



# Embarking on a New Journey

## Macro Trends and Outlook for the 15th Five-Year Plan Period



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# Foreword

With 2026 – the Year of the Horse – China enters the opening year of its 15th Five-Year Plan. The “15th Five-Year Plan” period represents a critical juncture: one in which the country should consolidate its foundations and bring its full capabilities to bear as it pursues socialist modernisation. It is also a period in which strategic opportunities and significant risks exist side by side, as uncertainty grows and hard-to-predict variables multiply.

Internationally, the global economic recovery remains uneven and arduous. Geopolitical conflicts are erupting with greater frequency, undercurrents of deglobalisation are gaining strength, and the technological revolution has become deeply entangled with great-power rivalry. Together, these forces are reshaping global governance and rapidly redrawing industrial and supply chains.

Domestically, China retains robust long-term advantages: an ultra-large-scale consumer market, a complete industrial system, and a deep talent pool. Yet the country also faces pressing challenges. Economic transformation has entered a more challenging phase, effective demand has yet to fully recover, latent risks remain in certain sectors, and uneven development persists. Cyclical, structural, and institutional problems are converging, making the combined task of reform, growth, and stability highly complex.

As a leading global professional services firm with deep, longstanding roots in the Chinese market, KPMG has always moved in with China's development – witnessing and contributing to the country's remarkable growth and ongoing transformation. We sense clearly that the dynamism of this era is more powerful than ever, and that the nation's forward momentum is more determined than at any point in recent history.

Our newly released report, *Embarking on a New Journey: Macro Trends and Outlook for the 15th Five-Year Plan Period*, builds on the core priorities of the national 15th Five-Year Plan outline. It systematically examines four overarching themes and ten key tasks that will shape China's economic and social trajectory over the next five years. Our aim is to provide business leaders and stakeholders across sectors with an authoritative reading of medium- and long-term policy directions, a rigorous analysis of emerging industrial opportunities, and a clear view of the landscape ahead.

“Part I: Economic Development” focuses on the shift in growth drivers and the expansion of new economic frontiers. Building a modern industrial system stands as the primary task of high-quality development. We examine the transformation of traditional industries, the rise of emerging sectors, and the nascent growth of future industries, while exploring how new infrastructure is extending both the physical and digital boundaries of the economy.

At the same time, cultivating a strong domestic market is a core strategy for navigating external uncertainty. Raising the share of household consumption in gross domestic product (GDP) is central to this effort. We analyse the pathways for activating domestic demand – from nurturing new consumption models to unlocking the vast potential of services spending – and explore how these can consolidate the advantages of China's unparalleled market scale.

“Part II: Risk Management” examines how China is maintaining strategic composure amid intensifying great-power competition. China has elevated high-level scientific and technological self-reliance to a pillar of its national security strategy, focusing on breakthroughs in critical core technologies and on building systemic innovation capacity.

Against a volatile international backdrop, China is quickly building a new security architecture: pursuing high-standard institutional opening up, cultivating new high-value-added trade drivers, ensuring that foreign enterprises enjoy genuine operational access beyond mere market entry, and strengthening support services for Chinese companies going global. In parallel, the country is bolstering strategic resource reserves and supply chain resilience to shore up its economic security.

“Part III: Deepening Reform” tackles the institutional obstacles holding back high-quality development. The push to build a unified national market is advancing further, taking aim at curbing involutory competition and seeking to vitalize all kinds of market participants.

“Investing in people” has emerged as a defining theme of this period. High-quality demographic development is moving from rhetoric to institutional reality – through measures such as raising urban and rural incomes and equalising access to basic public services. These generate sustained momentum for economic and social progress. Meanwhile, China is pivoting its fiscal and financial reforms from expanding scale to improving quality, steadily sharpening macroeconomic governance.

“Part IV: Social Governance” shows how China is putting sustainability principles into practice. Regional coordination is evolving from aid-based support to capacity building. New urbanisation is shifting from simply granting migrants access to urban services toward achieving their genuine social integration, driving more efficient allocation of resources and lifting the overall performance of national development.

The green transition is progressing from “dual controls on energy consumption” to “dual controls on carbon emissions.” By deploying new energy faster, strengthening incentives for green consumption, and turning sustainable production and lifestyles from a government-led initiative into a market-driven norm, China is making steady progress towards its carbon peaking and carbon neutrality goals.


The journey ahead is full of both promise and challenge. To navigate the 15th Five-Year Plan period successfully, we must read macro trends accurately and hold firm to our strategic convictions. Only then can we create new openings amid uncertainty and make lasting progress towards high-quality development.

KPMG will continue to bring its professional strengths to bear, staying true to our longstanding commitment to growing alongside China. We look forward to working hand in hand with partners across all sectors as we embark on this ambitious new chapter together – and contribute to the next era of Chinese modernisation.

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# Foreword



2026 marks the opening year of the 15th Five-Year Plan. The Fourth Session of the 14th National People's Congress deliberated and approved the Outline of the 15th Five-Year Plan for National Economic and Social Development of the People's Republic of China ("15th Five-Year Plan"), which systematically sets out China's development strategy, policy priorities, and major tasks for the 2026–2030 period. As a critical stage in building on past successes to break new ground for basically achieving socialist modernization by 2035, the 15th Five-Year Plan is anchored in the major achievements secured during the 14th Five-Year Plan period and, against the backdrop of profound and complex changes in the international landscape and the coexistence of domestic opportunities and challenges, provides a clear program of action for how China will position itself in the new stage of development, apply the new development philosophy, and foster a new pattern of development. The 20 major indicators, 16 major strategic tasks, and 109 major projects set out in the Plan are not only the blueprint for economic and social development over the next five years, but also an important guide to understanding China's policy direction and grasping medium- to long-term development trends.



**The 15th Five-Year Plan period marks a distinct chapter in China's modernisation journey. It stands apart from previous planning cycles in three key ways: strategic positioning, macro-environment considerations, and growth objectives.**

**In terms of strategic positioning, the 15th Five-Year Plan period bridges past achievements and future ambitions. It deepens reform and carries it forward.**

What is meant by “building on past successes to break new ground”? In October 2020, the Fifth Plenary Session of the 19th CPC Central Committee deliberated and adopted the Recommendations of the Central Committee of the Communist Party of China for Formulating the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035, laying out the goal of basically realizing socialist modernization by 2035 through three successive five-year planning periods—the 14th, 15th, and 16th Five-Year Plans. This makes the 15th Five-Year Plan a critical five-year period linking the preceding stage with the one ahead. The current 15th Five-Year Plan continues to align with the long-range objectives through 2035 and explicitly states that the period covered by the 15th Five-Year Plan will occupy an important position in building on past successes to break new ground on the path toward basically realizing socialist modernisation, and will be a critical period for reinforcing the foundations and pushing ahead on all fronts. On the one hand, China must complete the concluding phase of risk resolution in key areas; on the other, it must launch new initiatives to accelerate the development of new quality productive forces.

As for deepening reform, the 15th Five-Year Plan period is also a crucial stage for carrying out the reform agenda set forth at the Third Plenary Session of the 20th CPC Central Committee. The Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernization adopted at the third plenary session of the 20th Central Committee of the Communist Party of China laid out more than 300 reform tasks spanning key areas such as the economic system, public wellbeing, and the green transition, while also making clear that the proposed reform tasks are to be completed by 2029. It can therefore be said that the 15th Five-Year Plan is not only a development plan, but also a reform plan.

**Looking at the macro-environment, China's development landscape is changing in profound and complex ways. Opportunities co-exist with serious risks, uncertainty is growing, and unpredictable factors are multiplying. External risks have risen sharply since the 14th Five-Year Plan period.**

During the 14th Five-Year Plan period, China's economic performance was shaped by three major factors: the global COVID-19 pandemic, frontier technological change, and the property market adjustment. Among them, post-pandemic global fiscal expansion supported China's external demand, while technological change created opportunities for the development of China's emerging industries. However, as demand in the domestic real estate market peaked, housing prices in China continued to soften during the 14th Five-Year Plan period, market expectations remained subdued, systemic risks accumulated, and economic growth came under pressure. In response to this macroeconomic environment, policy focused on both risk prevention and development promotion. On the one hand, stronger efforts were made to prevent and defuse risks in key areas, including launching large-scale local government debt swaps, promoting the establishment of a coordinated real estate financing mechanism, and continuing to replenish the capital of small and medium-sized banks. On the other hand, the concept of developing new quality productive forces was introduced in a creative and forward-looking manner. As new growth drivers were gradually cultivated and risks associated with old growth drivers were progressively defused, China's economic restructuring advanced steadily during the 14th Five-Year Plan period. The economy achieved aggregate growth based on improved quality and efficiency, and most of the targets under the 14th Five-Year Plan were fulfilled ahead of schedule.

Looking ahead to the 15th Five-Year Plan period, domestic demand in China still needs to be boosted, competition in some emerging industries is intensifying, and economic transformation and institutional reform are still moving forward at a measured pace. At the same time, political polarization in major economies is becoming more pronounced, protectionism is likely to remain prevalent, the outlook for global growth is far from encouraging, and exports will provide less support for China's economy. In addition, major-country rivalry has expanded into areas such as science and technology (S&T) and international rules, creating uncertainty for China's industrial and supply chains.

- **On growth objectives, the 15th Five-Year Plan aims to keep GDP growth within a reasonable range while improving economic structure and quality. The government will set specific annual targets as conditions warrant. This will lay a solid foundation for achieving the goal of doubling China's 2020 per capita GDP by 2035 to reach the level of a moderately developed country.**

In setting the growth target, the 15th Five-Year Plan continues the qualitative formulation adopted in the 14th Five-Year Plan, namely that growth should be kept within an appropriate range, with annual targets proposed in light of actual conditions. During the 15th Five-Year Plan period, economic development as the central task is once again brought back to the strategic forefront, while the emphasis on high-quality development becomes even more pronounced. This approach helps guide expectations by looking beyond a single headline growth figure and placing greater emphasis on the substance and sustainability of growth. It also preserves a degree of policy space for advancing economic restructuring, transforming the growth model, and deepening reform. In addition, the 15th Five-Year Plan once again reiterates the 2035 objective of doubling per capita GDP from its 2020 level and bringing it to the level of a mid-level developed country, thereby maintaining strategic continuity and helping stabilize expectations. This design strikes a balance between short-term flexibility and medium- to long-term strategic discipline, while also reconciling development quality with the necessary pace of growth. It conveys strong confidence in China's favourable long-term economic prospects.

Based on calculations derived from the long-range goal of doubling per capita GDP, China's real GDP would need to grow by around 4.17% annually on average over the 2026–2035 period. To support the achievement of this medium- to long-term objective, this year's Report on the Work of the Government sets goals for the opening year of the 15th Five-Year Plan in a way that is logically aligned with the Plan itself. The Report sets China's 2026 economic growth target explicitly in the range of 4.5% to 5%, while stressing that better outcomes should be pursued in actual work. This establishes a realistic starting point and an annual anchor for China's economic performance during the 15th Five-Year Plan period, while also preserving room for medium- to long-term economic restructuring and quality improvement, reflecting a pragmatic development orientation.

- **Turning to specific indicators, the 15th Five-Year Plan sets out 20 headline targets for economic and social development. These keep the five broad categories from the 14th Five-Year Plan—economic development, innovation, public wellbeing, green development, and food and energy security—while also introducing certain changes in their composition and policy orientation.**

First, in terms of indicator composition, the most notable change is that public wellbeing indicators are more targeted. The 15th Five-Year Plan includes seven public wellbeing indicators, accounting for more than one-third of the total. Among the newly added indicators are the share of nursing beds in elderly care facilities and the increase in the enrolment rate of children under age three in nursery care services. In addition, the previous indicator of the number of practicing (assistant) physicians per 1,000 population has been refined into separate indicators for the number of practicing physicians and the number of registered nurses. This directly responds to the service needs of older persons and young children in the context of demographic change, and reflects a profound policy shift from broad-based coverage to more targeted service delivery (table 1).

Second, the orientation of the green and low-carbon indicators is more explicit and more concrete. Under the 15th Five-Year Plan, the indicator used in the 14th Five-Year Plan—the ratio of days with good air quality in cities at or above the prefecture level—has been replaced by PM2.5 concentration in cities at or above the prefecture level, a measure that more directly reflects health impacts. At the same time, the indicator for reduction in energy consumption per unit of GDP has been replaced by the share of non-fossil energy in total energy consumption. This adjustment marks a shift in the focus of energy conservation and carbon reduction efforts, from merely controlling intensity to emphasizing a more direct orientation toward energy structure transformation.

Lastly, indicators relating to innovation and security continue to be strengthened. On innovation, the target of annual growth of over 7% in research and development (R&D) spending nationwide has been retained, with greater emphasis placed on basic research and original innovation. On security, the Plan continues the approach adopted under the 14th Five-Year Plan, with binding indicators such as overall grain production capacity and overall energy production capacity remaining bottom-line requirements that national development must safeguard.

Overall, compared with the 14th Five-Year Plan, the indicators under the 15th Five-Year Plan, while maintaining strategic continuity, places greater priority on putting the people first and green development, with indicators more precisely aligned to the core challenges of the current stage of development and the issues of greatest public concern.

**Table 1** Major Targets for Economic and Social Development in the 15th Five-Year Plan Period

Areas	Indicators	2025	2030	Annual average/ cumulative	Attribute	
<b>Economic Development</b>	1. GDP growth (%)	5	—	Kept within an appropriate range, with annual growth rates to be determined in light of actual conditions	Anticipatory	
	2. Growth in labour productivity (%)	6.1	—	Higher than GDP growth	Anticipatory	
	3. Urbanisation rate of the permanent resident population (%)	67.9	71	—	Anticipatory	
<b>Innovation</b>	4. Growth in nationwide R&D spending (%)	9.1	—	>7	Anticipatory	
	5. Number of high-value invention patents per 10,000 people	16	>22	—	Anticipatory	
	6. Value added of the core digital economy industries as a share of GDP (%)	10.5*	12.5	—	Anticipatory	
<b>Public Wellbeing</b>	7. Surveyed urban unemployment rate (%)	5.2	—	<5.5	Anticipatory	
	8. Growth in per capita disposable income (%)	5	—	To increase in step with GDP growth	Anticipatory	
	9. Average years of schooling of the working-age population (years)	11.3	11.7	—	Binding	
	10. Number of healthcare professionals per 1,000 population	Number of practicing physicians (persons)	3.1	3.7	—	Anticipatory
		Number of registered nurses (persons)	4.3	5.1	—	
	11. Share of nursing beds in elderly care facilities (%)	68	73	—	Anticipatory	
	12. Increase in the enrolment rate of children under age three in nursery care services (percentage points)	—	—	[6]	Anticipatory	
13. Average life expectancy (years)	79.25	80	—	Anticipatory		
<b>Green and Low-carbon Development</b>	14. Reduction in carbon dioxide emissions per unit of GDP (%)	17.7	—	[17]	Binding	
	15. Share of non-fossil energy in total energy consumption (%)	21.7	25	—	Binding	
	16. PM2.5 concentration in cities at or above the prefecture level (µg/m <sup>3</sup> )	28	<27	—	Binding	
	17. Proportion of water bodies with good quality (%)	80	85	—	Binding	
<b>Security</b>	18. Forest coverage rate (%)	25.1*	25.8	—	Binding	
	19. Overall grain production capacity (trillion jin)	1.39	Around 1.45	—	Binding	
	20. Overall energy production capacity (100 million tons of standard coal equivalent)	51.3	58	—	Binding	

Source: 15th Five-Year Plan, KPMG Analysis

Notes: ① Figures in () refer to the cumulative total over 5 years. ② Figures marked with (\*) are data in 2024. ③ Growth in R&amp;D spending nationwide is calculated at constant prices. ④ Overall grain production capacity refers to the level of grain output that can be stably attained.

The 15th Five-Year Plan comprises 18 parts and 62 chapters, with high-quality development running throughout the text as its central theme. Given the distinctive positioning of the 15th Five-Year Plan period and the major objectives set for economic and social development, high-quality economic development in China during this period has also taken on new connotations—namely, taking technological innovation as the fundamental driving force, promoting economic restructuring and upgrading, using a strong domestic market as the foundation to strengthen the leading role of domestic demand, further deepening reform in key areas while effectively responding to external risks and challenges, and advancing coordinated regional development and green development in an integrated manner. To explain this new connotation in a systematic way, this report, based on the full text of the 15th Five-Year Plan officially released after the Two Sessions in 2026, further analyses the broad direction of China’s economic development over the next five years from four key dimensions—economic development, risk management, deepening reform, and social governance—across ten specific areas.

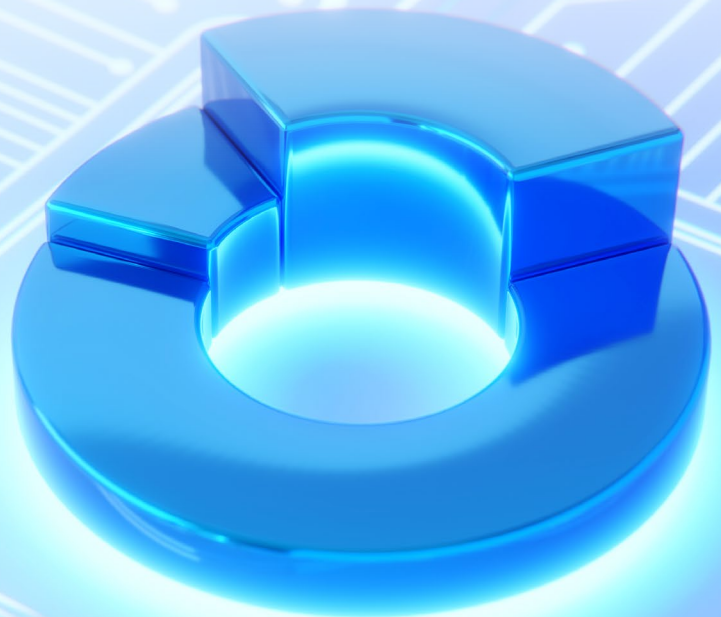


# 01

## Economic Development

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During the 15th Five-Year Plan period, China's domestic economic structure will continue to undergo adjustment, while external risks remain. To promote higher-quality economic growth while achieving an appropriate increase in economic output, China needs to create more models of economic growth that is led by domestic demand, driven by consumption, and sustained by self-generating momentum. To attain this goal, policy will be deployed in a coordinated manner. On the supply side, China will work vigorously to build a modern industrial system and continuously improve the quality of supply. On the demand side, it will further expand domestic demand and raise household consumption as a share of GDP by improving public wellbeing. This will foster positive interactions in which new demand drives new supply and new supply helps create new demand, thereby enhancing the dynamism and reliability of the domestic economy.



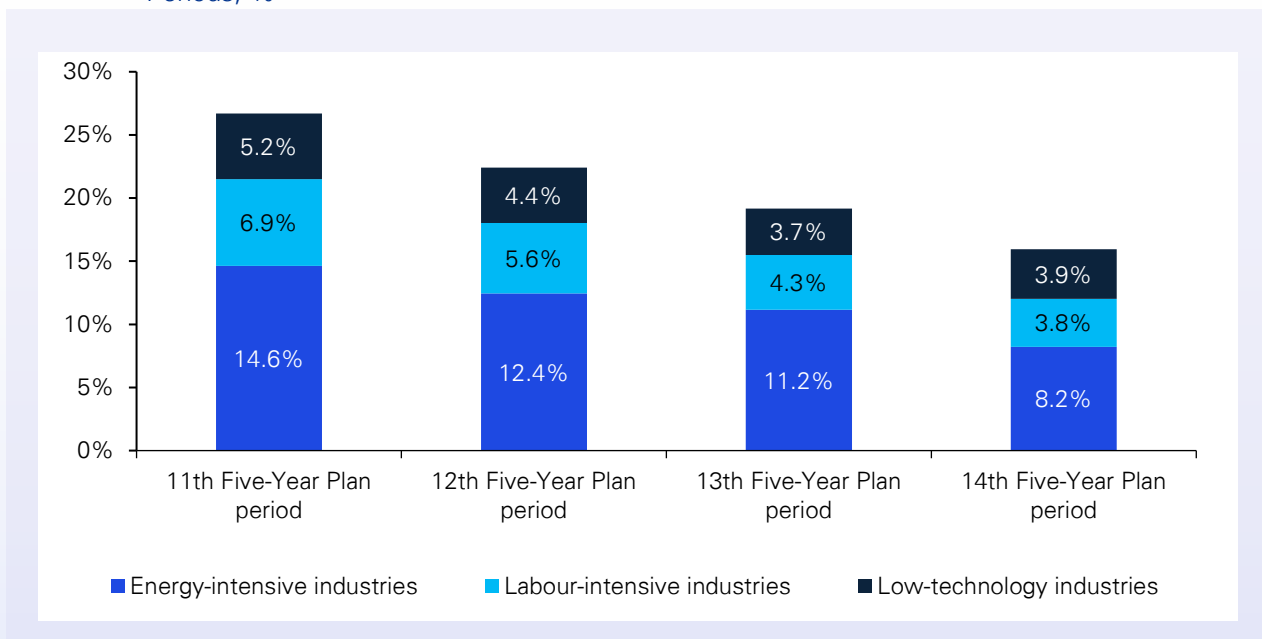
# 1 Building a modern industrial system on multiple pillars

In recent years, the global geopolitical environment has become increasingly complex, and major-country rivalry has become more normalized. Against this backdrop, the steady development of manufacturing has become an essential condition for safeguarding national security and achieving greater self-reliance and strength in science and technology in the new era. The 15th Five-Year Plan therefore proposes that the share of manufacturing in the national economy should be kept at an appropriate level. Guided by this objective, traditional industries will accelerate their digital and intelligent transformation over the next five years, while emerging industries and industries of the future are likely to enter a phase of faster cultivation. At the same time, the government will advance quality upgrading and capacity expansion in the service sector and implement appropriately forward-looking modern infrastructure development. This will create a virtuous cycle in which manufacturing upgrading, service-sector value enhancement, and infrastructure connectivity reinforce one another, gradually giving shape during the 15th Five-Year Plan period to a modern industrial system with advanced manufacturing as the backbone.

## Traditional industries go digital and smart as transformation accelerates

Traditional manufacturing remains the mainstay of China's manufacturing sector and an important foundation for supporting national economic development and meeting people's daily needs. However, in recent years, capacity expansion in traditional manufacturing has been constrained by a faster domestic green transition, quicker technological upgrading in downstream industries, and rising labour costs in China. As a result, the share of related industries in GDP fell from 27% during the 11th Five-Year Plan period to 16% during the 14th Five-Year Plan period, while their share in manufacturing value added dropped from 74% to 66% (Figure 1).

