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Weekly China Insight

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China's auto five-year plan shifts focus from expansion to intelligent consolidation

On 9 September, nine Chinese government agencies, led by the industrial regulatory (MIIT), issued the 15th Five-Year Plan for the intelligent connected new-energy vehicle (NEV) industry, setting out Beijing's roadmap for the industry for the next five years. By 2030, NEVs are targeted to account for 70% of new passenger-car sales and 40% of new commercial-vehicle sales, while vehicles with autonomous-driving functions should enter large-scale use. The plan also targets average electricity consumption of around 11.5 kWh per 100 km for battery-electric passenger cars, a 15% increase in industry-wide labor productivity from 2025 levels.

The plan aims for the auto sector to become a major application field for AI, including automotive-specific models and agents, trusted data spaces, predictive maintenance, and integrated cockpit-driving systems, while accelerating "vehicle-road-cloud integration", 5G/5G-A connectivity and charging infrastructure. It also prioritizes supply-chain resilience in chips, operating systems, industrial software, advanced materials, and critical minerals.

At the same time, the plan signals tighter discipline on industry expansion. Authorities will strengthen capacity monitoring, maintain strict conditions for new standalone NEV manufacturers, encourage mergers and cross-regional consolidation, and phase out inefficient production capacity. Stronger antitrust, pricing, and unfair-competition enforcement is also planned, alongside restrictions on improper local subsidies, tax incentives, and land concessions.

The plan suggests that Beijing sees the next phase of China's automotive strategy as less about adding production capacity and more about combining AI, autonomous driving, productivity gains, and global expansion with tighter consolidation and more regulatory oversight.

China reportedly freezes new battery projects as anti-involution campaign deepens

On 10 September, domestic financial media *Caixin* reported that Chinese regulators had temporarily halted approvals for new power and energy-storage battery projects through the end of 2026, pending a nationwide review of capacity and utilization rates. Projects that had secured environmental impact and energy-consumption approvals before May are reportedly exempt.

The move follows a capacity investigation launched at the end of 2025 and marks one of the clearest interventions yet in Beijing's campaign against "involution" in the lithium battery sector. In the first seven months of 2026, 100 domestic lithium battery expansion projects were signed, with disclosed investment of RMB 446.9 billion and planned annual capacity of around 2,608.5 GWh — roughly 1.5 times China's total 2025 lithium battery output of 1,755.6 GWh. Around 94% of this planned capacity is either under construction or yet to be built, giving regulators scope to curb expansion before most new supply comes online.

Regulators are also reportedly considering linking future project approvals to existing capacity utilization. If implemented, this could reinforce the position of larger producers with higher utilization rates while making it harder for smaller competitors to expand in pursuit of scale.

The reported freeze suggests Beijing is moving from rhetorical pressure against battery-sector "involution" toward direct control of capacity expansion, potentially accelerating consolidation while favoring established industry players over smaller competitors.

Xi Jinping elevates advanced manufacturing as a strategic pillar

On 16–17 September, China convened a national conference on advanced manufacturing in Beijing, where President Xi Jinping called for the sector to be made "bigger and stronger" and positioned as the backbone of a modern industrial system. Xi emphasized smarter, greener, and more integrated production, alongside greater autonomy and controllability in industrial chains, while Premier Li Qiang identified next-generation intelligent manufacturing as the main direction and called for deeper implementation of the "AI plus manufacturing" initiative, stronger domestic high-end technologies, and closer integration between manufacturing and modern services.

The policy push comes as industrial activity continues to outperform domestic demand. Industrial production rose 5.2% y/y in August, while retail sales increased only 0.4% y/y, fixed-asset investment fell 7.2% y/y and unemployment rose to 5.3%. Advanced sectors remain a relative bright spot, with value-added output in high-tech manufacturing up 13.3% y/y in the first half of 2026 and new growth drivers, including high-tech and digital-product manufacturing, contributing more than half of industrial output growth in the first seven months.

Xi's call reinforces Beijing's strategy of using advanced manufacturing, AI-driven industrial upgrading, and greater technological self-reliance to strengthen growth and supply-chain resilience. However, the contrast with weak consumption and investment highlights the risk of an increasingly production-led recovery unless domestic demand improves.

China leverages BRICS summit to push Global South cooperation and technology agenda

On 12-13 September, President Xi Jinping leveraged the 18th BRICS Summit in New Delhi to position China as a driver of deeper economic, technological, and governance cooperation across the expanded BRICS grouping and the wider Global South. Marking 20 years of BRICS cooperation, Xi called for greater coordination on multilateral governance, trade, supply chains, artificial intelligence, and security, while stressing support for the UN-centered international system and the WTO-based multilateral trading framework.

Beijing paired this political messaging with a more operational economic agenda, with Xi proposing five initiatives covering open-source and inclusive AI, trade and investment facilitation, digital industry cooperation, intelligent manufacturing, and science and technology talent development. China said it would establish a BRICS AI open-source community, support cooperation on large language models, promote a BRICS digital ecosystem cloud platform, help partner countries build smart factories, and propose an engineer training alliance. It also suggested creating a BRICS special economic zone partnership and will host a BRICS Forum on Trade in Services next year.

Xi explicitly linked these initiatives to the start of China's 15th Five-Year Plan, describing the plan not only as a domestic development blueprint but also as a "cooperation list" for other countries. This frames BRICS as a channel through which China can internationalize elements of its own industrial priorities, including AI, digitalization, advanced manufacturing, and supply-chain integration.

China is seeking to use BRICS not only as a political platform for greater Global South representation, but increasingly as a vehicle for exporting cooperation frameworks in AI, manufacturing, trade, and standards that align closely with its own domestic development priorities.