

The 15th Five-Year Plan Guides the Transformation and Upgrading of China's Economic and Social Development

During the 15th Five-Year Plan period beginning in 2026, China will advance economic and social development, focusing on optimizing the economic structure, enhancing innovation capacity, and improving people's quality of life, with GDP per capita achieving the level of a moderately developed country by 2035. The outline of the 15th Five-Year Plan highlights China's development priorities in a new stage, marking a shift from the previous phase of high-speed growth toward high-quality development.

At the economic level, domestic demand and technological progress are expected to become the main growth drivers, promoting the digital economy, consumption upgrades, and facilitating coordinated regional development. At the industrial level, emerging industries such as new energy, semiconductors, and high-end equipment are expected to become core growth engines, while traditional industries will accelerate upgrading and green transformation, and the share of modern services is also expected to increase. In terms of fiscal policy, the government is expected to maintain proactive investment in people's livelihoods and innovation, while strengthening local government debt management to ensure fiscal sustainability and narrowing regional disparities through coordination between the central and local governments. In the financial sector, China is expected to deepen reforms and strengthen regulation, promote the development of the capital market, green finance, and inclusive finance, and continue to advance the internationalization of the renminbi.

Together, these directions form China's development framework for the next five years, seeking innovation, green development, balance, and improvements in people's livelihoods while maintaining overall stability. These measures are expected to provide long-term resilience to China's economy, enabling it to enter a more robust, balanced, and innovative stage of development through structural transformation.

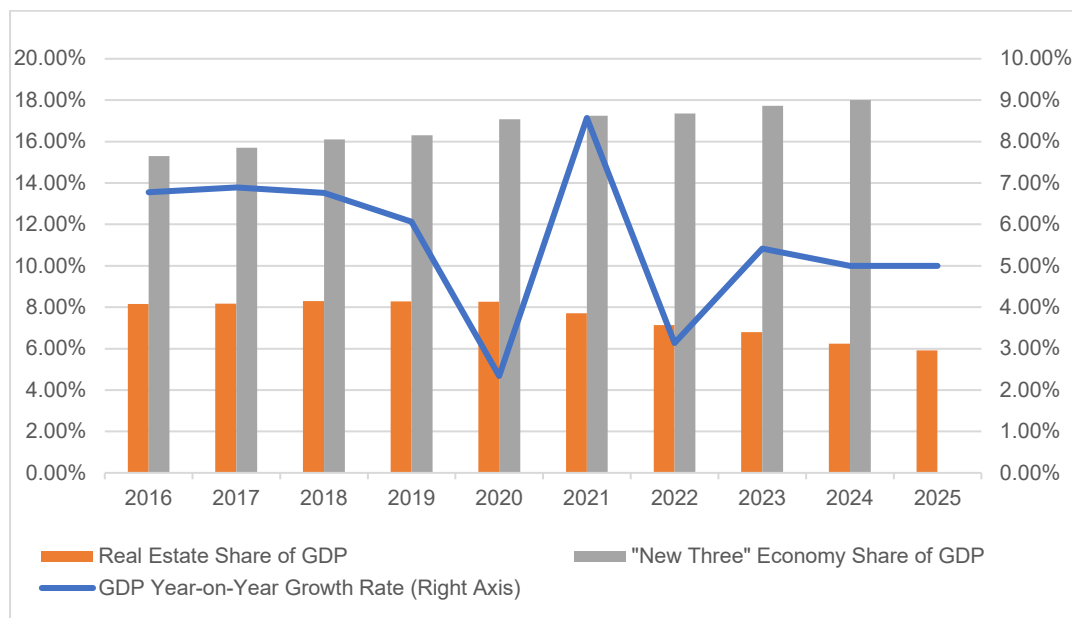
Economic Development: From Growth to Quality

Over the past few years, despite the impact of internal and external shocks such as the COVID-19 pandemic, geopolitical conflicts, and the downturn in the real estate market, China's economy still demonstrated strong resilience. Although the real GDP growth rate fluctuated, it remained at a relatively high level of around 5% or above. This resilience was supported by the depth and flexibility of the ultra-large market, the shock-absorbing capacity of the complete industrial system, and the orderly risk resolution at the policy level, such as the urban real estate financing coordination mechanism and the measures to resolve local government debt risks.

At the same time, China's economic structure continued to improve, and the shift from old to new growth drivers accelerated significantly. Specifically, the proportion of the real estate industry in GDP declined to around 6% in 2025 from around 8% in 2016. By contrast, the "three new" economy — namely new industries, new business formats, and new business

models — increased its share of GDP to around 18% in 2024 from around 15% in 2016. Through creating more job opportunities, improving labor productivity, promoting consumption upgrades, and expanding investments, the “three new” economy continuously strengthened the endogenous momentum and potential capacity of China’s economic growth, becoming a core driving force for China’s economic structural transformation.