**Figure 1** Share of Traditional Manufacturing Output in GDP from the 11th to the 14th Five-Year Plan Periods, %



Source: National Bureau of Statistics, KPMG analysis

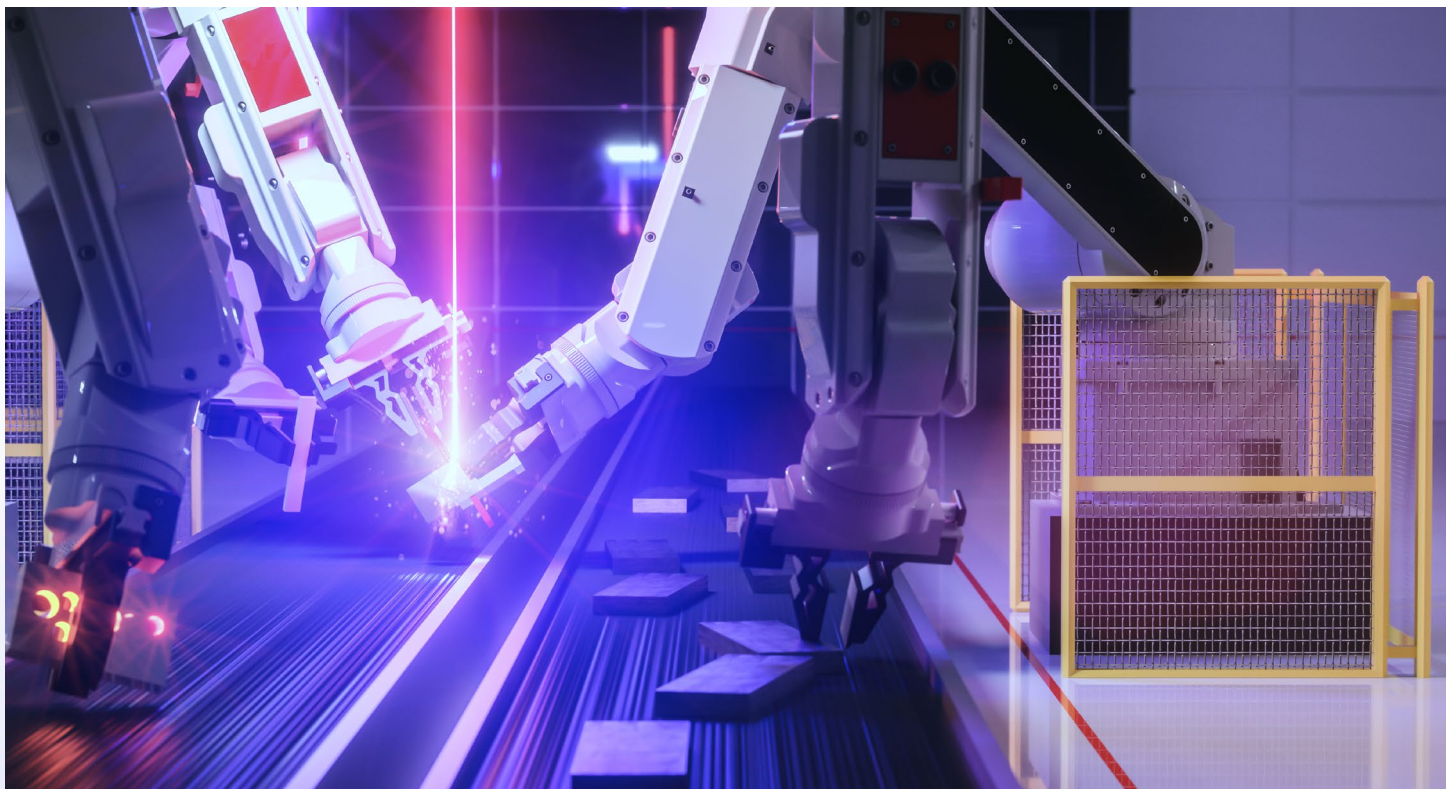
Notes: ① Energy-intensive industries include smelting, chemical raw materials, chemical fibre manufacturing, petroleum and coal processing, non-metallic mineral products manufacturing, and the supply of electricity, heat, and water; labour-intensive industries include textiles and apparel, rubber and plastics, wood and furniture, and sports and entertainment; low-technology industries include metal products, general equipment, special-purpose equipment, and shipbuilding. ② The figures for 2007, 2012, 2017, and 2023 are used respectively to represent the shares of the relevant industries' output during the 11th through the 14th Five-Year Plan periods.



To improve the position and competitiveness of traditional manufacturing in global value chains, the government moved faster during the 14th Five-Year Plan period to promote the transformation and upgrading of traditional industries. At the end of 2023, the Ministry of Industry and Information Technology released the Guideline on Accelerating the Transformation and Upgrading of Traditional Manufacturing Industries, which made clear that by 2027, the development of traditional manufacturing in the direction of higher-end, intelligent, green, and integrated development should be significantly enhanced. Following the same policy trajectory, the 15th Five-Year Plan proposes promoting technological transformation and upgrading in traditional industries and developing smart manufacturing, green manufacturing, and service-oriented manufacturing. In terms of supporting measures, it also emphasizes expanding credits to support technological innovation, digital and intelligent transformation, and green development in manufacturing. As traditional manufacturing continues to transform and upgrade, industrial models and enterprises' organizational forms are set to evolve at a faster pace, and traditional industries are expected to generate around RMB 10 trillion in additional market space over the next five years<sup>1</sup>.

### Grow emerging industries into economic pillars, build new engines of growth

Strategic emerging industries refer to industries that are knowledge- and technology-intensive, consume relatively few material resources, offer strong growth potential, and deliver strong overall benefits. Since the concept of strategic emerging industries was first introduced in 2010, its connotations have continued to evolve, and their share of GDP has risen from 8% in 2014 to 13% in 2024<sup>2</sup>. As a key area for fostering new growth drivers and securing new competitive advantages for the future, the 15th Five-Year Plan makes clear that over the next five years China will accelerate the development of strategic emerging industries such as next-generation information technology, new energy, new materials, intelligent connected vehicles (ICVs), robotics, biopharmaceuticals, high-end equipment, and aviation and aerospace. At the same time, it calls for expanding the scope for development of the marine economy and promoting the sound and orderly development of the low-altitude economy.

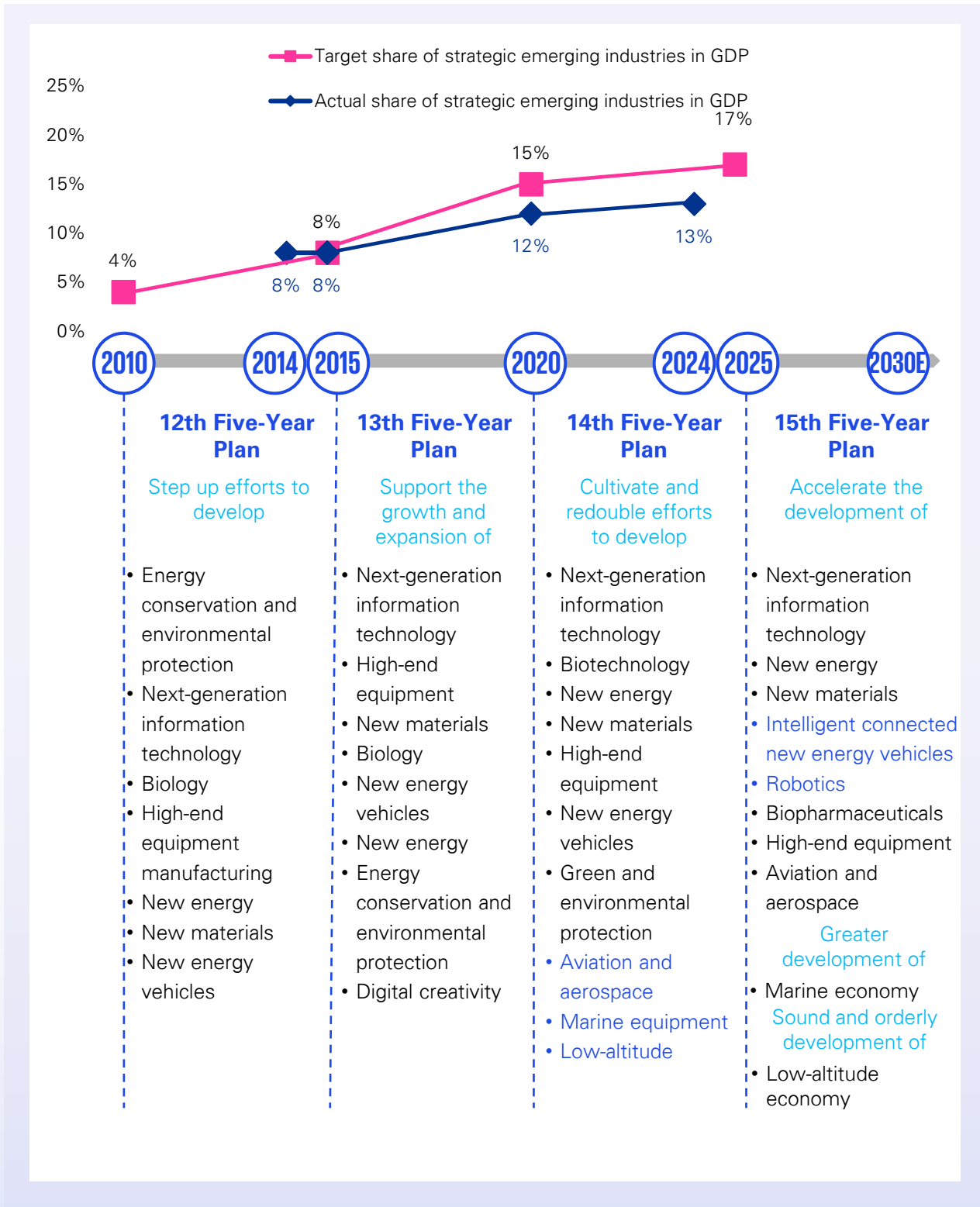


1 Vigorously Promoting the Optimization and Upgrading of Traditional Industries, Department of Industrial Development, National Development and Reform Commission, December 2025, [https://www.ndrc.gov.cn/xwdt/dt/sjdt/202512/t20251226\\_1402631.html](https://www.ndrc.gov.cn/xwdt/dt/sjdt/202512/t20251226_1402631.html)

2 The State Council Information Office (SCIO) held a series of press conference on promoting high-quality development, SCIO, April 2024, [https://www.gov.cn/lianbo/fabu/202407/content\\_6962079.htm](https://www.gov.cn/lianbo/fabu/202407/content_6962079.htm)

Compared with the 14th Five-Year Plan period, the importance of new energy and new materials has increased, while intelligent connected new energy vehicles and robotics are being introduced for the first time. These four industries may therefore receive stronger policy support during the 15th Five-Year Plan period (Figure 2).

**Figure 2** Evolution of the Scope of Emerging Industries and Development Targets



Source: Five-Year Plans over the years, KPMG analysis



During the 15th Five-Year Plan period, emerging industries will be developed in a tiered and sequenced manner. Based on current conditions, the focus will be on developing strategic emerging industries such as next-generation information technology and new energy, accelerating the creation of corresponding specialized and integrated strategic emerging industry clusters with international competitiveness, and carrying out demonstration initiatives to extensively apply new technologies and products in new scenarios, to scale up industrial development at a faster pace. Over the medium term, efforts will be made to foster a new group of emerging pillar industries with strong growth potential, high technological sophistication, and broad application across sectors. According to the National Development and Reform Commission, the six priority emerging pillar industries are integrated circuits, aviation and aerospace, biopharmaceuticals, the low-altitude economy, new types of energy storage, and intelligent robotics. Preliminary estimates suggest that the combined output of these six industries had already approached RMB 6 trillion in 2025 and is expected to double or more by 2030, expanding to upwards of RMB 10 trillion. To ensure the smooth development of these pillar industries, the government will move faster during the 15th Five-Year Plan period to improve the relevant legal and regulatory framework for these sectors—for example, by refining low-altitude airspace management and advancing legislation in emerging fields such as biopharmaceuticals and intelligent driving.

### Get ahead in industries of the future, capture opportunities from technological change

Industries of the future are forward-looking industries driven by cutting-edge technological innovation. They are currently in the early stages of emergence or industrialization but have enormous potential to grow into leading industries and pillar industries. The 15th Five-Year Plan calls for forward-looking plans to be put in place for industries of the future, and makes clear that quantum technology, biomanufacturing, hydrogen and nuclear fusion power, brain-computer interfaces, embodied artificial intelligence (AI), and 6G mobile communications are to become new drivers of economic growth (Table 2).

During the 15th Five-Year Plan period, the government will establish a full-chain cultivation system for industries of the future. First, it will strengthen the layout of foundational, frontier, and disruptive technologies and improve its capacity to identify industries of the future. At the same time, by establishing national institutes for future industries and proof of concept centres, it will strengthen the supply of source technologies. Second, it will encourage the cultivation of early-stage markets, organize and implement demonstration projects for the development of industries of the future, and explore application scenarios and viable business models for these industries. Third, it will step up financing support for industries of the future. In light of their heavy R&D investment requirements, long development cycles, and high risks, mechanisms will be established to increase funding for future industries and to share risk. With policy support in place, the Ministry of Industry and Information Technology estimates that these six future industries will gain significant momentum. Over the next decade, the additional value-added industrial output generated by emerging industries and industries of the future is expected to be equivalent to the current value-added industrial output of China's high-tech industry<sup>3</sup>.



<sup>3</sup> Another China High-Tech Industry to Be Created Over the Next Decade, Press Conference of the CPC Central Committee, October 2025, [https://news.cnr.cn/native/gd/kx/20251024/t20251024\\_527405968.shtml](https://news.cnr.cn/native/gd/kx/20251024/t20251024_527405968.shtml)

**Table 2** The Six Priority Industries of the Future to Be Developed during the 15th Five-Year Plan Period: Definitions and Application Areas

Industrial arenas	Industries of the future	Definition	Application areas
Future Information	Quantum technology	A frontier technology based on the principles of quantum mechanics, aimed at leveraging properties such as quantum superposition and entanglement to achieve capabilities far beyond those of classical technologies.	<ul style="list-style-type: none"> <li>Quantum computing can be used to solve complex scientific problems, such as meteorology and drug design</li> <li>Quantum communication can enable secure transmission of government and financial information</li> <li>Quantum sensing and precision measurement can be used in early medical screening and geological exploration</li> </ul>
	6G Mobile communications	At the core of 6G mobile communications is the development of an all-domain network with integrated space-air-ground-sea coverage, enabling deep integration of communications, sensing, computing, and artificial intelligence.	<ul style="list-style-type: none"> <li>It will provide ultra-low-latency support for applications such as holographic communications and remote precision surgery</li> <li>It will empower all-domain intelligent transportation and the low-altitude economy</li> </ul>
Future Manufacturing	Embodied artificial intelligence (AI)	Integrating artificial intelligence into physical entities such as robots, endowing them with the ability to perceive, learn, and interact dynamically with their environment	With humanoid robots as the primary vehicle, embodied AI can be deployed in fields such as intelligent manufacturing, household services, healthcare, and elderly care, where it performs hazardous, precision, or repetitive tasks
	Bio-manufacturing	Bio-manufacturing is an industry that uses biological systems, cells, enzymes, and other biotechnologies to produce products.	It can be used to produce bio-based materials, fuels, pharmaceuticals, and food products such as cultivated meat, reducing dependence on fossil-based feedstocks and helping achieve the dual carbon goals
Future Energy	Hydrogen and nuclear fusion power	<ul style="list-style-type: none"> <li>Hydrogen is the most widely distributed substance in the universe and is also an important usable source of clean energy, widely regarded as one of the most promising energy sources of the 21st century.</li> <li>Nuclear fusion power releases energy by replicating the principle of the sun and is a disruptive, highly efficient source of energy. Both are key to the future green energy system.</li> </ul>	Hydrogen energy is already being used in transportation and steelmaking, and can also serve as an energy storage medium; Nuclear fusion power is still in research, with the goal of delivering an almost unlimited, clean, and safe energy supply.
Future Health	Brain-computer interfaces	A brain-computer interface refers to a direct connection established between the human or animal brain and an external device, enabling information exchange between the brain and the device	<ul style="list-style-type: none"> <li>Medical rehabilitation is the primary area of application, helping paralyzed patients regain motor and language functions.</li> <li>In the future, it may also expand human-machine interaction in areas such as special operations and smart homes</li> </ul>

Source: KPMG analysis.

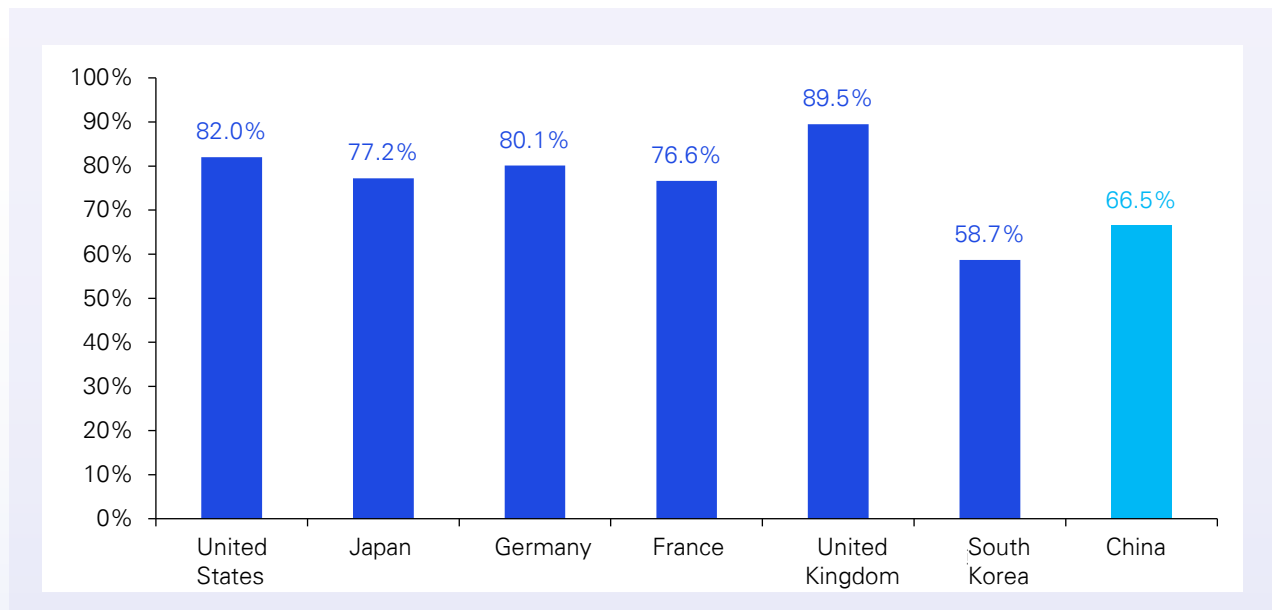


### Expand and upgrade services to drive domestic industrial restructuring

The service sector is another key component of a modernized industrial system. China's industrial structure is currently shifting toward services, with the service sector's share of output rising to 57.7% in 2025, up 6 percentage points from 2015. At this stage, however, the service sector contributes only 66.5% of China's economic growth, below the level of major developed economies at a similar stage of development (Figure 3).

The 15th Five-Year Plan makes clear that, over the next five years, China will carry out capacity-expanding and quality-upgrading initiatives in the service sector, so that it can better support industrial upgrading, meet public wellbeing needs, and create jobs. First, China needs to expand the supply of high-end producer services. Producer services often enable enterprises to extend production into higher value-added segments such as R&D and design, operations services, and brand building. At present, producer services account for only around 30% of China's service sector output, still below the 40% to 50% seen in developed economies, leaving room for further improvement. Second, China needs to improve the quality of consumer services. In recent years, household demand for services has continued to rise. In 2025, per capita expenditure on services accounted for 46.2% of household consumption spending, but this still lagged developed countries. During the 15th Five-Year Plan period, policy will focus on addressing gaps in inclusive services in elderly care, childcare, and healthcare, while also supporting retail, catering, housekeeping, and express delivery services in developing toward higher quality, greater diversity, and enhanced convenience. Third, China needs to expand opening up in key service sectors. China has long run a deficit in services trade. Greater openness can promote competition and, in turn, raise the overall level of specialization and competitiveness across the sector. During the 15th Five-Year Plan period, the government will advance orderly opening up in sectors including telecommunications, the internet, education, culture, and healthcare.

**Figure 3** Contribution of the Service Sector to Economic Growth at the Per Capita GDP Stage of USD 10,000–20,000 (%)



Source: Wind, KPMG analysis

## Moderately advance new infrastructure construction to unlock new space for industrial growth

Since 2018, amid adjustments in China's industrial structure and tighter regulation of local governments' hidden debt, returns on traditional infrastructure projects such as railways, highways, and municipal infrastructure have declined, and room for incremental investment has narrowed. As China enters the 15th Five-Year Plan period, however, scope for investment in infrastructure development has expanded again in response to the new normal of extreme weather and natural disasters and the need to safeguard national strategic security in an increasingly complex geopolitical environment. The 15th Five-Year Plan proposes building a modernized infrastructure system with appropriate forward planning, but without excessive front-loading. Enhancing safety, resilience, and operational sustainability will be the central investment theme for infrastructure during this period.

In transportation, the 15th Five-Year Plan calls for improving the modern integrated transportation system, basically completing the main corridors of the "eight vertical and eight horizontal" high-speed railway network and the national expressway network, and strengthening the network for national security and border governance. In energy, to safeguard national energy security and achieve the policy target of raising the share of non-fossil energy in total energy consumption to 25% by 2030, China will move faster during the 15th Five-Year Plan period to develop a new clean, low-carbon, safe, and efficient energy system, implement a ten-year action to double non-fossil energy, build a new power system in parallel, and increase the electrification rate of end-use energy consumption. In water conservancy, to strengthen flood prevention and disaster resilience and improve urban-rural water supply security, China will prioritize the development of a modern water network during the 15th Five-Year Plan period. In addition to launching incremental investment projects, the 15th Five-Year Plan also makes clear that China will advance the digital and intelligent upgrading of infrastructure in transport, energy, water conservancy, and other fields, with artificial intelligence set to see broader application across the infrastructure sector.

On the funding side, beyond traditional fiscal and financial support, private capital will inject fresh momentum into infrastructure development during the 15th Five-Year Plan period. The 15th Five-Year Plan clearly states that China should strengthen the momentum for growth in effective investment driven by the market and increase the share of private investment. The private sector occupies a core position in China's S&T innovation system. As an operator of traditional infrastructure projects, it is also better positioned to accelerate the adoption of new technologies in conventional projects and improve their operational sustainability.

While making coordinated arrangements for investment in traditional infrastructure, the 15th Five-Year Plan also proposes building new types of infrastructure with appropriate forward planning in order to meet the medium- to long-term development needs of emerging industries. The concept of new types of infrastructure was first introduced in 2018. In 2020, the National Development and Reform Commission formally defined it for the first time as an infrastructure system guided by the new development philosophy, driven by technological innovation, and underpinned by information networks, which serves the needs of high-quality development by enabling digital transformation, intelligent upgrading, and integrated innovation, and constitutes an important foundation for fostering new quality productive forces.

