

China Policy

China targets tech self-reliance and economic transition in the 15th Five-Year Plan

China's 15th Five-Year Plan (2026-2030) reaffirms high-quality development as the cornerstone of economic strategy, prioritizing technological self-reliance, social livelihoods, ecological sustainability and national security over rigid GDP targets. The plan targets continued tech breakthroughs in six strategic engines—AI, semiconductors, advanced robotics & brain-computer interfaces, green energy & fusion, space economy and industrial software. The plan signals an economic pivot toward consumption-led growth, shifting fiscal support from “investment in projects” to “investment in people”. This is favourable to staples and social services like healthcare, elderly care and childcare, with enhanced safety nets, urbanization incentives, and pension reforms. But it is negative for construction materials and base metals. China will continue to diversify foreign trades and investment partnerships to improve the export resilience.

- **High-quality development as the key target.** China continues to put high-quality development as the key target in the 15th Five-Year Plan (FYP) while the GDP growth target remains vague and flexible. High-quality development includes tech self-reliance, social civilisation, people's livelihoods, ecological environment and national security. While keeping GDP growth within a reasonable range is important, the policymakers consider tech innovation, social development and national security as the priorities. The Party leaders are expected to suggest a target for yearly GDP growth at the Central Economic Work Conference in early December each year. We expect the GDP growth targets might be at 4.5%-5% for the next five years, compared to the average actual growth rates of 5.4% in 2021-2025 and 5.7% in 2016-2020. Real GDP growth is expected to mildly slow down from 5% in 2025 to 4.8% in 2026.
- **A tech-first strategy targeting self-reliance breakthroughs.** In response to US export controls and intensifying tech competition, China prioritizes tech self-reliance breakthroughs and new quality productive forces. Six core sectors are positioned as strategic engines with trillions in market potential. **First** is AI+ strategy. China will accelerate AI infrastructure investment and increase AI application penetration rates in various sectors. **Second** is semiconductor breakthroughs with increasing market share of domestic players. **Third** is advanced robotics & brain-computer interfaces for industrial & service automation as well as healthcare. **Fourth** is green energy & fusion. China's commitment to peak carbon emissions by 2030 and carbon neutrality by 2060 means that the 15th FYP will likely contain detailed steps toward a greener economy. **Fifth** is space economy. China will expand low-orbit satellite networks (ChinaSat) and reusable rockets (Space Transport) to dominate space infrastructure. **Last** is industrial software. China will take greater efforts to accelerate the CAE/EDA/IP core development to unblock bottleneck sectors.
- **Economic transition towards consumption-driven growth with fiscal support shift from project investment to social development.** The 15th FYP marks a strategic pivot from “investment-in-objects” to “investment-in-people”, indicating a possible gradual relocation of public resources away from traditional fixed-asset investment (e.g., infrastructure) toward social development. This transition is negative for infrastructure-heavy industries (e.g. construction materials, base metals) yet positive for healthcare, elderly care, childcare and staples. The government will strengthen social safety net and fiscal support to low-income households, young couples and

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farmers. China will continue to facilitate the urbanisation process with more entrepreneurship and job opportunities, better subsidized housing system and lower living costs. With China facing demographic challenges such as a declining birth rate and a rapidly aging population, the 15th FYP may include stronger family support policies, pension reforms, and incentives for elderly care innovation.

- **Foreign trade and investment diversification.** Amid escalating US-China tensions, China is accelerating trade and investment diversification, forging deeper ties with Asia, Europe, the Middle East, Latin America and Africa. This strategy mitigates risks, boosting RMB internationalization and supply chain resilience. Chinese companies in technologies, telecommunication services, energy, EVs, construction services and capital goods might benefit from the trade and investment diversification strategy.

