March 11, 2025

2025 Two Sessions in Review

China's just concluded Two Sessions reinforced a clear message: steady growth, controlled stimulus, and an all-of-state push to fortify national security and self-reliance. The government set a 5% GDP target for the year ahead, pledged stronger support for private and foreign firms, and singled out sectors such as AI, semiconductors, and green tech as strategic priorities. Yet, behind the confident rhetoric, questions remain about whether policy tweaks will be enough to restore confidence and drive real momentum.

Officials opted for pragmatic adjustments over sweeping reforms or bold stimulus, signaling a preference for targeted interventions rather than dramatic course corrections. The fiscal deficit has been widened, monetary policy loosened for the first time in 14 years, and targeted stimulus introduced to boost consumption. But debt remains a constraint, local governments are under pressure, and the property sector is still fragile. Meanwhile, self-reliance and security concerns continue to shape economic strategy—from supply chains to financial stability—highlighting Beijing's determination to insulate itself from external pressures. Policymakers are reserving options, leaving room to maneuver in what is likely to be another unpredictable year in the face of looming trade battles.

The Two Sessions signal Beijing's intent, but execution will be key. With external headwinds intensifying and domestic challenges mounting, the real test lies in whether these policies can translate into sustained economic resilience and drive consumer and investor confidence.

Fostering Growth

Efforts to stimulate growth dominated this year's Two Sessions as officials voiced frankness about the economic headwinds of the past year and the challenges ahead. Premier Li acknowledged that deep-seated structural issues, subdued consumer demand, and external pressures will continue impacting economic performance through 2025.

5% growth targeted for 2025—*if achieved*, would equate to approx. USD 890 billion added to the Chinese economy.

The government unveiled steps to tackle these challenges, setting a policy direction absent of any dramatic change in existing course. The macroeconomic stance articulated at the sessions will drive incremental, targeted adjustments in the months ahead as the authorities seek to stabilize the economy while avoiding large scale stimulus measures.

- The **GDP growth target remains set at "around 5%,"** signaling business as usual confidence and commitment to driving growth, even in the face of a potentially escalating trade war.

Consumption and the economy take center stage—yet confidence remains the wild card.

- **Boosting domestic demand was set as the top priority for 2025**. The government outlined multiple measures that include the issuance of RMB 300 billion in special ultra-long-term bonds, which will fund programs including incentives encouraging spending on cars, electronics, and home appliances. Additional measures include easing property transaction restrictions and lowering mortgage costs, as well as strengthening of the social safety net. These measures aim to bolster near-term growth and to fortify the economy against external volatility by building a more resilient domestic base. Yet, it remains unclear if this will be enough to restore consumer confidence and persuade them to spend.

Larger deficit and looser fiscal and monetary policy—targeted interventions over broad stimulus.

- Authorities reaffirmed "**a more proactive fiscal policy**" and a shift in monetary policy to "**an appropriately accommodative**" position, the first loosening of monetary policy in 14 years, that was initiated by the Politburo in December 2024. China also increased its budget deficit target from 3% to 4%, its highest since 2010. This represents a RMB 1.6 trillion y-o-y increase in spending and investment.
- Beijing also reinforced its commitment to the **private sector**, following President Xi's recent symposium with prominent private entrepreneurs. While in from the cold, expect private enterprises to be encouraged to align closely with national strategic priorities as part of broader industrial strategies.

New pledges on market access and support for foreign investors.

- **Leaders resolved to "vigorously encourage foreign investment"** following the State Council's issuance of the "2025 Action Plan to Stabilize Foreign Investment" last month, with additional market opening and other measures. (*See "Foreign Investment and Trade: Opening Doors, Seeking Reinvestment" below.)*
- Beyond being seen through a national security prism, **tech innovation** and cultivation of "**new quality productive forces**" remain important growth drivers and received considerable attention. (*See "Strategic Priorities: Investing in Innovation" below.*)
- Drafting of the **15th Five-Year Plan** is now underway, which will define goals and growth drivers till 2030. Expect focus on delivering remaining goals in the current Five-Year Plan through this year.

Indicator	2025 Target	2024 Target
GDP Growth	Around 5%	Around 5%
Urban Unemployment	Around 5.5%	Around 5.5%
New Urban Jobs	Over 12m	Around 12m
CPI	Around 2%	Around 3%
Fiscal Deficit-to-GDP Ratio	4%	3%
Fiscal Policy	More proactive	Proactive
Monetary Policy	Appropriately accommodative	Prudent
Grain Output	Around 700m metric tons	Over 650m metric tons
Energy Consumption per unit of GDP	Decrease around 3%	Decrease around 2%
Renewable Energy Capacity	370m kW new capacity	Not stated
Carbon Emissions per unit of GDP	Decrease (*no # target*)	Decrease (*no # target*)

Note: Targets set at Two Sessions held in March; shaded boxes highlight year-on-year target change.