The 15th Five-Year Plan makes clear that, over the next five years, China will advance the development of five categories of new types of infrastructure: the national integrated computing network, satellite internet, information and communication networks, data infrastructure, and low-altitude infrastructure. Among these, computing power infrastructure supporting the development of artificial intelligence is likely to offer substantial investment potential. Computing power facilities are the foundational underpinning of digital and intelligent development. The 15th Five-Year Plan clearly states that China should make coordinated arrangements for and pursue the orderly development of computing power facilities, while strengthening the supply of high-performance, high-quality intelligent computing resources. From an international comparative perspective, China still lags developed economies in both the scale of computing centre development and high-end computing capacity. The United States dominates cumulative capacity in AI supercomputing and is projected to command 75% of the world's high-end AI computing power, while China accounts for only 15%. In addition, as large model technologies continue to evolve and downstream applications keep expanding, demand for computing power arising from economy-wide digital and intelligent transformation will continue to surge. This suggests that the market may face a substantial computing power gap in the years ahead, making early investment in relevant computing power infrastructure highly necessary. In terms of funding support, computing infrastructure is regarded as a project category tied to new quality productive forces. In addition to receiving budgetary fiscal subsidies, it is also expected to benefit from broader financing support through industrial funds and policy-based financial instruments.



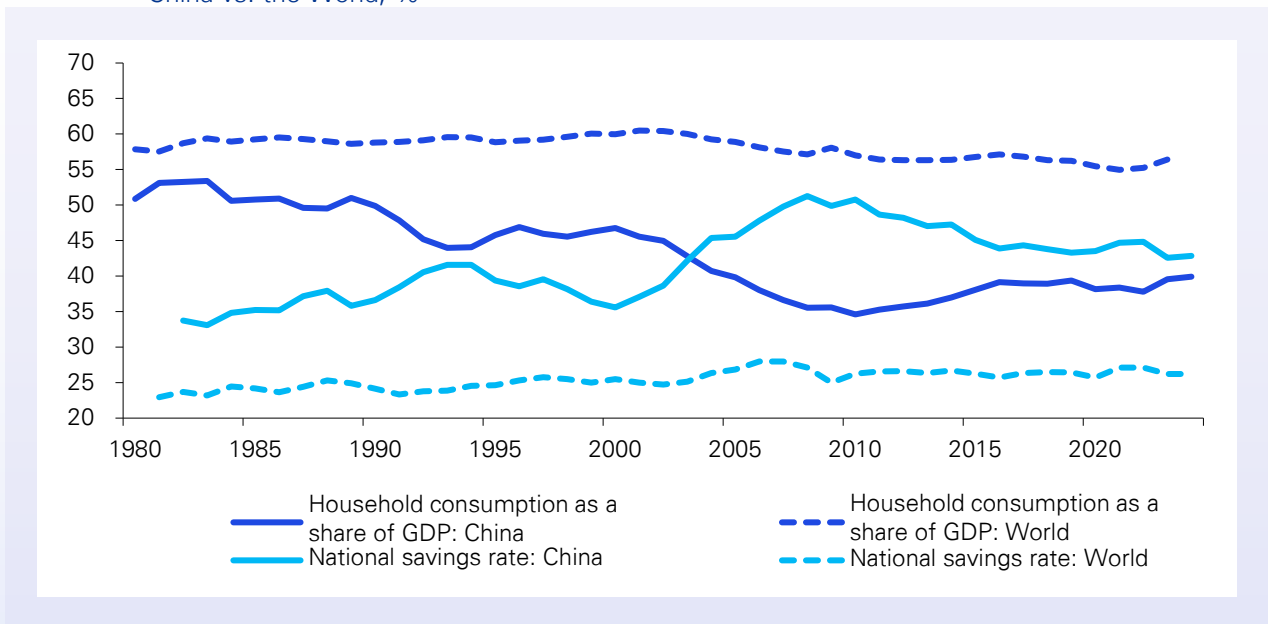
## 2 Expanding domestic demand, driving household consumption

During the 15th Five-Year Plan period, geopolitical conflicts are likely to become more normalized, protectionism will remain entrenched, and the outlook for global economic growth will remain subdued. As a result, uncertainty surrounding external demand will rise markedly, and exports will play a diminished role in supporting China's economy. Against this backdrop, the 15th Five-Year Plan emphasizes the need to stay committed to the strategy of expanding domestic demand and explicitly calls for the creation of more economic growth models that are led by domestic demand, driven by consumption, and sustained by self-generating momentum. As final demand, consumption is both the end point and the starting point of the national economic cycle. During the 15th Five-Year Plan period, as China works to strengthen the domestic economy, consumption will play a leading and enabling role.

### Raise consumption rates, shift spending towards services

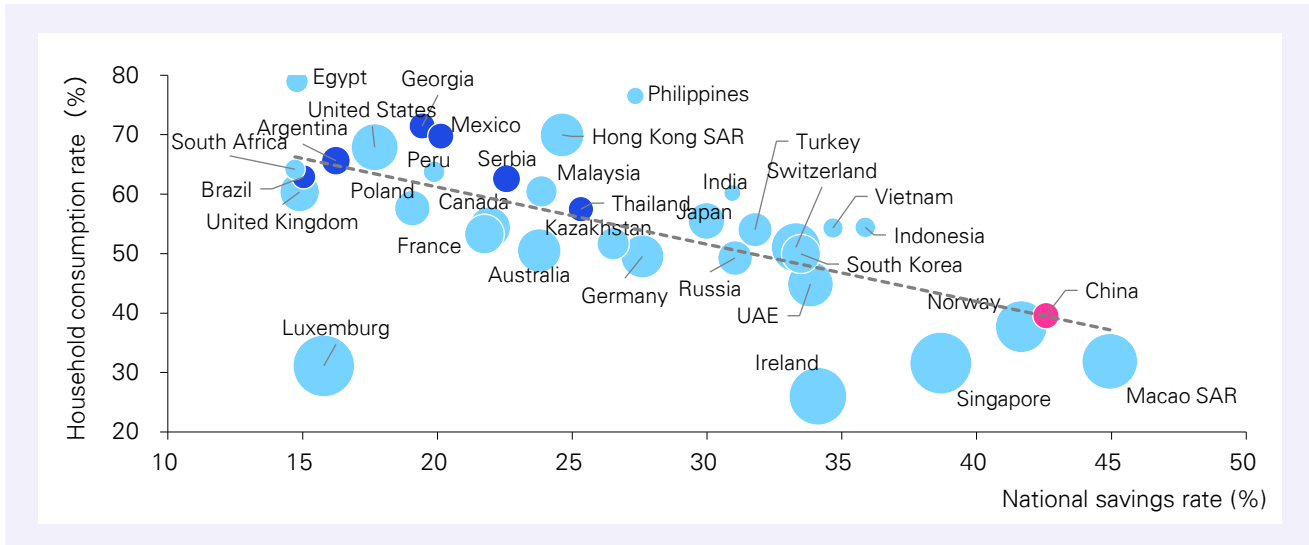
The 15th Five-Year Plan sets a target of achieving a notable increase in household consumption as a share of GDP. This marks the first time in 15 years, since the 12th Five-Year Plan period (2011–2015), that raising household consumption as a share of GDP has once again been established as an explicit policy objective. From an international comparative perspective, China has long exhibited a distinctly high-savings, low-consumption pattern, with household consumption as a share of GDP remaining comparatively low by global standards, while the national savings rate has remained persistently high (Figure 4 and 5).

**Figure 4** Comparison of Household Consumption as a Share of GDP and National Savings Rate: China vs. the World, %



Source: Wind, KPMG analysis

**Figure 5** Household Consumption as a Share of GDP and National Savings Rate in Major Economies, %<sup>4</sup>



Source: World Bank, KPMG analysis

Note: Bubble size = per capita GDP at purchasing power parity (international dollars). The dark blue bubbles represent economies with per capita GDP between Int'l \$20,000 and Int'l \$30,000, regarded as comparable to China (Int'l \$25,000). Data for Japan are for 2022; all others are for 2023.

During the 15th Five-Year Plan period, the key lever for raising household consumption as a share of GDP lies in expanding services consumption. International experience shows that, as per capita income rises, the share of services consumption in total consumption tends to increase accordingly. Since the start of the 14th Five-Year Plan period, the share of expenditure on services consumption has risen from 42.6% in 2020 to 46.1% in 2025, but it remains far below the United States' 68.5%. Insufficient supply of services consumption, together with the relatively low quality of that supply, remains the principal bottleneck constraining the growth of services consumption in China. On the one hand, the supply of basic services remains uneven, with county-level and rural areas still facing shortfalls in public services such as elderly care, childcare, education, and healthcare. On the other hand, there remains a sizeable shortfall in the supply of high-end, specialized, and personalized services, making it difficult to meet the upgrading needs of middle- and high-income groups. During the 15th Five-Year Plan period, China will move faster to address these supply-side shortcomings, promote the development of higher quality, more diverse, and more accessible consumer services, and drive a shift in the consumption structure from one dominated by goods to one that gives equal weight to goods and services.

To expand domestic consumption, the 15th Five-Year Plan sets out two clear implementation pathways: allowing new demand to drive new supply and enabling new supply to create fresh demand, so as to generate stronger growth through dynamic alignment between demand and supply. For this virtuous and self-reinforcing cycle to function smoothly, two areas of reform will be essential. First, China must strengthen household spending power and reinforce the foundations for people to have the capacity and confidence to spend. Second, it must improve the consumption environment and institutional framework and remove the bottlenecks that prevent consumers from wanting to spend and from spending with ease.

4 Norway has built up sovereign wealth through energy exports, with the Government Pension Fund Global being the world's largest sovereign wealth fund, and this has been translated into national savings. At the same time, its small population and limited consumer market have resulted in a pattern of high savings and low consumption. Although both Luxembourg and Ireland are major global hubs for cross-border capital flows, Luxembourg functions primarily as a transit hub, where rapidly moving financial capital is not converted into local savings. Ireland, by contrast, follows a retention model, in which investment and construction activity by multinational corporations serve as the main drivers of economic growth, and retained corporate earnings are converted into a stable pool of savings. Even so, consumption in both economies remains constrained by their small populations and limited consumer base, keeping consumption rates at relatively low levels. In Singapore, the mandatory savings-based social security model has pushed up the national savings rate. This, coupled with rigid expenditures such as high housing costs, has compressed households' actual disposable income and resulted in a relatively low consumption rate. Macao, China, has an economy centered on gaming and tourism, with gaming taxes forming a pool of government savings. The limited size of the local consumer market has also kept overall consumption relatively low.



### Match supply to new demand for emotional value and cost-effectiveness

Allowing new demand to drive new supply means, at its core, responding to new changes and emerging trends in the consumer market and using targeted supply-side planning and innovation to better match the diverse consumption needs of different groups.

At present, China's consumer market exhibits a pronounced K-shaped recovery, with demand for emotional value and demand for cost-effectiveness coexisting side by side. In response to the consumption-upgrading trend and these structural characteristics, China will move faster during the 15th Five-Year Plan period to build a multi-tiered and differentiated supply system. To address the rapid rise in demand for emotionally driven consumption, the 15th Five-Year Plan encourages the development of facilities aimed at upgrading consumption infrastructure and enhancing consumer service functions. To support the steady expansion of rational consumption, policy will strengthen standardization and quality supervision and work to improve the supply capacity of affordable, high-quality products and services.

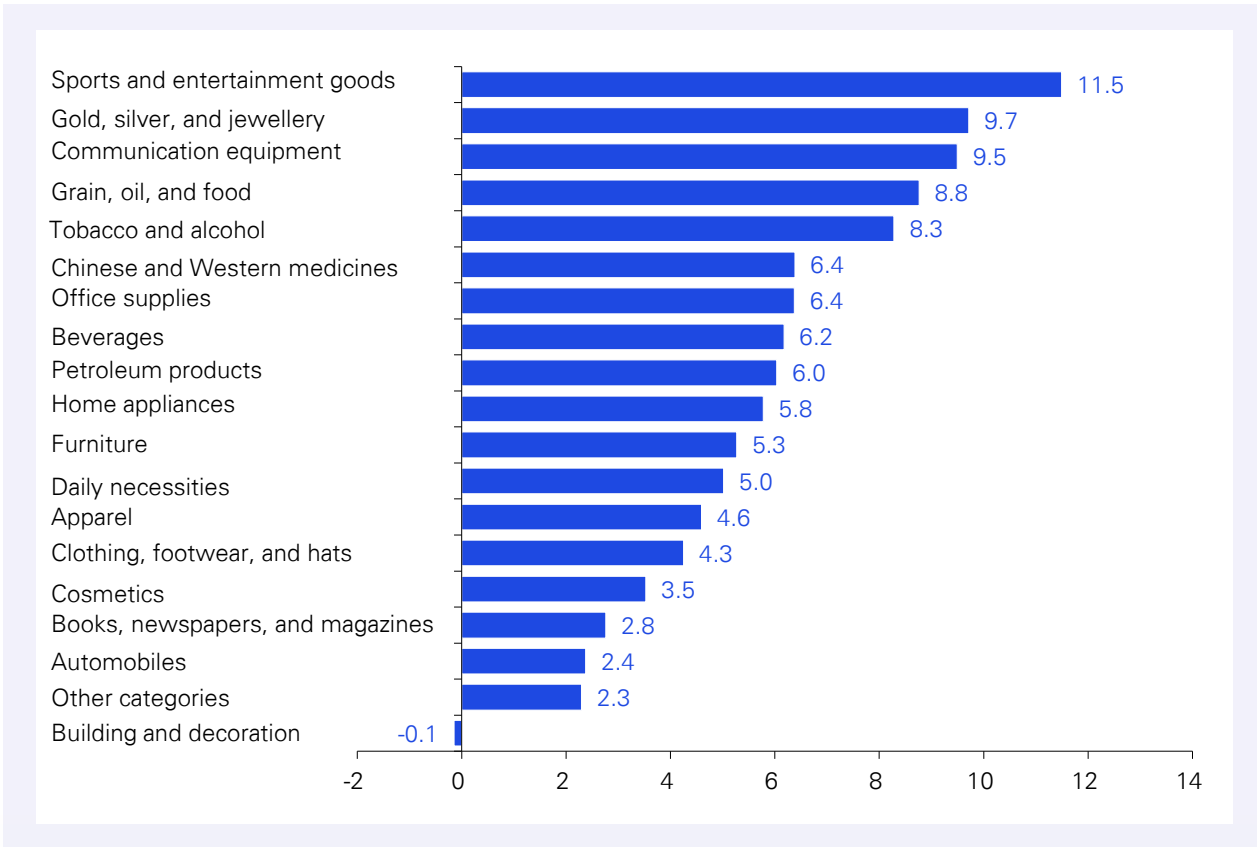
### Boost quality supply to drive new consumer demand

The 15th Five-Year Plan emphasizes the need to expand the supply of high-quality consumer goods and services. To expand and upgrade goods consumption, it will be necessary to strengthen supply-side brand leadership, raise standards, and apply new technologies. To expand the supply of services consumption, the key lies in easing market access restrictions on foreign-invested and private enterprises. By removing caps on foreign ownership, expanding pilot opening up programs, and attracting private capital, China can address the problems of insufficient total supply, suboptimal quality, and structural imbalances in services provision.

New consumption tracks represented by digital, green, smart, and health-related consumption are becoming the principal vehicles for driving the supply of high-end consumer offerings, innovating consumption scenarios, and creating fresh demand. For example, in the field of digital consumption, the deep integration of new-generation information technologies such as AI and big data with consumer scenarios is giving rise to new business forms such as livestreaming e-commerce, instant retail, and smart cultural tourism.

In addition, the sports industry, the event economy, and the ice and snow economy have in recent years also emerged as new engines for boosting consumption. Data show that during the 14th Five-Year Plan period, retail sales of sports and entertainment goods by enterprises above the designated size recorded an average annual growth rate of 11.5%, the fastest-growing category (Figure 6). The 15th Five-Year Plan explicitly states that China should enrich the supply of high-quality sports products and services, encourage the development of the event economy, and take safe and orderly steps to open waters, airspace, mountains, and other areas for outdoor sports. This strategic deployment opens up broad space for sports consumption. By optimizing the spatial layout for outdoor activities, it will help convert natural and ecological resources into leisure resources for the public and create a regionally activating growth model in which key points stimulate broader development.

**Figure 6** Average Annual Growth Rate of Retail Sales of Consumer Goods by Enterprises above the Designated Size during the 14th Five-Year Plan Period, %



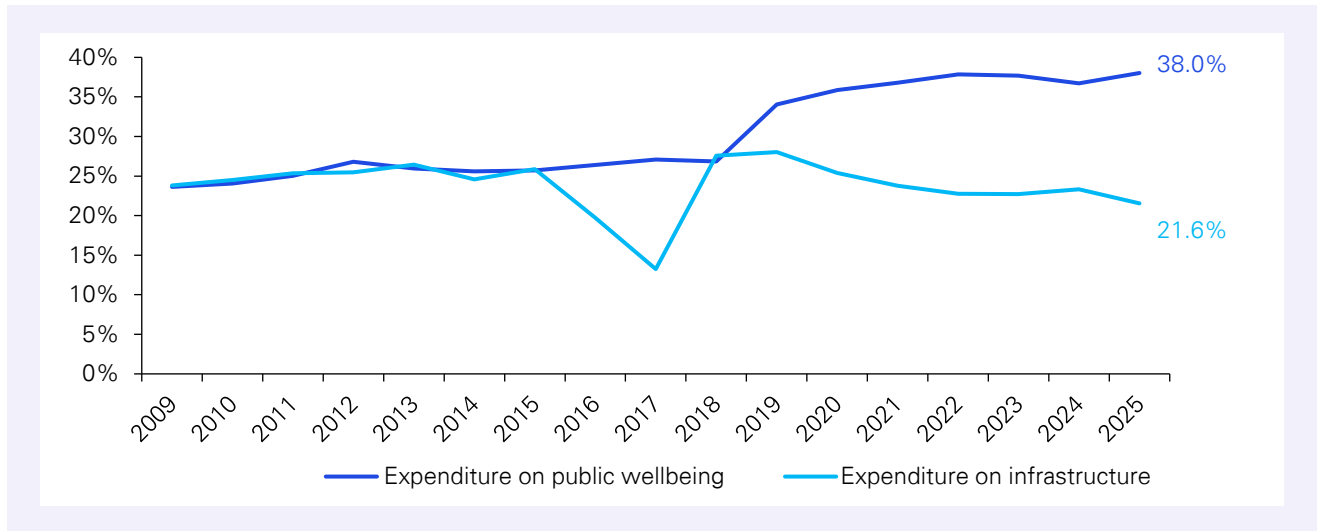
Source: Wind, KPMG analysis

### Strengthen purchasing power by advancing public wellbeing

Spending power is the precondition for unlocking consumption potential. Guided by the principle of combining public wellbeing with consumption promotion, the 15th Five-Year Plan will focus on both employment and income growth and public wellbeing support. In essence, this is intended to stabilize expectations, strengthen confidence, reduce precautionary savings, and build the foundations that enable people to have the capacity and confidence to spend.

Employment is fundamental to public wellbeing. At a critical stage in the transition from old to new growth drivers, stabilizing and promoting employment during the 15th Five-Year Plan period will require a focus on resolving structural employment mismatches. First, in response to the development needs of emerging sectors and the changing impact of new technologies such as AI on employment, China should strengthen vocational skills training and improve workers' ability to adapt to new jobs. Second, it should promote the sound development of flexible employment and new forms of employment and improve the social security system for flexible workers and people in new forms of employment. Third, it should adopt comprehensive measures to address the employment impact of changes in the external environment, establish and improve employment monitoring and early-warning mechanisms, and guard against the risk of large-scale unemployment.

Improving the quality and effectiveness of spending on public wellbeing is a key measure for easing households' concerns and boosting their willingness to spend. In 2025, spending in public wellbeing-related areas accounted for more than 38% of China's fiscal expenditure, while outlays in key areas such as education, social security and employment, and health remained on a steady growth trajectory (Figure 7). The 15th Five-Year Plan proposes appropriately increasing the share of fiscal expenditure that goes toward public services and strengthening inclusive policies that directly benefit consumers. During the 15th Five-Year Plan period, the share of expenditure devoted to public wellbeing is likely to rise by a further 2 to 3 percentage points, directing more funding and resources toward investment in people.

**Figure 7** Share of Public Fiscal Expenditure in Public Wellbeing and Government Funds over the Years, %

Source: Wind, KPMG analysis

### Optimize the consumption environment and regulatory framework to enhance consumer convenience

Improving the consumption environment and institutional framework is a key part of boosting consumer confidence and unleashing market vitality. The 15th Five-Year Plan proposes refining the systems and mechanisms designed to drive consumption, with the aim of removing both visible and invisible barriers that restrict consumption, continuously improving the consumption environment, and making consumption more convenient, accessible, and experience-oriented, thereby enabling a virtuous cycle in which consumer demand is fully released and supply is matched more precisely to that demand.

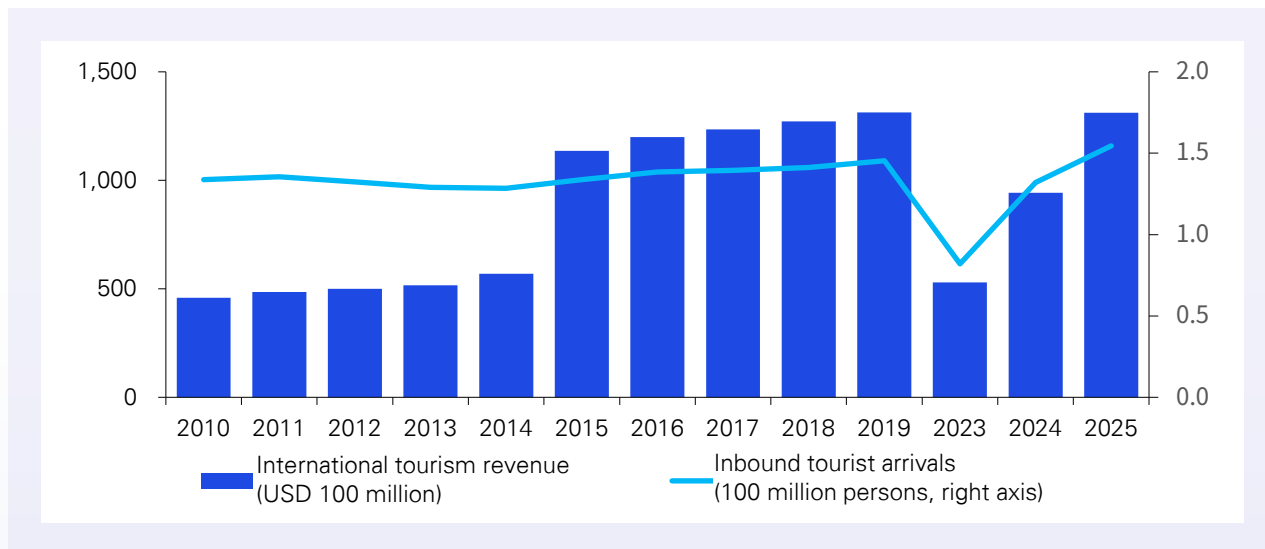
First, China should ensure the implementation of the paid leave system and encourage staggered leave so as to fully unlock the consumption potential of tourism, culture, and leisure. At present, there are still clear shortcomings in protecting residents' leave entitlements, with the actual implementation rate of paid leave standing at below 60%. During the 15th Five-Year Plan period, China will strengthen the mandatory enforcement and routine supervision of paid leave policies, while also taking multiple steps to build a more flexible leave system by encouraging enterprises to adopt flexible leave and split annual leave and supporting localities in exploring spring and autumn breaks for primary and secondary schools in light of local conditions. Second, China should abolish unreasonable restrictive measures in the field of consumption. On the one hand, restrictions in areas such as automobiles and housing are expected to be eased further, fully unleashing the vitality of big-ticket consumption. On the other hand, by eliminating local protectionism and entrenched industry monopolies, China can attract more foreign investment and private capital into the supply of high-quality consumer services.