Figure 1: China's development targets in 14th FYP

Category	Indicator	2020	2025	Average Annual / Cumulative	Attribute
Economic Development	1. Gross Domestic Product (GDP) Growth (%)	2.3	-	Maintain within a reasonable range, set annually as appropriate	Anticipatory
	2. Overall Labor Productivity Growth (%)	2.5	-	Higher than GDP growth	Anticipatory
	3. Permanent Urban Residency Rate (%)	60.6	65	-	Anticipatory
Innovation-Driven	4. Growth in Total R&D Expenditure (%)	-	-	>7, strive for R&D intensity higher than the actual level of the "13th Five-Year Plan" period	Anticipatory
	5. High-Value Invention Patents per 10,000 People (units)	6.3	12	-	Anticipatory
	6. Share of Core Digital Economy Industries' Added Value in GDP	7.8	10	-	Anticipatory
People's Livelihood	7. Per Capita Disposable Income Growth (%)	2.1	-	Basically in line with GDP growth	Anticipatory
	8. Surveyed Urban Unemployment Rate (%)	5.2	-	<5.5	Anticipatory
	9. Average Years of Education for the Working-Age Population	10.8	11.3	-	Binding
	10. Licensed (Assistant) Physicians per 1,000 People (persons)	2.9	3.2	-	Anticipatory
	11. Basic Pension Insurance Coverage Rate (%)	91	95	-	Anticipatory
	12. Nursery/Childcare Slots for Infants under 3 per 1,000 People	1.8	4.5	-	Anticipatory
Green Ecology	13. Life Expectancy (years)	77.3	-	(1)	Anticipatory
	14. Energy Consumption per Unit of GDP Reduction (%)	-	-	(13.5)	Binding
	15. CO2 Emissions per Unit of GDP Reduction (%)	-	-	(18)	Binding
	16. Proportion of Days with Good or Excellent Air Quality of major	87	87.5	-	Binding
Security & Safeguards	17. Proportion of Surface Water at or above Grade III (%)	83.4	85	-	Binding
	18. Forest Coverage Rate (%)	23.2	24.1	-	Binding
	19. Comprehensive Grain Production Capacity (100 million tons)	-	>6.5	-	Binding
	20. Comprehensive Energy Production Capacity (100 million tons of standard coal)	-	>46	-	Binding

