consultation among non-administrative elites, <b>no decision-making power</b></li> </ul>  |
| Roles         | <ul style="list-style-type: none"> <li>Amend the PRC <b>Constitution</b> and supervise its enforcement</li> <li>Enact and amend <b>basic laws</b></li> <li>Appoint and remove from office <b>members of central state organs</b></li> <li>Determine <b>major state issues</b>: <ul style="list-style-type: none"> <li>deliberate and approve the <b>state economic plan and budget</b></li> <li>deliberate and approve the <b>government institutional reform</b></li> <li>decide on “peace or war question”</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li><b>Political consultations</b> prior to final decision-making on state policies and major state issues</li> <li><b>Democratic supervision</b> by means of opinions &amp; suggestions on the enforcement of law and implementation of policy</li> <li><b>Participation in and deliberation of state affairs</b> by delivering public opinions &amp; suggestions to CCP and state organs</li> </ul>   |
| Meeting forms | <ul style="list-style-type: none"> <li><b>Plenary sessions</b>: all deputies take note of work reports of state organs and NPC Standing Committee, approve bills/proposals/plans, and make critical decisions and appointments</li> <li><b>Delegate group meetings and sub-group meetings</b>: deputies divided into groups by electoral body (31 provinces + 3 SARs + Military) to deliberate bills/proposals/plans; large-size delegate groups are further divided into sub-groups for close discussions</li> </ul>               | <ul style="list-style-type: none"> <li><b>Plenary sessions</b>: all deputies take note of work report of CPPCC Standing Committee, appoint the CCPCC Chairman and amend the CCPCC rules</li> <li><b>Group meetings</b>: discuss important proposals and policy decisions</li> <li><b>Sectoral group meetings</b>: group discussions held by 34 «sectors» (界别), including all democratic parties and participants from all industries, to discuss critical issues in their respective fields</li> </ul> |
| Key outputs   | <ul style="list-style-type: none"> <li><b>Approve work reports</b>: State Council work and budget reports, plus Supreme People's Court and Supreme People's Procuratorate reports</li> <li><b>Approve national plans</b>: FYPs, plus annual economic and budget plans</li> <li><b>Approve organizational/admin changes</b>: institutional reform plans</li> <li><b>Approve constitutional amendment and legal changes</b></li> </ul>  | <ul style="list-style-type: none"> <li><b>Approve work report</b>: CCPCC Standing Committee work report</li> <li><b>Approve annual report on selected proposals for NPC/ central government</b></li> <li><b>Approve admin changes within CCPCC</b></li> <li><b>Approve CCPCC's Political Resolution</b> (政治决议), consultation summary</li> </ul>  |



Delegations and political legitimacy: solid CCP control on NPC and CPPCC via delegate selection

| Dimension                |  National People's Congress (NPC)  |  Chinese People's Political Consultative Conference (CPPCC)   |
|--------------------------|---|--|
| Delegation               | <div><ul style="list-style-type: none"><li>~3000 delegates elected from 35 electoral bodies (31 provinces + HK/MAC/TW + military) via hierarchical electoral system</li><li>Elected for a 5-year term (13th NPC: 2018-2023)</li></ul><div><div>Hierarchical election</div><div><div>National People's Congress</div><div>31 Provincial People's Congress + HK, MK, TW, military delegation</div><div>Prefectural People's Congress</div><div>County-level People's Congress</div><div>Electorates (PRC citizens aged 18+ with political right )</div></div></div></div> <div><div><div>National-level CPPCC</div><div>Provincial CPPCC</div><div>Prefectural CPPCC</div><div>County-level People's Congress</div></div><div><div>←</div><div>←</div><div>←</div><div>←</div></div><div><div>CCP Central Committee</div><div>CCP Provincial Committee</div><div>CCP Prefectural Committee</div><div>CCP County-level Committee</div></div><div><div>Appointment</div><div>Recommendation and selection</div></div></div> | <div><ul style="list-style-type: none"><li>~2200 members from CCP, democratic parties, social organizations and society groups selected by <b>CCP United Front Department</b></li><li>Aligned with NPC term (13th CPPCC: 2018-2023)</li></ul><div><div><div>National-level CPPCC</div><div>Provincial CPPCC</div><div>Prefectural CPPCC</div><div>County-level People's Congress</div></div><div><div>←</div><div>←</div><div>←</div><div>←</div></div><div><div>CCP Central Committee</div><div>CCP Provincial Committee</div><div>CCP Prefectural Committee</div><div>CCP County-level Committee</div></div><div><div>Appointment</div><div>Recommendation and selection</div></div></div></div> |
| Composition of delegates | <div><ul style="list-style-type: none"><li>Analysis of ~3000 NPC delegates in terms of:<ul style="list-style-type: none"><li>Political affiliations: ~70% CCP members and ~30% from democratic parties or are politically independent</li><li>Social backgrounds: ~15% workers and peasants, ~10% soldiers and officers and ~35% functionaries</li><li>Gender/ethnic background: ~25% female, ~15% minorities</li></ul></li></ul></div>   | <div><ul style="list-style-type: none"><li>Of ~2200 CPPCC delegates:<ul style="list-style-type: none"><li>~20% from political parties (CCP and 8 democratic parties)</li><li>~15% from social organizations: e.g. Youth League</li><li>~60% from industry sectors: e.g. celebrities, scientists</li><li>~5% are specially invited representatives from HK/MAC/PLA</li></ul></li><li>In total, ~40% delegates are CCP members</li></ul></div>   |
| Particularities          | <div><ul style="list-style-type: none"><li>Military highly overrepresented in NPC: «delegate ratio for military 1:10,000» vs «delegate ratio for civilians 1:400,000»</li><li>CCP's dominance in NPC enables strong Party influence on NPC</li><li>Economically developed provinces more strongly represented in NPC Standing Committee</li></ul></div>   | <div><ul style="list-style-type: none"><li>Though CCP members only represent less than half of the delegates, the CCP is strongly represented in the CCPCC's leadership:<ul style="list-style-type: none"><li>Usually, the CCPCC Chairman is a member of CCP Politburo Standing Committee</li><li>12 of 23 CPPCC Vice-Chairmen are CCP members in 14th CCPCC SC</li></ul></li></ul></div>  |

# ~3000 NPC delegates convene in the Great Hall of the People – facing the NPC Presidium and CPP Politburo



<sup>1</sup> In the 2<sup>nd</sup> to 5<sup>th</sup> Session in recent years, the NPC Presidium Executive Chairpersons were constituted by the complete 16 members of the NPC Standing Committee Council of Chairpersons

# Agenda

1

## Baseline: China's economy into 2025

- Recap: China's evolved development strategy since the 14th Five-Year-Plan
- Reform priorities as per "Third Plenum" in July 2024
- Post-Covid economic recovery and macro-economic management

2

## Key substance of the 'Two Sessions' 2025

- Recap: polity and process
- **Agenda, key scenic moments and core policy implementation priorities today**
- Deep-dives: domestic demand system, "New-Quality Productive Forces", private and foreign business
- Macro-economic measures, fiscal budget and lawmaking

