

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

CMG Primer

February 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

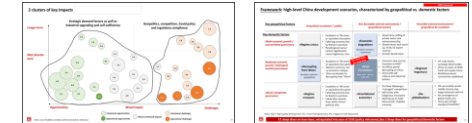
Professional services DNA

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

Our value proposition – 4 service areas

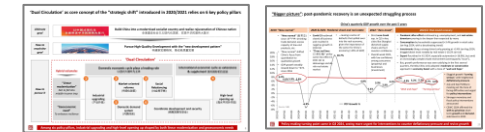
Consulting

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



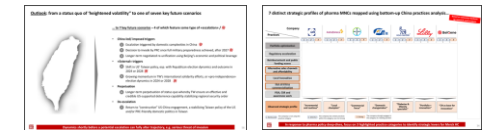
Briefing

- 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



Agenda

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Recap: China's evolved development strategy – 'Dual Circulation'

2

Understanding China's economy into 2025

- Reform policymaking priorities
- External factors: Dealing with Trump 2.0 strategically and China's ongoing diplomacy
- Short-term macroeconomic management and CEWC 2024

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European business' strategic decision-making on China today

Further CMG resources and services

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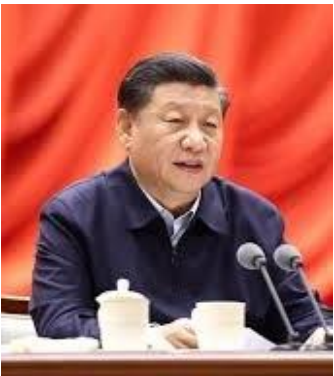
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Xi's speech in April 2020 a few weeks after the initial containment of Covid alters China's development strategy

Xi's reflection on China's development strategy in the past



*"The world is amid 100-year unseen changes. The pandemic is a crisis but meanwhile a crucial test...**we need to think outside the box with long-term vision and refine our strategy**, turn crises into opportunities and achieve high-quality development."*

--Xi's speech at the 7th meeting of the CCP Commission on Economy & Finance, April 10, 2020

Fast-growing economy relied on external supply and market

- Great economic achievements made by **integrating China into the "circulation of the world economy"** (国际大循环)
- China became a '**world factory**' that relied on raw material sources and end markets outside China

... but now external environment increasingly unfavorable

- Already ongoing **headwinds to economic globalization**, which could be intensified by the pandemic
- Global players becoming increasingly **"inward-looking"** (内顾倾向)

Geoeconomic concepts infused into China's development strategy

Key policy concepts emphasized	Rationale
"Super-sized domestic market" 最大最有潜力的消费市场	Asserting China's "jurisdiction" as strategic lens of its development
"Complete industrial system" 完备的产业体系	
"Trump-card technology" 杀手铜技术 (as deterrence to de-coupling)	"De-risking" / self-reliance
"Self-circulation" in extreme cases 自我循环	
"Secure and reliable industrial/supply chain" 自主可控、安全可靠的产业链供应链	

Jurisdictional rationale: China's industrial policy metric shifted from corporate to market supply lens by 2020

“Supply security” policy terms		Scope	Phase 1: 1992-2005 Catch-up rationale	Phase 2: 2005-2011 Emerging security rationale	Phase 3: 2011-2020 Strengthened security rationale	Phase 4: since 2020 Top-down security approach
Chinese corporate lens	Dependence on foreign tech (对外技术依存度)	Tech		2006	2015	
	Market share of domestic products (市场占有率)	Finished goods	1996		2018	
Market supply-lens	Self-sufficiency* (自给自足/自给率)	Food and energy	1994			Ongoing
	Supply capacity (供给能力)	Finished goods, industrial input	1996			Ongoing
	Market sufficiency (市场满足率)	Finished goods			2016	Ongoing
	Self-reliance (自立自强)	Critical industrial input			2018	Ongoing

*Note: self-sufficiency used for food and energy only, except in the SEI in 2010, in which self-sufficiency was used one time also for “critical new materials” as technology



Among supply security concepts, only self-reliance is a risk management / “de-risking” measure, tackling critical supply bottlenecks

China's 14th Five-Year-Plan is seen as of historic importance and “strategic shift”



LI Junru

Former Vice-President of the Central Party School, in an interview with China News Service's “China focus face to face” (中国焦点面对面) on 26th October 2020

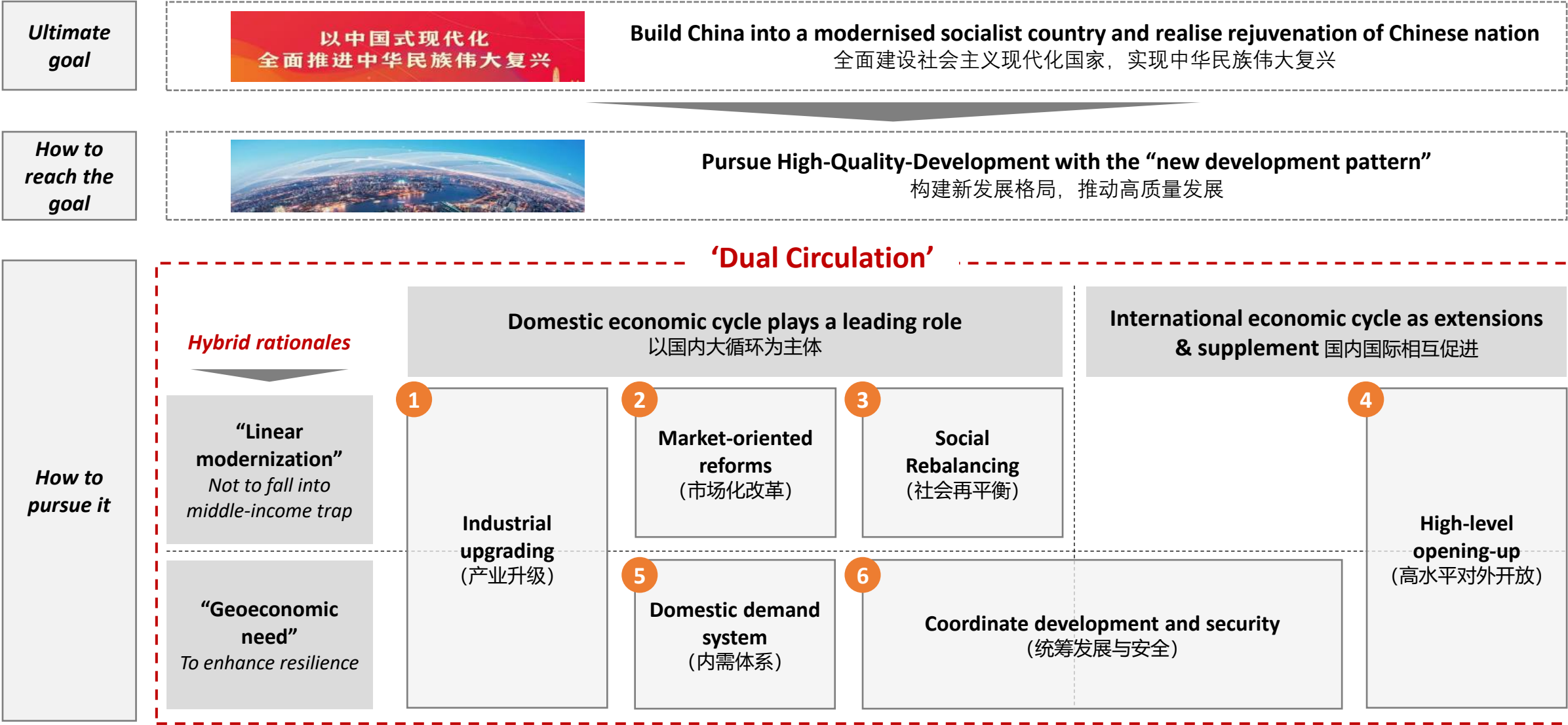
*«The core of the [14th Five-year] plan is to realize the **biggest strategic shift** since the Third Plenary Session of the 11th Central Committee [in 1978] and the establishment of a market economy system. [...]*

*Now China clearly wants to promote the transformation of the economy from high-speed growth to high-quality development in accordance with the **new development concept**.*

At the same time, the entire economic layout is a new development pattern with internal circulation as the main body and internal and external circulation reinforcing each other.. This pattern is formulated based on the major changes unseen in a century and the needs of the great rejuvenation of the Chinese nation.»

