

Weekly China Insight

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Politburo focuses on domestic demand, innovation, and policy coordination for economic policy in 2026

On 8 December, the CCP's Politburo convened its annual December meeting to outline the country's economic strategy for 2026, signaling a renewed focus on domestic resilience amid external uncertainties. The leadership emphasized the principle of "seeking progress while maintaining stability" and pledged to implement "more proactive fiscal" and "moderately loose monetary policies." Central to the 2026 agenda is to expand domestic demand, accelerate the development of new productive forces, and improving policy coordination through counter-cyclical and cross-cyclical adjustments. Eight key priorities were identified by the Politburo, including innovation-driven growth, deepening reforms, expanding high-level opening-up, and safeguarding livelihoods. The Politburo also called for "better coordination between domestic economic work and international trade struggles," underscoring persistent concerns about global protectionism and supply chain fragmentation.

China's 2026 economic playbook reflects the continued strategy of shifting from short-term stimulus to structural realignment, balancing near-term macro support with longer-term reforms to address weak demand, overcapacity, and global trade frictions. 2026 will be an important year, as the leadership will release its 15th Five-Year Plan in March at the Two Sessions.

China charts 2026 economic course with focus on domestic demand

On 11 December, China's political leadership concluded its annual Central Economic Work Conference (CEWC) in Beijing, setting the tone for economic policymaking in 2026. Top leaders, including President Xi Jinping and Premier Li Qiang, emphasized a forward-looking but measured approach, pledging to implement a "more proactive fiscal policy" and a "moderately loose monetary policy." These tools are intended to counter persistent economic headwinds such as weak consumption, falling investment, and ongoing real estate and local government debt risks.

The conference reiterated the guiding principle of "seeking progress while maintaining stability," calling for enhanced coordination among fiscal, monetary, and structural policies. Policymakers committed to "strengthening counter-cyclical and cross-cyclical adjustments," leveraging both existing and new policy tools while maintaining macroeconomic discipline.

In a notable refinement, the CEWC stressed enhancing the "effectiveness, foresight, and coordination" of policy, including assessing consistency across all economic and non-economic initiatives. This reflects Beijing's intent to optimize policy transmission, manage

expectations, and bolster business and household confidence. The meeting also reinforced an internal shift to make sure domestic demand remain the primary engine of growth, as reliance on external markets becomes increasingly uncertain amid rising global protectionism.

Beijing's approach for 2026 prioritizes systemic calibration over aggressive stimulus, suggesting stable but cautious policy support in the year ahead. Fiscal spending will likely align more with structural transformation than cyclical growth.

China's 2026 economic blueprint focuses on structural transformation and risk containment

The CEWC also reiterated the eight key economic priorities for 2026, with a clear pivot toward long-term structural reforms. First among them is “strengthening domestic demand,” including a new income growth plan for urban and rural residents, extended support for consumption, and increased central budget investment. Policymakers explicitly committed to “halting the decline in fixed asset investment,” a shift reflecting growing concern over persistent investment contraction in key sectors, particularly real estate.

The second priority is “innovation-driven growth,” with new action plans targeting talent, technology, and service sector upgrades to be released next year. Beijing will build out innovation hubs in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Greater Bay Area, while advancing policies around artificial intelligence, digital trade, and emerging industries like quantum technology and green energy.

The CEWC also acknowledged deepening pressures in the property sector, pledging to stabilize the market through city-specific measures, inventory destocking, and a push for high-quality affordable housing development. While direct bailouts remain off the table, tools such as expanded housing provident fund access and affordable housing conversions for unsold units were signaled at the meeting.

Other notable themes included expanding “institutional opening-up,” boosting green transformation via a national energy plan, and improving livelihoods, especially in the areas of employment, healthcare, and education. The leadership also stressed efforts to ensure fair competition and deepen market reforms in order to curb involutionary competition, a reference to destructive price wars and overcapacity plaguing Chinese companies.

China's 2026 economic blueprint reflects a pragmatic strategy centered on long-term resilience, balancing structural reform, innovation, and risk mitigation. The CEWC signaled that aggressive stimulus is off the table in the immediate future. Instead, the leadership will provide targeted support for strategic sectors.

World Bank and IMF raise China's 2025 economic growth forecasts as consumer prices rebound

On 10 and 11 December, the International Monetary Fund (IMF) and the World Bank each upgraded their forecasts for China's 2025 GDP growth, citing resilient domestic demand and supportive macroeconomic policies. The IMF raised its GDP growth forecast to 5%, up 0.2

percentage points from October, while the World Bank lifted its projection by 0.4 percentage points, emphasizing the role of expansive fiscal policy, accommodative monetary policy, and export market diversification.

Meanwhile, China's consumer price index (CPI) rose 0.7% y/y in November, the highest level in nearly two years, pointing to a tentative easing of deflationary pressures. The rebound was primarily driven by food prices, with fresh vegetable prices jumping 14.5% y/y, reversing a nine-month decline. The producer price index (PPI), however, continued to decline 2.2% y/y, though it rose 0.1% m/m for a second straight month, amid signs of improving pricing power in select sectors like energy and new materials.

The upward revisions in growth forecasts and rising CPI suggest China's economy is regaining momentum, but subdued producer prices and fragile consumer confidence indicate that demand-side policies will need to remain active to support a sustained recovery in 2025.