3

## Key take-aways for foreign business

*CMG's services and resources*







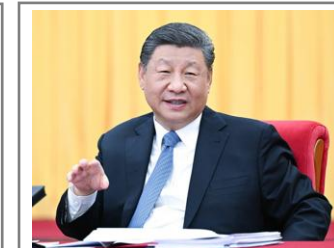







Agenda of 2025 “Two Sessions”: 8 busy days in Beijing, delivering Government and NDRC reports as core events

| Tuesday  | Wednesday   | Thursday  | Friday  | Saturday  | Sunday   | Monday  |
|--|---|---|---|---|--|---|
| <div>March 4<sup>th</sup></div> <div>NPC preparatory meeting: define NPC session agenda and select NPC Presidium</div> <div>Opening of CPPCC</div> <div>1<sup>st</sup> plenary session: Delivery of CPPCC SC work report to reflect past year’s achievements</div> | <div>March 5<sup>th</sup></div> <div>Opening of NPC</div> <div>1<sup>st</sup> plenary session: (1) Deliver Gov Work Report (2) Review NDRC reports and Legislative Law amend. (3) Examine 2024 state economic plan and 2025 Budget draft</div> <div>Delegate group meetings to deliberate Gov Work Report</div> <div>CPPCC group meetings to deliberate CPPCC SC report</div> | <div>March 6<sup>th</sup></div> <div>Delegate small group meetings to deliberate Gov Work Report and examine 2024 state economic plan and 2025 budget draft</div> <div>CPPCC group meetings to discuss Gov Work Report, Legislation Law amendment draft, 2024 state econ. plan/ 2025 Budget</div> | <div>March 7<sup>th</sup></div> <div>NPC delegate small group meetings to deliberate: (1) NDRC reports (2) Revised Legislation Law amendment draft (3) 2025 budget planning</div> <div>CPPCC 2<sup>nd</sup> plenary session Opportunity for 14 members to share views and suggestions</div>   | <div>March 8<sup>th</sup></div> <div>2<sup>nd</sup> plenary session: (1) Deliver work reports of outgoing NPC SC, SPC, SPP (2) Delegate small group meetings to review work report of NPC SC</div> <div>CPPCC group meetings to review work reports of the SPC and the SPP as well as other documents</div> | <div>March 9<sup>th</sup></div> <div>NPC delegate small group meetings to deliberate law amendments and work reports of SPC and SPP</div> <div>CPPCC 3<sup>rd</sup> plenary session: Continuous delegates group meetings &amp; discussions</div> | <div>March 10<sup>th</sup></div> <div>NPC delegate small group meetings to: (1) Review Work reports of NPC SC, SPC, SPP (2) Draft resolutions on Work reports and 2025 budget plan</div> <div>CPPCC 4<sup>th</sup> plenary session Closing of CPPCC</div> |
| <div>March 11<sup>th</sup></div> <div>3<sup>rd</sup> plenary session: (1) Vote on State Institutional Reform Plan &amp; budget plans (2) Law amendments (3) Work reports of NPC-SC, SPC, SPP</div> <div>Closing of NPC</div>                                       | <div>March 12<sup>th</sup></div>  | <div>March 13<sup>th</sup></div> <div>The CCP Central Committee and the State Council jointly issue the full version of the “National Economic and Social Development Plan”, as well as Central &amp; Local budget planning</div>   | <div>Two Sessions Key Reports</div> <div><ul style="list-style-type: none"><li>Key reports approved during 3rd Session of 14th National People’s Congress include the national economic &amp; social development, as well as the report on the central and local budgets</li><li>Both reports cover on the one hand side the implementation plan for 2024 and on the other hand side the draft plan for 2025</li><li>To increase transparency, both reports were published in full via Xinhua News Agency</li></ul></div> |   |  |   |

Notes: NDRC = National Development and Reform Commission; NPC-SC = National People’s Congress Standing Committee; SPC = Supreme People's Court; SPP = Supreme People's Court



Key moments of the 2025 “Two Sessions”, the highest annual national political gathering, which spanned 8 days

|  |  |  |   |   |  |   |
|--|--|--|---|---|--|---|
|  <p>NPC press conference ahead of ‘Two Sessions’ on 4<sup>th</sup> March</p>                                 |  <p>Premier Li Qiang presents <b>Government Work Report</b> at the 1<sup>st</sup> plenary of the NPC on 5<sup>th</sup> March</p>        |  <p>Xi Jinping at Jiangsu delegates’ meeting speaking about “<i>technological and industrial innovation</i>” on 5<sup>th</sup> March</p> |  <p>Review of report on implementation of <b>2024 Development Plan</b> and draft of <b>2025 Development Plan</b> on 6<sup>th</sup> March</p> |  <p>Review of report on the <b>central and local budgets and the draft of 2025 budgets</b> on 6<sup>th</sup> March</p>   |  <p>Press conference on the <b>economy</b> on 6<sup>th</sup> March (incl. recap of 2024’s performance &amp; 2025 growth projection)</p>   |  <p>Xi Jinping meets with national political advisors<sup>2)</sup> of the <b>CPPCC</b> on 6<sup>th</sup> March</p> |
|  <p>Press conference on <b>foreign policy and external relations</b> on 7<sup>th</sup> March by Wang Yi</p> |  <p>Review of the draft <b>amendment to the law on deputies</b> to the NPC &amp; local people’s congresses on 7<sup>th</sup> March</p> |  <p>Xi meets <b>delegation of PLA &amp; PAP</b> (People’s Armed Police Force) on 7<sup>th</sup> March</p>                               |  <p>NPC SC Chairman <b>Zhao Leji</b> presents the <b>NPC SC’s work report</b> on 8<sup>th</sup> March</p>                                   |  <p>SPC President <b>Zhang Jun</b> presents the <b>Supreme People’s Court’s work report</b> on 8<sup>th</sup> March</p> |  <p>SPP Procurator-General <b>Ying Yong</b> presents the <b>Supreme People’s Procuratorate’s work report</b> on 8<sup>th</sup> March</p> |  <p>Press conference on “<i>people’s livelihood</i>” on 9<sup>th</sup> March</p>                                  |

# NPC aggregate view '21-'25: increasing policy focus on “NQPF”, non-state economy and addressing key risks

| NPC core policy program of the 14 <sup>th</sup> FYP |  | Evolving policy focus of NPCs 2021-2025 |                       |                           |                           |                           |
|---|--|---|-----------------------|---------------------------|---------------------------|---------------------------|
| <u>Structural transitions</u>                       | <u>Key policy pillars per transition</u>           | <u>NPC 2021</u>                         | <u>NPC 2022</u>       | <u>NPC 2023</u>           | <u>NPC 2024</u>           | <u>NPC 2025</u>           |
| Polity and economic governance capacity             | Public finance & tax reform                        | Steady implementation                   | Steady implementation | Declining importance      | Gaining importance        | Steady implementation     |
|   | SOE reform   | Steady implementation                   | Gaining importance    | Steady implementation     | Steady implementation     | Steady implementation     |
|   | <b>POE equal treatment</b>                         | Steady implementation                   | Steady implementation | Steady implementation     | <b>Gaining importance</b> | Gaining importance        |
|   | Building unified market                            | Steady implementation                   | Steady implementation | Declining importance      | Gaining importance        | Steady implementation     |
|   | Improving market governance                        | Steady implementation                   | Steady implementation | Declining importance      | Steady implementation     | Steady implementation     |
| Economic transition                                 | <b>Industrial upgrading (NQPF)</b>                 | Steady implementation                   | Steady implementation | Steady implementation     | <b>Gaining importance</b> | <b>Gaining importance</b> |
|   | <b>S&amp;T innovation (NQPF)</b>                   | Steady implementation                   | Steady implementation | Steady implementation     | <b>Gaining importance</b> | <b>Gaining importance</b> |
|   | Green transition                                   | Steady implementation                   | Steady implementation | Steady implementation     | Steady implementation     | Steady implementation     |
| Domestic demand expansion                           | Consumption boost                                  | Steady implementation                   | Steady implementation | Gaining importance        | Declining importance      | Gaining importance        |
|   | Making effective investment                        | Steady implementation                   | Steady implementation | Steady implementation     | Steady implementation     | Gaining importance        |
| Economic globalization                              | <b>FDI promotion &amp; foreign business envir.</b> | Steady implementation                   | Steady implementation | <b>Gaining importance</b> | <b>Gaining importance</b> | <b>Gaining importance</b> |
|   | Stable trade activities                            | Steady implementation                   | Steady implementation | Steady implementation     | Steady implementation     | Steady implementation     |
|   | Trade diplomacy & BRI                              | Steady implementation                   | Steady implementation | Steady implementation     | Steady implementation     | Steady implementation     |
|   | Engaging global economic governance                | Steady implementation                   | Steady implementation | Steady implementation     | Steady implementation     | Steady implementation     |
| Optimizing social outcomes                          | Rural revitalization                               | Gaining importance                      | Steady implementation | Steady implementation     | Steady implementation     | Steady implementation     |
|   | People-centered urbanization                       | Steady implementation                   | Steady implementation | Steady implementation     | Gaining importance        | Steady implementation     |
|   | Balanced regional development                      | Steady implementation                   | Steady implementation | Declining importance      | Steady implementation     | Steady implementation     |
|   | Improving people's livelihood                      | Steady implementation                   | Steady implementation | Steady implementation     | Steady implementation     | Gaining importance        |
| “Coordinate development and security”               | Financial risk prevention                          | Steady implementation                   | Steady implementation | Steady implementation     | Steady implementation     | Steady implementation     |
|   | <b>Restoring real estate market</b>                | Steady implementation                   | Steady implementation | <b>Gaining importance</b> | <b>Gaining importance</b> | <b>Gaining importance</b> |
|   | <b>Addressing local debt burden</b>                | Steady implementation                   | Steady implementation | Steady implementation     | <b>Gaining importance</b> | <b>Gaining importance</b> |
|   | Food/energy/resource security                      | Steady implementation                   | Steady implementation | Steady implementation     | Steady implementation     | Steady implementation     |
|   | Supply-chain resilience                            | Gaining importance                      | Steady implementation | Steady implementation     | Steady implementation     | Steady implementation     |
|   | Technological self-reliance                        | Gaining importance                      | Steady implementation | Steady implementation     | Steady implementation     | Steady implementation     |