*«规划核心要义就是实现(十一届)三中全会以来、建立市场经济体制以来**最大的一个战略转移** [...] 现在中国明确要按照**新发展理念**推动经济从高速增长到高质量发展转变。与此同时，整个经济布局是要以内循环为主体、内外循环相互促进的新发展格局。»*

‘Dual Circulation’ as core concept of the “strategic shift” introduced in 2020/2021 relies on 6 key policy pillars



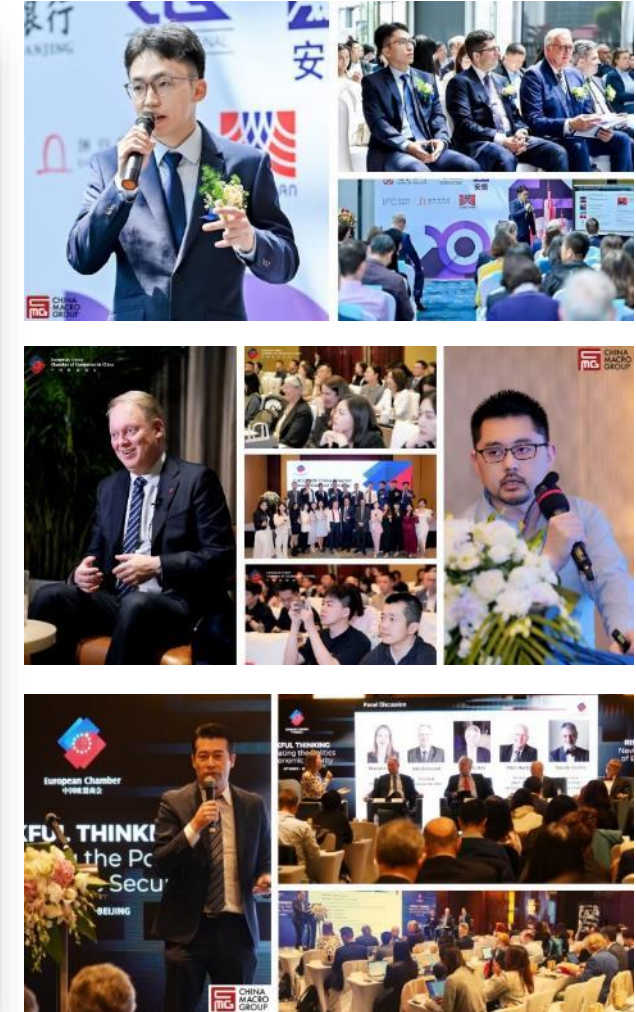
'Dual Circulation' policy pillar 6: China's risk management / "de-risking" toolbox consists of 6 key measure types

	1 Self-reliance (自立自强/自主可控)	2 Key/core tech breakthroughs (突破/攻关)	3 Securing external supply	4 'Trump cards' (杀手锏)	5 Sectoral governance (bio/cyber)	6 Retaliatory capacity
Managed "risk"	Import dependencies	China's tech bottlenecks	Import dependencies	Western tech decoupling (defensively)	Weaponisation or abuse of sensitive tech	Inability to retaliate and deter
Scope	Critical industrial inputs	Tech	Resources (energy, food, critical minerals)	Tech (mature vs. emerging strategic tech)	Tech	Foreign influence and pressure
Key measures	<ul style="list-style-type: none"> Supply chain ecosystem pilots 'Hidden champions' Storage capacity 	<ul style="list-style-type: none"> 'New system for mobilizing resources nationwide', e.g. special R&D projects or R&D value-chain coordination 	<ul style="list-style-type: none"> International supply chain cooperation, e.g. via the BRI SOE-led ODI for e.g. critical minerals Trade policy 	<ul style="list-style-type: none"> Mature: new energy, HSR, communication / electrical equipment Emerging: quantum, AI and gene tech 	<ul style="list-style-type: none"> Regulating data and esp. cross-border data transfer Restricting FIEs in some sensitive areas 	<ul style="list-style-type: none"> Export Control Law Anti-Foreign Sanctions Law Foreign Relations Law Anti-Espionage Law
Risk-management approach	Supply chain security via 'onshoring'	Accelerated indigenous catching-up	Import diversification and going out	Retain/create foreign dependencies on China	Market governance	Legal deterrence toolbox
Impacts on European / foreign business	Incentivized localization of FIEs' supply chain	Substitution of foreign tech by Chinese tech	Diversification need by Chinese customers	Potential dependency on select Chinese tech	Higher compliance cost in using sensitive tech	Higher exposure to geopolitical risks







Reference: EUCCC-CMG report “Riskful thinking – navigating the politics of economic security”



**Download
full report here**



“Strategic shift”: policymaking across 6 pillars of ‘Dual Circulation’ shows deviation from pre-14th FYP trajectory

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

*Note: SSSR = Supply-side structural reform

Xi's 'Dual Circulation' vision: China as “super gravitational field” attracting international goods and resources

Xi's geoeconomic vision



“The new development paradigm is by no means a closed domestic cycle but rather an **open system of dual circulation**. China’s position in the global economy will continue to rise, its connections with the world economy will grow even closer, and the market opportunities it offers to other countries will become increasingly expansive. As a result, China will emerge as a **super gravitational field (巨大引力场)** attracting international goods and factor resources.”

--Xi Jinping at an expert panel meeting, Aug 2020

... hints to target outcome of “strategic shift” in China’s development strategy

	Previous paradigm <i>Benefit from opening-up and exporting into global economy</i>	New paradigm <i>Benefit from domestic economy as core, and manage interdependence with world economy</i>
Key context factors	<ul style="list-style-type: none">Economic immaturity and favorable external environment:	<ul style="list-style-type: none">Economic maturity and unfavorable external environment
High-level development strategy	“World factory” <ul style="list-style-type: none">Utilize China’s labor endowment<ul style="list-style-type: none">Labor cost advantage to attract FDITFP growth additionally from urbanizationCatch-up indigenously via tech transfers / spill-overs (from FDI)	“Dual Circulation” <ul style="list-style-type: none">Reduce “dependence” on global economy for demand and achieve more resilience via “de-risking” esp. including self-reliance policy<ul style="list-style-type: none">Thus, a geoeconomic market logic supersedes indigenous catch-up logicTFP growth from technological leadership (NQPF’s emerging and future industries)
Key policy priorities	<ul style="list-style-type: none">Opening-upIndustrial policyBuild infrastructureInitial market reformsInitial “going out”Build market governance	<ul style="list-style-type: none">“Domestic demand system” incl. “national unified market”“De-risking” with “coordinate development and security”“NQPF”-centered industrial policyDeepened opening-up, market reforms and “going out”

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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 <i>Cf. deep-dive 1</i>	<ul style="list-style-type: none"> Improve equal treatment between state-owned and private economy, esp. regarding access to factors of production, market access and legal protection Defined more SOE responsibilities in innovation, industrial upgrading and national security 	<ul style="list-style-type: none"> Draft of Private Economy Promotion Law Draft “Made-in-China” definition
	Developing NQPF* (industrial policy + S&T innovation policy) <i>Cf. deep-dive 2</i>	<ul style="list-style-type: none"> Expanding innovative talent supply, e.g. via promoting international knowledge exchange Effective policy coordination – vertically between central and local governments Ensuring financing of innovation, e.g. via foreign VC/Pes 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) 	<ul style="list-style-type: none"> 2024 National Key R&D Program Special financing scheme for high-tech SMEs (“hidden champions”)
	Macro-economic governance	<ul style="list-style-type: none"> Systemic policy design and effective policy coordination – horizontally among ministries Improve financial capability and granting more financial autonomy for local governments 	<ul style="list-style-type: none"> Closer policy coordination between PBOC and MOF on counter-cyclical measures
	Opening-up <i>Cf. deep-dive 3</i>	<ul style="list-style-type: none"> Proactive alignment (主动对接) with global economic standards Unilateral opening-up to least developed economies “Systemic trade policy making (贸易强国制度支撑和政策支持体系)” 	<ul style="list-style-type: none"> Broadened pilot programs e.g. cross-border data transfer Broadened visa-free entry
Social and cultural reforms	Urban-rural development and social security	<ul style="list-style-type: none"> Further equal treatment to rural immigrants, esp. for access to public service based on long-term residency Measures to restore population growth, e.g. birth-giving subsidy and public childcare service 	<ul style="list-style-type: none"> Announcement of enhanced public service provision to rural immigrants
	Media governance	<ul style="list-style-type: none"> More effective governance on all-media channels and (esp. online) public opinion 	<ul style="list-style-type: none"> Restrictions on “immoral behaviors” by self-media
Security reforms	Coordinate development and security	<ul style="list-style-type: none"> Ensuring China’s security interest, mainly—supply-chain resilience, technological self-reliance, risk-responding mechanism for trade activities Special focus on holistically coordinating supply chain of strategic minerals 	<ul style="list-style-type: none"> 2025 export control list for “dual-use items” released

*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

Broad reform policymaking follow-through across all nine key socialist market economy pillars observed

Dimensions	Chapter 6 of 14 th FYP outlined 9 key reform dimensions...	... with policies further implemented since Third Plenum (Jul. 2024)
SOE reform	<ul style="list-style-type: none">Optimize state-owned capital allocation and focus on strategic industriesEnhance competitiveness, innovation, and resilience of SOEsTransform to a modern enterprise system with improved governance	<div><div></div><ul style="list-style-type: none">SASAC, NDRC (Jul. 2024): <i>Guiding Opinions on Standardizing the Procurement Management of Central SOEs</i>State Council (Jul. 2024): <i>3-year Action Plan on Gov. Procurement (2024-2026)</i></div>
Private economy	<ul style="list-style-type: none">Guide high-quality development of private enterprises, support R&D and encourage them to participate in major national projectsSupport entrepreneurship and promote entrepreneurial spirit	<div><div></div><ul style="list-style-type: none">First law on private economy – <i>Private Economy Promotion Law</i> is in drafting process currentlyMIIT et al. (Dec. 2024): <i>Action Plan for Digital Empowerm. of SMEs (2025-2027)</i></div>
Property right	<ul style="list-style-type: none">Improve laws and regulations to shape a “modern property right system”, incl. property rights on data, knowledge, and environmentEnsure fair and equal protection of all ownership types	<div><div></div><ul style="list-style-type: none">MOF (Dec. 2024): <i>Pilot Program for Whole-process Management of Data Asset</i></div>
Factor marketization	<ul style="list-style-type: none">Strengthen market-based land reformsImprove human capital market, e.g., remove labor mobility barriersDevelop data and technology capital market	<div><div></div><ul style="list-style-type: none">CCCCP, SC (Aug. 2024): <i>Opinions on Reform, Innovation, Dev. of Digital Trade</i>NDA et al. (Dec. 2024): <i>Opinions on Utilization of Enterprise Data Resources</i>CCCCP, SC (Oct. 2024): <i>Opinions on Industrial Worker Construction Reform</i></div>
Anti-monopoly	<ul style="list-style-type: none">Improve anti-monopoly policy framework to encourage fair competitionEnhance law enforcement to prevent disorderly expansion of capital	<div><div></div><ul style="list-style-type: none">SAMR (Nov. 2024): <i>Anti-monopoly Guideline for Essential Patent for Standards</i></div>
Social credit	<ul style="list-style-type: none">Strengthen social credit system with comprehensive policy framework, credit information management, and credit repair mechanism	<div><div></div><ul style="list-style-type: none">In (sub-) chapters of other policy documents, no stand-alone policy</div>
Tax reform	<ul style="list-style-type: none">Strengthen fiscal relations between central and local gov. to support strategic tasks and public services, gradually enhance local tax autonomy	<div><div></div><ul style="list-style-type: none">State Council (Dec. 2024): <i>Opinions on Optimizing and Improving the Management Mechanism for Local Government Special Bonds</i>MOF et al. (Nov. 2024): <i>Tax Policies on Steady and Healthy Dev. of Real Estate</i></div>
Financial SSSR*	<ul style="list-style-type: none">Guide financial sector to effectively support real economy, enhance financial supervision, promote financial innovation in orderly manner	<div><div></div><ul style="list-style-type: none">State Council (Jan. 2025): <i>Guiding Opinions on HQD of Gov. Investment Funds</i>MOF et al. (Nov. 2024): <i>Measures for the Administration of Strategic Investment by Foreign Investors in Chinese Listed Companies</i></div>
Business environment	<ul style="list-style-type: none">Build a market-oriented, rule-based, international business environmentStreamline administrative approvals and remove hidden entry barriers	<div><div></div><ul style="list-style-type: none">SAMR (Aug. 2024): <i>Key Measures to Optimize the Business Environment</i>MIIT (Jul. 2024): <i>Opinions on ICT Industry Mgmt. and Optimizing Bus. Environm.</i>GAC (Dec. 2024): <i>16 Measures to Optimize the Business Environment at Ports</i></div>