## Build international consumption hubs, capture inbound tourist spending

Expanding inbound consumption is an important complement to expanding domestic demand. In recent years, China has continued to improve the policy framework for inbound consumption, forming a multi-layered system centred on visa facilitation, optimized tax refund policies, a better payment environment, and the development of international consumption centres. With policy support, inbound consumption in China had by 2025 basically recovered to its pre-pandemic peak (Figure 8) and accounted for 0.7% of GDP. However, compared with the 1% to 3% range<sup>5</sup> typically seen in major economies around the world, China still has considerable room for growth in inbound consumption.

During the 15th Five-Year Plan period, policy will advance the expansion of inbound consumption in four areas. First, China will implement a plan to promote inbound tourism and turn its rich cultural heritage resources into a distinctive advantage in attracting overseas consumers. Second, it will improve the convenience and internationalization of inbound tourism by continuing to optimize visa-free entry and departure tax refund policies and further improving the convenience of payments and tax refunds for inbound consumption. Third, it will develop more cities into international consumption centres, hold various international consumption expos, cultural festivals, and other events, and encourage duty-free shops to introduce high-quality domestic products such as Chinese-style cultural and creative goods, intangible cultural heritage brands, time-honoured Chinese brands, and emerging green and smart product categories, thereby creating new tailwinds for premium global expansion of Chinese brands. By leveraging digital technologies, China can enhance the influence of the “Shop in China” brand.

**Figure 8** Inbound Consumption in China



Source: Wind, KPMG analysis

Note: No inbound tourist arrival data are available for 2020–2022 due to the impact of the Covid-19 pandemic.

<sup>5</sup> SCIO briefing on optimizing departure tax refund policy to boost inbound consumption, State Council Information Office, April 2025, <http://www.scio.gov.cn/live/2025/35833/tw/>

# 02

## Risk Management

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At present, China's economic and social development has entered a period in which strategic opportunities coexist with risks and challenges, and uncertainties and unforeseen factors are mounting. A range of risks and challenges—including weak global economic recovery, intensifying geopolitical conflict, deep restructuring of industrial and supply chains, and increasingly fierce technological competition—are overlapping and compounding one another, while the domestic tasks of economic restructuring, reform, development, and stability remain formidable. During the 15th Five-Year Plan period, China must stay mindful of worst-case scenarios, strengthen risk awareness, take systematic measures to prevent and defuse various risks and hidden dangers, and build a stronger security shield for high-quality development.

# 1 Raise science and technology self-reliance, navigate global upheaval

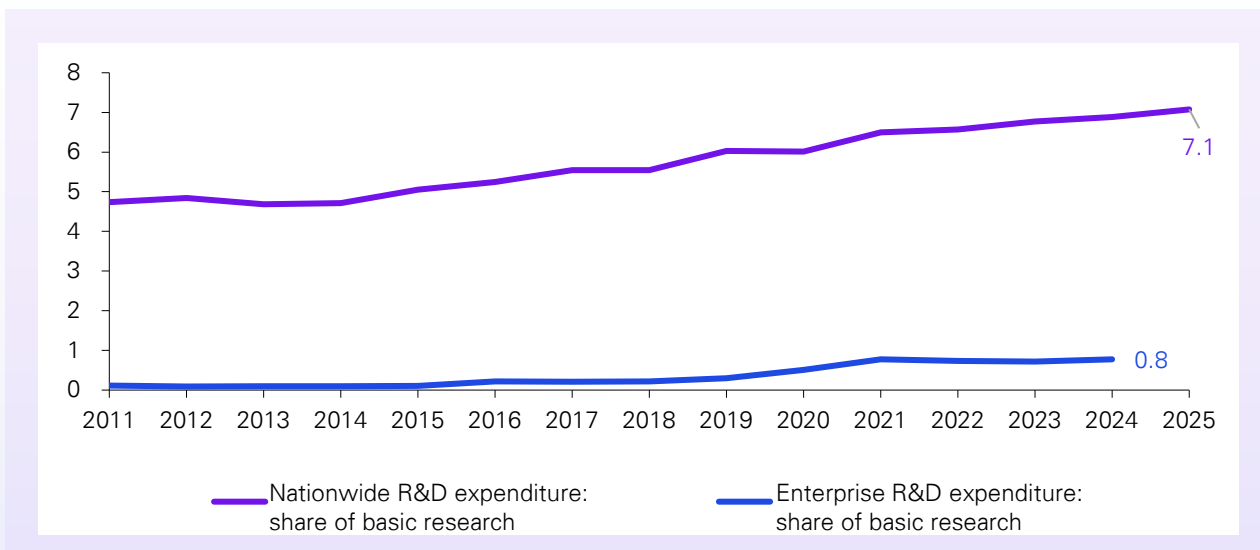
Against the backdrop of technological revolution and industrial transformation, self-reliance and strength in science and technology constitute the core engine for enhancing national strength and securing the strategic initiative in international competition, while also providing the underlying support for the security of industrial and supply chains.

## Target strategic sectors, drive innovation and core technology breakthroughs

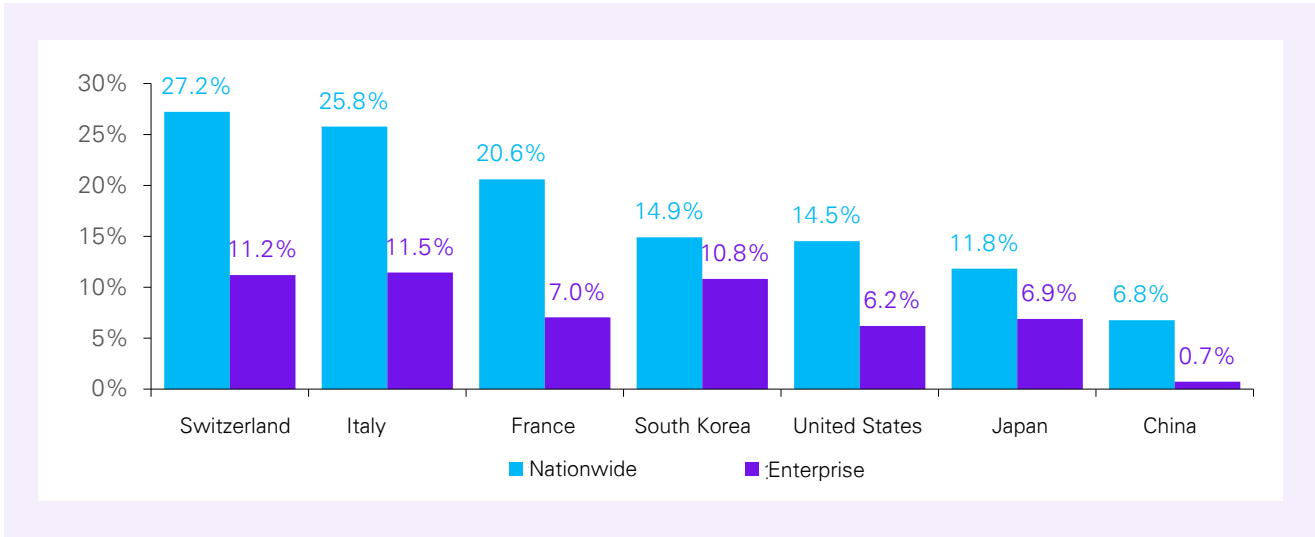
The 15th Five-Year Plan sets the goal of substantially improving self-reliance and strength in S&T and calls for significantly stronger capacity for basic research and original innovation and faster breakthroughs in core technologies in key fields.

During the 14th Five-Year Plan period, China's spending on basic research grew 13.6% annually, and its share of total R&D expenditure rose steadily from 6.0% at the end of the 13th Five-Year Plan period to 7.1% in 2025 (Figure 9). However, this still fell short of the 14th Five-Year Plan target of "above 8%", leaving a clear gap compared with major developed economies (Figure 10). The fundamental reason lies in weak business expectations and the relatively limited participation of enterprises in basic research. With the 15th Five-Year Plan calling for average annual growth of more than 7% in economy-wide R&D spending and a comprehensive improvement in basic research, future policy will focus on exploring risk-sharing mechanisms such as basic research investment insurance. Through market-based instruments, this will help spread enterprises' investment risks in basic research, strengthen their confidence and incentives to undertake long-term basic research, and encourage high-risk, high-value basic research.

**Figure 9** Share of Basic Research in China's Total R&D Expenditure over the Years, %



Source: Wind, KPMG analysis

**Figure 10** Share of Basic Research in Total R&D Expenditure in Major Economies, %

Source: OECD, KPMG analysis  
 Note: Data are for 2023.

With regard to breakthroughs in core technologies, *Science and Technology Daily* published in 2018 a list of 35 “bottleneck” technologies constraining China’s industrial development. Following seven years of sustained efforts and innovation-driven advances, China has made notable progress in some areas. However, technological bottlenecks remain pronounced in core segments of key industrial chains, including integrated circuits, industrial machine tools, high-end equipment, basic software, advanced materials, and biomanufacturing. (Table 2) The 15th Five-Year Plan proposes adopting unconventional measures to drive decisive breakthroughs in core technologies across entire chains in those six fields. Here, “unconventional” means breaking with traditional scientific research management models and establishing a demand-oriented mechanism for defining key research tasks. “Across entire chains” means strengthening the linkage between application-driven research and research-driven application, advancing technology R&D, commercialization of outcomes, standards development, and industrial cultivation in an integrated way, and accelerating the application of research outcomes and the iterative upgrading of products.

**Table 3** Six Major Fields with Technological Bottlenecks

Key fields	Core bottleneck segment
<b>Integrated circuits</b>	High-end photoresists, lithography machines for advanced process nodes of 7 nm and below, electronic design automation (EDA) tools
<b>Industrial machine tools</b>	High-end numerical control systems, high-performance servo motors and drive systems, precision transmission components
<b>High-end equipment</b>	Core components and data analysis software for high-end analytical instruments such as mass spectrometers, chromatographs, and spectrometers
<b>Basic software</b>	Operating systems, databases, industrial design software (CAD/CAE)
<b>Advanced materials</b>	High-performance composite materials for aerospace applications, semiconductor materials, production equipment, and industrialization of frontier materials
<b>Biomanufacturing</b>	Core microbial strains and enzyme preparations, high-end bioreactors, pilot-scale and industrial-scale scale-up technologies

Source: Compiled from public information, KPMG analysis

## Coordinate S&T capabilities, build systemic innovation capacity

The overall performance of China's innovation system is a key pillar in achieving greater self-reliance and strength in S&T. The 15th Five-Year Plan establishes a strategic framework for enhancing systematic innovation capacity from three angles: strengthening the leading role of national strategic S&T capabilities, reinforcing support for S&T innovation resources, and fostering a new pattern of high-level open cooperation in science and technology.

First, the 15th Five-Year Plan defines a four-dimensional layout for national strategic S&T capabilities, namely national laboratories, national research institutions, high-level research universities, and leading technology companies. Second, in terms of support for innovation resources, one focus is on deepening reform of the scientific research management system by giving scientists greater authority to determine technology pathways, greater discretion over the use of funds, and greater power to mobilize resources. The other focus is on resource sharing and regional innovation coordination. In this regard, the 15th Five-Year Plan proposes making systematic arrangements for major S&T infrastructure, taking well-coordinated steps to develop foundational S&T platforms, and developing regional technological innovation centres and industrial technological innovation hubs. Finally, the 15th Five-Year Plan proposes fostering a new pattern of high-level international cooperation in science and technology. On the one hand, the government will pursue high-quality implementation of the Belt and Road science, technology, and innovation cooperation action plan. On the other hand, it will establish and improve systems for the cross-border disbursement and overseas use of S&T funds, as well as mechanisms for the secure and orderly cross-border flow of scientific research data, thereby providing security safeguards for international cooperation in S&T.

## Position enterprises as lead innovators, accelerate research commercialisation

The value of technological innovation is ultimately reflected in industrial application. At present, the commercialization rate of scientific and technological advances in China stands at only around 30%, far below the 60% to 70% in developed economies. Against the backdrop of technological revolution and industrial transformation, enterprises are not only the principal participants in technological innovation, but also a vital force in developing new quality productive forces.

The 15th Five-Year Plan proposes reinforcing the principal role of enterprises in decision-making on technological innovation, R&D investment, research organization, and the commercialization and application of outcomes. First, future policy will further facilitate the flow of innovation resources such as projects, platforms, data, and talent toward enterprises. At the project level, the 15th Five-Year Plan emphasizes strengthening enterprise-led collaborative innovation across industry, academia, and research and supporting leading technology companies in spearheading the creation of innovation consortia.

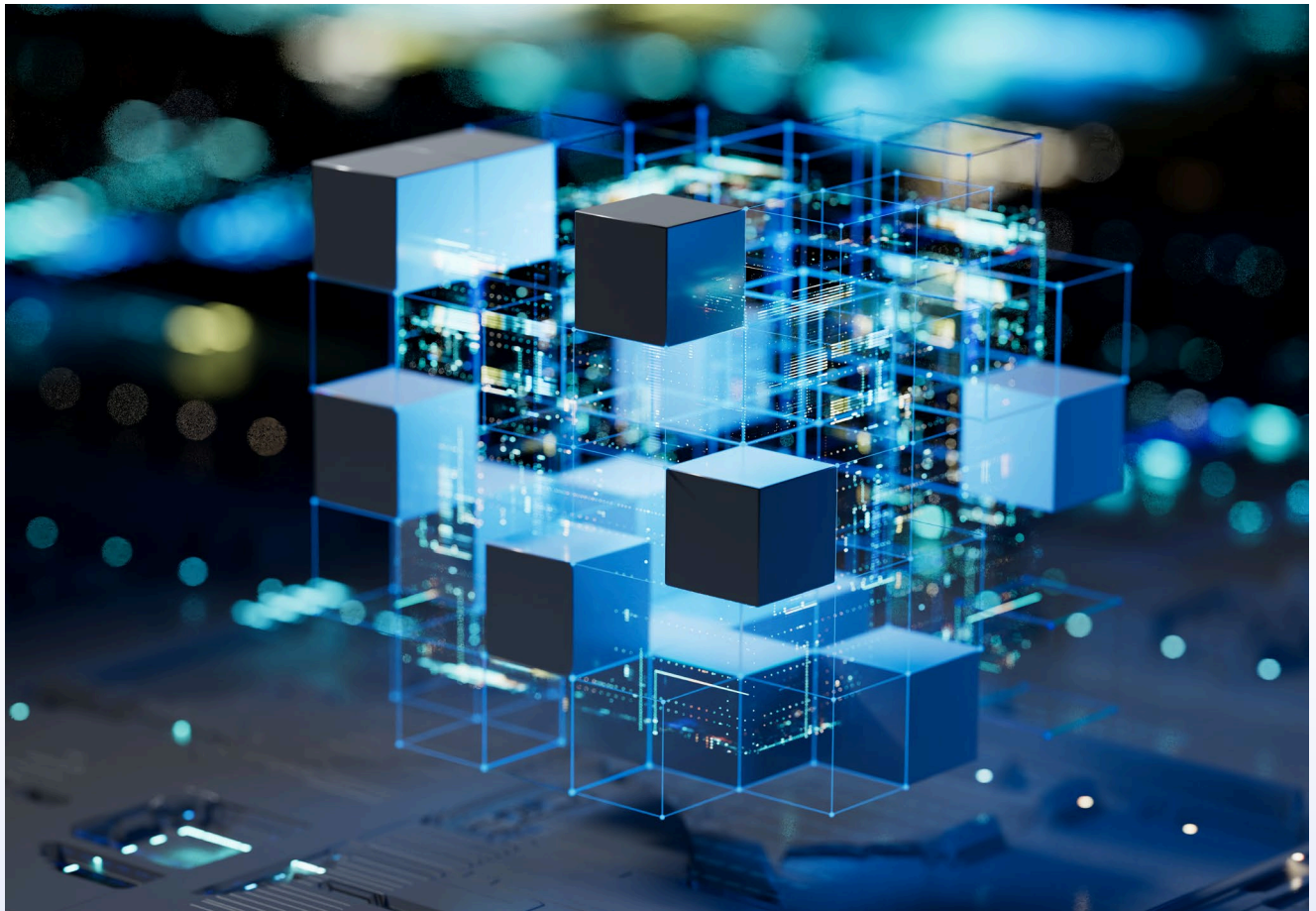
In terms of platforms, during the 15th Five-Year Plan period priority will be given to supporting leading technology companies in developing national S&T innovation platforms and centres. With respect to data and talent, the 15th Five-Year Plan calls for expanding enterprises' access to national scientific data, engineering test data, and talent programs. Second, the 15th Five-Year Plan emphasizes improving the policy framework for promoting enterprise innovation and strengthening the supply of inclusive policies. For example, this includes further raising the additional tax deductions for enterprises' R&D expenses; better leveraging the role of the National Venture Capital Guidance Fund and national-level M&A funds; stepping up innovation in financial instruments; encouraging diversified financing models such as venture capital and equity investment; supporting high-quality technology companies in raising funds through stock listings and bond issuance; developing the "technology board" of the bond market to a high-standard; and enriching technology insurance products.



## Advance education, technology, and talent in tandem, reform training and evaluation

China possesses the world's largest and most comprehensive pool of human resources. In 2023, full-time equivalent R&D personnel reached 7,241 thousand person-years, ranking first in the world for many consecutive years<sup>6</sup>. However, the share of highly skilled talent in China remains comparatively low. There is also a marked mismatch between the supply of high-level talent and the needs of industrial upgrading, while emerging industries such as AI face massive talent shortages. The root causes lie in lagging disciplinary structures in the education system, weak integration between industry and education, uneven allocation of resources, and rigid evaluation systems. The 15th Five-Year Plan proposes deepening integrated reform in education, science and technology, and human resources by strengthening coordination across development plans, policies, resources, and evaluations and fostering positive interplay between indigenous technological innovation and the training of homegrown talent.

During the 15th Five-Year Plan period, China will roll out a multi-tiered reform agenda. First, in response to the needs of technological innovation, industrial development, and national strategy, it will move faster to build a new framework for collaborative talent cultivation across industry, academia, research, and application, while deepening integration between industry and education and between scientific research and education. Second, it will deepen reform in key areas such as project reviews, institution assessments, talent evaluations, and income distribution, break away from the tendency to judge performance solely by papers, professional titles, academic credentials, and awards, establish a more scientific, diversified, and open evaluation system, and effectively boost internal impetus for development of all innovation participants.



<sup>6</sup> "Promoting the Integrated Development of Education, Science and Technology, and Human Resources to Accelerate the Achievement of Greater Self-Reliance and Strength in Science and Technology (In-Depth Study and Implementation of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era) — An In-Depth Study of Volume V of Xi Jinping: The Governance of China", Leading Party Members Group of the Ministry of Science and Technology, People's Daily, December 2025, [https://paper.people.com.cn/rmrb/pc/content/202512/26/content\\_30127281.html](https://paper.people.com.cn/rmrb/pc/content/202512/26/content_30127281.html)

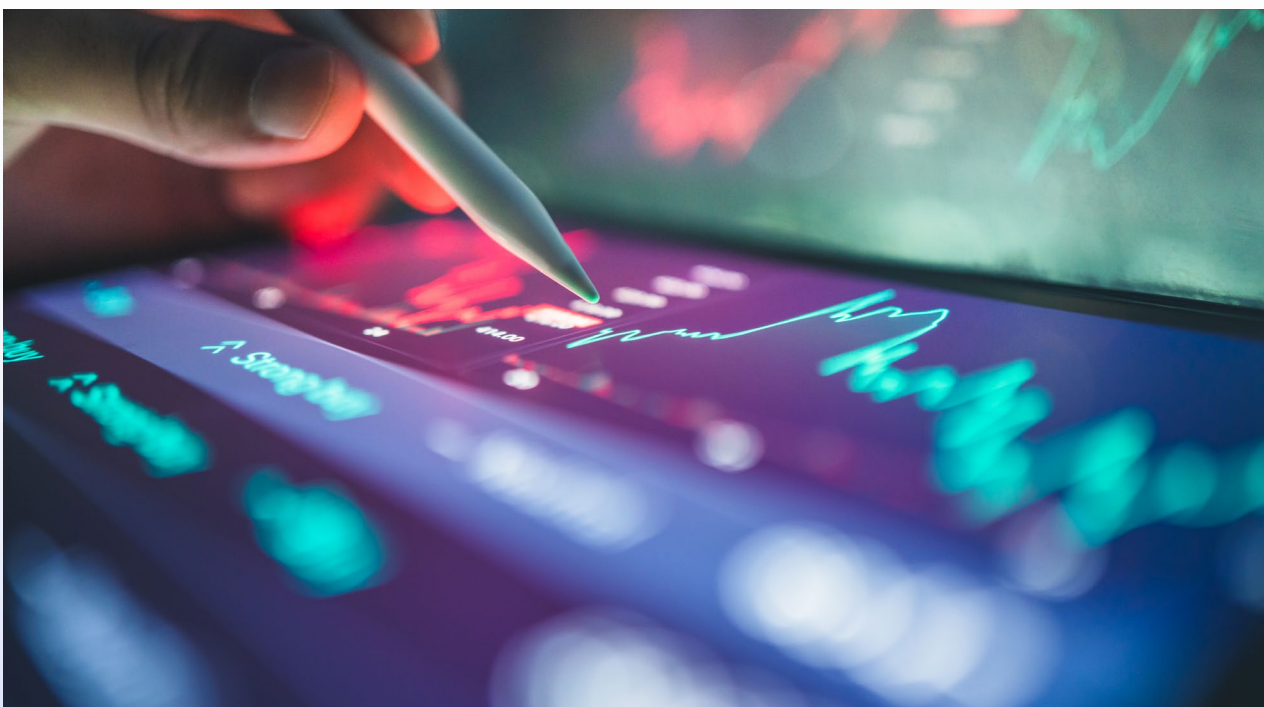
## 2 Expand high-standard opening up

Opening up is a basic state policy to which China has long remained committed. Against the backdrop of the accelerated development of the domestic market and profound structural transformation in the economy, high-standard opening up can both introduce quality factors of production and effective supply to unlock domestic demand potential and facilitate the orderly relocation of inefficient capacity to advance supply-side structural reform. In this way, it can promote linkage between domestic and international markets, the sharing of production factors and resources, and mutually reinforcing economic circulation. During the 15th Five-Year Plan period, China will place greater emphasis on combining opening up with the expansion of domestic demand and on achieving more balanced growth between exports and imports.