# Policy priorities: “re-selected” domestic demand expansion as top priority – first time since end of pandemic

## Key observations on policy priorities in 2025 Government Work Report (GWR)

## Key findings

|                 |   |  |   |  |
|-----------------|---|--|---|--|
| Tone setting    |    | <b>CCP ideology</b>                    | <ul style="list-style-type: none"> <li>Closely follow the high-level policy trajectory set by 20<sup>th</sup> Party Congress and Third Plenum, with fundamental goals to solidly pursue “High-quality development” and deepening reforms</li> </ul>                 | <ul style="list-style-type: none"> <li>New reform package being onboard</li> <li>Newly stressed policy timing and thoroughness</li> </ul>  |
|                 |    | <b>Working principle</b>               | <ul style="list-style-type: none"> <li>Pursuing progress while ensuring stability (稳中求进), systemic policy design and coordinated policy implementation, timely and thorough policy making to ensure effectiveness</li> </ul>  |  |
| Economic policy |    | <b>Domestic demand</b>                 | <ul style="list-style-type: none"> <li>Adjusted from No.2 priority in 2024 to No.1 in 2025, primarily focused on consumption boost by enhancing consumer purchasing power, easier access to quality goods/service, improving consumption environment</li> </ul>     | <ul style="list-style-type: none"> <li>Top gov priority switched to domestic demand, driven by weak demand-dragged economy and anticipated external demand shock by tariffs</li> <li>While China’s industrial ambitions unlikely to be scaled back, it increases challenges to Beijing in balancing policy resource investment to demand vs supply side</li> </ul> |
|                 |    | <b>NQPF</b>                            | <ul style="list-style-type: none"> <li>Adjusted from No.1 priority in 2024 to No.2 in 2025, consistently focusing on innovation-driven industrial upgrading in terms of “traditional vs emerging vs future industries” by enhancing innovation ecosystem</li> </ul> |  |
|                 |    | <b>Market economy</b>                  | <ul style="list-style-type: none"> <li>Reaffirmed to treat different ownership forms more equally; stressed to solve POEs’ practical problems</li> <li>Continue building unified market, breaking market segregation; anti-“involution” (反内卷)</li> </ul>            |  |
|                 |    | <b>Public finance &amp; tax reform</b> | <ul style="list-style-type: none"> <li>Promote “zero-base budget (零基预算)” reform</li> <li>Increase financial autonomy of local governments by broadening local revenue sources</li> </ul>  |  |
|                 |    | <b>Opening up</b>                      | <ul style="list-style-type: none"> <li>Trade: targeted at stabilizing trade activities, trade of service as new growth driver</li> <li>FDI: open up more sectors, encourage reinvestment by FIEs, ensure equal treatment to FIEs</li> </ul>                         |  |
|                 |    | <b>Economic security</b>               | <ul style="list-style-type: none"> <li>Continued efforts to restore property market, address local debt burden, and prevent systemic financial risks</li> <li>Less emphasis on supply-chain resilience</li> </ul>   |  |
| Social policy   |   | <b>Urban-rural development</b>         | <ul style="list-style-type: none"> <li>Urbanization: promote residency-based public service provision; launch new urban renewal programs</li> <li>Rural revitalization: secure the outcome of poverty alleviation campaign; reform rural economic system</li> </ul> | <ul style="list-style-type: none"> <li>Increasing policy effort devoted to improve people’s livelihood, also to support consumption</li> </ul>   |
|                 |  | <b>People’s livelihood</b>             | <ul style="list-style-type: none"> <li>Ensure job creation and labor protection; reform income distribution into being “skill-oriented (技能导向)”</li> <li>Develop pro-childbirth policy package, including to issue “childcare subsidy (育儿补贴)”</li> </ul>             |  |
| Foreign policy  |  | <b>External environment</b>            | <ul style="list-style-type: none"> <li>Increasingly complex and unfriendly external environment that could bring bigger shocks to trade activities and technological advancement of China</li> </ul>  | <ul style="list-style-type: none"> <li>More pessimistic geopolitical view due to Trump 2.0</li> </ul>  |
|                 |  | <b>Foreign affairs</b>                 | <ul style="list-style-type: none"> <li>Oppose all forms of hegemonism and “power politics (强权政治)”, as well as unilateralism and protectionism</li> <li>Firmly oppose separationist forces in Taiwan and counter foreign interference with Taiwan</li> </ul>         |  |



# Deep-dive 1: China’s “domestic demand expansion” plan is centered on boosting household consumption

## Key NPC 2025 policymaking on “domestic demand expansion” across 6 pillars

## CMG assessment

### Consumption boost

- (1) **Ensure job creations and increase household income**
  - Plan to create 12M jobs and maintain 5.5% unemployment rate in urban areas
  - Ensure salary growth standard/mechanism for labor workers (middle-and-low income)
- (2) **Broaden social safety net and enhance public service provision**
  - More fiscal resource planned to be spent on improving people’s livelihood incl. education, healthcare, affordable housing, childcare, elderly care, etc.
  - Promote residency-based public service provision, incl. ensuring social security of (qualified) rural immigrants and securing education opportunities for their children
- (3) **Increase consumer access to better goods & service**
  - Continued “trade-in” program for consumer goods, scope expanding to cover electronic products (besides home appliances) since 2025, with 300B RMB new subsidy issued since Feb
  - Increase supply of esp. healthcare, elderly-care, child-care and housekeeping service, promised with easier market access and streamlined administration
  - Release consumption potential of cultural products (e.g. movie, gaming), tourism, and sports, esp. by optimizing public holiday planning and ensuring annual leaves of employees
- (4) **Improve consumption environment**
  - Build big cities into international consumption centers, incl. more duty-free policy and encouraging traveler spending; improve suburban (e.g. towns) commercial facilities
  - Build a consumption-oriented statistics system to track consumer spending activities
  - Stricter market governance (e.g. on product quality) and consumer right protection