*SSSR: Supply Side Structural Reform

Third Plenum offers most credible policy commitment to treat different ownership forms more equally to date

Third Plenum reform priorities across three types of market entities

	State-owned enterprises	Privately-owned enterprises	Foreign-owned enterprises
Access to factors of production	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Easier financing for POEs, e.g. lower borrowing cost 	<ul style="list-style-type: none"> Ensure national treatment for FIEs regarding access to factors of production
Market access	<ul style="list-style-type: none"> Promote market-oriented reforms in competitive segments of sectors, e.g. in energy, railway, telecom and public utilities 	<ul style="list-style-type: none"> Remove market access barriers for POEs to e.g. infrastructure construction and other types of large public projects 	<ul style="list-style-type: none"> Shorten FDI negative list Remove FDI restrictions in manufacturing sector Gradually open market of finance, telco, healthcare...
Legal protection	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> <i>Private Economy Promotion Law</i> Supervision on fee over-charging and overdue/late payments to POEs (by SOEs) 	<ul style="list-style-type: none"> Build a market-oriented, rule-based, international business environment Ensure legal rights and interests of FIEs in China
Governance	<ul style="list-style-type: none"> More effective evaluation of SOE performance incl. how SOEs contribute to national strategic goals 	<ul style="list-style-type: none"> POE credit evaluation Guide POEs to improve self-governance, enhance compliance and risk control 	<ul style="list-style-type: none"> n/a
Function	<ul style="list-style-type: none"> Direct state-owned reao sectors of public interest, e.g. security and public service, plus to strategic emerging industries 	<ul style="list-style-type: none"> Allow POEs to lead major national S&T projects Open public research resources and facilities to POEs 	<ul style="list-style-type: none"> Support FIE in cooperation along the supply chain

Red = new measure

CMG assessment

- The 2024 reform plan **removed** the long-lasting “**main body position**” (主体地位) **of the public economy**, a political signal that China wants to **further raise the position of the private sector** and increase reliance of GDP growth on private economy
- Equal treatment to all types of market entities** is stressed broadly, and more business environment improvement can be expected
- By making equal treatment, China wants to **take advantage of different market entities** and **promote synergies** among them
- SOEs, POEs and FIEs** shall all be included in a **unified framework to support China’s overarching national interests**, most importantly in areas of technological breakthroughs, industrial upgrading and supply-chain resilience

Implementation example: China's first-ever 'Made in China' (draft) definition, ensuring equal treatment of FIEs

MOF planning to issue requirements to "standardize" the qualification of "Made-in-China" product



Definition of "Made-in-China" (three requirements)

- ① **Products** manufactured inside China
- ② Percentage of **components** (measured by cost) manufactured inside China (varies by products)
- ③ For some products, **key components** manufactured and **key manufacturing process** completed inside China

Scope of the requirement

- **Only targeted at industrial products**
- Procurement of agricultural and mining products are not included

Support for Made-in-China "

- Qualified "Made-in-China" product receives **20% price preference** in public procurement, compared to non-qualified

Key principles for implementation

- **Equal treatment** to all market entities, forbidding discrimination on foreign players in definition of "Made-in-China"
- Standardized **self-declaration** required, but no other materials needed for qualification
- Exemption granted for products included in **trade agreement** with trade partners

Standards of Made-in-China Product in Government Procurement (Draft)

By Ministry of Finance
December 05, 2024

Impact on FIEs

Who will be impacted:

- **FIEs with Chinese governments (including social health insurance and public research institutions) as key clients**
- **FIEs with infrastructure SOEs (e.g., energy, water telecom) as key clients (such SOEs will be regulated under public procurement soon)**
- **First and second tier suppliers for the above FIEs**
- **Indirect impact on all FIEs as this regulation will be broadly recognized by many other SOEs and private Chinese companies**

How to react:

Immediately:

- **Lobby MoF for the draft, possible points include:**
 - Requiring all bidders to submit Made-in-China statement, not just FIEs
 - Add dispute resolution channels in case of non-compliance by local governments

In the next 3-5 years:

- **Lobby via industry associations for potential requirement (2) and (3) for your products/your clients' products**
- **Localize in China via greenfield, M&A or JV**

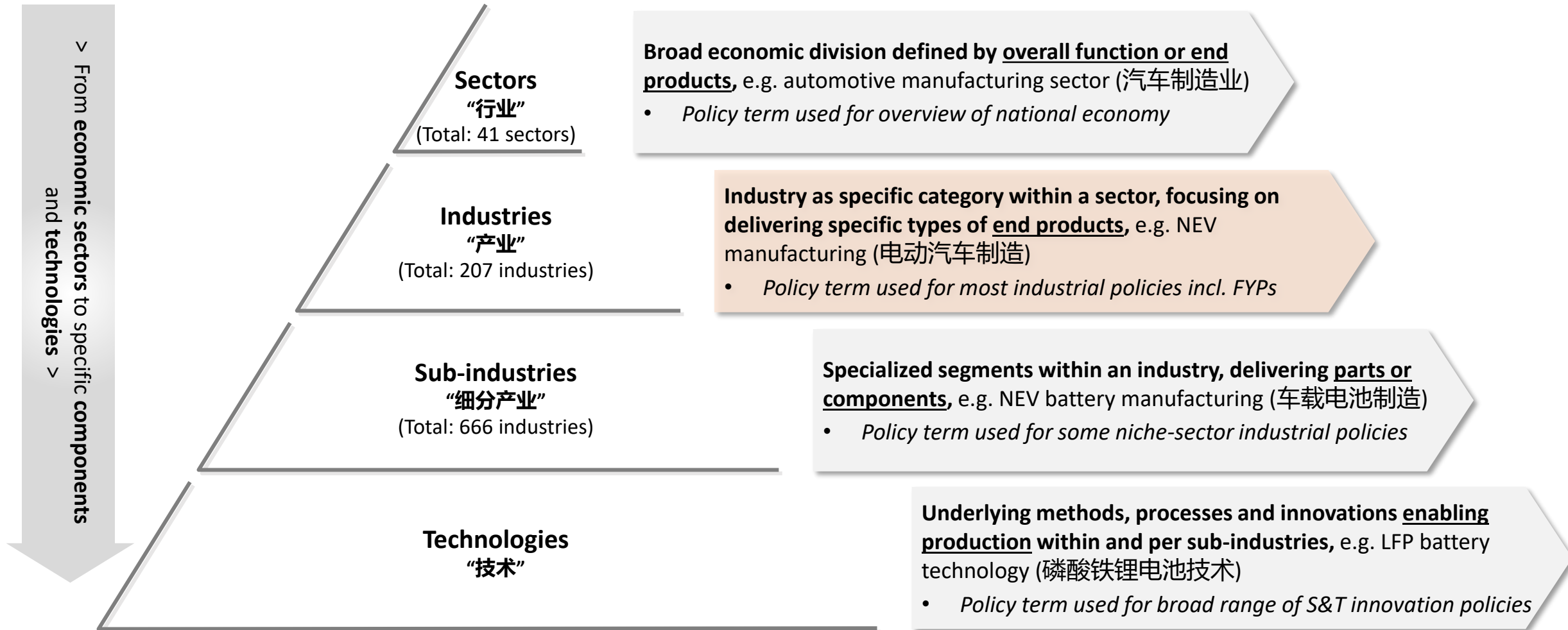
“NQPF” as new policy principle seeks to solidify “emerging industries” and take early lead on “future industries”