Source: Xinhua News, CMBIGM

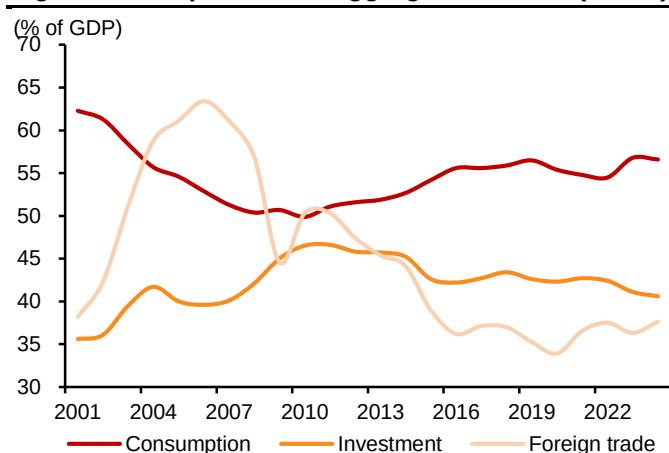
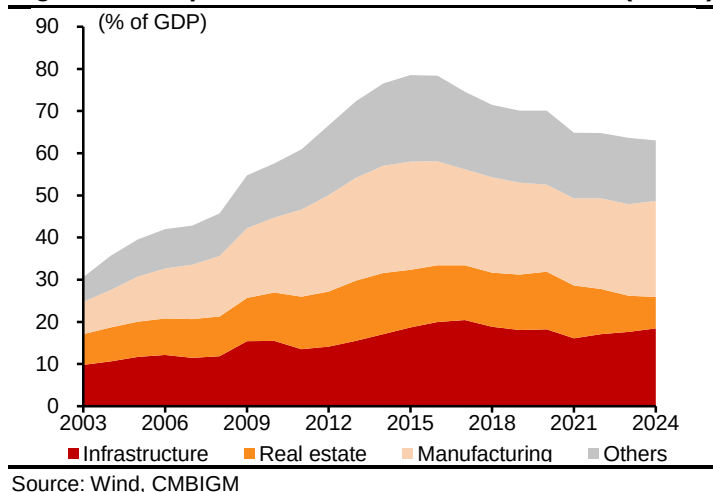
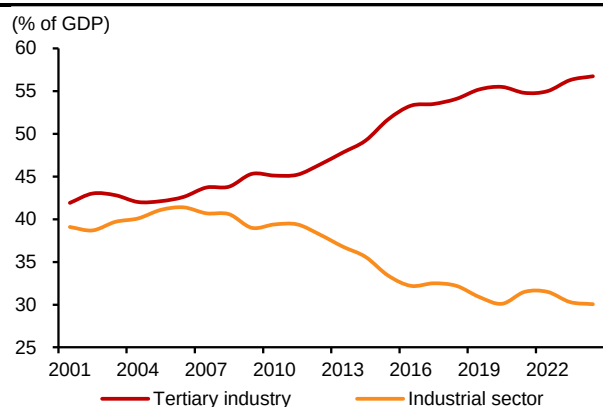
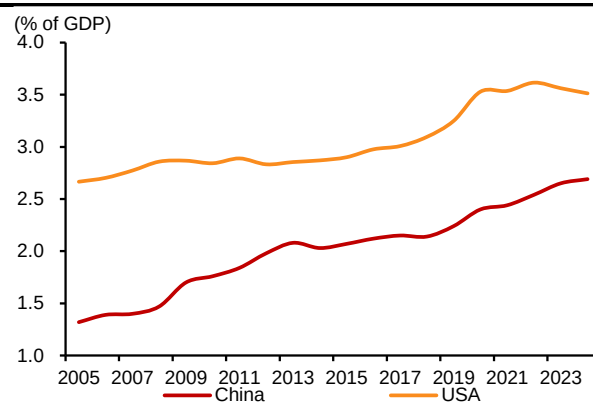
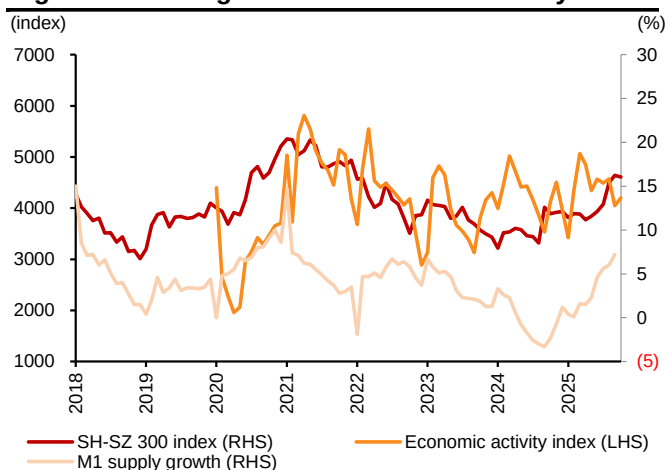
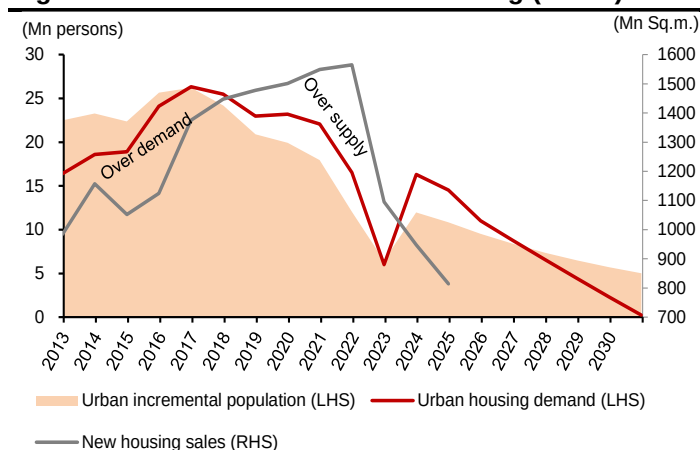
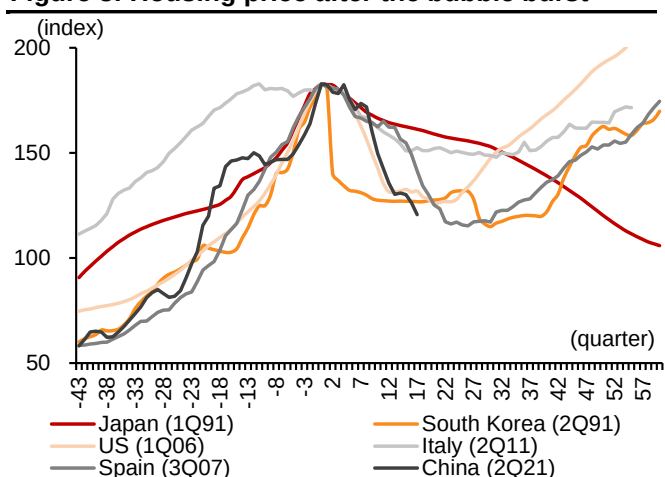
Figure 2: Components of aggregate demand (China)**Figure 3: Components of fixed asset investment (China)****Figure 4: Weights of service and industrial sectors (China)****Figure 5: R&D expenditure in US and China**