Figure 1: China’s Real GDP Growth and Economic Structure



Sources: National Bureau of Statistics of China; compiled by Lianhe Global

The 15th Five-Year Plan anticipates that China will maintain medium-to-high growth and ensure that the economy operates appropriately, emphasizing “quality first”, with innovation-driven and green transformation becoming the main development paths. This means that China’s economy will gradually shift from a phase of high-speed growth to a phase of high-quality development, forming a more robust and sustainable growth model.

In terms of the development path, the investment structure is expected to continue to optimize, with funds flowing toward high-tech industries, infrastructure upgrades, green energy, etc. This will further enhance industrial competitiveness and provide new impetus for long-term growth. Meanwhile, consumption upgrading will become an important engine for boosting domestic demand, and the digital economy will emerge as a new growth driver. With the widespread application of artificial intelligence, big data, and cloud computing, China is expected to play a more important role in the global technological revolution and to take the lead in digital infrastructure and smart city development.

Coordinated regional development is also an important direction of the economic policy. By implementing regional development strategies and policies tailored to local conditions, different regions can leverage their respective comparative advantages and develop their own strengths. This diversified and balanced development will not only improve the overall efficiency of the national economy but also promote social harmony. With the improvement of transportation infrastructure and digital networks, economic ties between regions will become closer, forming a multi-center and multi-level development pattern. Meanwhile, with the advancement of urban-rural integrated development and the continued progress of

urbanization, more people will benefit from improved public services and infrastructure. This will not only expand the consumer market but also enhance the endogenous momentum of the economy. Infrastructure improvements and digitalization in rural areas will further narrow the urban-rural gap, creating broader growth potential for the national economy.

Industrial Structure: Emerging Industries and Green Transformation Leading the Future

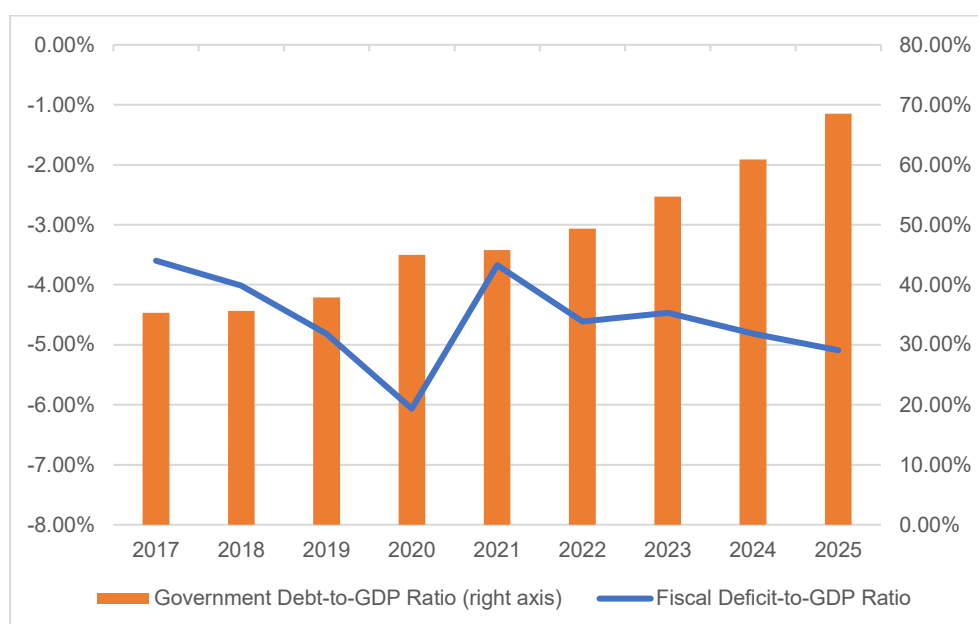
Under the 15th Five-Year Plan, industrial restructuring will play a critical role in promoting China's high-quality economic development. This includes the cultivation and expansion of emerging industries, the upgrading and green transformation of traditional industries, and the expansion of modern services as a supporting force. This policy direction indicates that China's industrial development over the next five years will place greater emphasis on innovation, environmental protection, and high added value.