### Effective investment making

- (5) **Increase public investment**
  - Increase public investment oriented by “national development strategy” (e.g. to close the 14<sup>th</sup> FYP key projects) and people’s livelihood (e.g. urban renewal program, affordable housing)
  - Streamline the investment approval, enhance cross-ministerial and cross-regional coordination
- (6) **Support and encourage private investment**
  - Selectively open public projects in infrastructure (incl. key S&T facilities) to private investment

- China’s **weak household demand is rooted from structural issues** (e.g. income inequality, lacking social security), only exacerbated by cyclical shocks (e.g. Covid); therefore, while short-term stimulus may help, structural efforts are more fundamentally needed to solve the root problems and thus transit China into a consumption-driven economy
- ... in the 2025 NPC, there is a good sign of **China’s integrating structural solutions in its consumption-boost approach**: (1) enhance consumer’s purchasing power by raising income and easing livelihood burden; (2) make consumer easier to access better goods and services esp. with service consumption as new growth driver; (3) improve environment, consolidating resources into big city centers and suburban hubs, to scale up the spending
- An **updated statistical metric** could help **reiterate local officials’ KPI into consumption focus**, and thus incentivize pro-consumption policy implementation
- **Investment activities** remain **government-led**, with a growing fiscal focus on social projects like affordable housing and urban renewal
- Good sign detected that **investment barrier is being relaxed for private investment**, but this likely will be proceeded only in a gradual pace

Source: CMG analysis based on Premier’s government work report



Besides introducing short-term stimulus, China is making structural efforts to tackle root causes of suppressed household demand



# Deep-dive 2: fostering “new-quality productive forces” as core approach to realize China’s industrial ambition

| Key NPC 2025 policymaking on “new-quality productive forces” across 6 pillars |  | CMG assessment   |
|---|--|--|
| Industrial upgrading  | <div><div>(1) Upgrade traditional industries with innovation output</div><div><ul style="list-style-type: none"><li>• Apply new tech solutions or deploy new equipment in traditional industries, to increase productivity or energy efficiency, esp. accelerate digitalization of manufacturing</li></ul></div><div>(2) Promote development of emerging industries</div><div><ul style="list-style-type: none"><li>• Focus on large-scale application and rolling-out (推广) of new products/techs; safety and healthy development are emphasized specifically for commercial aerospace and low-altitude economy</li></ul></div><div>(3) Explore early investment to future industries</div><div><ul style="list-style-type: none"><li>• Build up an “investment-growth mechanism (未来产业投入增长机制)”</li><li>• Explicitly listed industries to explore: 6G, biomanufacturing, embodied intelligence, quantum</li></ul></div></div>   | <div><ul style="list-style-type: none"><li>• China’s core approach to foster innovation (or NQPF) focuses on <b>enhancing an innovation ecosystem through seamless value creation among three actors</b>: talent suppliers (universities), tech inventors (universities/research institutes) and tech applicants (industrial players)</li><li>• ... a critical mechanism in this process is the <b>“transfer of research outcome”</b>, which helps bridge the gap between tech inventors and tech applicants, ensuring innovations’ move from the labs to real-case applications; In recent years, China has launched <b>pilot programs</b> to refine this process and is expected to <b>roll out successful models</b> (e.g. SJTU’s case) nationwide since 2025 (or 15<sup>th</sup> FYP)</li><li>• <b>Enterprises</b> are <b>increasingly encouraged</b> by policy makers to <b>lead the integrated value creation</b>, which is expected to make China’s innovation exercise more problem-solving-oriented, aligning tech advancement with real market needs</li><li>• <b>New investments in sectors with overcapacity issue</b> (particularly in emerging industries e.g. solar, batteries, NEVs) are likely to be <b>restricted</b>, and policymakers may introduce <b>quota-based production management</b> on OEMs to prevent excessive expansion and stabilize the market</li></ul></div> |
| S&T innovation  | <div><div>(4) Build up high-quality education system</div><div><ul style="list-style-type: none"><li>• Reform the education system to serve NQPF development, notably to improve disciplinary setting in universities and promote industrial practices in vocational schools</li></ul></div><div>(5) Pursue “high-level technological self-reliance (高水平科技自立自强)”</div><div><ul style="list-style-type: none"><li>• Continue to enhance public research capabilities e.g. national labs</li><li>• Enterprises to play bigger roles in leading the industry-university-research (产学研) integration, to engage with S&amp;T innovation policy making (promised with “institutional guarantee (制度保障)”), and to contribute to national S&amp;T projects</li><li>• Proceed the reforms for promoting transfer of research outcomes (成果转化) e.g. allowing public researchers to transact their IP to market entities</li><li>• Create a pro-exploration and failure-tolerant sentiment for innovators</li></ul></div></div> |  |
| Overcapacity issue  | <div><div>(6) Manage industrial overcapacity</div><div><ul style="list-style-type: none"><li>• (Specifically in emerging industries), optimize the planning on new industrial capacity building, and strengthen the monitoring on capacity utilization of existing industrial facilities, in order to promote “orderly development (有序发展) and positive competition (良性竞争)” of the market</li></ul></div></div>   |  |

Source: CMG analysis based on Premier’s government work report



Market players (enterprises) expected to play greater roles in China’s innovation ecosystem, incl. engaging with national S&T projects

# Deep-dive 3: better treatment is promised to “non-state economy”, “involution” seen as a market issue

## Key NPC 2025 policymaking on “non-state economy” and “business environment” across 7 pillars

|                              |   |
|------------------------------|---|
| Private business support     | <div>(1) Enhance legal protection of POEs<ul style="list-style-type: none"><li>Firmly protect the legal rights of POEs and entrepreneurs</li></ul>(2) Solve POEs’ practical problems<ul style="list-style-type: none"><li>Clear the unpaid by (local) governments to POEs</li><li>Enhance the dialogue between governments and POEs, and help address the practical challenges</li><li>Regulate the administrative interference to POEs, esp. cease the no-reason punishment, charging, investigation or shut-down order</li></ul></div>  |
| FDI promotion                | <div>(3) Open up more sectors to foreign business<ul style="list-style-type: none"><li>Expand pilots of opening up service sector (with Beijing as a flagship demonstration zone), esp. telecommunication, medical service, education</li><li>Gradually relax market access to internet and cultural areas</li></ul>(4) Foster FIEs’ integration into local ecosystem<ul style="list-style-type: none"><li>Encourage FIEs in China to reinvest in China with retained earnings, esp. for integrating into local supply-chain / value-chain</li></ul>(5) Equal treatment<ul style="list-style-type: none"><li>Firmly ensure equal treatment to FIEs in terms of access to factors of production (most prominently seen in financing), qualification &amp; licensing, standard-setting and engagement with public procurement (e.g. define “made-in-China” products )</li></ul></div> |
| General business environment | <div>(6) Unified market building<ul style="list-style-type: none"><li>Eliminate local protectionism and market segregation, and remove barriers for businesses to enter or exit the market e.g. with new market access “negative list”</li><li>Create a unified transportation market and reduce overall logistics cost</li></ul>(7) Market governance<ul style="list-style-type: none"><li>Comprehensively govern/regulate the “involution” type of competition</li><li>Create a compliance guideline on fair competition (or anti-monopoly) in key areas</li><li>Continue improving the social credit system, esp. create channel to repair the damaged credit</li></ul></div>  |