	“Emerging industries”* (mature, or to reaching maturity soon)								“Future industries”* (at early stage of exploration)								
	1	2	3	4	5	6	7	8	1	2	3	4	5	6	7	8	9
Policy lens	New-gen IT <ul style="list-style-type: none"> 5G telecom Semiconductor Internet of things 								Metaverse <ul style="list-style-type: none"> Industrial use Commercial use Entertainment 								
Market lens	New energy <ul style="list-style-type: none"> Renewable energy power generation Power grid 								Brain-computer interface <ul style="list-style-type: none"> Signal in-/output Signal encoding 								
	New materials <ul style="list-style-type: none"> Petrochemical Advanced steel Composite fiber 								Quantum tech <ul style="list-style-type: none"> Q-computing Q-communication Q-measurement 								
	High-end equipment <ul style="list-style-type: none"> Industrial robotics CNC machinery Additive manufact. 								Humanoid <ul style="list-style-type: none"> Perception system Structural components 								
	NEV <ul style="list-style-type: none"> Motor, controller Vehicle battery Vehicle software 								Generative AI <ul style="list-style-type: none"> Algorithms Multi- and cross-model dataset 								
	Green industry <ul style="list-style-type: none"> Green manufact. Energy saving Carbon mitigation 								Biomufacturing <ul style="list-style-type: none"> Biosensor Bioreactor 								
	Civil aviation <ul style="list-style-type: none"> Commercial-use aircraft Aero engine 								Next-gen display <ul style="list-style-type: none"> Display materials Display environments 								
	Marine engineering <ul style="list-style-type: none"> High-end ship making Offshore equip. 								Next-gen network <ul style="list-style-type: none"> Internet infrastructure Web 3.0 								
									Next-gen energy storage <ul style="list-style-type: none"> Hydrogen fuel cell Sodium-ion battery 								
Linear industrial policy rationale	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓
De-risking rationale	✓	✓	✓	✓	✓	✗	✓	✓	✗	✗	✓	✗	✗	✗	✗	✗	✗
US sanctions / export controls	✓	✓	✓	✓	✓	✗	✓	✓	✗	✓	✓	✓	✓	✓	✗	✗	✓
Market maturity	●	◐	◐	●	●	◐	●	●	○	◐	◐	◐	◐	◐	○	○	◐
Competitive SOEs	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✓	✗	✗	✓	✓	✗	✓
FIEs explicitly encouraged	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓

* Note: emerging vs future industries defined by *Standardization Pilot Program for New Industries (2023-2035)*, issued jointly by MIIT, MOST, Standardization Administration of China

Assessment methodology: linear industrial policy rationale = included in “National Key R&D Program”, de-risking rationale = included in “National S&T Major Projects (for breaking tech bottleneck)” in past 5 years; analysis on US sanctions/export control refers to Entity List, CCL and USML; analysis on FIE roles refers to NDRC’s *FDI Positive List (2024 draft)*

4-layer industrial classification – industrial policymaking focuses on “industries” (产业), and so are NQPFs



*Note: NQPF is China’s new policy principle for innovation and industrial policy, firstly raised in Sep 2023 during Xi’s trip to Heilongjiang

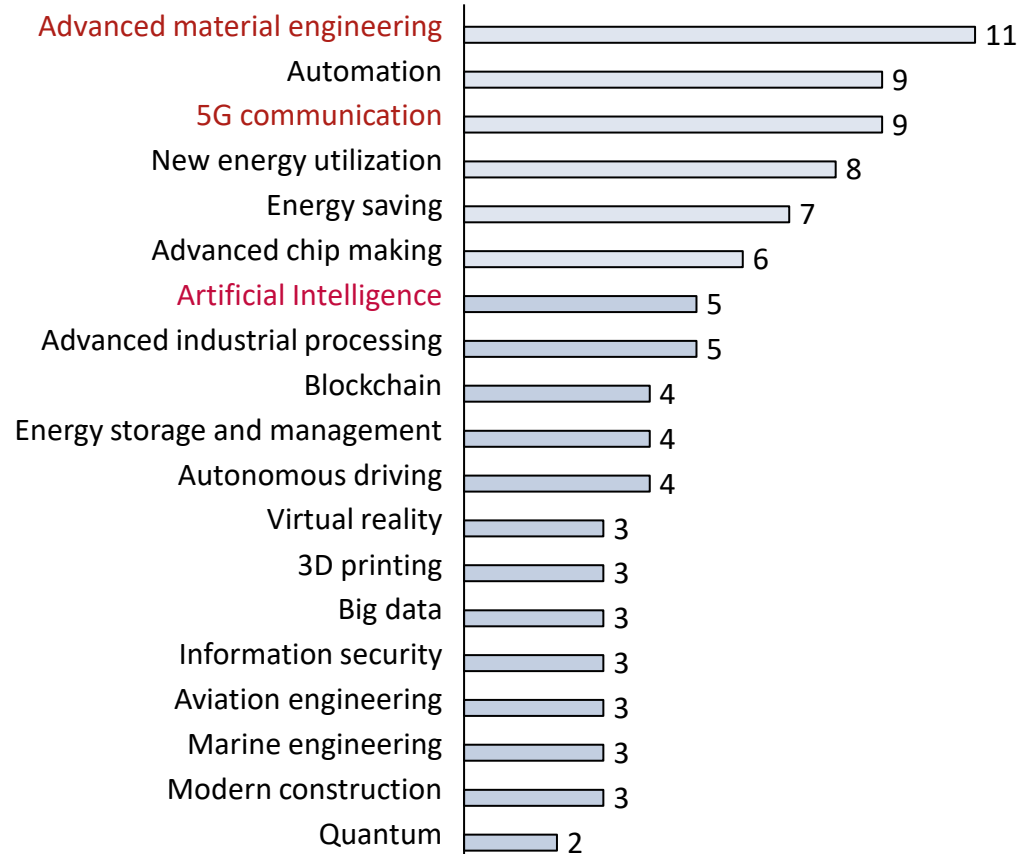
*Source: CMG synthesized from industrial policy documents incl. FYPs and *China’s Industrial Classification Standards GB/T 4754-2017*

The policy principle of “New-quality Productive Forces” (NQPF) is defined from an “industry” view in China’s policymaking

Advanced material engineering, 5G (6G) and AI most critical to succeed in NQPF industries

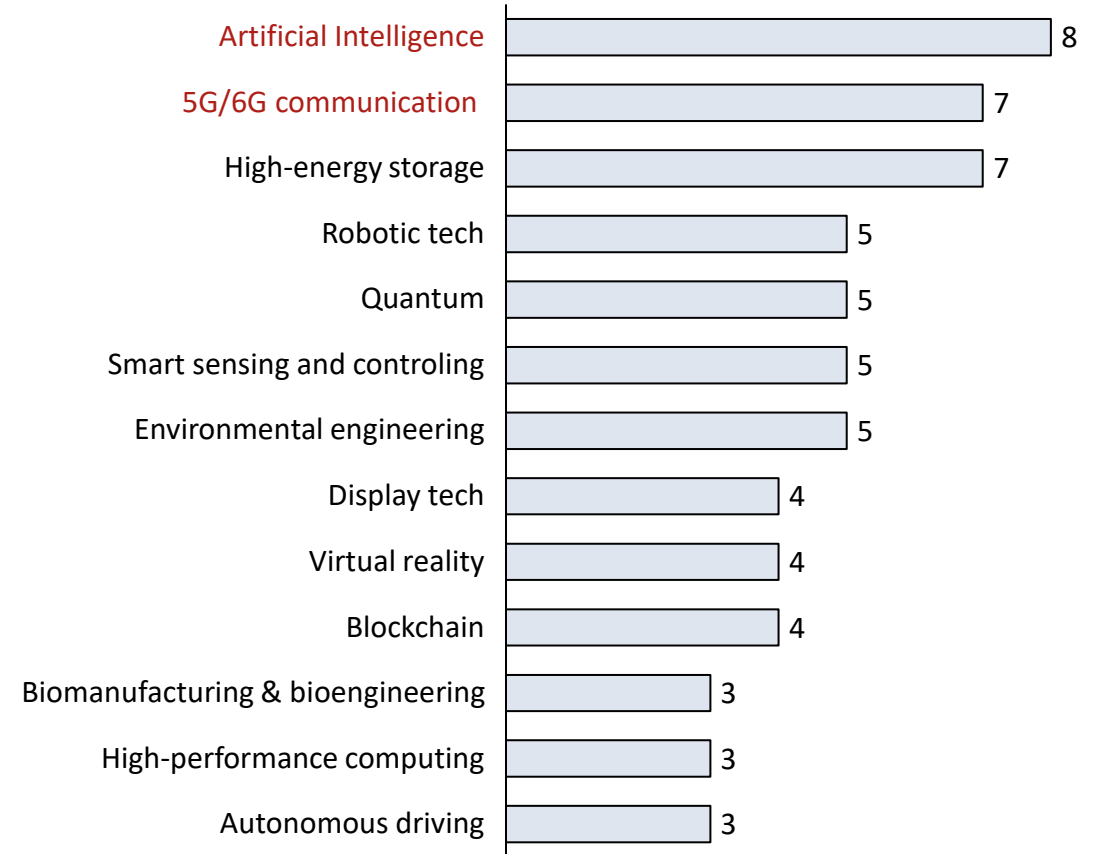
NQPF emerging industries

Frequency of technology type required to build 8 emerging industries across sub-industries



NQPF future industries

Frequency of technology type required to build 9 future industries across sub-industries



Note: technologies for emerging industries and future industries are extracted accordingly from MIIT's Standardization Pilot Program for New Industries (2023-2035), CMG qualitatively grouped the list of technologies

Case-study: Beijing boasts industry clusters for 16 out of 17 NQPF industries – future industries more scattered



Brain-computer interface as the only absent NQPF industry at too early stage lacking firms and tech breakthroughs for cluster formation

Better integrating China's industry-academic-research chain (产学研) tackled as a key lever to support "NQPF"