### Widen institutional opening, advance RMB internationalisation

Autonomous opening up is the core principle underpinning China's high-standard opening up. That means, in line with its own development needs, China will proactively open more sectors and optimize the layout of opening up. This principle not only facilitates foreign investment in the Chinese market, but also helps Chinese enterprises go global, while ensuring that China firmly retains the initiative in opening up.

Opening up at the institutional level lies at the heart of high-standard opening up. During the 15th Five-Year Plan period, China will use alignment with high-standard international economic and trade rules as a key lever to strengthen institutional and standards-based coordination with partner countries. First, China should fully align with high-standard international economic and trade agreements such as the CPTPP and DEPA. Second, it will be important to strengthen cooperation on the mutual recognition of standards, certification and accreditation, so as to enhance China's voice in the global standards system. Third, China should optimize the regional layout of opening up, implement the strategy of upgrading pilot free trade zones, and carry out more intensive trials on opening up at the institutional level.

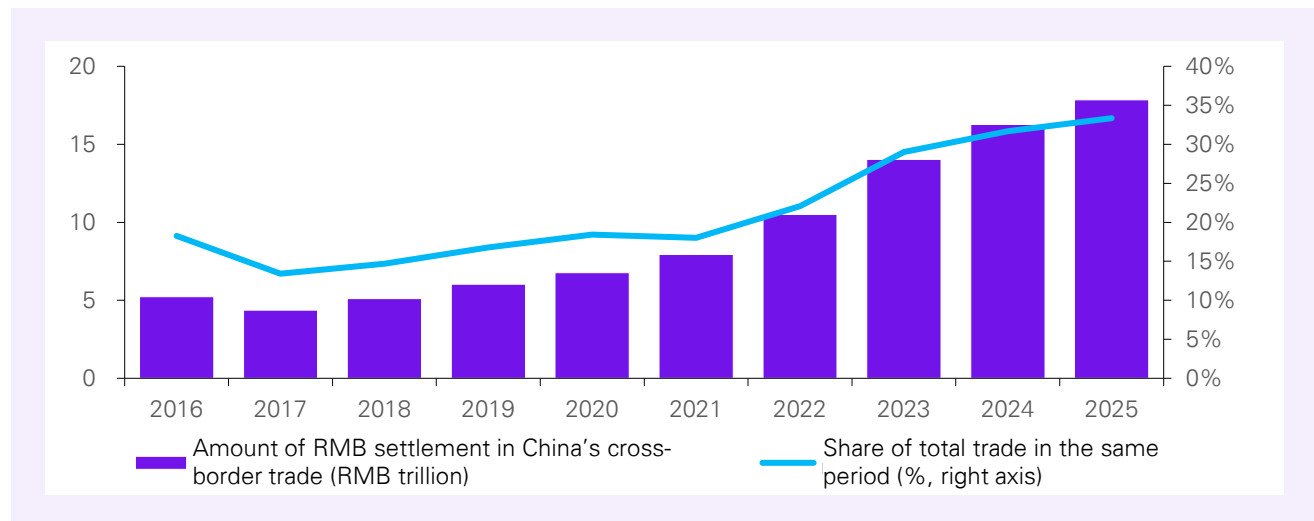




## Foster new trade growth drivers, integrate domestic and overseas markets

Optimizing the trade structure is a key step in coping with volatility in global markets and enhancing the quality and performance of trade. During the 15th Five-Year Plan period, China will make arrangements along three dimensions: fostering new drivers of growth in foreign trade, promoting balanced development of imports and exports, and advancing the integrated development of domestic and foreign trade.

**Figure 11** Amount of RMB Settlement in China's Cross-Border Trade and Its Share of Total Trade

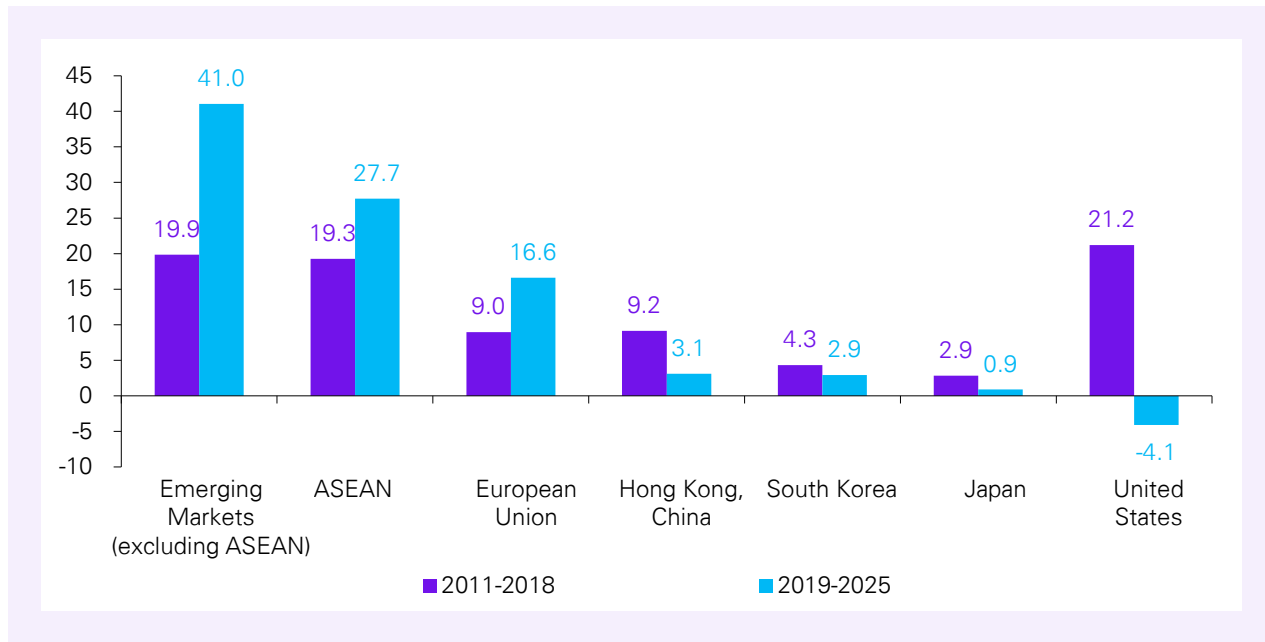


To foster new drivers of growth in foreign trade, the priority is to continue expanding export markets. Since 2018, emerging markets have made a markedly greater contribution to China's exports. Going forward, China will continue to optimize its trade layout, actively expand into emerging markets such as ASEAN, Latin America, and Africa, further reduce dependence on any single market (Figure 12), and strengthen its ability to cope with fluctuations in global markets. Second, China needs to expand trade in intermediate goods, vigorously develop trade in services, and pursue innovative development in digital trade and green trade. With respect to trade in intermediate goods, future policy will leverage China's position in global industrial chains, encourage both imports and exports of high-end intermediate goods, and move China up the global value chain.

To promote balanced development of imports and exports, the 15th Five-Year Plan proposes making appropriate adjustments to import tariff rates, revising the catalogue of technologies, products, and services encouraged for import, and expanding imports of advanced technology and equipment urgently needed at home, quality agricultural products, and producer services.

The integrated development of domestic and foreign trade is an important measure for mitigating the risk of trade frictions. During the 15th Five-Year Plan period, the priority will be to deepen reform in standards and certification for domestic and foreign trade and promote the alignment of rules governing quality standards, conformity assessment, inspection, and quarantine. Second, China will move faster to cultivate enterprises capable of integrated domestic and foreign trade operations and support them in building marketing systems and logistics networks covering both domestic and international markets. Finally, it will promote the development of integrated domestic and foreign trade platforms by relying on platforms such as pilot free trade zones, comprehensive bonded zones, and comprehensive pilot zones for cross-border e-commerce to carry out pilot programs for integrated domestic and foreign trade and explore new models and pathways for the integrated development of domestic and foreign trade.

**Figure 12** Contributions of Major Economies to the Growth of China's Exports, %



Source: Wind, KPMG analysis

Note: Emerging markets (excluding ASEAN) include Latin America, Africa, the GCC in the Middle East, Russia, India, and the five Central Asian countries.

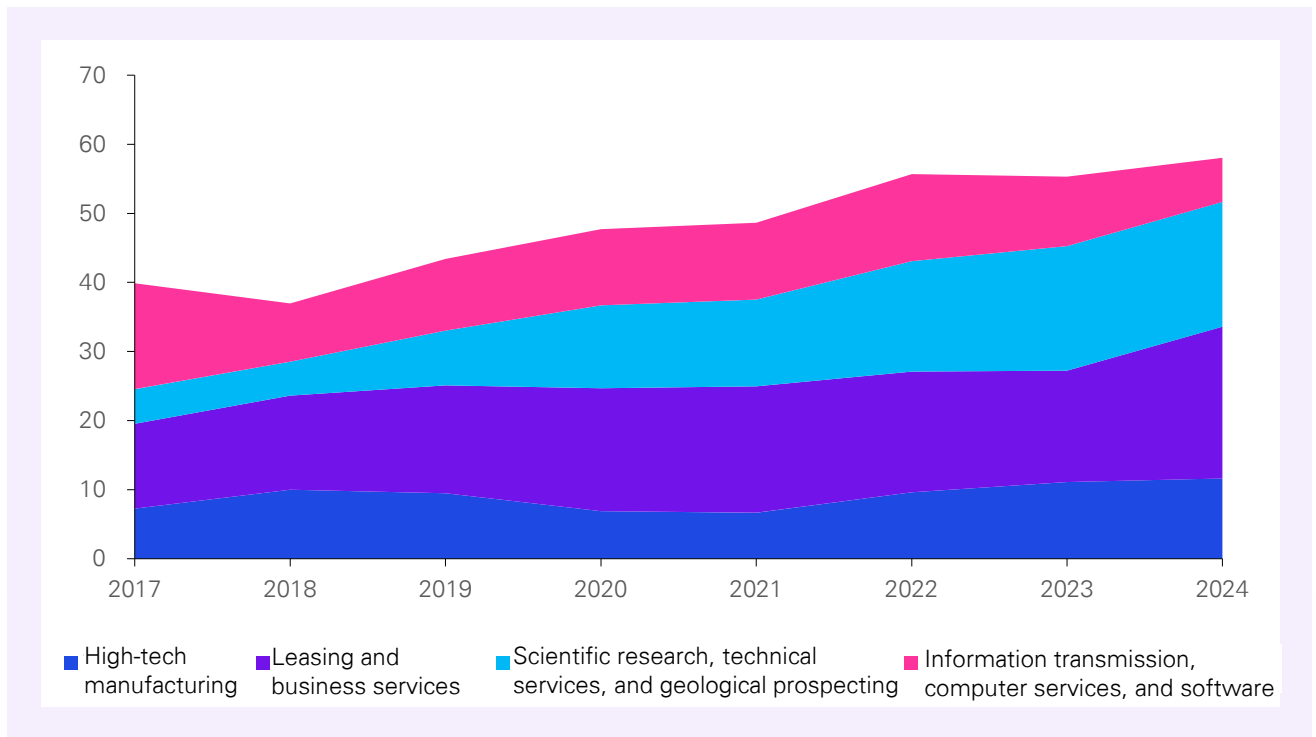
### Make "entry and operation" a reality, raise foreign investment quality

Foreign investment is an important component of China's economic development. Attracting foreign investment not only brings in capital and technology, but also promotes industrial upgrading, improves resource allocation, and enhances the competitiveness of industrial chains. During the 15th Five-Year Plan period, China will focus on ensuring both market access and business operations and improve the quality and level of foreign investment utilization by further shortening the negative list for foreign investment, fully implementing national treatment for foreign-funded firms, and facilitating reinvestments made by foreign-funded enterprises in China.

To ensure both market access and business operations, China will, during the 15th Five-Year Plan period, further ease market access restrictions on foreign investment while also emphasizing the need to improve post-entry regulatory systems, strengthen protection of the rights and interests of foreign-invested enterprises, refine the complaint-handling mechanism for foreign-invested enterprises, promptly address the problems they encounter in production and operations, and carry out high-quality security review of foreign investment. To improve incentive policies for domestic reinvestment by foreign investors, China will encourage foreign-invested enterprises to use their profits for reinvestment in China and expand the scale of their investment in the Chinese market. In recent years, foreign investment has accelerated its presence in China's high-end manufacturing and modern services sectors.

In 2024, the shares of actual utilized foreign investment going to high-tech manufacturing, leasing and business services, and scientific research and technical services stood at 11.6%, 22.0%, and 18.1%, respectively, up from 6.9%, 17.8%, and 12.0% in 2020 (Figure 13). During the 15th Five-Year Plan period, policy will guide more foreign investment into advanced manufacturing, modern services, high and new technology, and energy conservation and environmental protection, while vigorously attracting foreign-invested enterprises to establish regional headquarters and R&D centres in China and supporting their participation in upstream and downstream industrial chain collaboration.

**Figure 13** Share of Actual Utilized Foreign Investment in Major High-Tech Industries, %



Source: Wind, KPMG analysis

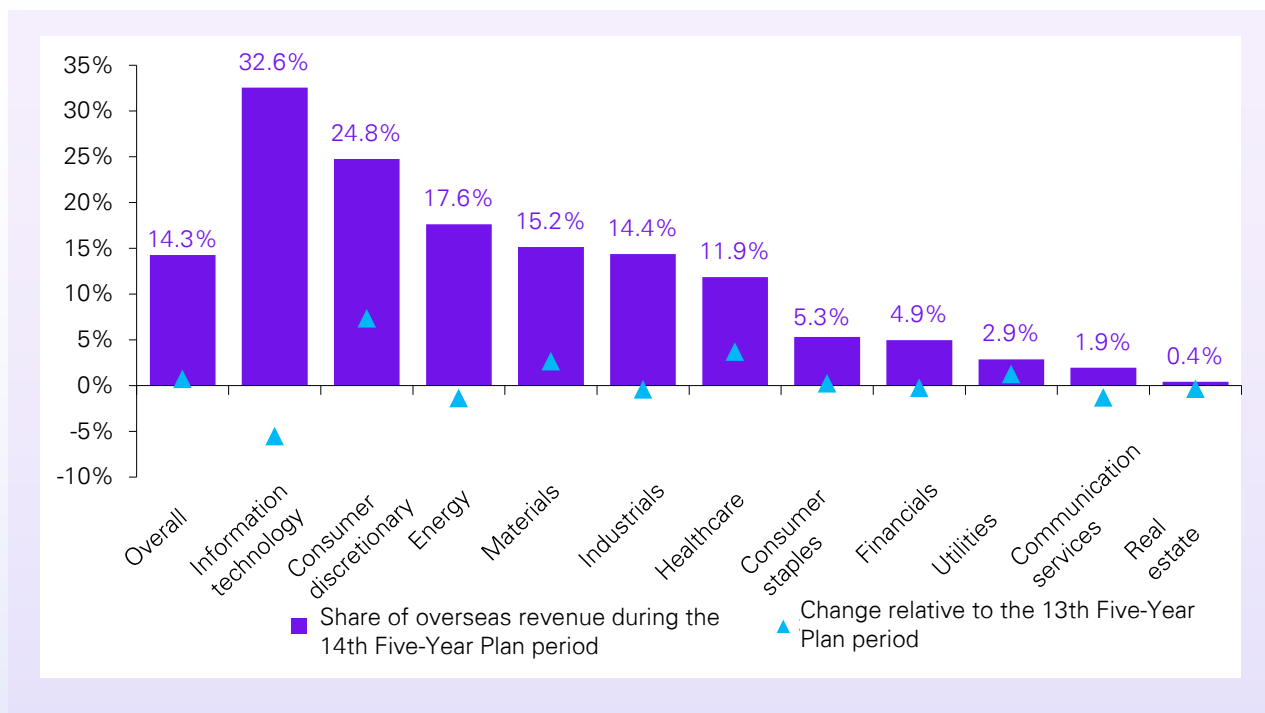


## Strengthen support for enterprises expanding overseas, bolster overseas service support

Since the onset of China-U.S. trade frictions in 2018, going global has become a key pathway for Chinese enterprises to participate in global competition, optimize the layout of industrial chains, and expand development space. It has also become an important means of rebalancing international economic and trade relations and easing external trade frictions. In recent years, however, amid the profound restructuring of the global political and economic landscape, Chinese enterprises have faced a more complex external environment in going global. Performance has diverged significantly across industries (Figure 14), and enterprises expanding overseas have developed more diversified service needs.

To adapt to this new situation, the 15th Five-Year Plan clearly proposes improving the comprehensive overseas service system, promoting the integrated development of trade and investment, guiding the overseas distribution of industrial and supply chains in a rational, orderly manner, and strengthening the system for protecting overseas interests, so as to support enterprises in implementing their globalization strategies. This will help raise China's position in the global value chain. With respect to improving the comprehensive overseas service system, the priority is to promote the coordinated overseas expansion of services and manufacturing and support professional service providers in areas such as consulting and evaluation, legal services, accounting and auditing, credit rating, mediation, and arbitration in expanding their overseas service networks. With respect to guiding the overseas distribution of industrial and supply chains in a rational, orderly manner, the 15th Five-Year Plan states that China should further guide and regulate the direction of outbound investment by enterprises and encourage them to focus on their own core strengths when laying out R&D, production, sales, and other functions overseas, so as to optimize the global allocation of resources. With respect to better protecting overseas interests, China will build a multi-tiered and comprehensive protection system to safeguard the security of Chinese enterprises, personnel, and assets overseas and help enterprises respond to challenges such as geopolitical risks, trade barriers, and overseas operational risks.

**Figure 14** Share of Overseas Revenue in Total Revenue of China A-Share Listed Companies by Sector during the 14th Five-Year Plan Period, %



Source: Wind, KPMG analysis



### 3 Build national security capacity in key sectors

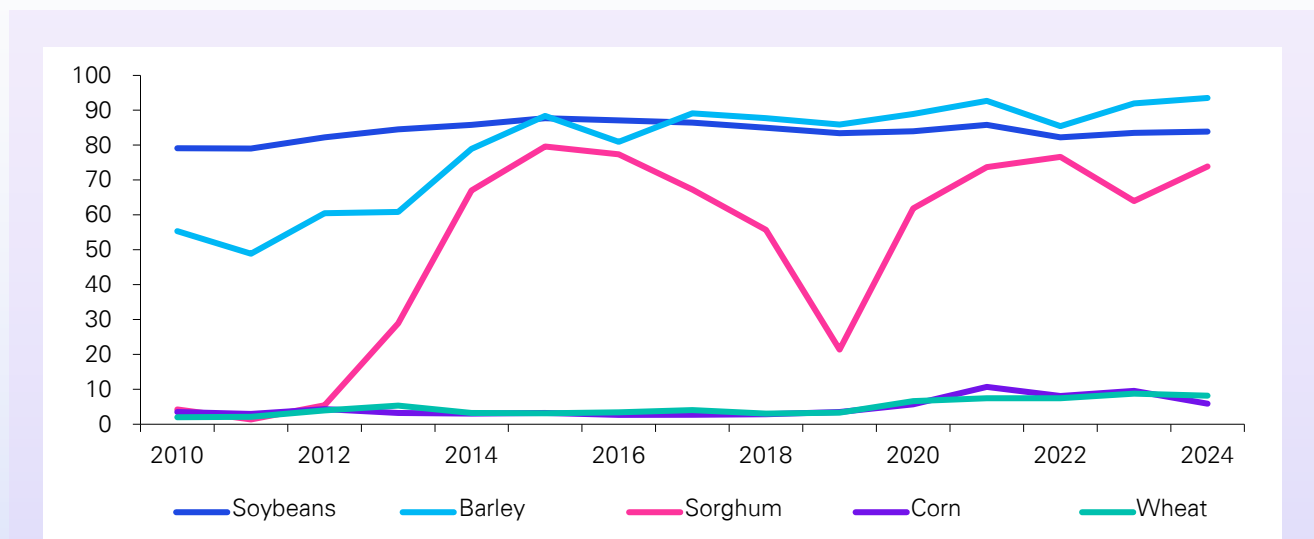
Security is the precondition for development, and development is the safeguard for security. During the 15th Five-Year Plan period, the national security challenges facing China will become more complex and diverse. Risks and hidden dangers in key areas such as food security, energy and resource security, industrial and supply chain security, financial security, and risks in the real estate market must not be underestimated. China therefore needs to consolidate fundamentals underpinning national security and improve its capacity to prevent and defuse risks, so as to build an all-around, multi-tiered national security system and provide a stronger security shield for high-quality economic and social development.

#### Strengthen strategic reserves and emergency response, secure stable supply chains

The key to reinforcing the foundations of national security lies in strengthening strategic reserves and emergency response capacity. The 15th Five-Year Plan emphasizes ensuring security in four core areas: food, energy and resources, important industrial and supply chains, and emerging fields.

With respect to food security, China currently has a relatively high degree of import dependence on feed grains and industrial-use grains such as soybeans, barley, and sorghum (Figure 15). Going forward, China will establish stable and controllable overseas supply channels, further diversify grain imports, and, domestically, continue to implement the strategy of ensuring food security by strengthening both the agricultural resource base and technological support, while promoting the integration of artificial intelligence and modern agriculture. With respect to energy and resource security, oil and natural gas remain the biggest weak links in China's energy security. China's dependence on imports has remained high for many years, reaching 73.9% and 41.2%, respectively, in 2024. During the 15th Five-Year Plan period, China will implement a medium- to long-term strategic action plan to increase oil and gas reserves and production and strengthen coordination between government reserves and enterprise reserves. At the same time, it will continue to implement the new energy security strategy in depth, move faster to develop a new clean, low-carbon, safe, and efficient energy system, and build up China's strength in energy. With respect to the security of important industrial and supply chains, the 15th Five-Year Plan proposes establishing and improving mechanisms for assessing and responding to security risks in industrial and supply chains and continuing to strengthen China's competitive advantages in rare earths, rare metals, superhard materials, and other such areas. With respect to national security capacity in emerging fields, the focus will be on strengthening security capacity in cyberspace, data, artificial intelligence, biology, ecology, nuclear, outer space, the deep sea, the polar regions, and the low-altitude domain.

**Figure 15** China's Import Dependence of Major Grains, %



Source: Wind, KPMG analysis

Note: Import dependence = (imports – exports) / apparent consumption; apparent consumption = output + imports – exports

## Leverage market mechanisms, defuse risks in key sectors

Improving the capacity to prevent and defuse risks in key sectors is critical to maintaining economic and social stability. During the 15th Five-Year Plan period, China will focus on three areas: real estate, local government debt, and small and medium-sized financial institutions.