## CMG assessment

- The NPC largely aligns with the Third Plenum’s policy trajectory of **ensuring more equal treatment to all ownership forms** and **improving overall business environment**, but NPC seeming featured with **higher focus on practical problem-solving**
- ...such practical mindset was also evident in President Xi’s Feb symposium with entrepreneurs, where he discussed a lot of practical issues and called for “resolute implementation (坚决执行)” of POE support policies made by the central gov
- ... the signals may suggest that the push for equal treatment and private business environment improvement is **moving from policy rhetoric to concrete on-the-ground actions**
- Curbing “involution” by cracking down excessive competitions is now **seen by Beijing as part of its broader market governance efforts**, alongside anti-monopoly measures; however, the **root causes of involution are structural**, including e.g. slowed-down growth in total factor productivity (TFP), output-driven KPIs of local officials, imbalanced regional development, etc.; **addressing such issues goes beyond market governance and requires long-term structural reforms** to create a more sustainable and innovation-driven economic growth

# Noteworthy policy articulations: Li Qiang introduced new policy concepts and Xi visited NPC Jiangsu delegates

## New policy concepts in Gov Work Report



*Premier Li Qiang presenting the Government Work Report (GWR) to the NPC (Mar 5)*

- **“New-type offshore trade (新型离岸贸易)”**: a trade form without going China custom, some de-tariffing
- **“Zero-based budget reform (零基预算)”**: a budget planning without constraint from budget history
- **“Investing in people (投资于人)”**: skewed resource allocation to serve people’s livelihood
- **“Skill-oriented income distribution (技能导向薪酬分配)”**: increase income of hard workers, skilled workers and innovative talents
- **“Anti-involution (反内卷)”**: reduce excessive competition among market entities and local govts
- **“Gradual risk-mitigation amid development (在发展中逐步化解风险)”**: tone-setting that development as the primary policy goal compared to “de-risking”

## Xi’s speech at Two Sessions



*President Xi Jinping visited Jiangsu delegates, CPPCC Education Panel, and PLA & PAP delegates (Mar 5-7)*

- **Economic powerhouse regions** are expected to shoulder **more responsibilities** in helping and leading the execution of China’s development strategies and implementation of reform plans
- The education system should serve China’s strategic need of cultivating high-tech talents and pursuing tech advancement, and the education system reform focus lie in **industry-university-research integration** and application-oriented **transfer of research outcome**
- China sticks to the principle of **building its military capabilities in a cost-effective way**, and stronger oversight is needed in military’s operation to **fight against the corruptions**

## Economic leaders’ messaging



*Economic leadership (Heads of NDRC, PBOC, MOF, MOFCOM, CSRC) at press conference (Mar 6)*

- A **consumption-boost action plan** to be released soon
- New **government-guided venture fund** to be launched
- Selective **public projects in infrastructure areas** (incl. railway, nuclear power, water conservancy, key S&T facilities) will be **open to private investment**
- Besides record-high fiscal deficit target, fiscal spending expansion and bond issuance, China will **increase transfer payment** for enhancing local fiscal capabilities
- While goods consumption is suppressed by weak demand, the **service consumption is dragged by lack of high-quality supply**
- **Trade of service** is **next driver** of China’s trade growth
- China will accelerate the improvement of **public service provision for rural immigrants** in cities

# Agenda

1

## Baseline: China's economy into 2025

- Recap: China's evolved development strategy since the 14th Five-Year-Plan
- Reform priorities as per "Third Plenum" in July 2024
- Post-Covid economic recovery and macro-economic management

2

## Key substance of the 'Two Sessions' 2025

- Recap: polity and process
- Agenda, key scenic moments and core policy implementation priorities today
- **Macro-economic measures, fiscal budget and lawmaking**

