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Mobility Minds Blog

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China’s Roadmap to the Future

The 15th Five-Year Plan and Its Impact on the Western Automotive Industry

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From Planned Economy to an Economy with a Plan

In the era of real socialism ("real existierender Sozialismus"), five-year plans epitomized systemic failure. They embodied a management of scarcity and the mismatch between unrealistic political ambitions, limited production capacities, and disappointed consumer needs. The fact that China continued to adhere to the principle of five-year plans even after transitioning to a market-based system was long mocked in the Western world as a nostalgic reminiscence. Who needs such plans when the market supposedly regulates everything?

Latest by the time of the Shanghai Auto Show in spring 2023, however, no one was laughing anymore. In one fell swoop, the Western automotive industry realized that, through long-term strategic planning and relentless execution of the plan, China had managed to create the entire new ecosystem of electromobility and had suddenly assumed a dominant role within this complete ecosystem. This success is primarily the fruit of the 14th Five-Year Plan, which will be replaced next year by the 15th Five-Year Plan for the development of the national economy and society. The draft of this new **framework** has been developed in recent years and was discussed and approved by the Central Committee of the Communist Party of China (CPC) in October 2025. In March 2026, the plan is to be published at the National People's Congress—supplemented by specific, quantitative targets.

However, the foundation for China's success in electromobility was laid with the 10th Five-Year Plan (2001 to 2026), which recognized electric cars as an opportunity to revitalize the Chinese automotive industry. Accordingly, distinct NEV development plans were formulated to achieve the national objectives.

The new Five-Year Plan by the CPC introduces strategic directions that build on the previous plan while shifting focus. Whereas the 14th Five-Year Plan emphasized technological innovation and rapid growth driven by investment and exports, the current plan prioritizes technological self-sufficiency and self-strengthening as national objectives and primary growth factors. Looking ahead, there is an increased emphasis on promoting domestic consumption and the generation of broader value for the population through measures such as higher household incomes and additional vacation time. The working population is expected to participate more in technological advancement and have increased opportunities for tourism and other private consumption activities.

However, this shift should not be interpreted as a retreat to the home market – instead, it should be seen as a consolidation phase after rapid expansion of what has at times been a very heated and capital-intensive technological race with the West. The development of around 120 new car brands, 2 Twh battery manufacturing capacity (in 2024), and 1 Tw installed photovoltaic power benefited from significant public support in terms of funding and regulation; returns and industry structure are still normalizing. An intense price competition has begun in the automotive market, and established players like BYD were to revise both their revenue and profit targets[i]. Eventually, the automotive market will most likely consolidate significantly as currently only 62 brands produce more than 10.000 units annually[ii]. Automotive start-ups can no longer count on a protective hand from the regional governments, as electromobility is now seen as a mature industry which can be exposed to the play of the market.

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Although the Central Committee is pursuing holistic modernization with the most recent plan, it still focuses on future technologies like robotics, AI, quantum technology, semiconductors, biotechnology, and fusion energy. Aerospace and defense are also crucial industrial initiatives, as they both ensure strategic resilience and offer growth multipliers. Therefore, holistic industrial modernization also means further expansion of the currently existing technological ecosystems.

New Priorities and Strategic Shift

Finally, planners are making another strategic shift in the relationship between domestic and foreign trade. While the 14th Five-Year Plan introduced the model of “dual circulation” (mutually reinforcing domestic and foreign markets), the 15th Five-Year Plan focuses on the unification of domestic markets and the stabilization of foreign relations within a concept oriented more towards self-sufficiency. In practice, this means a) continued openness to foreign investment in strategic manufacturing and green sectors; b) greater alignment with global digital and trade rules (including free trade agreements and WTO reforms); and c) strengthened data governance, cybersecurity, and supply chain resilience.

The plan represents an adaptation to current global economic as well as geopolitical dynamics and underlines China’s intention not only to transform its national economy and society but also to consolidate its role as a global actor: after a phase of dynamic expansion, China is consolidating what it has achieved without retreating from its ambition to be an economic and political superpower in the future. China is turning away to some extent from regional experimentation and relying more on top-down governance. As a result, the economy may lose some agility and flexibility but will become – especially for foreign companies – more predictable. With a clear commitment to a rules-based world trade system, the country is stepping into the gap currently left by the USA under the current administration and positioning itself as a guardian of the rules.

On the other hand, China’s focus on self-sufficiency, resilience and economic independence increases the pressure on Europe, which is still struggling to establish a self-sufficient industry and robust supply chains.

Closely linked in time and content to the government plan is the “**Energy-Saving and New Energy Vehicle Technology Roadmap 3.0**”, presented by the China Society of Automotive Engineers (CSAE) on 22 October 2025.

With this roadmap, China’s automotive industry pursues ambitious goals such as a drastic reduction in CO2 emissions, strong electrification, and the development of intelligent, connected vehicles by 2040. The strategy envisages full hybridization of traditional passenger cars by 2035 and BEV penetration of over 85% by 2040, with intelligent manufacturing and innovative technologies such as solid-state batteries playing a key role. China also aims to become a global innovation center for automotive engineering and significantly expand its international competitiveness.

Impact on the Automotive Industry

Non-Chinese companies with a strong presence in China should prepare early for the strategic shift:

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Partnership instead of mere independent presence: “Developing together with China in China” trumps “manufacturing in China”. Local research and development centers, universities and regional platforms should be involved to adapt to China’s innovation and localization agenda. Western – and especially German – car manufacturers are already practicing “in China for China” successfully. The next step should be “with China from China for the whole world”.

Alignment with China’s productivity priorities: German companies in particular bring excellence in industrial automation, green technologies and solutions for CO2 reduction, capture and storage, green hydrogen, and can contribute to shared value creation.

Resilience through transparency and independence: Data localization, supply chain transparency and parallel operations will become essential for compliance and risk management. The recent debate on export restrictions for rare earths and semiconductors have yet again demonstrated that Europe remains vulnerable, and China may act more assertively in safeguarding industrial and supply?chain priorities.

The western automotive industry has undergone a painful adaptation to the new Chinese realities. However, the new market strategies are now bearing fruit. Nevertheless, the next stress test for the western world is imminent, as further consolidation of the Chinese automotive market is expected. China OEMs enter Europe with sharp pricing to gain share amid consolidation. After the consolidation, high-performing companies will survive – forged in the fire and ready to compete with European OEMs. Through reduction to a few brands, Chinese brands will become more credible in the European market, as potential buyers will have more confidence that software updates and services will continue to be available for their vehicles in the future.

It's always good to have a plan A

China foresaw industrial transformation earlier than mature industrialized nations and recognized it as an opportunity to take the lead in future technologies. Thinking in terms of long-term plans helped to align all stakeholders with the common goal. In their technological race to catch up, Western industrialized nations must also focus more strongly on a common goal. Thinking in terms of strategic plans can make an important contribution.

*Find more information on China in the new edition of the **PwC China Compass**, a publication of our **China Business Group**.*

[i] Frankfurter Allgemeine Zeitung: BYD zwischen Expansion und Ertragssorge, 26 September, 2025.
[ii] Bloomberg News: China Will Make Almost a Third of the World‘s Cars by 2030, July 17, 2025.

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