Figure 6: Leading indicators for business cycle

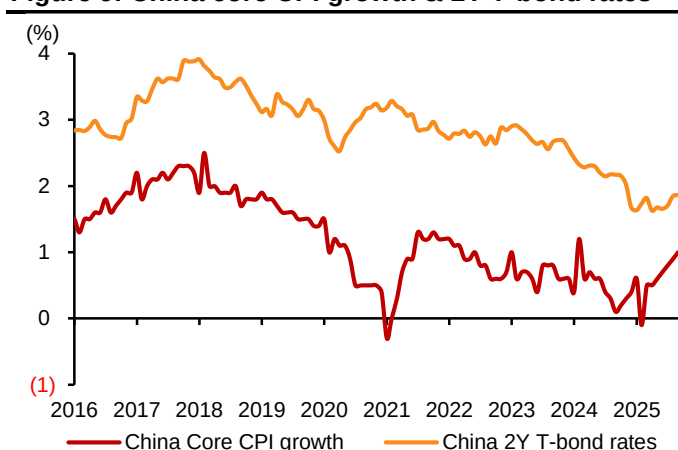
Source: Wind, CMBIGM

Figure 7: Real estate market rebalancing (China)

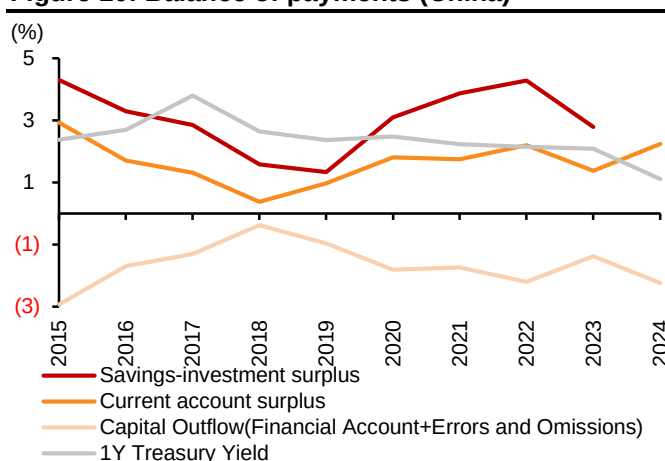
Source: Wind, CMBIGM

Figure 8: Housing price after the bubble burst

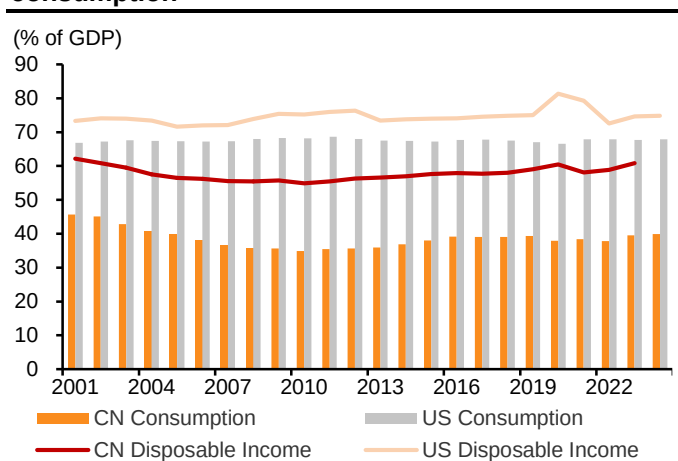
Source: Wind, CMBIGM

Figure 9: China core CPI growth & 2Y T-bond rates

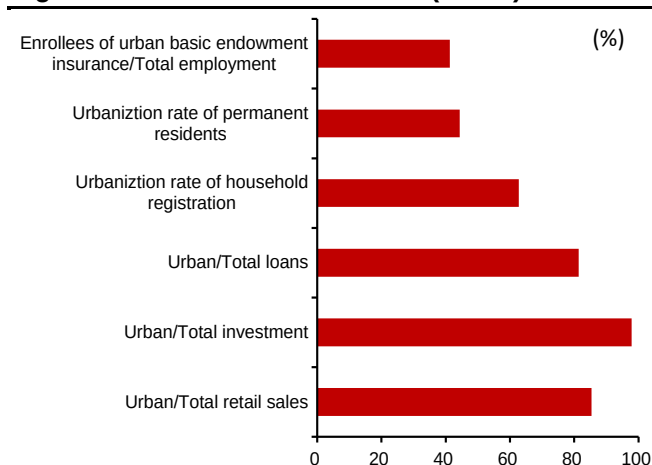
Source: Wind, CMBIGM

Figure 10: Balance of payments (China)