3

## Key take-aways for foreign business

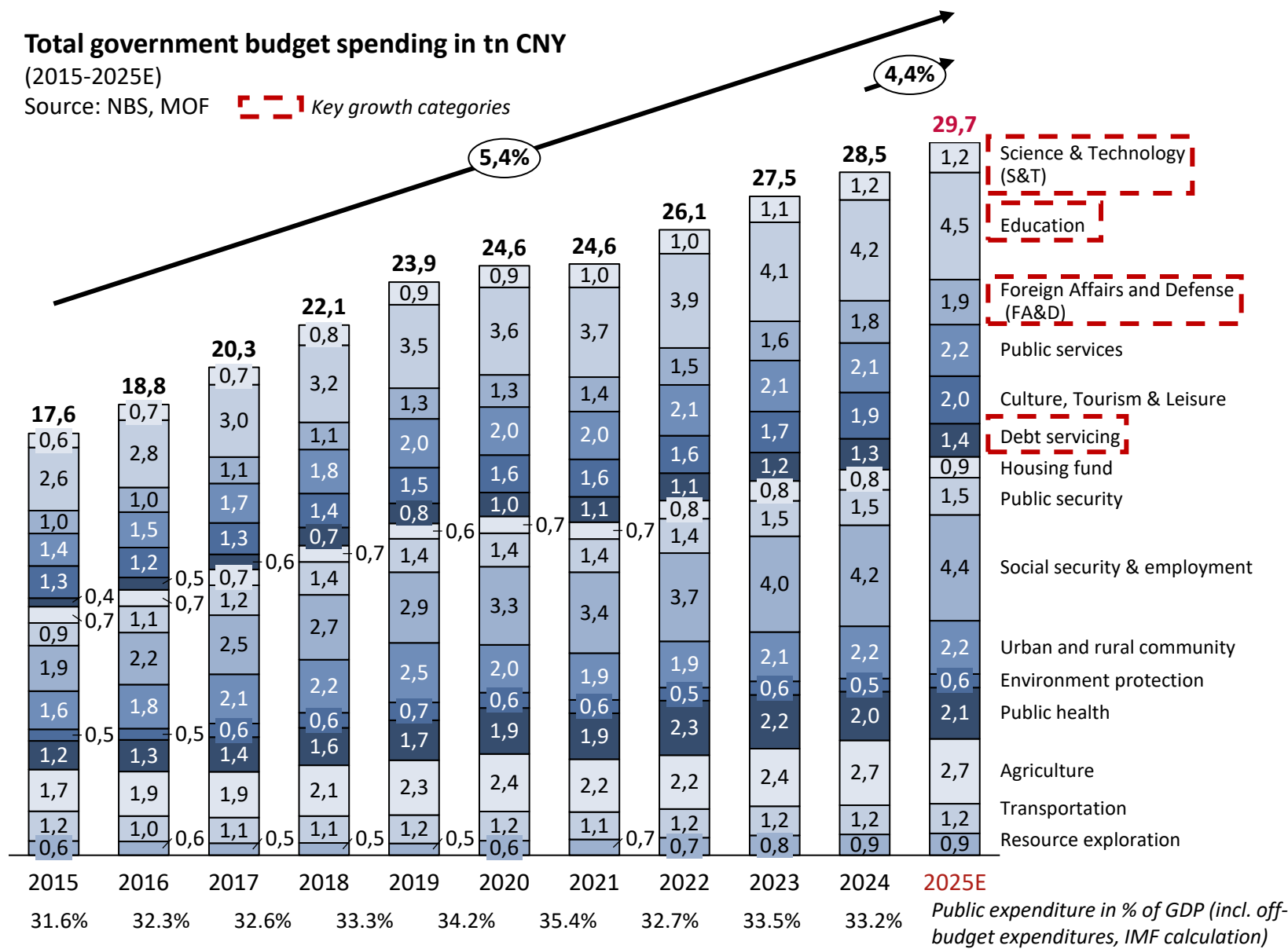
*CMG's services and resources*

# Macroeconomic policy: in line with CEWC 2024, signaling strong monetary easing and fiscal expansion

| Lenses                     | NPC policy targets and key measures   | CMG assessment   |
|----------------------------|---|--|
| Growth and economic target | <ul style="list-style-type: none"> <li>GDP growth target: around 5%, same to 2024</li> <li>Unemployment rate in urban area: around 5.5%, same to 2024</li> <li>Consumer Price Index (CPI): to grow around 2%, compared to 3% in 2024</li> <li>Household income: growth kept in line with GDP growth, same to 2024</li> </ul>  | <ul style="list-style-type: none"> <li>Beijing “admits” the difficulty in getting 5% growth, esp. given the deteriorating tariff environment, so economic policy will focus on <b>domestic demand expansion to compensate for possible export loss</b></li> <li>A more <b>realistic CPI target setting</b> shows Beijing’s being aware of China’s deflationary pressure, given 2024 CPI growing only 0.2%</li> </ul> |
| Monetary easing            | <ul style="list-style-type: none"> <li>Further cut (as a continuation since H2 2024) of policy interest rate and Reserve Requirement Ratio at proper timing</li> <li>Take good use of innovative monetary tools (e.g. stock market swap tool) in supporting property, stock market, high-tech, consumption, etc.</li> <li>RMB exchange rate to be maintained at a generally stable level</li> </ul> | <ul style="list-style-type: none"> <li><b>Low-interest environment</b> likely to sustain throughout the year to counter the heightened deflationary pressure, enabling <b>easier financing</b> for business and capital market</li> <li><b>RMB</b> exchange rate potentially under <b>appreciation pressure</b> due to Trump’s endeavor to weaken USD, but Beijing’s goal is to stabilize</li> </ul>                 |
| Fiscal expansion           | <ul style="list-style-type: none"> <li>Historically highest deficit target by Chinese government—4% of GDP</li> <li>29.7T-RMB fiscal spending planned, expanding 1.2T compared to 2024</li> <li>Planned to issue total 1.8T RMB special treasury bond</li> <li>Planned to issue 4.4T RMB SPBs for local governments to purchase land/properties and clear unpaid to enterprises</li> </ul>          | <ul style="list-style-type: none"> <li>Confirmed <b>c.a. 2.9T RMB fiscal expansion</b> compared to 2024, the expanded spending to be allocated primarily to key areas listed in GWR incl. consumption, people’s livelihood, urban renewal, etc.</li> <li>Likely to see <b>faster materialization of fiscal expansion</b> than previously, effectiveness of “stimulus” likely to be evaluated in Q2</li> </ul>        |
| Demand boosting            | <ul style="list-style-type: none"> <li>Continued “trade-in” program for consumer goods, with 300B RMB Ultra-long special treasure bond issued as subsidy</li> <li>Optimized public holiday planning (2 extra days are added in 2025)</li> <li>Continued industrial equipment upgrading program; 735M RMB central government investment scheme, increased 35M compared to 2024</li> </ul>            | <ul style="list-style-type: none"> <li>The NPC 2025 has made a clear <b>consumption-centered policy focus</b>, China needs to rely on <b>extraordinary growth in consumption</b> to reach the 5% GDP growth</li> <li>Besides the ongoing “trade-in” program, more measure likely to be introduced on service consumption e.g. entertainment, tourism</li> </ul>  |
| Real estate restoration    | <ul style="list-style-type: none"> <li>To adjust property transaction restrictions on a city-specific basis</li> <li>“Add more efforts” to proceed urban renewal programs</li> <li>More support given and autonomy granted for local government in purchasing inventory properties for affordable housing</li> </ul>  | <ul style="list-style-type: none"> <li>Purchase restrictions could be further relaxed in tier-1 cities (Beijing, Shanghai, Shenzhen as the last few cities with restrictions)</li> <li>Priority set to <b>avoid any sharp declines in asset price</b>, and ideally to reverse the negative growth of property sales into positive</li> </ul>   |



Fiscal budget: 1.2T more spending (4.4% increase) in 2025—S&T, debt, FA&D, education as key growth areas





Insights into 2025 budget

- General observations:
- Higher budget increase of 4.4% expected (vs. 3.7% in 2024) and thus in close vicinity of real GDP growth target of ~5.0%
  - Budget deficit of 4% expected by Government and thus significant increase compared to previous years' "deficit red line" values of 3%
  - Moreover, China will issue total 1.8T CNY of special treasury bonds, plus 4.4T CNY of local gov. special-purpose bonds (SPB); thus total fiscal stimulus might reach ~9-10% of GDP
- Key budget growth categories:
- S&T, FA&D, debt and education expected to have largest budget increase in 2025 YoY
  - S&T with largest increase at now 8.3% to further strengthen "new-quality productive forces"
  - Despite increase of 7.7%, debt servicing grew under-proportional compared to 2024 (8.9%)
  - FA&P budget to grow by 7.2% and signals continuous prioritization of military spending
  - Education with largest annual growth rate increase in 2025 (6.1% vs 2.0%) which also quantifies heightened government focus on national education system
  - In contrast, past year's key growth categories Culture, tourism & leisure as well as Agriculture (both 12.8% in 2024) with limited growth in 2025 (2.4% & 0.2%)

# 1 basic law amended during NPC 2025, laws with focus on financial topics enacted in 2024 by NPC SC key for FIEs

| Government & Legal Process   |   |  |  |  | Public Health   |
|--|---|--|--|--|---|
| <b>Law on the Representation of National People's Congresses (Amendment)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 11.03.2025 (NPC)</li><li>• <u>Key change</u>: New formulations to underline the <b>adherence to the party's overall leadership</b></li></ul>         | <b>Emergency Response Law (Revision)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 28.06.2024 (NPC SC)</li><li>• <u>Key change</u>: Streamlining of <b>emergency reporting process</b> and general data privacy &amp; protection of citizens</li></ul> | <b>Statistics Law (Amendment)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 13.09.2024 (NPC SC)</li><li>• <u>Key change</u>: <b>Explicit prohibition</b> for government bodies &amp; officials <b>to report false or instruct to alter data</b></li></ul> | <b>Law on Oversight by SC of People's Congresses (Rev.)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 08.11.2024 (NPC SC)</li><li>• <u>Key change</u>: Granting additional <b>oversight tools and follow-up measures</b> to People's Congresses</li></ul>               | <b>Supervision Law (Amendment)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 25.12.2024 (NPC SC)</li><li>• <u>Key change</u>: Expansion of <b>powers of the supervision commissions</b> ("liuzhi" or Retention in Custody (RIC))</li></ul>                              | <b>Border Health &amp; Quarantine Law (Revision)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 28.06.2024 (NPC SC)</li><li>• <u>Key change</u>: New chapter regarding <b>"emergency management"</b> which grants SC a series of crisis-response measures</li></ul> |
| Education  |   |  | Energy   | Agriculture  | Science   |
| <b>Degree Law (New)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 26.04.2024 (NPC SC)</li><li>• <u>Summary</u>: Framework law to <b>standardize the academic system</b>, the conferral of degrees and the rights of degree applicants &amp; owners</li></ul>                | <b>National Defense Education Law (Revision)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 13.09.2024 (NPC SC)</li><li>• <u>Key change</u>: New definition of national defense education and its <b>core part "patriotic education"</b></li></ul>      | <b>Pre-school Education Law (New)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 08.11.2024 (NPC SC)</li><li>• <u>Summary</u>: Implementation of <b>nation-wide pre-school education system</b> (with focus on adhesion to CCP)</li></ul>                  | <b>Energy Law (New)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 08.11.2024 (NPC SC)</li><li>• <u>Summary</u>: <b>Promotion of high-quality energy</b> and guarantee of national energy security (focus on green transformation)</li></ul>                             | <b>Rural Collective Economic Organizations Law (New)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 28.06.2024 (NPC SC)</li><li>• <u>Summary</u>: Standardization of <b>operations &amp; management</b> of applicable organizations &amp; members</li></ul>              | <b>S&amp;T Popularization Law (Revision)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 25.12.2024 (NPC SC)</li><li>• <u>Key change</u>: Designation of <b>September as annual national science popularization month</b> to boost public participation</li></ul>    |
| Tariffs & Taxation   |   | Finance  |  | Environment  |   |
| <b>Tariff Law (New)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 26.04.2024 (NPC SC)</li><li>• <u>Summary</u>: <b>Establishment of tariff commission</b>; regulation of collection and payment of tariffs; definition of tariff items &amp; applicable tax rates</li></ul> | <b>Value-Added Tax Law (New)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 25.12.2024 (NPC SC)</li><li>• <u>Summary</u>: <b>Definition of taxable transactions &amp; VAT tax rates</b> and standardization of VAT collection</li></ul>                 | <b>Accounting Law (Amendment)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 28.06.2024 (NPC SC)</li><li>• <u>Key change</u>: Addition &amp; push for <b>digitalized accounting documents &amp; tools</b> (e.g. e-fapiao as well as invoices)</li></ul>    | <b>Anti-Money Laundering (AML) Law (Revision)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 08.11.2024 (NPC SC)</li><li>• <u>Key change</u>: <b>Expansion of AML scope</b> to include new schemes; <b>increase AML obligations</b> for financial institutions</li></ul> | <b>Cultural Relics Protection Law (Revision)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 08.11.2024 (NPC SC)</li><li>• <u>Key change</u>: Request to stronger <b>protect, inspect &amp; acknowledge cultural relics</b> (incl. higher fines for misconduct)</li></ul> | <b>Mineral Resources Law (Revision)</b> <ul style="list-style-type: none"><li>• <u>Pass</u>: 08.11.2024 (NPC SC)</li><li>• <u>Key change</u>: Push to <b>extend reserves of strategic minerals</b> and to boost production capacity</li></ul>                                 |

