UOB Investment Insights

China's Fourth Plenum: Creating a sustainable engine of growth

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Key takeaways

- In the face of internal and external economic challenges, China will intensify existing policies tied to key strategic goals of high-quality development, technological self-sufficiency, and higher domestic consumption.
- The aim is to modernise and re-balance the economy and create a sustainable engine of growth for the next five years.
- Investors with higher risk appetite can consider an allocation to Chinese stocks within a well-diversified portfolio given the structural artificial intelligence (AI) driver, attractive valuations, and relatively light portfolio positioning by foreign investors.

China's "15th Five-Year Plan"

At the Fourth Plenum across 20-23 October 2025, China's top leaders, the Central Committee of the Communist Party of China, reviewed and endorsed the economic and social development strategy for the next five-year period from 2026-2030 under the "15th Five-Year Plan".

Full details of this blueprint will be announced during the annual National People's Congress meeting in March 2026.

Intensifying existing policies tied to strategic goals

- China faces a series of challenges at present, ranging from an aging demographic, property sector weakness, sluggish domestic consumption, and trade tensions with the United States (US).
- Normally, domestic economic weakness would trigger forceful policy directives.
- However, the uncertain external outlook meant China prioritised continuity by intensifying existing policies tied to strategic goals, rather than a radical shift.

What are China's key priorities?

- High-quality development.
    - China placed a heavy emphasis on "new-quality productive forces" that aims to upgrade the manufacturing sector towards higher value-add and innovation driven sectors.
    - Build a modern industrial and infrastructure system.
    - Accelerate the process of elevating China into a powerhouse of manufacturing, aviation, transportation, and the internet.
    - Promote quality and efficient growth in the services sector.
- Innovation and self-sufficiency in technology and science.
    - This involves key areas like AI, semiconductors, and green technology where China faces increasing restrictions by Western nations.

    - This is a continuation of the previous five-year plan, with China also emphasising the role of technology in developing “new-quality productive forces”.
- Domestic consumption to mitigate external headwinds.
    - The aim is to boost household income, increase productivity, and improve social welfare policies amid an aging population, to stimulate domestic consumption.
    - Grow the domestic market over the next five years to reduce the reliance on exports.
- Stabilise China’s property market which is necessary to materially boost consumer sentiment.
- While most of the plan focuses on the long-term, China also signalled short-term support for the economy by vowing to strengthen macroeconomic policies.

What was omitted?

- There were no explicit economic growth targets for the coming five years.
- Unsurprisingly, explicit hints of stimulus measures were also missing given the Chinese economy remains on track to meet the 2025 official growth target of “around 5%”.
    - Instead, the Chinese government appears to favour a wait and see approach towards policy stimulus depending on the outcome of US-China trade developments.

What can you do?

- Looking at the broader picture, global stock and bond markets tend to respond positively when the Federal Reserve (Fed) cuts interest rates while the economy avoids a recession.
- Nonetheless, it is important to maintain a diversified portfolio and avoid concentration risks.
- For conservative investors:
    - Diversify via multi-asset strategies and lock in income via investment grade bonds.
- For investors with higher risk appetite:
    - Consider an allocation to Chinese stocks within a well-diversified portfolio.
    - China remains one of our Tactical calls given optimism over the country’s push for technological innovation and self-sufficiency, with dominant Chinese technology companies increasing their investments into AI.
    - Chinese technology stocks have seen profit-taking recently amid the re-emergence of US-China trade tensions.
    - Nonetheless, we view this correction as healthy and believe it presents an opportunity to buy the dip for long-term investors given the structural AI driver and emerging AI monetisation opportunities within China.
    - This is backed up by numerous analysts upgrading their price targets of Chinese technology stocks over the past two months.
    - The broader Chinese stock market is also supported by attractive valuations and relatively light positioning by foreign investors.
    - Focus on AI enablers, quality companies, and resilient dividend-paying stocks.
- Speak to a UOB Advisor on how to position your portfolio according to your risk appetite and goals.

Right By You

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