With respect to defusing risks in the real estate market, efforts will be made on both the supply and demand sides in a coordinated manner. On the supply side, China will fundamentally transform the real estate development model based on the principle of coordinated allocation of people, housing, land, and capital. On the demand side, it will step up the acquisition of existing housing inventory for use in improving the supply of government-subsidized housing and further deepen reform of the housing provident fund system. With respect to defusing local government debt risks, China will establish and improve an overall monitoring and regulatory system for local government debt and a long-term mechanism for preventing and defusing the risks of hidden local debt, optimize the structure of central and local government debt, and accelerate reform and transformation of local government financing platforms. With respect to defusing risks in small and medium-sized financial institutions, consolidation among small and medium-sized banks has accelerated in recent years. Ratings conducted by the People's Bank of China show that some local small and medium-sized banks face a certain degree of risk (Table 4). During the 15th Five-Year Plan period, China will further advance efforts to consolidate small and medium local financial institutions and improve their performance. At the policy level, it will further strengthen risk prevention and monitoring, enrich the resources and means available for risk disposal, and bolster the financial stability guarantee fund, the deposit insurance fund, and other sector-specific guarantee funds.

**Table 4** The PBOC Ratings for Different Types of Banking Institutions in the First Half of 2025

Type of institution	Number of institutions	Distribution of rating results
<b>Development and policy banks</b>	3	Ratings 1–5
<b>Large state-owned commercial banks</b>	6	
<b>Joint-stock commercial banks</b>	12	
<b>City commercial banks</b>	123	Ratings 2–10
<b>Rural commercial banks</b>	1,499	Ratings 2–10
<b>Rural cooperative banks</b>	20	Ratings 5–9
<b>Rural credit cooperatives</b>	374	Ratings 2–10
<b>Private banks and direct banks</b>	21	Ratings 2–9
<b>Foreign-funded incorporated banks</b>	42	Ratings 2–6
<b>Village and township banks</b>	1,429	Ratings 3–D
<b>Total</b>	3,529	—

Source: People's Bank of China, KPMG analysis

Note: Rating results are classified from low to high risk into Grades 1–10 and Grade D. Grade D indicates that an institution has failed, been taken over, or had its license revoked. Among them, institutions rated 1–5 fall within the “green zone,” while those rated 6–7 fall within the “yellow zone.” Institutions in the green and yellow zones are generally considered to be within the safety boundary. Institutions rated 8–D fall within the “red zone,” indicating that they are in a relatively high-risk condition.

# 03

## Deepening Reform

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The 15th Five-Year Plan period will be a critical stage for implementing the reform agenda set out at the Third Plenary Session of the 20th CPC Central Committee. At the same time, as the domestic economic structure adjusts and the external environment evolves, the supporting institutional and policy framework will also need to be reformed in a coordinated manner. To create a sound institutional environment for strengthening technological innovation, fostering new quality productive forces, and expanding domestic consumption, key reform priorities during the 15th Five-Year Plan period will include taking comprehensive steps to address involutionary competition, improving the system of public wellbeing institutions, and refining the framework for fiscal and monetary macroeconomic governance.



# 1 Curb involutionary competition, boost market dynamism

During the 14th Five-Year Plan period, overall domestic demand was insufficient, resulting in divergence between supply and demand and relatively excess capacity in the Chinese economy. In competing for a stagnant market, enterprises widely resorted to low-price competition. This form of involutionary competition undermines corporate profitability and suppresses innovation in the short term, while in the longer term it weakens aggregate demand across society. The 15th Five-Year Plan explicitly calls for addressing involutionary competition. This indicates that involutionary competition is not merely a short-term issue, but one that requires a medium- to long-term institutional response.

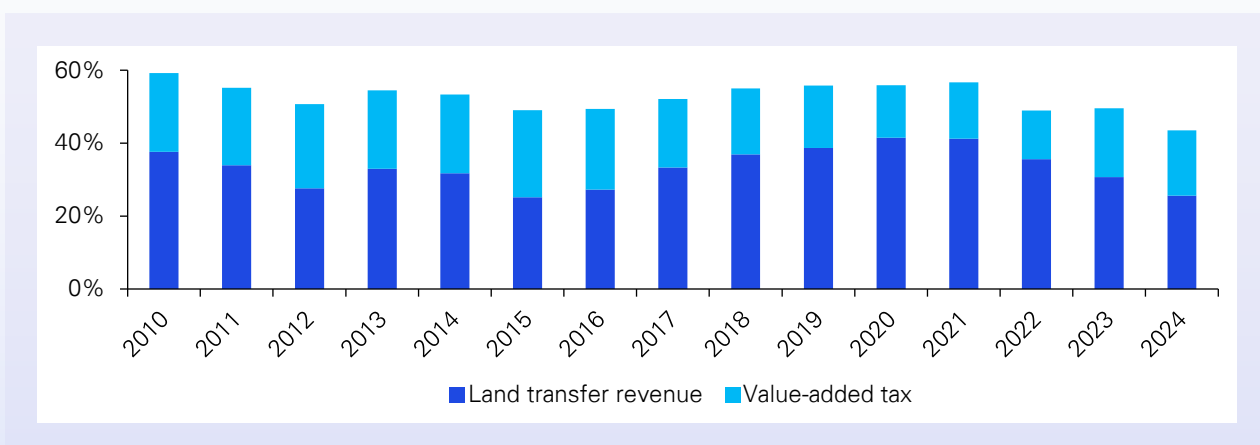
## Build a unified national market, clear institutional blockages

The basic requirement for advancing the development of a unified national market in depth is “five unifications and one opening up”<sup>7</sup>. In recent years, the emergence of involutionary competition has in fact reflected bottlenecks and obstacles in two areas: the unification of standards for local government conduct and the unification of the underlying institutions of the market. Because standards for local government conduct have not yet been unified, local governments, in pursuit of performance assessment targets and fiscal revenue stability, have retained considerable discretion in granting preferential policies to enterprises, allowing firms to continue expanding production even as market demand contracts. At the same time, in the absence of clear product quality standards and compliance guidelines for price-setting, enterprises have faced relatively weak constraints on disorderly price cuts and low-quality competition.

## Regulate local government practices in economic promotion to support sustainable growth

Land transfer revenue and value-added tax are the two principal sources of local government fiscal revenue. The former is tied to the performance of the real estate market, while the latter depends on enterprise production activity. Together, they have long accounted for around 50% of local fiscal revenue. As the real estate market weakened, local government land transfer revenue declined rapidly after 2021. To raise VAT revenue and smooth overall fiscal fluctuations, local governments continued during this period to encourage enterprises to expand production, becoming an important driver of excess capacity in some industries toward the end of the 14th Five-Year Plan period. As a result, by 2025 land transfer revenue had fallen to 43% of its 2021 level, while VAT revenue had risen to 108% of its 2021 level (Figure 16).

**Figure 16** Share of Land Transfer Revenue and VAT in Local Government Fiscal Revenue, %



Source: Wind, KPMG analysis

Note: To eliminate the impact of the VAT reform replacing business tax, VAT in the chart for 2010–2016 includes business tax revenue.

<sup>7</sup> The “five unifications” refer to unified market institutions and rules, unified market infrastructure, unified standards for government conduct, unified market regulation and law enforcement, and unified factor and resource markets. The “one opening up” refers to continued expansion of opening up and the integration of domestic and international opening up.

During the 15th Five-Year Plan period, the economic promotion activities of local governments are expected to be subject to further regulation. In the short term, the central government will move faster to issue a list of encouraged and prohibited items for local government investment promotion activities. For example, local governments will be strictly prohibited from using debt financing to subsidize enterprises or from attracting investment through so-called “off-the-record agreement.” At the same time, the corresponding notification and accountability mechanisms will be improved. Over the medium to long term, China will improve the performance evaluation system for local government officials and, by designing statistical and fiscal systems conducive to the development of a unified national market, reduce at the source local governments’ incentives to expand production indiscriminately.

### Regulate excessive and disorderly price competition through rule of law

As early as 2011–2015, which likewise coincided with a downturn in housing demand, upstream industrial enterprises in sectors such as steel and coal in China were already facing excess capacity, and low-price competition became a common response among many firms. At that time, policy relied primarily on administrative measures, using such tools as shutting down non-compliant enterprises and strictly prohibiting new investment to restrain supply, which effectively helped support a steady rebound in prices. In the current round of involutory competition, however, the sectors involved are no longer confined to traditional upstream industries, but have expanded to include emerging sectors such as lithium batteries, photovoltaics, and new energy vehicles. Investment growth in these industries remained high during 2022–2024, but profit growth slowed markedly (Figure 17).

Compared with upstream industries, business entities in emerging industries are concentrated mainly in the private sector. As a result, the current effort to counter involutory competition cannot rely solely on administrative-style capacity cuts, but instead requires the establishment of a fairer competitive market order. During the 15th Five-Year Plan period, on the one hand, the government will further unify the underlying institutions of the market, establish unified product standards, and expand the coverage of mandatory national standards. It will also move faster to address gaps in the legal and regulatory framework and formulate antitrust guidelines for key fields. On the other hand, it will further improve law enforcement and supervision by, for example, strengthening law enforcement and judicial administration efforts against monopolies and unfair competition and tightening oversight of product quality. At the same time, in order to improve regulatory efficiency, the 15th Five-Year Plan proposes establishing sound production capacity monitoring and early-warning mechanisms and enhancing the flexibility of market regulators in exercising control.

**Figure 17** During the 14th Five-Year Plan Period, Investment Expanded in Some Industries While Profits Fluctuated, %



Source: Wind, KPMG analysis

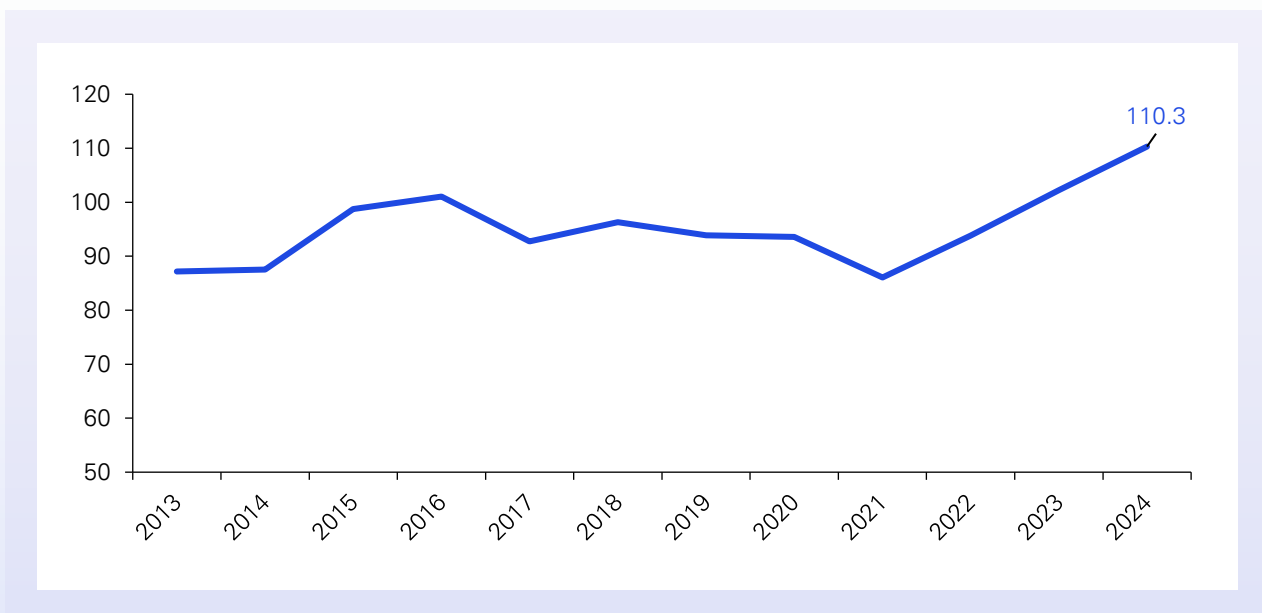
## Improve business environment, foster greater dynamism among market participants

The drivers behind involutionary competition differ across enterprises under different forms of ownership. The 15th Five-Year Plan makes clear that the vitality of all market entities must be fully unleashed. On the one hand, China will deepen reform of state capital and state-owned enterprises to help SOEs break out of the trap of inefficient capacity. On the other hand, it will encourage enterprises to pursue R&D and innovation through a better business environment, guiding private enterprises to gradually move away from low-price competition.

With respect to SOEs, during the 15th Five-Year Plan period China will formulate and implement a guidance catalogue for improving the layout and adjusting the structure of the state-owned sector, promoting faster deployment by SOEs in strategic emerging industries and industries of the future, actively cultivating a second growth curve, and breaking out of competition in saturated markets by exploring new markets, thereby allowing central and state-owned enterprises to better play their exemplary and leading role. At the same time, with the establishment of national-level M&A funds, central and state-owned enterprises are expected during the 15th Five-Year Plan period to further advance mergers and reorganizations, withdraw from non-core and non-advantageous businesses, and accelerate the disposal of underperforming and ineffective assets.

With respect to private enterprises, the government will focus during the 15th Five-Year Plan period on improving the business environment for the private sector. In recent years, as a result of the downturn in the real estate cycle, payment collection periods for some private enterprises have been increasingly extended (Figure 18). This has created cash flow strains, constrained innovation, and made low-price competition the most viable option for business survival. During the 15th Five-Year Plan period, on the one hand, the government will move faster to clear overdue payments owed to enterprises and establish sound long-term mechanisms for resolving such arrears, for example by exploring fast-track payment channels through which governments and SOEs can promptly pay small deposits and progress payments. On the other hand, the government will step up support for scientific and technological innovation among private enterprises and provide them with greater access to technology-related investment and financing support. For example, more private enterprises will be brought within the scope of relending support for technological upgrading and equipment renewal, and the role of sci-tech innovation bonds in supporting financing for private-sector innovation will continue to be leveraged. At the same time, capable private enterprises will be supported in taking the lead in major national technology breakthroughs, and national major scientific research infrastructure and public R&D platforms will be opened further to the private sector.

**Figure 18** Accounts Receivable Turnover Days of Privately Owned Industrial Enterprises Listed on the A-Share Market, days



Source: Wind, KPMG analysis



## 2 Invest in people, ensure and improve public well-being

Planning for development during the 15th Five-Year Plan period must remain committed to putting the people first. The plan places greater emphasis on people's livelihoods, as reflected in both its structure and the frequency with which related issues are mentioned. During the 15th Five-Year Plan period, the government will ensure and improve public wellbeing and promoting common prosperity for all. Improving living standards while increasing consumer spending, and continuously enhancing the people's wellbeing is not only an important lever for expanding domestic demand, boosting consumption, and building a robust domestic market during the 15th Five-Year Plan period, but also an important means of improving the demographic structure, raising population quality, and achieving high-quality population development. Over the next five years, the government will implement income growth plans for urban and rural residents, strengthen public spending in livelihood-related areas such as care for the elderly and children, and move faster to equalize access to public services, taking multiple steps to improve public wellbeing.

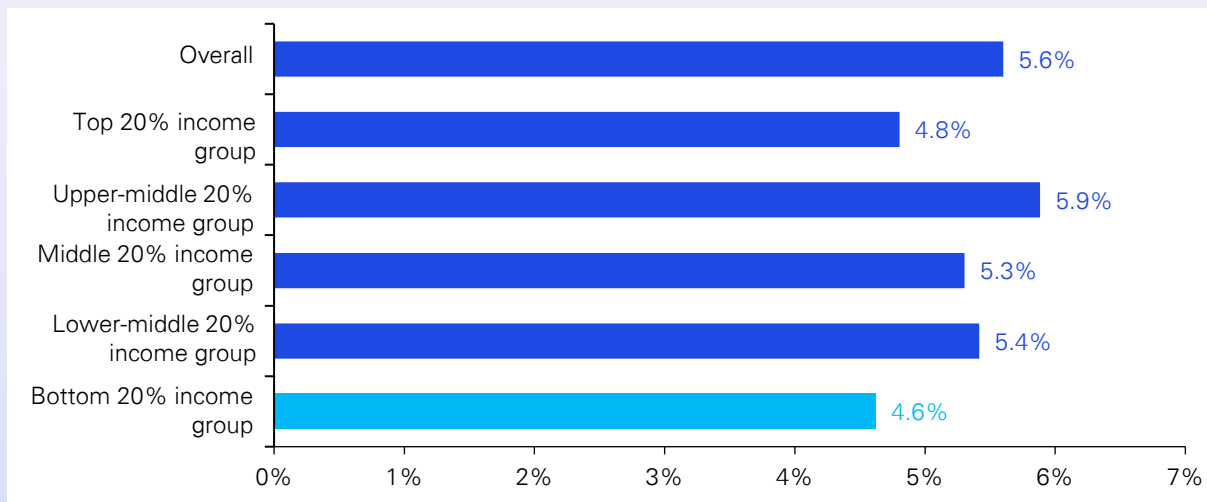
### Grow incomes in urban and rural areas, build a long-term mechanism to support sustainable consumption growth

Vigorously boosting consumption is one of the key strategic tasks of the 15th Five-Year Plan period, and the long-term mechanism for expanding consumption lies in rising household income. Compared with major developed economies at comparable stages of development, China still has considerable room to raise both the level of household disposable income and its share of GDP. The 15th Five-Year Plan proposes implementing income growth plans for urban and rural residents and promoting an olive-shaped distribution structure. Raising the incomes of urban and rural residents depends not only on steady macroeconomic growth, but also on medium- to long-term progress in reforming the social security and income distribution systems, effectively increasing the income of low-income groups, and steadily expanding the middle-income group.

### Raise incomes for low-income groups

Low-income groups tend to have a higher marginal propensity to consume. In recent years, however, income growth among low-income groups in China has been limited, while pressure from rigid expenditures has increased, making it difficult for their consumption demand to be released (Figure 19). From 2022 to 2024, the average income growth rate of low-income groups was 4.6%, the slowest among all income groups and below the overall household income growth rate of 5.6%.

**Figure 19** Growth in Per Capita Disposable Income by Income Group, 2022–2024, %



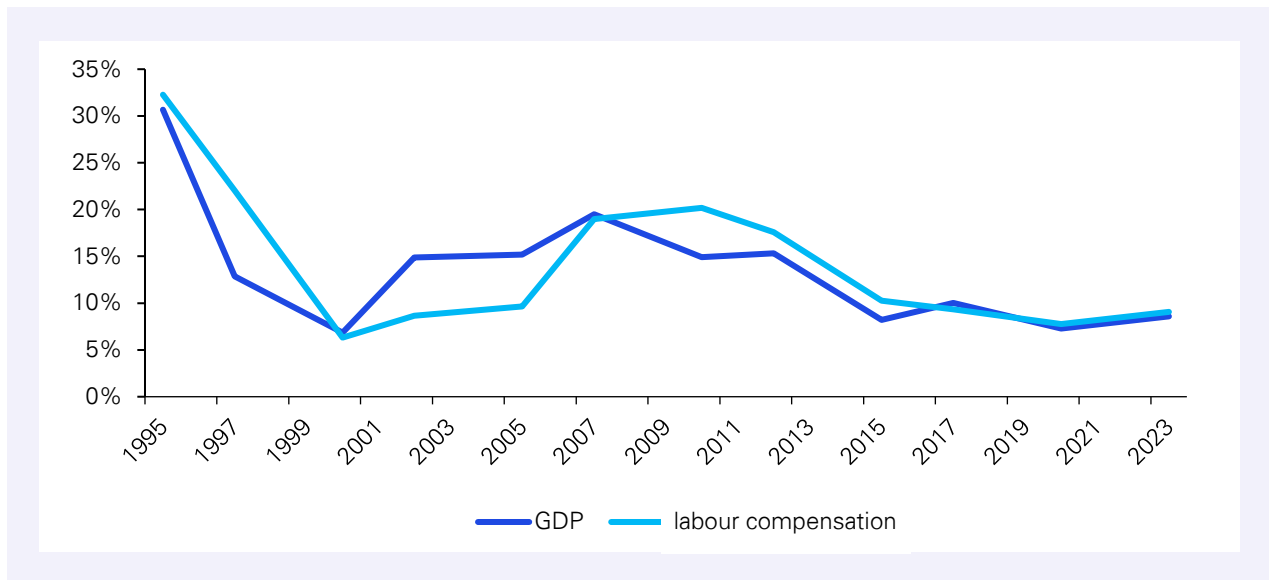
Source: Wind, KPMG analysis

To unlock the consumption potential of low-income groups, the key to increasing their incomes during the 15th Five-Year Plan period lies in the redistribution of social security and transfer payments. In terms of social security, first, China should improve the mechanisms for determining and adjusting social security benefits, with greater policy support directed toward low-income groups, and gradually raise the basic pension benefits for urban and rural residents. Second, it should expand coverage of unemployment and work injury insurance and establish sound occupational injury protection mechanisms. Third, it should raise the participation rate in social insurance among flexible workers, migrant workers, and workers in new forms of employment. Fourth, it should strengthen assistance for households near the minimum living standard and those facing high essential expenditure burdens. In terms of transfer payments, the government should continue increasing subsidies for low-income groups in housing, education, healthcare, and elderly and childcare services. In education, China should promote high-quality and inclusive preschool education and improve the student financial aid system for non-compulsory education. In elderly and childcare services, it should better leverage childcare subsidies, infant and toddler care services, and special additional individual income tax deductions for children's education, while implementing consumption subsidies for elderly care services for seniors with moderate or severe disabilities.

### Steadily expand middle-income population

The middle-income group refers to the segment of an economy with relatively stable employment, middle-level income, a relatively comfortable standard of living, and comparatively strong willingness and ability to consume. Expanding the middle-income group is expected to generate robust demand for housing, automobiles, tourism, education, durable consumer goods, and emerging service industries, thereby helping to create an economic growth model that is led by domestic demand and driven by consumption. According to the statistical standard published by the National Bureau of Statistics, China's middle-income group accounted for around 28% of the total population in 2024, below the average range of 50% to 75% seen in developed economies. At present, China's middle-income group consists primarily of wage earners. During the 15th Five-Year Plan period, the key to expanding the size of the middle-income group lies in increasing both wage income and property income.

With respect to wage income, the focus should be on ensuring that the growth rate of nominal wages is equal or greater than the growth rate of nominal GDP over the same period (Figure 20). During the 15th Five-Year Plan period, policy will focus on improving the mechanisms for determining wages, ensuring their reasonable growth, and safeguarding wage payments, promoting the formation of an automatic wage adjustment mechanism, improving the mechanism for adjusting minimum wage standards, and strengthening macro-level guidance for enterprise wage distribution. With respect to increasing property income, the asset structure of China's middle-income group is still dominated by housing assets, while the share of financial assets remains low. In addition, listed companies generally place more emphasis on financing than on dividend distribution, so dividend income provides only limited support for property income. During the 15th Five-Year Plan period, on the one hand, policy will encourage the development of the wealth management industry, enrich the range of financial products and services available to meet household wealth management needs, and appropriately guide households to increase the share of financial assets in their portfolios. On the other hand, China will continue improving the basic systems of the capital market and refining the incentive and constraint mechanisms for dividend distribution by listed companies, so that households can obtain dividend income through the capital market.