Managing Risk

Candid acknowledgment of internal and external risks—but no major policy shift.

Risk management was a key theme at this year's Two Sessions. China's leaders offered candid assessments of internal risks and external pressures, compounded by the increasingly complex geoeconomic environment, with emphasis on the interplay between economic stability, financial integrity, and national security.

- **Addressing strain in the real estate sector**, Premier Li outlined plans to fine-tune regional policies aimed at stabilizing local housing markets, including more flexible mortgage rules, reduced transaction taxes, and programs facilitating timely delivery of housing projects to ease consumer anxiety. Notably, ultra-long treasury bond proceeds will partially underpin these measures, signaling active but cautious state intervention as they balance stabilizing housing market sentiment against market speculation.

Property challenges, rising debt, and external pressures are called out as key pressure points.

- Local government debt remains a structural concern, exacerbated by declining land sales revenue and growing provincial-level financial pressure. **To mitigate systemic risks posed by local government finances,** the central government increased local special-purpose bond (SPB) issuance by RMB 500 billion to a total of RMB 4.4 trillion. SPBs will be used to refinance hidden local debts, fund priority programs like housing purchasing, and pay urgent bills. Leaders also underscored the importance of fiscal discipline, and strengthening local-level monitoring and accountability.
- **Responding to "changes unseen in a century" internationally, leaders underlined the importance of preparedness and facing difficulties head-on.** China has dramatically expanded its toolkit in recent years to include the Unreliable Entity List, dual-use export controls, and anti-foreign sanctions measures, underscoring the leadership's readiness for reciprocal actions and pre-emptive measures to safeguard core interests.

Strategic Priorities: Investing in Innovation

Innovation and tech investment as a core pillar of economic strategy and national security.

This year's Two Sessions made clear that China aims to spur long-term growth through targeted investments in key sectors and technologies. At the heart of this approach lies the government's strategy to foster "**new quality productive forces**," driving growth while enhancing national resilience and self-sufficiency through innovation.

AI, quantum and biotech called out as the next emerging frontier for focused investment.

- **Strategic subsectors such as integrated circuits, biotechnology, artificial intelligence (AI), and new energy vehicles (NEVs) were explicitly identified as investment priorities**. AI has been listed as a strategic priority for several years but gained greater attention this year following disruptive advances by companies like DeepSeek, underscoring China's ambition in this critical field. Similarly, China remains strongly committed to green technology and new automotive technologies, a market where monthly sales of NEVs surpassed internal combustion engine vehicles in July last year.

- **Policymakers also discussed financial initiatives to support tech firms**, including loosening of IPO conditions to allow listings of pre-profit tech companies, establishment of a new national VC fund, and doubling the central bank's relending program for small and midsize tech companies to reach up to RMB 1 trillion, among other measures.

No retreat on green commitments—holding firm on climate goals and investment in green tech.

- China's **focus on environmental goals remains in place, and leaders outlined ambition for green tech** including in smart manufacturing, renewable energy expansion, and advanced carbon management practices. Even as some nations reconsider their climate goals, China is reinforcing initiatives to deliver clear skies and clean waters, seeing environmental advancements not only as quality-of-life improvements but as strategic pathways to owning critical future technologies.
- Additionally, **emerging sectors** such as commercial space exploration and the low-altitude economy—including drone technology and related services—were called out.

Foreign Investment and Trade: Opening Doors, Seeking Reinvestment

Officials reiterated commitment to attracting and retaining foreign investment as part of broader economic stabilization efforts. The 2025 Action Plan to Stabilize Foreign Investment, alongside Premier Li Qiang's comments, calls out a number of sectors that to be more opened for greater foreign investment. The Premier also noted more needed to be done to encourage foreign firms to reinvest profits earned in China rather than repatriating them back to headquarters.

Foreign investment remains in focus with new commitments to opening markets and addressing market issues.

While officials lean into foreign investment, investors require statements to be backed by clear action. Yet the ability or willingness to invest is also heavily impacted by factors beyond China, including geopolitical and global economic uncertainty.

- The government **explicitly committed to removing or significantly reducing foreign investment restrictions across multiple sectors**, including telecom, healthcare, education, and biopharmaceuticals, as well as cultural industries, internet services, advanced manufacturing, environmental protection, and renewable energy.

Reinvestment over repatriation—be ready to explain position.

