



By: TA | AP Insight

Economic problems at the top of the agenda of the upcoming Chinese Communist Party leadership meeting



One of China's most important meetings begins Monday, as leader Xi Jinping and other ruling Communist Party elites gather in Beijing to map out the goals for the next five years.

The closed-door gathering — known as the fourth plenum — is expected to last four days and will discuss and put the final touches on China's next five-year plan, a blueprint for 2026-2030.

The leaders are meeting at a time of heightened trade tensions between Washington and Beijing and just ahead of a possible **meeting** between Xi and U.S. President Donald Trump during a regional summit later this month.

What the fourth plenum is and why it matters

The fourth plenum refers to the fourth plenary session, out of typically a total of seven sessions during the five-year term of the Chinese Communist Party's central committee. Xi and about 370 members of the central committee are expected to attend.

The gathering also may coincide with personnel changes. Since it's held behind closed doors, details may come days or weeks later.

Such gatherings are meant to help unite officials and the public behind the party's agenda.

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The full five-year plan for 2026-2030 and specifics will likely not be released until the annual session of the National People's Congress is held in March.

But there is little reason to expect a radical shift away from the format and messaging

style of previous five-year plans, Lynn Song, chief economist for Greater China at ING Bank, said in an interview.

What to expect in China's next 'five-year plan'

The world's second-largest economy is forecast to expand by 4.8% this year, **according** to the World Bank, a figure close to China's official target of about 5% growth. China faces challenges from the trade war that has intensified since Trump took office, but also from chronic domestic problems that are dragging on growth.

Longstanding efforts to boost consumer spending and investment by businesses and to curb excess capacity in many industries top the list of economic priorities. But Xi also will likely highlight China's push to become the global leader in many technologies, such as artificial intelligence.

China's pursuit of technological "self-sufficiency," weaning its industries of their reliance on advanced computer chips from the U.S., has sped up as Trump tightens American export control measures and raises tariffs.

That could result in more spending on advanced technology, said Ning Zhang, a senior China economist at UBS.

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One key question is whether there will be any meaningful shift in the leadership's approach to boosting consumption, said Leah Fahy, a China economist at Capital Economics.

The government has adopted incremental policy moves — such as increased government **subsidies** for childcare, consumer loans, and trade-in programs for appliances and electric

vehicles.

Boosting consumption, which would drive borrowing and demand, is “much more important than before” but consumer confidence has been undermined by the bursting of China's property bubble several years ago, Zhang explained.

Economists say bolder moves are needed to make a significant difference.

Price wars in the auto industry are an example of the risks of the ferocious competition that results from overcapacity that afflicts many Chinese industries.

China's exports — including to Southeast Asia and Africa — have surged as companies seek markets beyond its borders, adding to friction with the United States and other trading partners.

China's chief challenges in the next five years

Since the massive disruptions of the COVID-19 pandemic, China has struggled to reignite faster economic growth. Its property sector downturn has complicated that effort, causing massive layoffs and leading families to cut back on spending as house prices have fallen.



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Wendy Leutert, a professor of economics and

trade at Indiana University, noted in a recent report that China is still stinting on spending on areas that might help to balance the economy and encourage more consumer spending, such as health care, education and child and elder care.

“Overall, China's leaders still appear willing to accept economic costs, including resource misallocation and failures, in order to pursue self-sufficiency and technological leadership in strategically important industries and strengthen overall national power,” she wrote.

While it faces increasing friction with the U.S. and other trading partners, China is also running up against demographic pressures, as its population of 1.4 billion begins to shrink and age more rapidly.

The unemployment rate for young workers aged 16-24 is nearly 19%, according to official data, impinging on their potential contributions to the economy.

The Chinese leadership has set a goal of doubling the size of China's economy in 2020 by 2035, and like any other government, “still cares (about) growth and is still trying to get richer,” said Zhang of UBS.

He estimates that keeping the economy growing at a robust 4% to 5% pace in the next decade will likely be “challenging.” But it's imperative to show it is striving for such ambitious goals, to demonstrate the ruling party's capacity to keep delivering a better quality of life — its chief claim to its legitimacy.

“For China's leadership, what do they care about? Stability, legitimacy, and also ongoing support,” he said.