 Laws adopted by NPC (others by NPC-SC)  Laws important for foreign business



# Agenda

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- Recap: polity and process
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## Key take-aways for foreign business





*CMG's services and resources*



# Key take-aways for foreign business

- Last NPC during **14<sup>th</sup> Five-Year-Plan period** (2021-2025) and the first NPC after the latest reform package was endorsed by the “Third Plenum”
  - In general, NPC largely follows the policy trajectory of the “Third Plenum” and the CEWC 2024, no surprising policy signals detected
- **Policy priority change:** domestic demand expansion is brought back to the top priority, first time after the end of Covid
  - The priority change is largely driven by (1) China’s domestic economy being dragged by weak domestic demand and accompanied deflationary pressure since 2024, and (2) anticipated external demand shock due to geoeconomic disruptions like deteriorating tariff environment
  - Top policy priority setting by NPC swinging between demand-side vs supply-side (NQPF, industrial upgrading) since post Covid; while Beijing wants to prioritize restoring the demand side this year, its industrial ambition is unlikely to be sacrificed, the situation adds challenges to Beijing in balancing policy resource investment to demand vs supply side
- **Demand side:** policy efforts are centered on consumption boost, and notably a good sign that besides continuing short-term interventions (e.g. fiscal subsidies on “trade-in” programs for cons), China touches more structural approach to address the root issues that suppress household consumption e.g. imbalanced income distribution, social insecurity, less favorable consumption environment, etc.
- **Supply side:** in line with NPC 2024 and Third Plenum, notably seeming a stronger push to enhance the innovation ecosystem through integrated value creation among industry-university-research, and enterprises are increasingly encouraged by policy makers to lead such integrated value creation
- **POE and FIE treatment:** largely aligns with the Third Plenum’s policy trajectory of ensuring more equal treatment to all ownership forms and improving overall business environment
- **Anti-“involution”:** seen by Beijing as part of market governance efforts; however, the root causes of involution are deeply structural, including e.g. slow TFP growth, output-driven government KPIs, etc.; addressing such issues goes beyond market regulation and requires long-term structural efforts
- **Macroeconomy:** monetary easing and fiscal expansion in implementation, China needs to rely on extraordinary consumption growth to reach 5% growth target

# Anticipating China's annual calendar: monitoring key events/meetings until end 2025

|   | 2025 Q1  | 2025 Q2  | 2025 Q3   | 2025 Q4  |
|---|--|--|---|--|
|  <b>Top-level party events: CC</b>   | The 4th Plenary Session of the 20th Central Committee  |  |   |  |
|  <b>Top-level party meetings: PB / PBSC</b>  | Politburo Standing Committee Meetings (principally held every week)  |  |   |  |
|   | Politburo Meetings (principally held every month)  |  |   |  |
|   |  | 'Beidaihe' leadership Conclave                     |   |  |
|  <b>Top-level party commissions</b><br><i>(focus on economy/finance and reforms)</i> | Central Financial Commission (CFC)   | CFEAC (Apr)  | CFEAC (Sep)   | CEWC 2025 (Dec)                                  |
|   | Central Financial and Economic Affairs Commission (CFEAC)  |  |   |  |
|   | Meetings of Central Comprehensively Deepening Reforms Commission (CCDRC), held irregularly throughout the year                                   |  |   |  |
|  <b>Top-level gov. meetings</b>  | "Two Sessions": NPC+CPPCC (Mar)  | Ambassadorial conference (Jun)                     |   |  |
|   | Weekly executive meetings of the State Council (usually on Wednesday)  |  |   |  |
|   | Bi-monthly meetings of the NPC Standing Committee (usually late in even-numbered months)   |  |   |  |
| <b>Foreign affairs milestones</b>   | Germany elections (Feb)  | Shangri-la Dialogue 2025 (June)                    | UN GA (Sep)   | 47 <sup>th</sup> ASEAN summit Malaysia (Oct/Nov) |
|   | WEF 2025 (Jan)   | 46 <sup>th</sup> ASEAN summit Malaysia (April/May) |   | COP30 Conference Brazil (Nov)                    |
|   | Munich Security Conference (Feb)   | Russia celebrates WW II victory (May)              |   | G20 in South Africa (Nov)                        |
|   | China Development Forum  | G7 Summit in Canada (Jun)                          |   | Singapore general elections                      |
|   | Bo'ao Forum 2025 (Mar)   | NATO Summit in the Netherlands (Jun)               |   | APEC 2025 in South Korea                         |
|   | President Trump sworn in (Jan)   |  |   |  |
|   |  |  |   |  |
| <b>Key trade Fairs</b>  |  |  | China International Fair for Trade in Services 2025 | CIIE (Import Expo) 2025 SH (Nov)                 |
| <b>Economic data releases</b>   | Monthly: PMI, trade, CPI/PPI, ind. production, FAI, retail sales / Quarterly: GDP, current account, PBoC monetary policy committee (MPC) meeting |  |   |  |
| <b>Other key events</b>   |  |  |   |  |

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- Recap: polity and process
- Agenda, key scenic moments and core policy implementation priorities today
- Deep-dives: domestic demand system, "New-Quality Productive Forces", private and foreign business
- Macro-economic measures, fiscal budget and lawmaking

3

## Key take-aways for foreign business

***CMG's services and resources***

# 2025 webinar series: China's 15<sup>th</sup> FYP: building towards next milestone in 2035 under unabating geopolitical pressure



Confirmed

## 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

26 February 2025

9-945am CET | 4-445pm CST



Currently inquiring / TBC

## China-EU relations – ingredient or impediment to aid China's development until 2030

**CAI Run**, Ambassador of PRC Delegation to the European Union (EU)

September 2025

9-945am CEST | 3-345pm CST



Confirmed / exact date TBD

## 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

23 April 2025

9-945am CEST | 3-345pm CST



Confirmed / exact date TBD

## "Reality check" – interpreting the "15th FYP outline" as per the 20<sup>th</sup> CC 5th Plenum and anticipating shifts