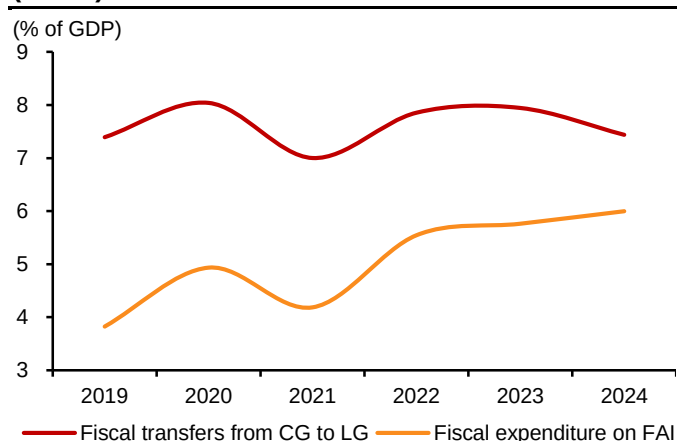
Source: Wind, CMBIGM

Figure 11: China & US disposable income and consumption

Source: Wind, CMBIGM

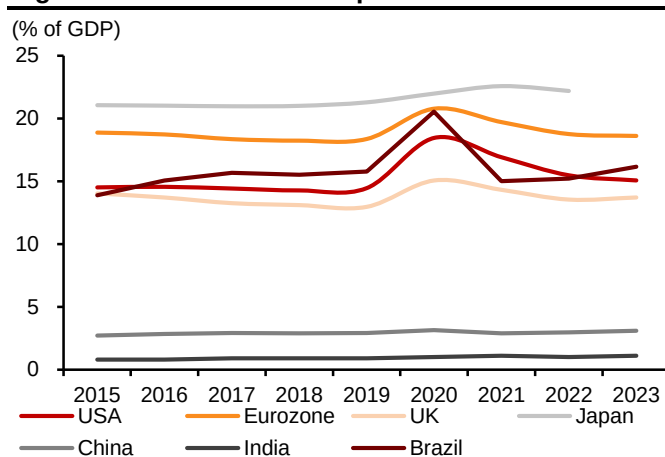
Figure 12: Matrix of urbanization (China)

Source: Wind, CMBIGM

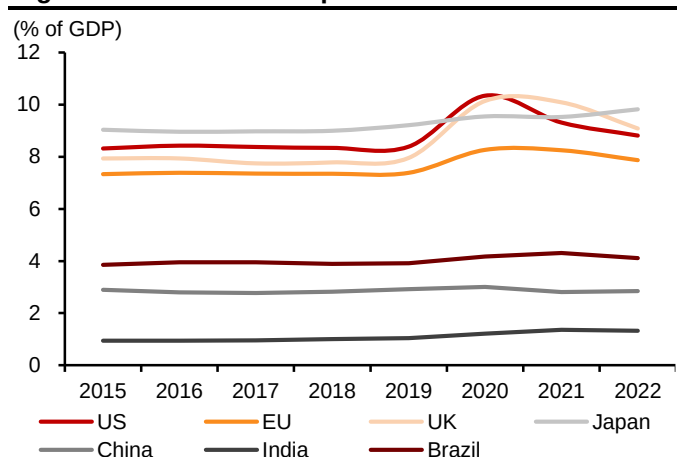
Figure 13: Fiscal transfers and expenditure on FAI (China)