	Talent cultivation	Basic research	Need identification	Applied research	Product/tech R&D	Commercial application	Market feedback
		Core reform efforts					
Universities	<ul style="list-style-type: none"> Targeted scientific talent cultivation General knowledge 	<ul style="list-style-type: none"> Increase the share of S&T expenditure on basic research, especially subjects with "urgent national needs" 	<ul style="list-style-type: none"> Encourage research with "high risk and high value" Encourage diversification of research topics 	<ul style="list-style-type: none"> Give scientists greater flexibility and power to self-decide directions Improve research result transfer to industries 	<ul style="list-style-type: none"> Conduct joint researches, guided by practical needs of companies (企业主导的产学研深度融合) 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A
Research institutes	<ul style="list-style-type: none"> N/A 					<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A
SOEs	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Conduct "original Innovation" (原始创新) 	<ul style="list-style-type: none"> Emphasize research serving national strategic needs 	<ul style="list-style-type: none"> Focus on forward-looking, strategic, and emerging industries (前瞻性战略性新兴产业) 		<ul style="list-style-type: none"> Evaluate SOEs not only from market success but also their "strategic missions" (国有企业履行战略使命评价制度) 	
POEs	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Encourage capable POEs to lead national research projects Further open-up major scientific research infrastr. (国家重大科研基础设施) to POEs 		<ul style="list-style-type: none"> Both R&D for the market as well as encouraging capable POEs to develop cutting-edge technologies 		<ul style="list-style-type: none"> Mostly market-oriented commercialization and product feedback 	
FIEs	<ul style="list-style-type: none"> N/A (no specific mentioning in industry-academic-research cooperation, regarding early-phase innovation) 				<ul style="list-style-type: none"> Expand the catalog of industries that encourage foreign investment and reasonably reduce the negative list for foreign investment access Improve FIE market access with "national/local treatment" (国民待遇) 		
Finance	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Strengthen financial support for national projects and tech-SMEs Encourage more long-term investment in early-phase innovations, especially in "hard technologies" (硬科技) 			<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A
International cooperation	<ul style="list-style-type: none"> Encourage foreign high-level science and engineering universities to open campus in China Promote international S&T exchanges, and encourage international S&T organizations to establish offices in China 				<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A

Red = new measure

Deep-dive: 40 pilot universities have been trialing effective commercialization of research outcomes since 2020

Institutions granted autonomy to manage research outcomes

Mar 2019



Management Measures of State-Owned Assets of Public Institutions (事业单位国有资产管理暂行办法) by MOF

- Public universities / research institutions allowed to manage and deal with research outcomes (e.g. transactions) without licensing by MOF or other government organs

Feb 2020



Opinions on Improving Patent Quality and Research Outcome Transfer (提升高等学校专利质量促进成果转化) by MOE and MOST

- Transfer of research outcomes newly set as most important KPI for scientists and researchers, switched from previously dominant focus on publications and patent applications

Oct 2020



Granted Researchers' Ownership or Long-term Usage Right of Research Outcome (赋予科研人员职务科技成果所有权或长期使用权) by MOST

- A sample of 40 pilot institutions (incl. SJTU, ZJU) allowing researchers to own Intellectual Property Rights of research outcomes that they created at public institutions

Case-study: Shanghai Jiao Tong University (SJTU) as leading pilot



IPR ownership

Previous bottlenecks of outcome transfer

- Administrative barrier to transfer due to state ownership of research outcomes created in public institutions

Solutions of SJTU pilot program

- SJTU allows 100% IPR ownership by scientists/researchers of research outcomes created in public institutions

Commercialization

- Lacking commercial or industrial experience, scientists/researchers have high risk perception on commercializing the research outcomes

- SJTU bridges scientists/researchers with experienced industrial players (many are SJTU alumni) as business advisors

Tolerance of failure

- Lacking tolerance and insurance mechanism for commercialization failure

- SJTU allows payment deferring or exemption for reasonable failure in commercialization projects

Strong and broad follow-through on “High-level opening-up” reform efforts since “Third Plenum” in July 2024










(After introducing the key outcomes of the Third Plenum, and highlighting the significant measures), Xi emphasized:

“China’s development is open and inclusive. China will continue to expand opening-up, proactively align with high-standard international economic and trade rules, and build a world-class business env. that is market-oriented, law-based, and internationalized...”

China’s determination to advance high-level opening-up remains unwavering”

- Xi Jinping meeting heads of major international economic organizations attending “10+1” dialogue in Beijing, Dec. 10, 2024

Key dimensions	Measures since Third Plenum (July 2024)
 FDI promotion	<ul style="list-style-type: none"> Further shorten FDI “Negative List”, with complete removal of FDI restrictions in manufacturing (Nov 2024) Further expand FDI “Positive List” (Dec 2024)
 Opening-up pilots	<ul style="list-style-type: none"> Expand opening-up in telco sector with 4 new pilots (Nov 2024) Allow establishment of foreign-owned hospitals in 9 pilots including Hainan (Nov 2024)
 Expat / travel convenience	<ul style="list-style-type: none"> Expand visa-free policy to include more countries, extend visa-free stay, and add 21 new entry points (July and Nov 2024) Ease accommodation settlement for expats/visitors (Jul 2024)
 Cross-border data transfer	<ul style="list-style-type: none"> Beijing FTZ pilot issued negative list regulation (Aug 2024) Shenzhen established cross-border mechanism for transfer and recognition of credit data (Jan 2025)
 Unilateral opening-up to least developed countries	<ul style="list-style-type: none"> Zero-tariffs levied for 98% of goods for total of 27 least developed countries (August 2024), and 16 countries added in September (2024)
 Trade promotion	<ul style="list-style-type: none"> Ease financing and streamline cross-border settlement for export activities (July 2024) Negative-list-based regulation on trade of service (Aug 2024)
 Institutional opening-up	<ul style="list-style-type: none"> Commitment towards international economic organizations Expand pilots for institutional opening-up (Oct 2024)

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1

Recap: China's evolved development strategy – 'Dual Circulation'

2

Understanding China's economy into 2025







- Reform policymaking priorities
- **External factors: Dealing with Trump 2.0 strategically and China's ongoing diplomacy**
- Short-term macroeconomic management and CEWC 2024

3

European business' strategic decision-making on China today

Further CMG resources and services

Trump 2.0: China doubling down on reform & opening-up while betting on pluri- and multilateral opportunities

Action arena	Anticipated high-level actions / responses	CMG assessment
 China's economy / reforms	<ul style="list-style-type: none"> Accelerate shift from focus on structural issues in economy to short-term economic revival Accelerate opening-up to least developed economies and all non-US nations, continued build-up of a unified domestic market and reforms to provide a better level playing field "De-risking": tap new supply chain resilience opportunities sourcing from non-US nations 	<ul style="list-style-type: none"> <i>Likely face some less "allied" pressure with Trump 2.0, Beijing will follow-through on its "geoeconomic turn" building its domestic market & improving business environment</i>
 China-US	<ul style="list-style-type: none"> Seek to sustain existing guardrails and develop new mechanisms to manage security issues Explore deal-making offering China's state capital (e.g. for green tech) and non-strategic investment to create jobs as greenfield FDI all while refining legal retaliation capacity Deepen strategic engagement with US (China-based) business community 	<ul style="list-style-type: none"> <i>Beijing will seek a Xi-Biden type consensus on key security issues, "talk (to) business" for a win-win all while preparing retaliation</i>
 China-EU	<ul style="list-style-type: none"> Deepen diplomatic engagements with EU and pitching support to EU strategic autonomy Step-up of efforts in mediating a peaceful settlement of Russia-Ukraine war Explore reviving of Comprehensive Agreement on Investment (CAI), esp. for Chinese OFDI 	<ul style="list-style-type: none"> <i>Esp. if able to help settle war in Ukraine, Beijing will pitch a new type of economic engagement that contributes to EU goals</i>
 "Taiwan issue"	<ul style="list-style-type: none"> Continue mix of deterrence and assurance towards the "West" – special focus on Trump Patience towards 2026 elections and a possible return of the Kuomintang (KMT) in 2028 Step-up of incentives towards Taiwan with preferential trade and facilitated P2P exchanges 	<ul style="list-style-type: none"> <i>Deterring TW pro-independence forces, compelled to spend more on defense in face of Trump 2.0, remains the key priority</i>
 APAC region	<ul style="list-style-type: none"> Renew bid to join CPTPP and deepen connectivity aiding CN offshoring and supply chains Prioritize deepening of cooperation with Japan and South Korea (cf. FTA trilateral) India: work towards further rapprochement (e.g. via BRICS) to avoid tensions to resurface 	<ul style="list-style-type: none"> <i>Beijing will seek to make political gains with extra efforts and flexibility to deepen RCEP-based regional economic integration</i>
 Global governance and foreign affairs	<ul style="list-style-type: none"> Actively seek opportunities in pluri-/multilateral formats while sustaining GDI, GSI and GCI CN-Russia: keep partnership w. Russia against backdrop of likely shifting US-Russia dynamic North Korea: explore how to use China-DPRK relations to help smooth US-China relations 	<ul style="list-style-type: none"> <i>Beijing will step-up leadership on climate through Chinese-style modernization and cementing its role in global governance</i>

China's diplomacy: activist efforts towards major countries and select governance bodies ahead of Trump 2.0