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

November 2025

9-945am CET | 4-445pm CST



Confirmed / exact date TBD

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

**YU Yongding**, Academician of Chinese Academy of Social Sciences (CASS) and Member of Advisory Committees of NDRC and MFA

June 2025

9-945am CEST | 3-345pm CST



Confirmed / exact date TBD

## 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

December 2025

9-945am CET | 4-445pm CST



# 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



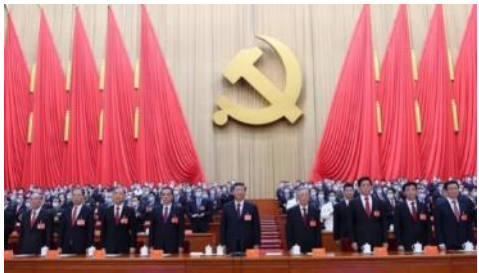
Xi's third ‘**Third Plenum**’ pivots to implementation, doubling down on China’s industrial ambition



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



Understanding process and key outcomes of China’s **20<sup>th</sup> Party Congress**



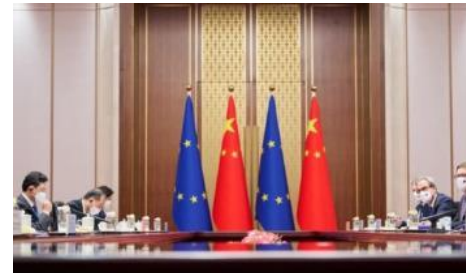
Understanding process and influencing factors of **Taiwan's 2024 presidential election**



**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 ECCS, taking place 9-12 November 2025 in Shenzhen – “travel with us to Shenzhen!”**



**9-12 November 2025**

# **2025 Europe-China Conference Shenzhen (ECCS)**

**China's evolving policy and business context for European  
strategic decision-making ahead of the 15th FYP (2026-2030)**

**Reservation**



# Reference: 2023 “Re-Engaging with China – Business Opportunities and Challenges” program

**22<sup>nd</sup> October / «Day 1»**  
Sunday

## 1) Shenzhen sightseeing

**GAO Yan 高岩**  
(Ass. Professor of Architecture,  
University of Hong Kong)



## 2) Welcome addresses

**Toni Schönenberger**, stars  
**Klaus Zenkel**, EUCCC  
**Markus Herrmann**, CMG

**Zhang Lin 张林**, Director Shenzhen  
S&T Innovation Committee



## 3) China's demographic challenges

**PENG Wensheng 彭文生**  
(Chief Economist, CICC)



## 4) Opening keynote speech

**XIAO Geng 肖耿**  
(Founding Director of Tsinghua  
Brookings program)



## 5) Post-Covid - Reconnecting with world?

**Philippe Praz**  
(Swiss Consul General in Guangzhou)



**Jan Rudolph**  
(German Consul General in  
Guangzhou)



**23<sup>rd</sup> October / «Day 2»**  
Monday

## 6) Economy – Recovery or Recession?

**WANG Dan 王丹**  
(Chief Economist, Hang Seng Bank)



**WANG Yong 王勇**  
(Ass. Prof. of Economy, PKU)



## 7) Venture capital / Shenzhen's ecosystem

**Chen Mo 陈默**  
(Director, Dept of Funds and PM,  
Shenzhen Angel FOF)



## 8) Engineering meets Entrepreneurship

**LIU Hongjie 刘洪杰**  
(Founder Reexen, AI processors and chips)



**Kathy GONG 龚晓思**  
(Co-founder Stealth Startup and WafaGames)



**ZHU Hong 朱虹**  
(Co-founder of Enabot)



## 9) Site visits I & II

Tencent  
Ping'an



## 10) Evening address

**Ivan Gonzalez**  
(Swiss Re CEO Reinsurance China  
and China Country President)



**24<sup>th</sup> October / «Day 3»**  
Tuesday

## 11) Daring to win – BASF's Mega-Investm.

**Jörg Wuttke**  
(ex President EUCCC, BASF China  
Rep)



## 12) Being strategic in China

**Matilda Ho**  
(Serial Entrepreneur and Investor)



## 13) Foreign business sentiment

**Francine Hadjisotiriou-Tersiguel**  
(GM - South China at EUCCC)



**Jayne Plunkett**  
(Group Chief Risk Officer at AIA)



**Joe ZHENG**  
(Head External Alliance, China  
Innovation Center at Roche)



## 14) Site visit III

Shenzhen Stock Exchange

## 15) Journalists@dinner

**FANG Kecheng**  
(Assistant Professor of Journalism and  
Communication, CUHK)



**ZHENG Wei**  
(Senior Correspondent, SCMP)



**25<sup>th</sup> October / «Day 4»**  
Wednesday

## 16) BRI After 10 Years

**Zhang Jianyu 张建宇**  
(Executive Director, BRI Green  
Development Institute, Beijing)



## 17) China's foreign policy

**HAO Yufan 郝雨凡**  
(Professor, Chinese University of  
Hong Kong, Shenzhen)



## 18) Navigating a more multipolar world

**HAO Yufan 郝雨凡**



**Harley Seyedin**  
(President AmCham South China)



**Marjut Hannonen**  
(Head of Trade Section of the EU  
Delegation to the PRC)



## 19) A conversation with Dr. Uli Sigg

**Uli Sigg**  
(Art Collector, Former Swiss  
Ambassador to China)



## 20) M+ alumni event

Visit of M+ museum in  
Hong Kong



# WEF Horizon Scan: Corporate strategy-making in China, six building blocks

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WORLD  
ECONOMIC  
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Horizon Scan: Markus Herrmann

Foreign businesses should be able to approach corporate strategy-making in the rapidly evolving, competitive Chinese market by factoring in domestic policy, geo-economic forces, and geopolitics. Some tried-and-tested strategies have emerged. They

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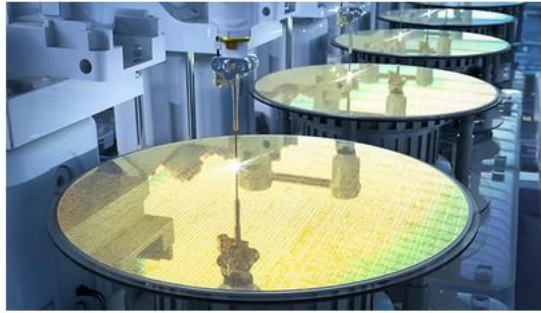
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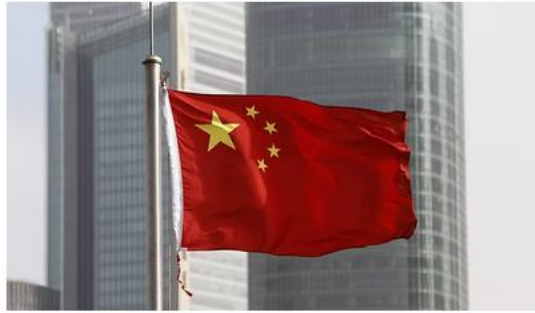
## CMG services: overview of four key service types, corresponding credentials available upon request

### Our Services →



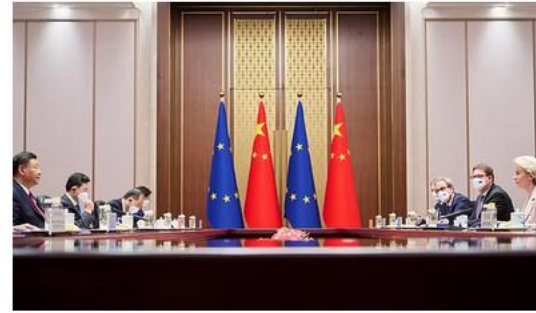
#### **Consulting**

Support your strategic decision-making, planning and actions →



#### **Briefing**

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