In terms of emerging industries, with support from policy incentives, R&D investment, and industrial funds, the development of strategic industries such as new energy, semiconductors, and high-end equipment is expected to accelerate. These sectors are not only key to enhancing international competitiveness but also important pillars for sustaining economic growth. Driven by green transformation, traditional industries will face pressure to undergo intelligent upgrading and low-carbon transformation, while some outdated production capacity will gradually exit the market. To achieve carbon neutrality, new energy, environmental protection technologies, and the circular economy will become new investment hotspots, driving coordinated development of upstream and downstream industrial chains. Modern services, including finance, logistics, elderly care, healthcare, and childcare, will also become new growth drivers. This structural adjustment will enhance the economy's flexibility and resilience, and provide residents with more high-value-added employment opportunities, improving income distribution.

Fiscal Policy and Government Debt: Balancing Growth and Risk Prevention

In recent years, against the backdrop of increasing downward pressure on the economy and the accelerated accumulation of local government debt, China's fiscal policy continued to play an active role. In 2025, China implemented a more proactive fiscal policy, with both the intensity and coverage of fiscal policy tools significantly strengthened. In terms of debt management, China focused on both debt resolution and risk prevention. While resolutely curbing new hidden debt, it carried out a large-scale replacement of local government hidden debt and issued ultra-long special treasury bonds. Against this backdrop, China's fiscal deficit-to-GDP ratio stayed at a relatively high level of around 4% in recent years, while the government debt-to-GDP ratio also rose noticeably, reaching around 68% by the end of 2025. However, it is still at a relatively low level from a global perspective, and China's fiscal space remains relatively ample.

Figure 2: China's Fiscal Deficit-to-GDP Ratio and Government Debt-to-GDP Ratio



Sources: National Bureau of Statistics of China; Ministry of Finance of China; compiled by Lianhe Global

The 15th Five-Year Plan focuses on maintaining economic growth momentum while preventing potential fiscal risks, aiming to form a healthier and more sustainable fiscal system. This policy direction indicates that China's fiscal management will place greater emphasis on efficiency and regularization over the next five years, while also improving people's livelihoods and promoting long-term development.

In terms of fiscal policy, a proactive fiscal policy will continue, but with greater emphasis on sustainability. The government will increase investment in technological innovation, public services, and people's livelihoods to improve the quality of long-term development. Education, healthcare, elderly care, and infrastructure construction are expected to receive greater support. This will improve residents' quality of life and expand the consumer market, forming a virtuous cycle. At the same time, more resources will be directed toward technology R&D and green transformation, supporting the development of emerging industries, promoting industrial upgrading, and providing new impetus for economic growth.

In terms of debt management, China will continue to emphasize strengthening local government debt management, preventing hidden debt risks, and improving transparency and risk warning mechanisms. Local government financing vehicles will accelerate reform and transformation, and their financing activities will be more regularized. These measures will help prevent excessive debt expansion and ensure the long-term soundness of the fiscal system. In addition, fiscal coordination between the central and local governments will be strengthened. By improving the transfer payment system and establishing a more reasonable fiscal allocation mechanism, China aims to narrow regional disparities and promote balanced regional development.

Financial System: Deepening Reforms and Preventing Risks in Parallel

In terms of the financial system, the 15th Five-Year Plan focuses on deepening reforms and improving efficiency, while strengthening regulation and preventing risks to ensure that finance can better serve the real economy. This policy direction indicates that China's financial

development over the next five years will be based on stability, balancing innovation and security.

First, China will increase the proportion of direct financing and promote the development of a diverse capital market. This will help improve resource allocation efficiency and reduce corporates' excessive reliance on bank loans. Through the development of the stock market, bond market, and innovative financial instruments, small and medium-sized enterprises and emerging industries will gain access to more financing channels, thereby promoting entrepreneurship and technological breakthroughs. Second, financial regulation will be continuously strengthened to enhance risk early warning capabilities, ensure financial market stability, and prevent systemic risks. Key priorities include supporting financial institutions in replenishing their capital prudently and orderly, improving the regulation for systemically important financial institutions and the risk resolution mechanism for small and medium-sized financial institutions, while strengthening the management of financial markets, cross-border capital flows, etc.

In emerging areas, the development of green finance will support low-carbon transformation, promote environmentally friendly investment, and help achieve carbon neutrality. Inclusive finance will help improve the financing environment for small and medium-sized enterprises and rural areas, promoting social equity and inclusion. With the development of financial technology, technologies such as artificial intelligence, big data, and blockchain will be applied more extensively in the financial sector, improving service efficiency and risk management capabilities. This will improve user experience and promote financial innovation, leading to a more intelligent and modern financial system.

In addition, China will continue to promote the internationalization of the renminbi, expand its use in international trade, investment, and financing, further open the capital account, build a controllable cross-border renminbi payment system, and continue to develop the offshore renminbi market. These efforts will provide more stable financial support for international trade and investment.

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