- Beyond seeking new foreign capital, officials are **'encouraging' foreign enterprises to reinvest profits earned in China**. Officials view domestic reinvestment as a critical component for sustained economic growth, signaling an implicit expectation that companies prioritize local market reinvestment over repatriation. Foreign companies operating in China should assess their profit repatriation strategies and expect greater scrutiny regarding reinvestment of earnings generated locally.
- **The 2025 Action Plan also set out plans to cut red tape** and update and expand the negative list for market access, streamline

administrative procedures for mergers and acquisitions involving foreign enterprises, and facilitate the establishment of foreign holding companies.

- It also **reinforced regional incentives directing foreign investment—and domestic firms' investment—toward underdeveloped regions**, particularly central, western, and northeastern provinces, by enhancing support mechanisms and reducing regulatory hurdles in these areas.
- More broadly, the government has committed to **improving the business environment with better policy coordination and transparency, a more unified national market, and more efficient regulatory processes**. This includes more tailored support and accelerated approvals for foreign projects, attempting to enhance the attractiveness of China as a long-term investment location.
- **Additional quality-of-life improvements included friendlier visa policies**, with streamlined processes and expanded mutual visa exemptions highlighting the government's recognition of the importance of human mobility in sustaining investor confidence.

China in the World

The geopolitical polycrisis cast a shadow over this year's Two Sessions. Despite a cautiously optimistic start to China-U.S. relations under the second Trump administration, reality swiftly asserted itself.

On March 4, the day the Two Sessions started, the US imposed blanket 20% tariffs on Chinese imports. China responded swiftly with targeted tariffs on American farm products. The new round of tariffs resonated throughout official commentary through the Two Sessions.

Advocating open markets and inclusive economic globalization amid rising protectionism.

Meanwhile, China's posture on the global stage remains dual-tracked—vigilant and defensive in the face of adversarial pressures, yet actively engaged in building international partnerships and regional economic ties beyond the United States.

- **Foreign Minister Wang Yi sharply criticized American protectionism, warning against unilateralism and urging major powers to respect international rules**. While emphasizing China's readiness for constructive dialogue, Wang made clear that Beijing will respond to what it perceives as unilateral moves with targeted responses.
- **China renewed its advocacy for stronger global governance**. Beijing continues to seek leadership roles in multilateral bodies (the UN, G20, BRICS, and SCO) and position itself as an advocate for WTO reform. It also underscored its intent to deepen economic partnerships by negotiating and joining high-standard agreements, including the Digital Economy Partnership Agreement (DEPA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). At the same time, commitments to high-quality Belt and Road cooperation continue, with the government pledging

implementation of targeted infrastructure and public-welfare projects, particularly in developing countries.

- With 2025 marking the 50th anniversary of China-EU diplomatic relations, **leaders at the Two Sessions reiterated the importance of deepening ties with Europe**, highlighting joint opposition to unilateralism and protectionism. While China explicitly positioned relations with Europe as independent from U.S.-China frictions, Beijing's messaging was clear: strengthened economic and diplomatic ties with Europe represent a crucial counterbalance to heightened American pressure.
- **The government reaffirmed its steadfast commitment to the "One Country, Two Systems" framework in Hong Kong and Macau**, emphasizing stability through "patriots administering" and deeper integration into national development plans. **Taiwan policy retained familiar contours—insisting on the "One China Principle," peaceful reunification, and staunch opposition to independence**—but introduced notable emphasis on "integrated cross-Strait development" and enhancing welfare for residents on both sides, a sign of the continued attempt to shift sentiment through economic integration rather than overt confrontation.

Understanding the Two Sessions

The Two Sessions (lianghui, 两会) are China's most important annual political gatherings, where leaders set the national agenda. They include the National People's Congress (NPC, 全国人民代表大会) and the Chinese People's Political Consultative Conference (CPPCC, 中国人民政治协商会议).

The CPPCC opened on March 4, 2025, followed by the NPC on March 5, 2025. The NPC, China's top legislature, enacts laws, approves major policies, and elects key leaders, including the President (Xi Jinping) and Premier (Li Qiang). The CPPCC is a political advisory body, bringing together representatives from business, academia, and other sectors to provide policy recommendations. The Two Sessions concluded on March 11, 2025.

This year marked the 3rd Session of the 14th NPC and CPPCC, both serving five-year terms.

To continue the conversation

MEI Yan
Senior Advisor, Beijing
ymei@brunswickgroup.com

St. John MOORE
Partner, Beijing
smoore@brunswickgroup.com

Catherine HUANG
Director, Beijing
chuang@brunswickgroup.com

Gavin CROSS
Director, Shanghai
gcross@brunswickgroup.com

Chris DUNN
Associate, Shanghai
cdunn@brunswickgroup.com

June DENG
Associate, Beijing
jdeng@brunswickgroup.com