Stakeholder	Key diplomatic activities and messaging post-US election
Xi at APEC / G20	<ul style="list-style-type: none"> Xi's APEC and G20 speeches advocating for economic globalization, multilateralism and for development and the "Global South" In Lima, Xi also held a final official meeting with US president Biden, reiterating China's "four red lines"
Xi meets International Economic Organizations	<ul style="list-style-type: none"> Commitment to multilateralism and international cooperation pledging to better support the development of "Global South" countries towards an "equal and orderly multipolar world" plus to proactively align with international economic standards
China-India	<ul style="list-style-type: none"> Resumed Special Representative talks on the territorial dispute (Dec '24) – not held for 5 years – and discussed return to 2005 agreement, building on agreement reached in Oct. to disengage along disputed border, create buffer zones, and make patrolling arrangements
China-Japan	<ul style="list-style-type: none"> FM Wang Yi and Premier Li Qiang met with Japanese FM Takeshi Iwaya in Beijing on 25 Dec Iwaya and Wang agreed to hold a high-level economic dialogue and organize the Japan-China Security Dialogue
China-EU	<ul style="list-style-type: none"> Xi phone call with new EU Council President Antonio Costa on 14 Jan – 2025 marking 50th anniversary of EU-China diplomatic relations Xi: "there is no clash of fundamental interests or geopolitical conflicts between China and the EU"
China-US	<ul style="list-style-type: none"> Xi call with President-elect Trump on 17 Jan, Xi emphasizing that both "share extensive common interests and broad space for cooperation" Vice-President Han Zheng attending Trump's inauguration ceremony as most senior Chinese government representative ever
Vice-Premier Ding at WEF	<ul style="list-style-type: none"> Doubling down on Xi's 2017 speech, advocating for globalization and promising support developing countries in building emerging industries He highlights key ongoing reform efforts in China such as equal treatment of different capital forms and opening-up
China-Russia	<ul style="list-style-type: none"> Xi conversation with Putin on 21 Jan, reiterating China willing "to continue guiding China-Russia relations in seeking lofty goals and far-reaching prospects", and "further deepen strategic coordination, resolutely support each other, and safeguard their legitimate interests"
Taiwan	<ul style="list-style-type: none"> Fujian province established county-level Taiwan Affairs Offices (TAOs) as testing zone for cross-Strait "integrated development" with more supportive policies for Taiwanese to study or work in Fujian, plus Shanghai and Fujian re-activate tourist group traveling to Taiwan

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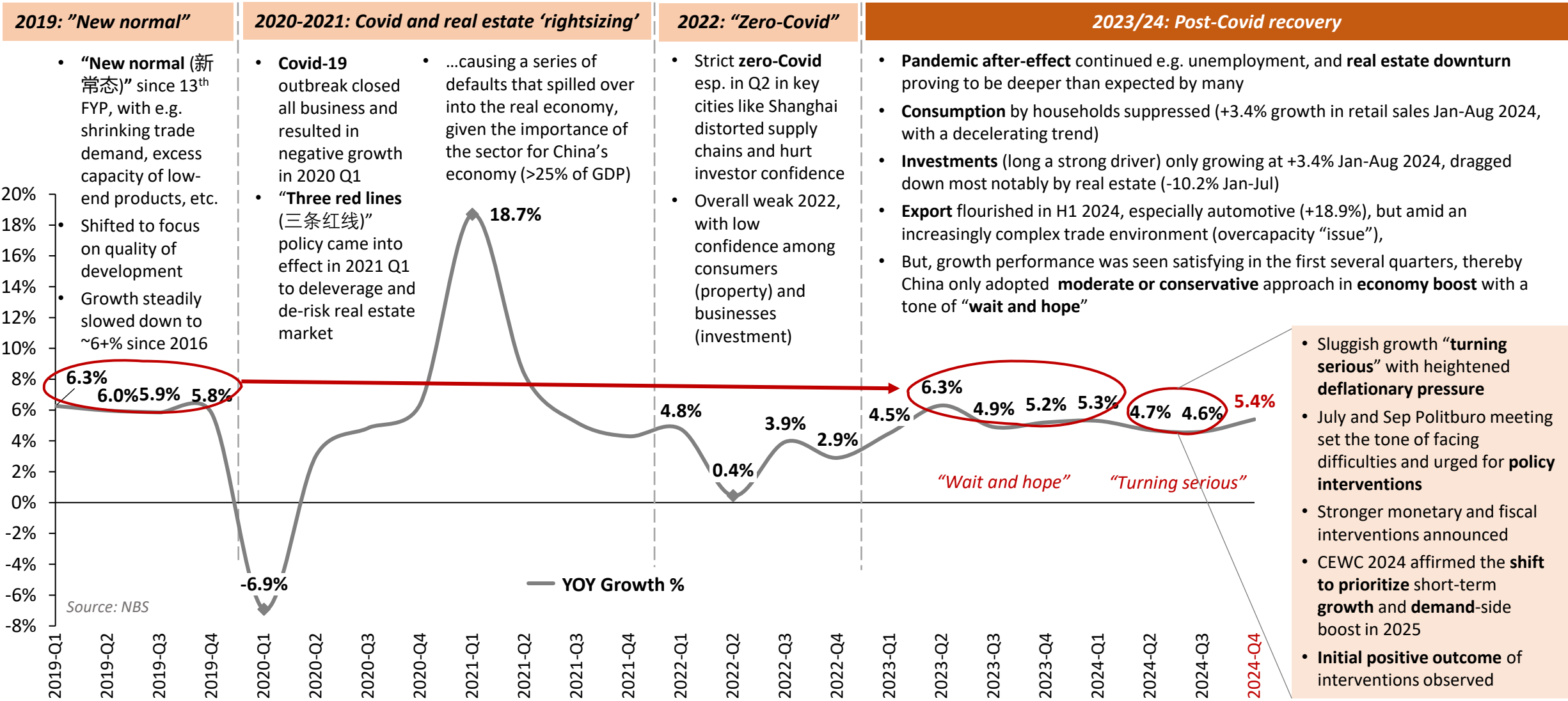
3

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

China's quarterly GDP growth over the past 5 years



“Sept./Oct. interventions”: China made several short-term interventions, aiming to revive economic dynamism

Overview of economic policymaking since mid-year 2024 as build-up to the “September/October interventions”

	Politburo meeting (July 30)	Politburo meeting (September 26)	PBOC ¹⁾ / MOF ²⁾ announcements (September 24 and October 12)
Economic situation	<ul style="list-style-type: none">2024 H1 GDP growth 5.0% but a slump from Q1’s 5.3% to Q2’s 4.7%Higher pressure to reach annual GDP growth target of 5.0%	<ul style="list-style-type: none">2024 Q3 GDP growth was only 4.6%Core CPI³⁾ slump: Core CPI was around 0.6% in March to June, but it drastically dropped to 0.4% in July, 0.3% in August, and even 0.1% in September -> a dangerous signal of falling into a deflationary spiral	
Judgment by government	<ul style="list-style-type: none">Judging “insufficient demand” as key challengeRecognizing need for “incremental policies” (增量政策)” prioritizing consumption over industrial upgrade, deviating from NPC and CEWC	<ul style="list-style-type: none">Politburo non-customarily discusses economic issues, judging that “China is facing new issues and problems in its economy”	<ul style="list-style-type: none">Merely echoing judgement of last Politburo meeting
Policy stance / measures	<ul style="list-style-type: none">“Trade-in” of consumer goods<ul style="list-style-type: none">Covering automotive, home appliances, electronic productsLiving subsidies<ul style="list-style-type: none">Target at disadvantaged groups, e.g. poorest familiesGolden-week coupons<ul style="list-style-type: none">Target at tourists and consumers	<ul style="list-style-type: none">Urging proactive actions to boost economy despite challenges<ul style="list-style-type: none">This is a very negative and rare tone in Beijing’s policy language	<ul style="list-style-type: none">Multiple cuts of policy interest rateReserve Requirement Ratio cutNew tools to allow injecting liquidity directly by PBOC into stock marketProperty market relaxationRelieve local government debtReplenishing capital of SOE banks

Rationale of intervention

PAN Gongsheng, PBOC Governor, explains 3 elements of rationale at Financial Street Forum in Beijing:

- (1) Clear recognition of the key issues facing China’s economy being “**insufficient demand, weak market confidence, and low consumer price**”
- (2) Clarifying that China’s long-term policy direction are **structural reforms** under “High-Quality Development” with focus on economic transition, but they should not be pursued **at cost** of short-term growth
- (3) Inferring that this intervention is only for **short-term** to bring economy back to a growth trajectory
 - PAN says that key indicator is the **consumer price**, likely once the metric (e.g. Core CPI) is back to a satisfying level, **stimulus measures will be gradually phased out**

Core of intervention

1): People’s Bank of China 2): Ministry of Finance 3): Core CPI = CPI excluding energy and food

Counter-cyclical intervention: how does the market perceive the October fiscal stimulus?

CMG view on debate baseline

Key questions

- *What are the rationales behind the October fiscal stimulus?*
- *What are the key successful factors for a good stimulus?*
- *Does the market perceive it to be strong enough?*

Analysis on current policy stance

- Beijing realized the necessity to rebalance focus on longer-term structural reforms to the short-term goal of economic revival
- Initial counter-cyclical interventions announced since 2024 Q3 include both monetary easing in September and targeted fiscal expansion to tackle local debt in October

CMG summary of the debate on China's fiscal policy stimulus

Viewpoints on key challenges for China's economy

Two key rationales behind the October fiscal stimulus

- To reduce government debt burden: save spending on interests of local government debts via debt swap
- To boost domestic demand by governments: local governments will free up c.a. 2T yuan annually, which can be directed esp. to the repayment of debt to enterprises, new investment or improving livelihood

Market perceptions vary, debating effectiveness of stimulus

- Positive perceptions
 - Some see the October stimulus to be strong and above-expectations, with positive market signals detected:
 - Reduced devaluation pressure on RMB in 2024 H2 compared to H1
 - Gradual recovery in consumption observed in 2024 Q3
- Negative perceptions
 - Some deem the Oct stimulus below-expectations, because:
 - Earlier overly-high expectations for fiscal expansion
 - The debt swap should be more seen as “risk mitigation and gap-filling” measure rather than a “real stimulus”
 - Oct fiscal measures primarily only as a supplement to existing policy measures, not a game-changer

Viewpoints on (policy) response

- 2.1 Leverage favorable global monetary policy environment
 - Globally low-interest rate favors counter-cyclical fiscal and monetary expansion
- 2.2 Make timely and bold stimulus
 - Stimulus is most effective when applied timely, as delayed intervention may struggle to restore confidence
 - Only bold and above-expectation measures are effective
- 2.3 Take fiscal expansion as the most crucial lever
 - Under downward pressure, credit expansion of corporates and households is usually suppressed, which limits the spending and adds to the overall downward pressure
 - ... therefore, government is the only actor capable of taking counter-cyclical credit expansion—fiscal spending should be outstandingly strong to compensate for the spending shortage of corporates and households
- 2.4 Correctly set spending priorities and fundraising sources
 - Effective stimulus should set correct spending priorities, e.g. investment in infrastructure or social programs
 - It should also consider funding sources, e.g. fundraising from central vs. local gov via general bond or SPB*, etc.