Source: Wind, CMBIGM

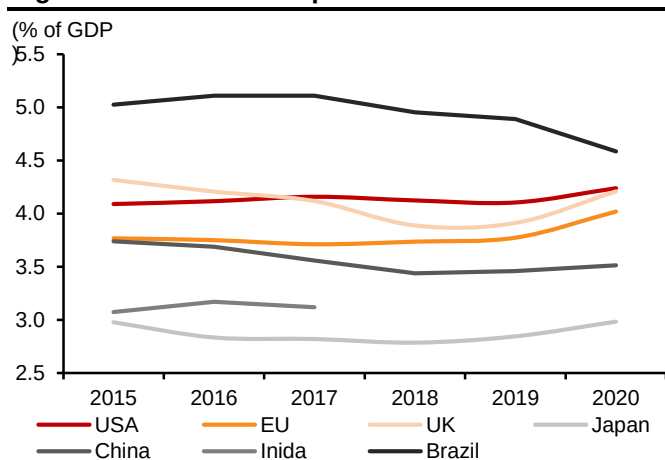
Note: CG – central government, LG – local government

Figure 14: Social benefit expenditure

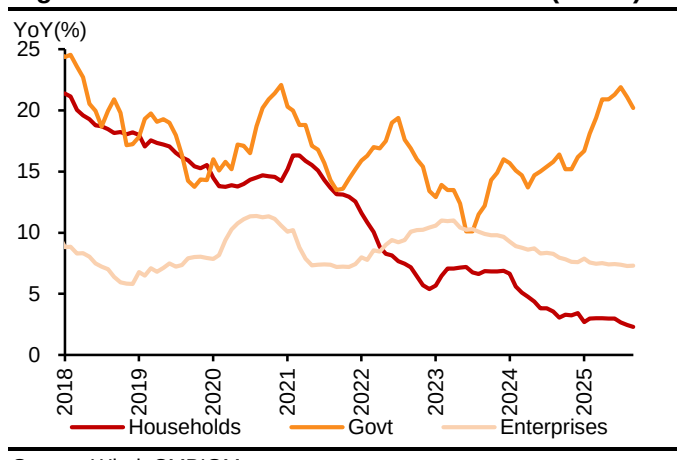
Source: Wind, CMBIGM

Figure 15: Healthcare expenditure

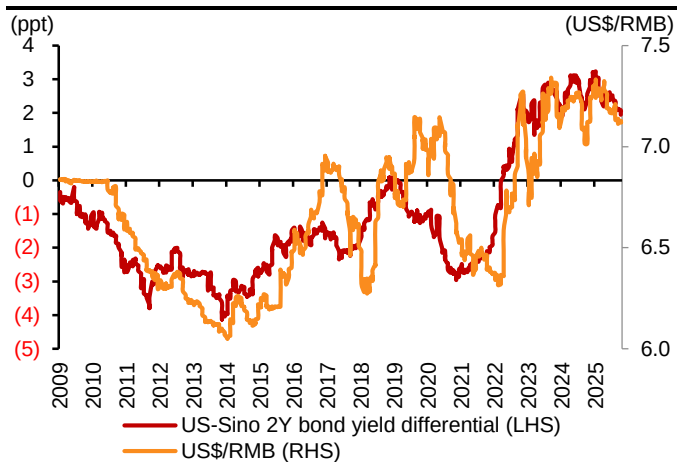
Source: Wind, CMBIGM

Figure 16: Education expenditure

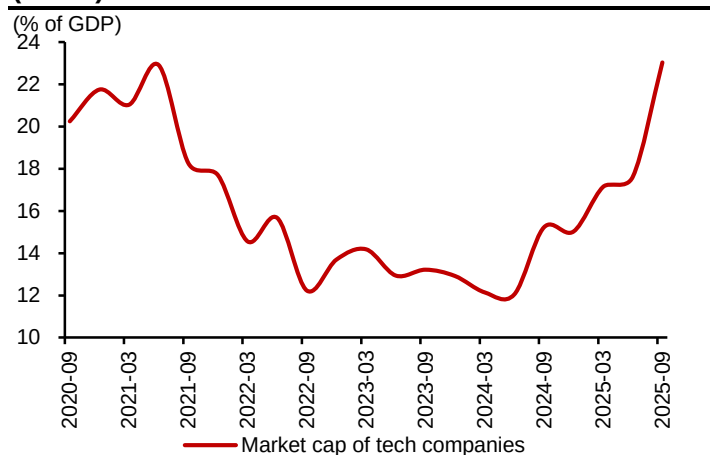
Source: Wind, CMBIGM

Figure 17: Growth of credit to real sectors (China)

Source: Wind, CMBIGM

Figure 18: US-China interest spreads & US\$/RMB rate


Source: Wind, CMBIGM

Figure 19: % of tech companies in total market cap (China)


Source: Wind, CMBIGM

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