**Figure 20** Growth Rates of Nominal GDP and Labour Compensation, %

Source: Wind, KPMG analysis

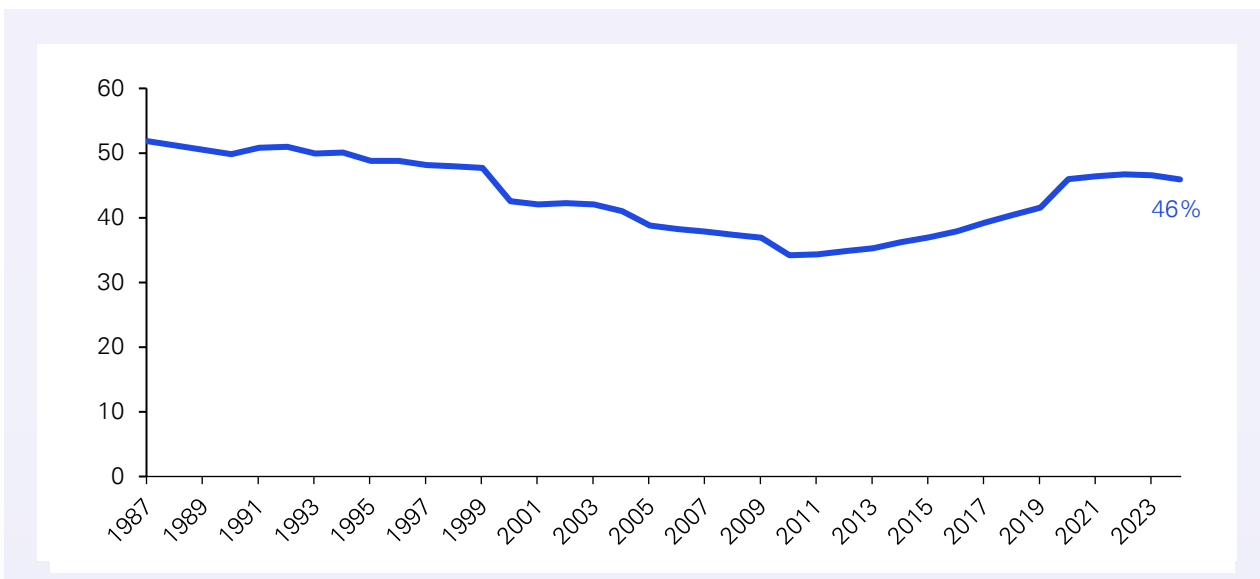
### **Strengthen government spending on social welfare, promote high-quality population development**

As China's demographic structure changes and population aging accelerates, the country's total dependency ratio rose from 35% in 2013 to 46% in 2024 (Figure 21), steadily increasing the burden of livelihood-related household spending. The share of household disposable income devoted to livelihood-related expenditures rose from 40% in 2013 to 44% in 2019. Excessively high spending on childcare and elderly care suppresses both household consumption and fertility, thereby constraining the elasticity of broader demand recovery. Since 2020, the government has continuously increased spending in public wellbeing-related areas. The share of such expenditure in total fiscal spending rose from 34% in 2019 to 38% in 2025, easing households' living cost burdens to some extent (Figure 22). During the 15th Five-Year Plan period, in order to boost household willingness to consume, stabilize the fertility rate, and promote high-quality population development, the government will increase spending in areas related to care for the elderly and children.

The 15th Five-Year Plan makes clear that investment in physical assets and investment in people should be closely integrated. Over the next five years, the government is likely to further increase fiscal spending on childbirth, childcare, education, and elderly care. With respect to childbirth, China should fully implement the maternity leave system. It should expand coverage of maternity insurance, appropriately raise the reimbursement level for prenatal examination expenses, and basically ensure that individuals bear no out-of-pocket costs for inpatient childbirth within the scope of policy coverage. With respect to early childhood care, the key lies in addressing the problems of unaffordable childcare and insufficient childcare provision.

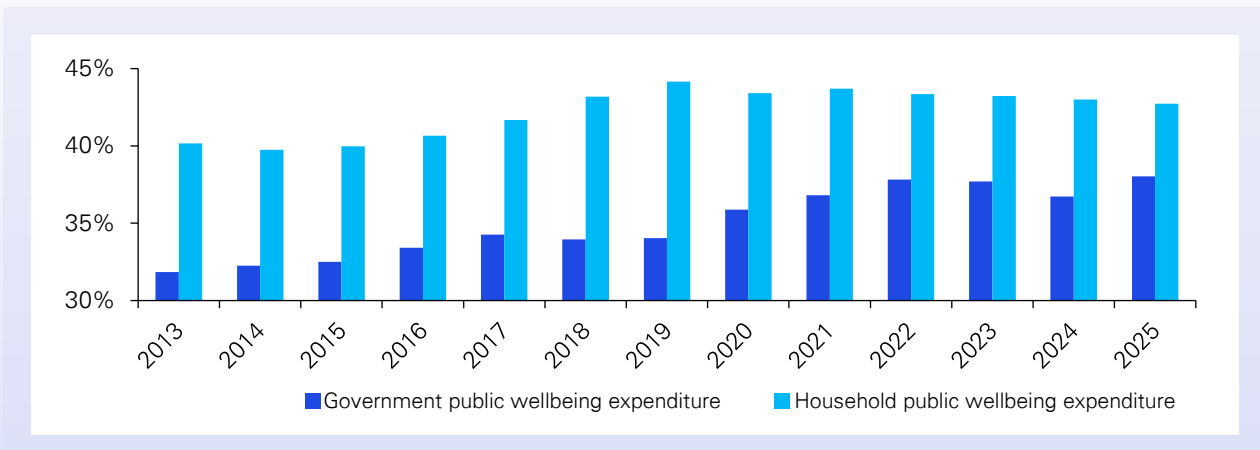
The 15th Five-Year Plan adds a target of raising the nursery enrolment rate for children under age three by 6 percentage points. China should strengthen the supply of public childcare places and carry out in-depth demonstration pilots for childcare service subsidies. Employers should be encouraged to adopt flexible working arrangements for employees who are parents of children under age three. Effective implementation of this policy will, to some extent, help raise fertility expectations among younger workers. In education, China should ensure an effective supply of inclusive preschool education resources, expand access to high-quality higher education, and increase capital investment in vocational education and lifelong learning, to cultivate high-quality talent suited to the needs of high-quality development. It should also step up fiscal support for programs such as continuing education on a large scale in areas including knowledge renewal for professional and technical personnel, upgrading traditional industries, and developing emerging industries and industries of the future. In the field of health and medical care, policy will increase the supply of high-quality medical services. During the 15th Five-Year Plan period, hospitals with outdated facilities will be encouraged to upgrade medical equipment. China will implement the project to strengthen the foundations of medical and health services and support the development of 1,000 tightly integrated county-level medical communities. With respect to elderly care, China will optimize the supply of elderly care institutions, promote facility and equipment upgrades and bed renovations at public elderly care institutions with older buildings and outdated facilities, and at the same time strengthen community-based elderly care services so that the coverage rate of community elderly care institutions and facilities reaches 70%.

**Figure 21** China's Total Dependency Ratio, %



Source: Wind, KPMG analysis

**Figure 22** Share of Government and Household Spending in Public Wellbeing-Related Areas, %



Source: Wind, KPMG analysis

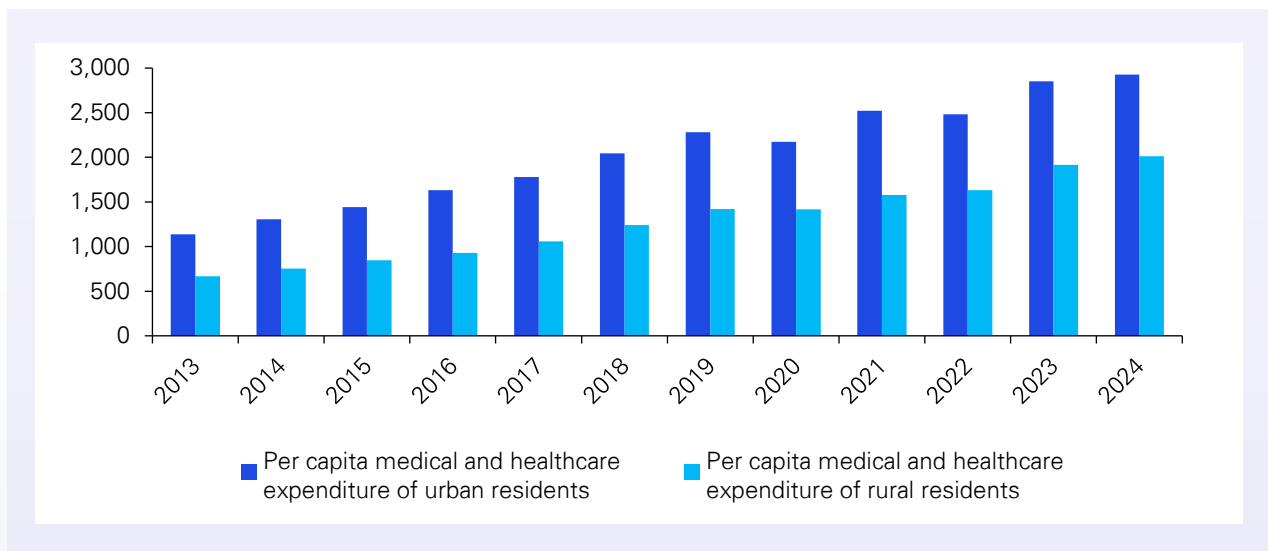


## Equalise basic public services, narrow cost-of-living gap between urban and rural areas

Improving public wellbeing requires not only expanding the supply of livelihood-related services and lowering their cost but also ensuring equal and fair access to public services. The report to the 20th CPC National Congress proposed that by 2035, access to basic public services should be made equitable. The 15th Five-Year Plan, in turn, explicitly calls for steadily advancing equal access to basic public services. By providing equal access to basic public services, China can help narrow differences in living costs between urban and rural residents and among residents in different regions. This is a key measure of strengthening household spending power.

During the 15th Five-Year Plan period, work on equal access to basic public services will focus on two areas. First, on the institutional front, China should establish evaluation standards for equal access to basic public services. Second, it should channel public services such as healthcare and education more toward the community level, extend them further into rural areas, and direct greater support to remote regions and people facing hardship. With respect to medical services, in 2024 per capita medical and healthcare expenditure among urban residents was 1.5 times that of rural residents (Figure 23). This is mainly because urban residents generally enjoy access to more and better-quality medical service resources, while rural residents, due to relatively weaker economic conditions, often find it harder to obtain better medical protection. During the 15th Five-Year Plan period, China will continue expanding access to high-quality healthcare services in lower-tier regions while promoting balanced regional distribution, implement the project to strengthen the foundations of medical and health services, and basically achieve full coverage of county-level medical communities. With respect to education, measured by the size of the teaching workforce, education resources at the compulsory education stage remain more abundant in eastern China than in western China. During the 15th Five-Year Plan period, policy will focus on advancing high-quality and balanced development in compulsory education, while appropriately directing newly added higher education resources toward more populous provinces and the central and western regions.

**Figure 23** Annual Per Capita Medical and Healthcare Expenditure of Urban and Rural Residents, RMB



Source: Wind, KPMG analysis

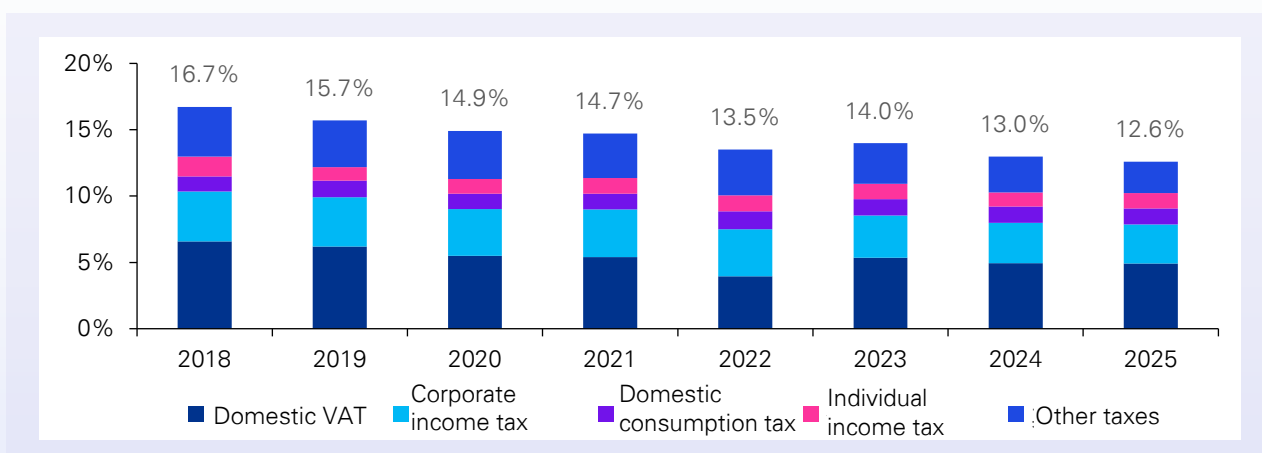
## 3 Strengthen macroeconomic governance, improve policy effectiveness

In the face of the new domestic and external macroeconomic environment, macro policies during the 15th Five-Year Plan period will remain proactive, and a more proactive policy stance will continue. To create more models of economic growth that is led by domestic demand, driven by consumption, and sustained by self-generating momentum, the fiscal and monetary policy framework will also need to be adjusted in a more flexible and adaptive manner. During the 15th Five-Year Plan period, reform of the fiscal and taxation system will centre on three tasks: maintaining an appropriate overall tax burden, establishing a tax system conducive to boosting consumption, and increasing the fiscal capacity of local governments. The effort to build up China's strength in finance will focus on three fronts: improving the central bank system, deepening capital market reform, and further optimizing the system of financial institutions.

### Deepen fiscal reform, reinforce fiscal sustainability

Since the beginning of the 14th Five-Year Plan period, alongside structural adjustment in the domestic economy and the continued rollout of large-scale tax and fee cuts, China's overall macro tax burden has continued to decline, falling from 14.7% in 2021 to 12.6% in 2025 (Figure 24). However, with changes in the demographic structure and steadily rising demand for public services, fiscal spending has become increasingly rigid, and the imbalance between government revenue and expenditure is becoming more pronounced. The 15th Five-Year Plan makes clear that China should strengthen fiscal management and improve fiscal sustainability. This has become a central focus of fiscal reform during the 15th Five-Year Plan period. On the one hand, future policy may improve the system for budgeting the operation of state capital, appropriately raise the proportion of returns collected from state capital, and strengthen the government's overall fiscal coordination capacity. On the other hand, while ensuring that the burden on enterprises remains manageable, China may appropriately adjust VAT rates and clean up and consolidate fragmented tax incentives under the corporate income tax regime, thereby further stabilizing the tax burden.

**Figure 24** China's Tax Burden in Recent Years, %



Source: Wind, KPMG analysis

Note: Tax burden = tax revenue / nominal GDP



In addition to improving fiscal sustainability, the other two goals of fiscal and taxation reform during the 15th Five-Year Plan period are to build a tax system compatible with consumption-driven growth, place more fiscal resources at the disposal of local governments, and guard against local fiscal and financial risks. To meet these requirements, consumption tax may become a key area of reform during the 15th Five-Year Plan period. To avoid encouraging local governments to stimulate sales, the consumption tax on certain special goods, such as tobacco, alcohol, refined oil products, and high-energy-consumption passenger vehicles, is likely to remain assigned to the central government. By contrast, imposing consumption tax on certain consumer services may replace the current VAT on services and be assigned to local governments. This arrangement would both respond to the 15th Five-Year Plan's reform requirement to improve the local tax system and align with the policy direction of promoting the development of higher-quality, more diverse, and more accessible consumer services. With respect to the allocation of tax revenue rights, following the Third Plenary Session of the 20th CPC Central Committee, the 15th Five-Year Plan once again proposes optimizing the sharing ratio of shared taxes. Before a new consumption tax is established and assigned to local governments, the government is expected to put in place supporting arrangements under which shared taxes are allocated based on the place of consumption rather than the place of production.

### Shift from “scale expansion” to “quality upgrading” in building financial strength

Unlike the 14th Five-Year Plan Outline, which focused primarily on deepening structural reform on the financial supply side, the 15th Five-Year Plan for the first time incorporates accelerating efforts to build up China's strength in finance into a five-year plan, representing a comprehensive strategic upgrade of financial sector from the 14th Five-Year Plan. During the 15th Five-Year Plan period, reform of the financial sector will centre on three priorities: refining the central bank system, deepening capital market reform, and further improving the system of financial institutions.

With respect to improving the central bank system, the focus during the 15th Five-Year Plan period will be on building a comprehensive macro-prudential regulation system. First, more financial activities and financial markets will be brought into the macro-prudential policy framework. Going forward, the central bank will, on the one hand, improve oversight of key financial institutions by, for example, strengthening additional regulation for systemically important banks and releasing a list of systemically important insurers at an appropriate time. On the other hand, it will also strengthen its own macro-prudential management in areas such as financial markets, cross-border capital flows, and real estate. Second, the policy toolbox will be enriched and expanded. Based on existing tools, China is likely to further broaden macro-prudential tools targeting financial markets, financial institutions, real estate finance, and resources for risk disposal (Table 4).

**Table 5** Current PBOC Macro-Prudential Management Toolbox

Target	Macro-prudential management toolbox	
<b>Financial institutions</b>	Additional capital and leverage ratio requirements for systemically important banks	
	PBOC ratings of financial institutions	
	Stress testing	
	Leverage ratio constraints	
	Countercyclical capital buffer	
	Countercyclical provisioning adjustment	
	Total loss-absorbing capacity	
	Recovery and resolution plans for systemically important financial institutions	
	Risk-based differential premium rates for deposit insurance	
<b>Financial markets</b>	Foreign exchange market	Risk reserve requirement for forward foreign exchange sales
		Macro-prudential adjustment parameter for cross-border financing
	Bond market	Leverage levels
		Maturity mismatch management and window guidance
	Equity market	Two monetary policy tools for supporting the stable development of the capital market
		The role of Central Huijin as a quasi-stabilization fund
<b>Real estate finance</b>	Down payment ratio	
	Interest rates	
	Risk weights for real estate loans	
	Household debt-to-income ratio	
<b>Resources for risk disposal</b>	Deposit Insurance Fund	
	Financial Stability Guarantee Fund	
	PBOC performing its role as lender of last resort in accordance with the law	

Source: Compiled from public information, KPMG analysis

With respect to deepening capital market reform, there will be four main directions during the 15th Five-Year Plan period. First, China will strengthen financial support for emerging industries and industries of the future that are not yet profitable but possess core technologies and great growth potential, improve the institutional inclusiveness and adaptability of the capital market, and raise the share of direct financing for these industries. Second, it will advance innovation in the product system. By developing direct financing instruments such as equity and bonds and steadily developing futures, derivatives, and asset securitization, China will better meet enterprises' diversified financial service needs. Third, it will strengthen long-term capital and improve the policy framework for supporting medium- and long-term capital in entering the market. Fourth, it will enhance the openness of the capital account. Since 2025, RMB-denominated assets have recovered, and global investors have shown greater willingness to invest in the domestic market. Opening up at the institutional level will help further facilitate cross-border investment and financing activities. With respect to optimizing the system of financial institutions, the priority will be to improve the financial institution system, encourage institutions of all types to focus on their core business, improve governance, and pursue distinctive development paths, while further raising market entry standards and regulatory requirements for small and medium-sized financial institutions.

# 04

## Social Governance

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China's regional development strategy places greater emphasis on equal development opportunities and a more balanced allocation of resources. Regions are encouraged to build on their resource endowments, identify their comparative strengths and development priorities, improve economic efficiency, and pursue high-quality development. During the 15th Five-Year Plan period, coordinated regional development will place greater emphasis on tailored policy support and stronger institutional coordination, facilitating the efficient flow and allocation of resources and enhancing the overall quality and efficiency of development. China's green transition will shift from the dual-control system for energy consumption to a dual-control framework for both the total volume and intensity of carbon emissions. By accelerating the deployment of renewable energy capacity and strengthening incentives for green consumption, green production and consumption patterns are expected to become increasingly market-driven rather than policy-driven, thereby supporting China's goals of peaking carbon emissions and achieving carbon neutrality.

# 1 Promote coordinated regional development, advance new urbanisation

The 15th Five-Year Plan emphasizes the need to develop a regional economic layout and territorial space system characterized by complementary strengths and high-quality development. The goal of coordinated regional development today is no longer simple convergence in growth indicators but rather ensuring that each region can perform its own distinctive and irreplaceable function within the overall operation of the national system. At the same time, The 15th Five-Year Plan emphasizes the continued advancement of people-centred urbanisation, with a focus on addressing the challenges of “semi-urbanisation”, where many migrant residents have not yet gained full access to urban public services and social benefits. It also calls for high-quality urban renewal to promote more sustainable and intensive urban development and to build modern cities that are liveable, resilient and smart.

## Support Coordinated Regional Development through tailored policies and institutional reform

During the 15th Five-Year Plan period, the central objective of coordinated regional development is to foster a regional development pattern characterized by complementary functions and mutually reinforcing advantages. At the national level, the eastern region will continue to serve as the primary engine of innovation, leading the development of modern industries and technological innovation. The central region will focus on strengthening its role as an advanced manufacturing base and a hub for inland opening up. The western region will prioritize ecological conservation, clean energy development and the cultivation of distinctive local industries. Meanwhile, the northeastern region will focus on safeguarding national security across five strategic areas: national defence, food, ecology, energy and industry. To support these objectives, greater emphasis will be placed on institutional coordination to remove barriers to the cross-regional flow of resources and production factors. Through policy alignment, industrial collaboration and benefit-sharing mechanisms, regional development is expected to evolve from traditional corridor-based development models toward a more integrated and multi-level networked system.

As the three major growth engines underpinning China's modernization drive, the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area will continue to strengthen functionally complementary development models during the 15th Five-Year Plan period. For the Beijing-Tianjin-Hebei region, the development of a modern metropolitan region centred on the capital will require not only stronger basic research and frontier innovation capabilities, but also the establishment of a more integrated industrial ecosystem based on comparative advantages and mutually reinforcing development. The 15th Five-Year Plan calls for deeper integration within the Yangtze River Delta region, including further improvements to institutional frameworks supporting integrated innovation and industrial development. Over the next five years, the region is expected to strengthen its role as a hub for the commercialization of scientific and technological achievements and the development of high-end industrial innovation clusters, thereby amplifying the scale and spillover effects of innovation-driven growth. Leveraging its openness and institutional advantages, the Guangdong-Hong Kong-Macao Greater Bay Area will focus on advancing cross-border innovation collaboration and accelerating the commercialization of technological achievements. The 15th Five-Year Plan emphasizes further development of the Greater Bay Area through stronger alignment of rules, standards and institutional arrangements in areas such as technological innovation, economic development and public services, while expanding the pilot role of major cooperation platforms in testing and implementing new reform initiatives.