Source: DING Zhijie, PENG Wensheng, GUAN Tao, ZHU Haibin and HONG Hao's speeches at 15th Caixin Summit in 2024, synthesized by CMG

*Note: SPB = Special Purpose Bond

Insufficient demand: can short-term stimulus alone sufficiently expand China's domestic demand?

CMG view on debate baseline

Key questions

- What are the key reasons for China's insufficient demand?
- Are such reasons structural or short-term?
- What are the key measures to enhance China's domestic demand effectively?

Analysis on current policy stance

- Government acknowledges that China faces demand-side issues, but perceives it more as cyclical
- And "lack of effective demand" (有效需求不足) is seen as biggest issue since CEWC* '23
- Since then, some demand-boosting actions have been taken, but rather conservatively and with limited effectiveness
- Only in 2024 Q3, stronger monetary and fiscal stimulus were announced

CMG summary of the debate on China's insufficient demand

Viewpoints on key challenges for China's economy

Historical view: insufficient demand as a long-lasting trend

- China repeatedly faced insufficient domestic demand situations since 1998, esp. during three periods: AFC*, GFC* and Covid
- Domestic demand – esp. consumption growth – slowed down even before the breakout of Covid

Complex systemic factors and shock events as key reasons

- Long-term / fundamental causes
 - Income distribution imbalances
 - Social security insufficiency, e.g. ~4% of population without social security, 200M "flexible workers" with limited security
 - Excessive or imperfectly-designed regulations in some sectors
 - Private investment barriers
 - Economic transitions e.g. over-leveraged real estate sector
- Short-term triggers
 - Covid disruption
 - Negative wealth effect (property + stock asset price slump)
- Outcomes
 - Shrinking revenues of local governments, corporates and households and weak market confidence
 - Weakened demand and suppressed aggregate spending
 - Downward pressure on economy

Viewpoints on (policy) response

Counter-cyclical intervention

- Under downward pressure, rational entities reduce spending due to weak confidence towards future revenue or income—causing market failure
- 1.1 Thus, introduction of strong and above-expectation government intervention is necessary to counter such suppressing pressure

Short-term stimulus

Systemic / institutional improvement

- 1.2 Income distribution reform to increase household income and improve income structure
- 1.3 Enhanced public service to broaden social security net, improve public services esp. in housing, education and healthcare
- 1.4 Urbanization and rural-urban integration to consolidate consumption demand

Long-term structural aspects

Cultivate new demand drivers

- 1.5 "Betterment consumption (发展性消费)" e.g. better education and healthcare
- 1.6 "Producer services (生产性服务)" e.g. R&D, venture capital, IP protection
- 1.7 Infrastructure construction in rural areas, e.g. waste treatment, medical

Source: YIN Yanlin, ZHANG Junkuo, ZHANG Bin, XU Lin, and LIU Shijin's speeches at 15th Caixin Summit in 2024, synthesized by CMG

*Note: AFC = Asian Financial Crisis, GFC = Global Financial Crisis, CEWC = Central Economic Work Conference

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
<i>Status perception</i>	<ul style="list-style-type: none"> Perceived “not few” (不少) economic difficulties in 2024 rather than merely “some” (一些) in 2023, and “insufficient demand” remains the biggest challenge Being more explicit about the fact that some businesses facing challenges and households are dealing with job insecurity and income Perceived a further deteriorated external environment 	<ul style="list-style-type: none"> Heightened “crisis” perception observed in top-level policy thinking Such thinking paves road for introduction of stronger or bolder interventions in 2025 for restoring economy
<i>High-level policy-making principles</i>	<ul style="list-style-type: none"> Set goal to maintain economic growth, ensure job creation, and stabilize consumer price 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 	<ul style="list-style-type: none"> A signal for Beijing to temporarily prioritize short-term growth revival over long-term development interest e.g. structural reforms
<i>Macroeconomic policy</i>	<ul style="list-style-type: none"> 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 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 	<ul style="list-style-type: none"> Strongest monetary easing signal after GFC Broadened PBOC role in supporting financial market e.g. inject liquidity to stock market Fiscal spending no longer (at least in a near term) focuses on supply but demand side
<i>Demand vs supply</i>	<ul style="list-style-type: none"> 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 Industrial upgrading deprioritized to be the secondary policy focus 	<ul style="list-style-type: none"> Consumption boost as core effort in 2025, but such consumption-centered policymaking still adheres to a post-pandemic recovery logic
<i>Domestic risk containment</i>	<ul style="list-style-type: none"> Newly articulated to “consistently putting efforts” (持续用力) to stabilize real estate market, and promote the consumption of inventory housing 	<ul style="list-style-type: none"> Release of demand potential (e.g. cheaper loan) and relaxation on financing developers (e.g. whitelist) will continue
<i>Reform implementation</i>	<ul style="list-style-type: none"> Proceeded improving financial capability and granting more financial autonomy for local governments Proceeded promoting introduction mid- and long-term capital into capital market 	<ul style="list-style-type: none"> The only two proceeded reforms serve tackling local debt and stabilizing capital market

Macroeconomic management: enhanced counter-cyclical interventions since Q3 2024 to revive the GDP growth

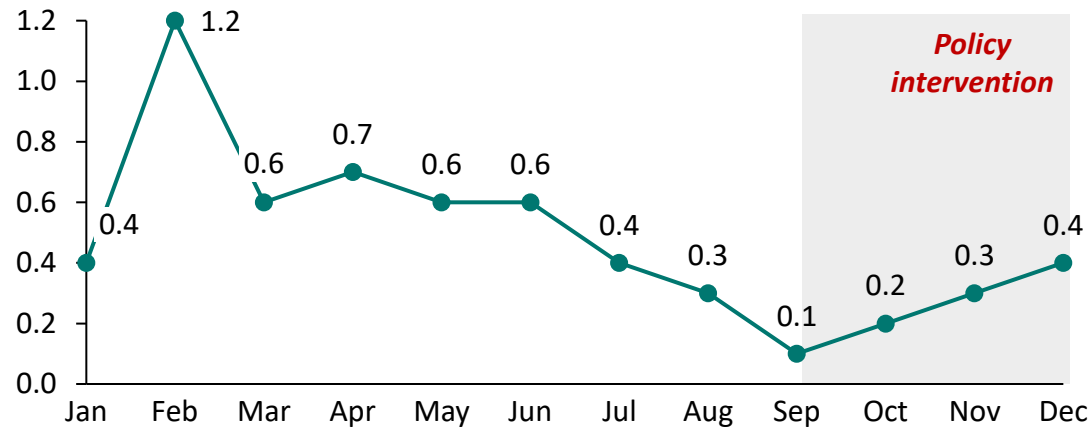
Dimensions	CEWC 2024 policy stance	Policy measures so far and execution status		Key indicators	Outlook for 2025
Monetary easing	<ul style="list-style-type: none">“Moderately loose (适度宽松)” — strongest monetary easing signal since after GFC	<ul style="list-style-type: none">Policy interest rate cut e.g. 7-day RepoRequired Reserve Ratio (RRR) cutNew (swap) tool to inject liquidity to stock market by PBOCFurther cut of policy interest and RRR	<div>In execution</div> <div>In execution</div> <div>In execution</div> <div>Announced</div>	<ul style="list-style-type: none">M2 growthAggregate Financing to the Real Economy	<ul style="list-style-type: none">Low-interest environment likely to sustain throughout the year to counter deflation, enabling easier financing for business and capital market
Fiscal expansion	<ul style="list-style-type: none">Make “more proactive” fiscal expansion in 2025	<ul style="list-style-type: none">Ultra-long special treasure bondRaised local debt ceiling for debt swapReplenishing capital of SOE banksSPB* to address local debtRaise fiscal deficit ratio to record high	<div>In execution</div> <div>In execution</div> <div>In execution</div> <div>Announced</div> <div>Announced</div>	<ul style="list-style-type: none">Aggregate local debtGovernment expenditure	<ul style="list-style-type: none">More fiscal resource (on basis of confirmed 2T RMB) will be freed up for local government expenditure, esp. on welfare, people’s livelihood, etc.
Demand boosting	<ul style="list-style-type: none">Insufficient demand remains the biggest issueDomestic demand expansion as the primary policy focus in 2025	<ul style="list-style-type: none">Industrial equipment upgrading“Trade-in” of consumer goodsLiving subsidies and holiday couponsIncrease pension and SHI* subsidiesExpand central government investment	<div>In execution</div> <div>In execution</div> <div>In execution</div> <div>Announced</div> <div>Announced</div>	<ul style="list-style-type: none">(Core) Consumer Price IndexTotal Retails SalesProducer Price Index	<ul style="list-style-type: none">Likely to see extraordinary consumption growth and largely expanding central government investment
Real estate restoration	<ul style="list-style-type: none">Continue to stabilize the property market	<ul style="list-style-type: none">Dropped downpayment ratioAllowed switch to cheaper loansEnhanced financing affordable housingBroadened “whitelist” for developersMore urban renewal program	<div>In execution</div> <div>In execution</div> <div>In execution</div> <div>In execution</div> <div>Announced</div>	<ul style="list-style-type: none">Property salesProperty priceNew-start projects and inventory	<ul style="list-style-type: none">Priority set to avoid any sharp declines in asset price, and ideally to reverse the negative growth of property sales into positive

*Source: Politburo meeting, CEWC, NPCSC, MOF, PBOC

Effectiveness of interventions: initial positive trends observed in both demand- and supply-side

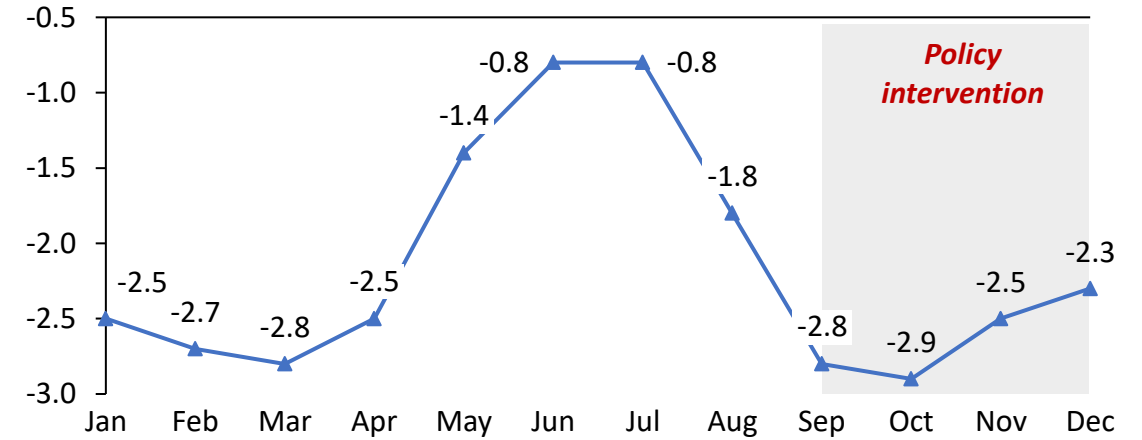
Demand-side indicators

Core Consumer Price Index (2024 monthly YOY change in %)

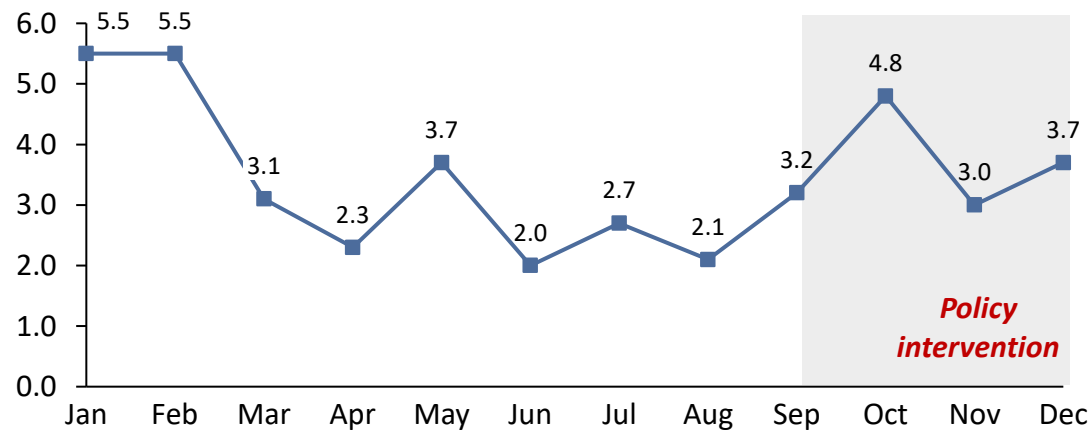


Supply-side indicators

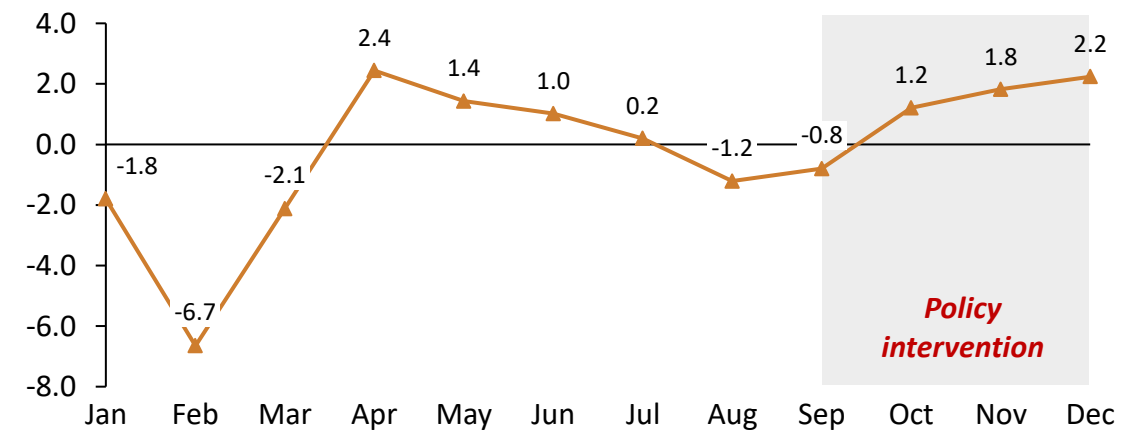
Producer Price Index (2024 monthly YOY change in %)



Social Retail Sales (2024 monthly YOY change in %)



Manufacturing Purchasing Manager's Index (2024 monthly YOY change in %)



Agenda

1

Recap: China's evolved development strategy – 'Dual Circulation'

2

Understanding China's economy into 2025

- Reform policymaking priorities
- External factors: Dealing with Trump 2.0 strategically and China's ongoing diplomacy
- Short-term macroeconomic management and CEWC 2024

3

European business' strategic decision-making on China today

Further CMG resources and services

Challenges and approach for 3 archetypes of European business in China towards the “super gravitational field”

	Partially onshored / localized set-up (SME / (very) small)	Onshored / localized set-up (SME / mid)	Onshored / localized set-up (MNC / large)
Key challenges	<ul style="list-style-type: none"> Competitive pressure / downstream diversification, dependence on foreign vs. local OEMs Evolving policies / regulation Margin pressure 	<ul style="list-style-type: none"> Operating like a “Chinese company” 	<ul style="list-style-type: none"> Depth of local engagement in China (esp. innovation, SOE-government collaboration, 3rd country connectivity)
State of China strategy- / decision-making	<ul style="list-style-type: none"> Lack of relevant China intelligence No “China voice” towards HQ Paralysis in strategic decision-making for Chinese market 	<ul style="list-style-type: none"> Misaligned views with HQ on effective mid-term strategy / vision for Chinese market 	
High-level approach	<ul style="list-style-type: none"> Clarify “reason to exist” in China Growth, margin and group value-added “triangle” Business strategy options: <ul style="list-style-type: none"> 1) “premium”/innovation 2) growth 3) hibernation 4) group value-added 5) exit 		

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2025 webinar series: China's 15th 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

April 2025

9-945am CEST | 3-345pm CST



Confirmed / exact date TBD

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

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

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



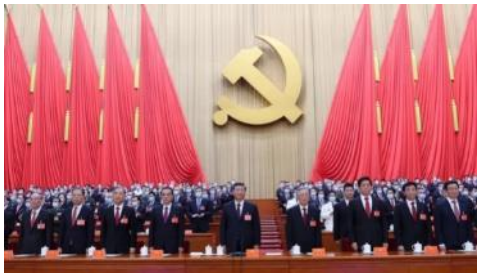
Xi's third ‘**Third Plenum**’ pivots to implementation, doubling down on China’s industrial ambition



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



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



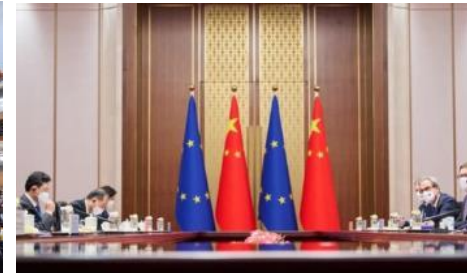
Understanding process and influencing factors of **Taiwan's 2024 presidential election**



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 – scheduled for 9-12 November 2025, in 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

22nd 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)



23rd 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)



24th 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)



25th 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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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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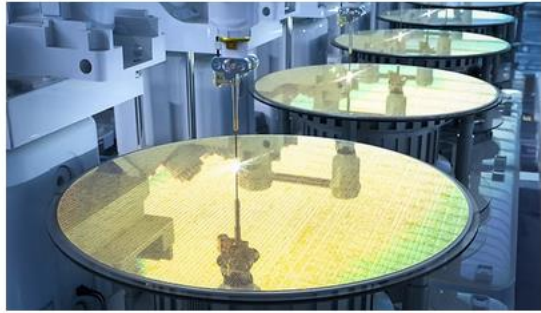
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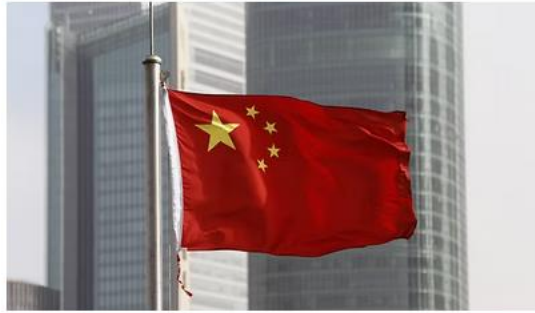
CMG services: overview of four key service types, corresponding credentials available upon request

Our Services →



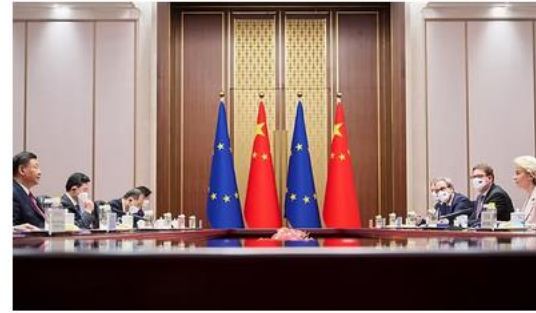
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mherrmann@chinamacro.ch

China Macro Group (CMG)