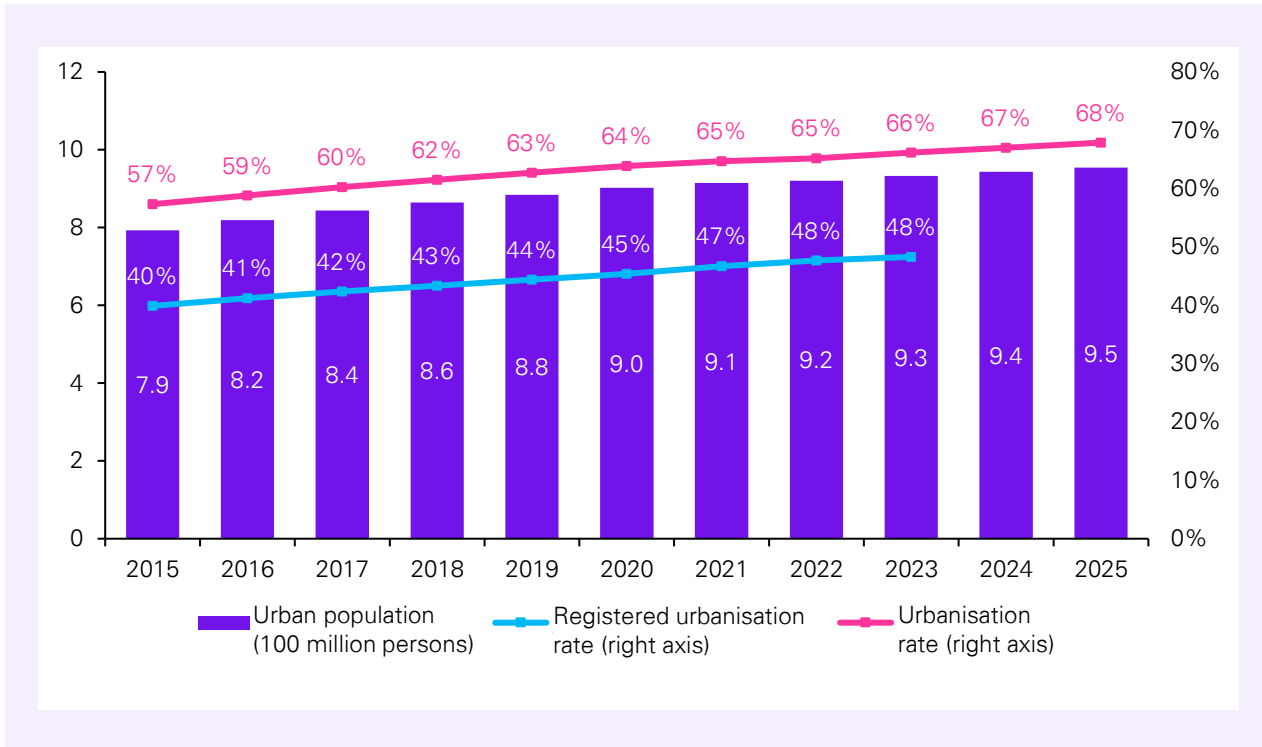
Hainan Free Trade Port (FTP) and the Hong Kong Special Administrative Region (Hong Kong SAR), with their distinct strategic roles and functional positioning, are expected to play an increasingly important part in China's coordinated regional development strategy. For Hainan, the commencement of island-wide independent customs operations will mark a major step toward building a globally oriented platform for institutional opening up. The 15th Five-Year Plan calls for the high-standard implementation of island-wide customs clearance operations, further opening up key areas including trade, investment and factor mobility, while gradually establishing a policy and regulatory framework consistent with a high-level free trade port. For Hong Kong SAR, the 15th Five-Year Plan reaffirms support for consolidating and enhancing its position as an international financial, shipping and trade centre, as well as an international aviation hub, while supporting its development as an international innovation and technology centre. The Hong Kong SAR Government has also indicated that it will formulate its first five-year development plan to align more closely with national development priorities. In this context, Hong Kong is expected to evolve from its traditional role as a "super-connector" toward becoming a global platform for attracting, integrating and creating value from high-end international resources.

Achieving a more functionally specialized regional development pattern will require addressing longstanding institutional barriers that hinder the free flow and efficient allocation of resources and production factors. Beyond improving physical connectivity through infrastructure development, greater emphasis will be placed on strengthening institutional connectivity and policy coordination across administrative boundaries. The ultimate objective is to establish a cross-regional governance framework that aligns incentives and facilitates long-term cooperation. To this end, the 15th Five-Year Plan calls for deeper cross-jurisdictional cooperation and improved mechanisms for regional planning coordination, industrial collaboration and benefit-sharing. Three areas of coordination will be particularly important. First, planning and policy coordination. This aims to improve alignment across regions in areas such as industrial positioning, environmental standards and land-use planning, thereby reducing redundant investment and preventing excessive competition among regions. Second, industrial relocation and deeper supply-chain integration. The focus is to move beyond project-by-project relocation toward systematic coordination across industrial and supply chains. Through better-designed benefit-sharing arrangements, both originating and receiving regions can move from a zero-sum dynamic toward mutually beneficial cooperation, while reducing institutional frictions and transaction costs. Third, benefit-sharing and compensation mechanisms. This will be critical to the sustainability of cross-regional cooperation. Key areas include interregional tax-sharing arrangements, ecological compensation schemes, cost- and revenue-sharing mechanisms for infrastructure projects, and the allocation of intellectual property rights and related benefits. Such arrangements are intended to transform cooperation from short-term projects into stable and long-term collective action.

### From "entry" to "integration": Advance people-centred urbanisation and urban renewal

China's urbanisation process has made substantial progress in recent decades. By the end of 2025, the urbanisation rate based on the resident population had reached 68%, with approximately 950 million people living in urban areas (Figure 25). However, the traditional model of urbanisation has also given rise to a number of structural challenges. The integration of rural migrants into urban communities remains incomplete, with many long-term urban residents still lacking equal access to basic public services, giving rise to the challenge of "semi-urbanisation." At the same time, urban development has relied heavily on outward expansion, contributing to imbalances in spatial development and increasing resource and environmental constraints. Large cities continue to face challenges associated with congestion and overstretched public services, while some small and medium-sized cities struggle to maintain economic vitality. Weaknesses also remain in urban governance, infrastructure resilience and the preservation of historical and cultural heritage.

**Figure 25** China's Urban Population, Urbanisation Rate, and Registered Urbanisation Rate, 2015–2025



Source: Wind, KPMG analysis

In response, the 15th Five-Year Plan emphasizes the continued advancement of people-centred new urbanisation, identifying two core priorities: facilitating the full integration of rural migrants into urban areas and promoting higher-quality urban development through urban renewal. To support the integration of rural migrants, reforms will continue to deepen both the household registration (*hukou*) system and the provision of basic public services based on place of residence. Access to public services is expected to become less dependent on *hukou* status and increasingly linked to residence permits and the length of residence. At the same time, efforts will focus on providing stable employment opportunities, sustainable livelihoods and stronger protection of labour rights. This reflects a broader shift in urbanisation policy—from an earlier emphasis on land expansion and population relocation toward a more inclusive approach centred on equal access to services, rights protection and long-term social integration.

Urban renewal will increasingly follow an integrated framework encompassing urban assessments, sector-specific planning, area-based development strategies and project implementation plans. Under this approach, regular urban assessments will be used to identify infrastructure deficiencies and residents' most pressing concerns, which will then inform targeted planning and project design. This “assessment-first, renewal-second” model is intended to improve the effectiveness, precision and sustainability of urban renewal initiatives. More broadly, China's urban development strategy is shifting away from an extensive growth model focused on expansion and scale toward a more intensive model that emphasizes quality, efficiency, safety and cultural preservation. This transition is not only essential to addressing current urban development challenges, but also a key component of China's broader modernization agenda and its efforts to meet the growing aspirations of its population for a higher quality of life.

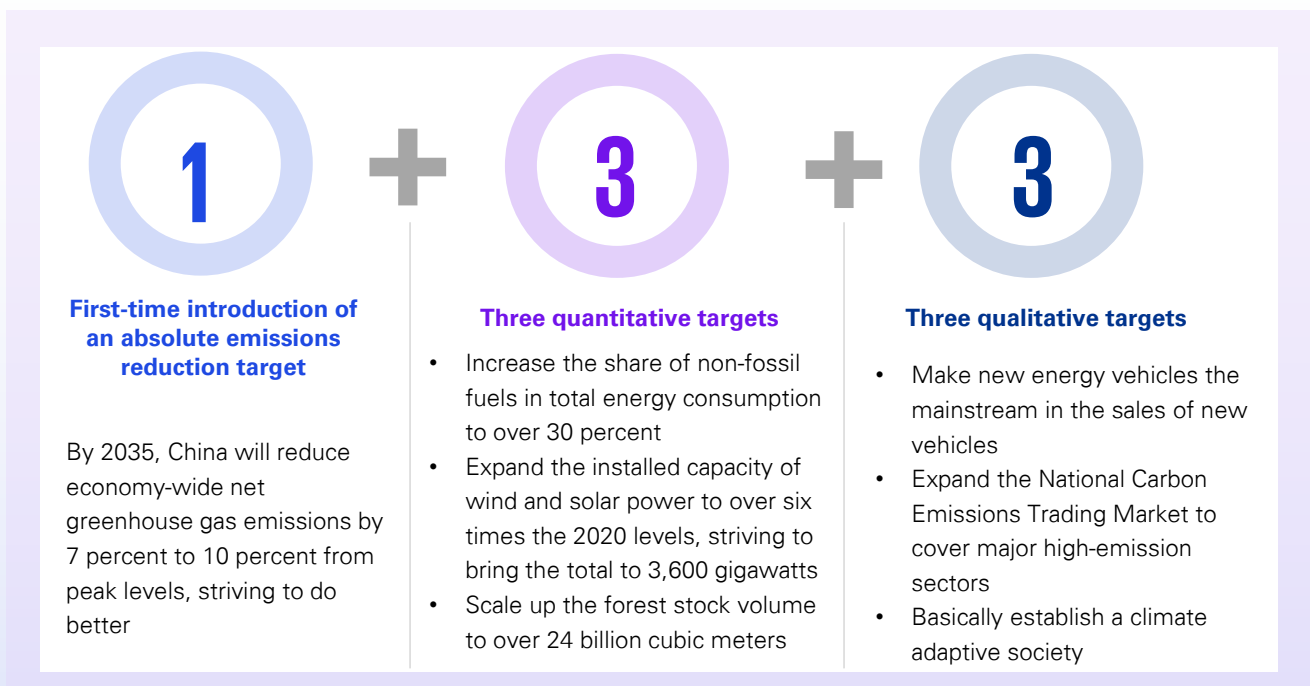
## 2 Accelerate full green transition across economy and society

The 15th Five-Year Plan period will be a critical phase in advancing the comprehensive green transition of China's economy and society. This transition entails systematically integrating green and low-carbon principles across all aspects of economic and social development. Achieving this transformation will require progress along three key dimensions. First, stronger policy guidance and accountability mechanisms will be established through a dual-control framework for both the total volume and intensity of carbon emissions, supported by a more comprehensive system of green standards. Second, the energy foundations of the transition will be strengthened through the development of a modern clean energy system, providing greater support for sustainable and low-carbon growth. Third, coordinated efforts on both the supply and demand sides will accelerate the adoption of greener production and consumption patterns. This will involve advancing supply-side reforms while strengthening incentives for green consumption, helping environmentally sustainable practices become increasingly embedded in economic activity and everyday life.

### Advance dual carbon controls and green low-carbon standards, support peak carbon goals

The 15th Five-Year Plan period will be a crucial final sprint for China to achieve its 2030 peak carbon emissions goal, while also carrying the important task of implementing a new round of national strategic commitments. In September 2025, China officially announced its 2035 Nationally Determined Contribution (NDC) targets (Figure 26) and put forward a package of quantitative indicators, setting higher and more systematic requirements for China's green and low-carbon transformation during the 15th Five-Year Plan period.

**Figure 26** China's New Round of Nationally Determined Contribution (NDC) Targets



Source: China's 2035 Nationally Determined Contribution Report, KPMG analysis

To ensure the achievement of China's 2030 carbon peaking target, the 15th Five-Year Plan calls for accelerated adjustments to the industrial structure, energy mix and transport system. At its core, this transition requires coordinated progress across domestic policy mechanisms and international engagement. Domestically, China will further implement a dual-control system targeting both the total volume and intensity of carbon emissions, alongside continued efforts to improve energy efficiency and reduce emissions through technological upgrading. A key priority is the green transformation of existing high-energy-consuming and high-emission facilities, including the application of low-carbon technologies and equipment, the relocation of energy-intensive industries toward regions with abundant renewable energy resources, and the development of near-zero and zero-carbon factories and industrial parks. In parallel, the carbon emissions dual-control framework will gradually shift from predominantly administrative constraints toward greater reliance on market-based mechanisms and the cultivation of new growth drivers. The national carbon emissions trading market will be expanded in scope, and the development of a voluntary greenhouse gas emissions reduction market will be accelerated. According to the Ministry of Ecology and Environment, the national emissions trading system is expected to cover most major emitting industrial sectors by 2027. As market participation becomes more diversified, the price discovery function of the carbon market is expected to strengthen, enhancing overall market efficiency and supporting the green transition.

On the international front, China aims to improve its system of green and low-carbon standards and strengthen its influence in global rule-setting. First, efforts will be made to fill critical gaps in standards development and respond rapidly to emerging technological areas. In the power sector, this includes accelerating the development of standards for smart grids, microgrids and advanced energy storage. In green finance, unified standards for green loans and green bonds will be established to mitigate the risk of "greenwashing". Second, stronger coordination between standards and policy instruments will be promoted to ensure greater policy coherence and effectiveness. Third, China is advancing the digitalization and practical application of its standards system. The country is building a national emissions factor database for greenhouse gases and leveraging advanced technologies to improve the accuracy and efficiency of emissions monitoring, reporting and verification (MRV). This will support a shift in carbon management from annual statistical reporting toward near real-time monitoring, improving information quality and resource allocation efficiency, and enabling markets to better identify and reward genuine green performance.

### Speed up energy supply rollout, build new electric power system

Following the rapid development achieved during the 14th Five-Year Plan period, China now has a solid foundation for developing a new energy system. By the end of 2025, installed renewable energy capacity had reached 2.34 billion kilowatts, accounting for about 60% of China's total installed capacity, up 17 percentage points from 2020. Installed capacity of new energy sources such as wind and solar power already ranks first in the world, though systemic challenges remain on the application side. During the 15th Five-Year Plan period, the priority in developing the new energy system will shift from simply pursuing additional installed capacity for new energy to building an integrated ecosystem capable of safely accommodating, efficiently absorbing, and flexibly regulating a high share of non-fossil energy. On the one hand, the supply share of non-fossil energy needs to continue rising. On the other hand, China needs to develop a new power system and vigorously advance new energy storage.

The share of non-fossil energy supply is the foundation for developing a new energy system. For the first time, the 15th Five-Year Plan proposes implementing a ten-year action to double non-fossil energy and emphasizes the need to pursue a diversified clean energy system including wind, solar, hydropower, and nuclear energy, and to advance the safe, reliable, and orderly substitution of fossil energy by non-fossil energy. This fully demonstrates China's firm strategic commitment to driving a fundamental transformation of its energy structure under the peak carbon emissions target. Moreover, for the first time, the 15th Five-Year Plan sets the share of non-fossil energy in total energy consumption as a binding target and proposes that by 2030 this share should reach 25%. This implies an energy production and consumption pattern that not only meets incremental growth in energy demand but also replaces fossil-energy stock. The green transition is not confined to the power sector, but will be extended more comprehensively across end-use sectors such as industry, transport and buildings. To achieve this binding target, China will pursue a diversified mix of hydropower, wind, solar and nuclear energy, and develop a new type energy system characterized by complementarity and coordinated development among different energy sources.



To address the challenges arising from the integration of high shares of renewable energy and to ensure the safe and stable operation of a new electric power system, the 15th Five-Year Plan emphasizes the development of a new electric power system, including accelerated construction of smart grids, improvement of urban and rural distribution networks, scientifically planned deployment of pumped-storage hydropower, and large-scale development of new types of energy storage. The development of a new electric power system during the 15th Five-Year Plan period requires coordinated progress on both technological and institutional fronts. On the technological side, the priority is to enhance system flexibility and balancing capability. First, pumped-storage hydropower will be deployed in a well-planned manner to provide long-duration, large-scale balancing capacity. At the same time, new types of energy storage will be developed at scale with a focus on safety and cost efficiency. Second, grid resilience will be strengthened, and the power system will evolve toward a more digital, intelligent and interactive structure. This will require the development of a digitalized backbone grid to enhance risk prevention and recovery capabilities, as well as smart distribution networks capable of efficiently coordinating generation, grid, load and storage (“source-grid-load-storage” integration) to manage increasingly complex interactions from distributed energy resources. In addition, smart microgrids integrating wind, solar and storage will be promoted in end-use and distribution-level applications to improve local self-balancing and system resilience, thereby strengthening the overall robustness of the power system.

On the institutional side, the key challenge lies in addressing economic viability and creating a sustainable business and incentive framework for technology deployment and system operation. This requires improving market-based and pricing mechanisms, deepening reforms in electricity and other energy markets, and allowing price signals to play a decisive role in balancing supply and demand. At the same time, the government will focus on eliminating price distortions, strengthening regulation of natural monopoly segments, and providing guidance in areas not yet fully covered by markets, so as to ensure fair competition and support the long-term healthy development of the power system.

### Coordinating reform and incentives, drive green practices in industry and daily life

On the basis of developing a new type of energy system, it is also necessary to promote the broad application and deep integration of green energy and technologies across all sectors of the economy and society, so as to achieve a comprehensive green transition in economic and social development. The 15th Five-Year Plan calls for accelerating the formation of green production and consumption patterns. On the supply side, this requires building a clean and low-carbon industrial and energy system and advancing the green transformation of key sectors. On the demand side, efforts should focus on promoting the circular economy, encouraging greener and lower-carbon energy consumption, and fostering sustainable lifestyles.

Looking ahead to the 15th Five-Year Plan period, the development of green production patterns will depend on differentiated industrial pathways and a coordinated innovation system. For regions with strong innovation capacity and a solid industrial base—such as selected eastern coastal provinces and major national urban clusters—policy support should encourage early breakthroughs in frontier technologies and strategic emerging industries, including green hydrogen, advanced energy storage, carbon capture, utilization and storage (CCUS), so as to build global competitiveness in these areas. For regions with a higher share of traditional industries and abundant energy and resource endowments—such as parts of the central and western regions and Northeast China—the focus of transformation should be on upgrading key sectors such as thermal power, steel, non-ferrous metals, petrochemicals, chemicals and building materials through energy efficiency and emissions-reduction technologies. This should be accompanied by improvements in resource efficiency and value addition, as well as the development of clean energy industries and ecological carbon sink economies tailored to local conditions. In addition, the 15th Five-Year Plan explicitly calls for advancing the green and low-carbon transformation of key sectors including industry, construction, transport and energy (Table 6). This process should follow differentiated pathways and targeted policy implementation. Against the backdrop of developing new quality productive forces across the economy, greater efforts should also be made to promote the deep integration of digital and green technologies, accelerating the application of artificial intelligence, big data and the Internet of Things across key sectors such as energy, manufacturing, construction and transport.

**Table 6** Pathways for Green transition in Key Sectors

Sector	Core development direction during the 15th Five-Year Plan period	Implementation pathway
<b>Industrial</b>	Adjustment of the industrial structure and development of a green manufacturing system	<ul style="list-style-type: none"> <li>Carry out energy-saving, carbon-reduction, and electrification retrofits: advance electrification and the substitution of traditional fuels with hydrogen; promote at scale the application of advanced processes and key equipment such as electric-arc furnace steelmaking, hydrogen-based ironmaking, high-efficiency motors, and industrial waste heat recovery; develop zero-carbon factories and industrial parks.</li> <li>Build a circular utilization system: improve systems for managing total resource consumption and controlling resource intensity; promote large-scale and high-value utilization of industrial solid waste; focus on raising the recycling and utilization level of strategic resources such as scrap steel, waste nonferrous metals, and retired power batteries; expand the resource recycling industry; and promote internal material circulation within industrial systems.</li> </ul>
<b>Urban and rural development</b>	Improve building energy efficiency and promote green construction methods	<ul style="list-style-type: none"> <li>Develop green and energy-efficient buildings: raise energy-efficiency standards for new buildings and promote ultra-low-energy and prefabricated buildings.</li> <li>Advance urban renewal: carry out green retrofits of existing buildings.</li> </ul>
<b>Transportation</b>	Electrification of equipment and optimization of the transportation structure	<ul style="list-style-type: none"> <li>Low-carbon substitution in transportation power systems: advance technological upgrading of new energy vehicles, hydrogen fuel cell vehicles, and electric vessels, and promote vehicle electrification in the public sector.</li> <li>Build green infrastructure: improve charging and hydrogen refuelling networks, and develop intelligent transportation management systems and multimodal transport hubs.</li> </ul>
<b>Energy</b>	Develop a new type of energy system	<ul style="list-style-type: none"> <li>Increase the supply of clean energy</li> <li>Develop a new type of energy system</li> <li>Promote the clean utilization of fossil energy</li> </ul>

Source: Compiled from public information, KPMG analysis

Demand-side green and low-carbon transition aims to reshape consumption behaviour and energy use patterns through institutional and policy innovation, thereby creating sustained pull effects on supply-side green transformation. To further foster greener lifestyles, the 15th Five-Year Plan calls for nationwide actions to promote green and low-carbon consumption, and advocates a simple, moderate, green, low-carbon, and healthy lifestyle and consumption pattern. In implementation, the Ministry of Commerce and eight other departments jointly released a nationwide action plan aimed at promoting green consumption in early 2026, setting out 20 specific measures across seven areas covering the full value chain of green consumption, providing a comprehensive policy framework for advancing green consumption during the 15th Five-Year Plan period. Looking ahead, the key implementation pathway will be to prioritize electrification as a central lever, and use demand-side policies such as pricing incentives and standards-based assessments to expand green electricity consumption in key sectors such as buildings and transport. At the same time, China will improve green consumption incentive mechanisms by establishing a closed-loop system of economic incentives linking supply and demand, creating practical and accessible green consumption scenarios, and strengthening transparent and credible institutional foundations, so that green choices shift from being optional to becoming the preferred option.

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The Institute integrates KPMG's macroeconomic, industry, and sector-specific research strengths in China, while leveraging the firm's global network to deliver research efficiently and with international perspective. It demonstrates KPMG's comprehensive and forward-looking research capabilities, and is committed to providing fact-based, in-depth insights and analysis on critical economic and business issues. These insights support decision-making for corporates and institutions, existing and prospective clients, policymakers, and the broader public, while also contributing to the development of KPMG's business and helping partners remain competitive in an evolving market environment.

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