

CHINA'S 15TH FIVE-YEAR PLAN: PRIORITISING POWER OVER ADDRESSING IMBALANCES

The 15th Five-Year Plan, which outlines the roadmap for the Chinese economy from 2026 to 2030, does not signify a major shift in direction but rather continues on the path of the previous plan. It confirms, or rather reinforces, China's development strategy based on asserting its export, industrial and technological power. Rather than focusing on rebalancing the growth model and boosting domestic consumption, Beijing is prioritising industry and innovation, seeking to increase its dominance in critical sectors and guarantee its 'national security'. This approach should serve as a warning to the rest of the world: while it may alleviate inflationary pressures and ease the cost of the low-carbon transition, it also fuels significant competitive pressure and trade tensions, and introduces a risk of new dependencies on China in high-tech sectors.

GROWTH MODEL: NO REBALANCING

The priority given to the export-oriented manufacturing sector and industrial policy is clearly articulated in the 15th Five-Year Plan, the final version of which was published in March. The document explicitly calls for "continuing the modernisation of the industrial system" and "developing new quality productive forces".

This strategy will perpetuate the imbalances between the internal and external drivers of Chinese growth. Since emerging from the 2020-2022 Covid crisis, economic growth has relied primarily on exports, while domestic demand has struggled to recover. In 2025, real GDP growth reached 5%. Net exports accounted for one-third of this growth rate, a historically high level, whereas the contribution from household consumption remained below pre-Covid levels (only 40% of real GDP growth), and investment growth hit a low point (under 2% in real terms).

The 15th Five-Year Plan does not directly address this imbalance, which is nevertheless one of the main vulnerabilities of the Chinese economy. Admittedly, boosting private consumption is explicitly mentioned as an objective for the next five years. The authorities are considering measures to foster employment, increase incomes and improve the social protection system. However, this objective remains secondary, with no binding figures or timetable, in contrast to the clear and ambitious targets set for innovation and industry.

For example, strengthening the healthcare and social protection systems is envisaged through a series of small measures, some of which have already been in place for several months (allowances for parents of young children, increases in retirement pensions, extension of the long-term care insurance scheme, etc.). However, these measures and the other proposed actions are modest. They do little to address the main drag on consumption: low household confidence, fuelled by the housing crisis since 2021 and a labour market that has not returned to pre-Covid conditions (slower growth in disposable income, weaker job creation, and higher unemployment, particularly among young people).

Other strategies are suggested to gradually boost consumption. Urbanisation, for example, is no longer viewed as an end in itself as it was in previous plans, but now forms part of a broader strategy aimed, among other objectives, at improving access to public services. Building a unified national market, notably to reduce regional distortions, is also mentioned. In fact, the 15th Five-Year Plan calls for the expansion of the supply of goods and services to "unlock consumption potential", and for promoting the consumption of green products, goods with higher added value, and "quality" services (in healthcare, tourism, sport, etc.). However, the main problem of China's imbalanced growth model lies with demand, not supply.

The authorities appear to operate under the implicit assumption that private consumption will inevitably "follow" the structural changes happening in the economy, society, the market and available supply of goods and services. The plan is predicated on a gradual increase in domestic consumption over the long term, rather than relying on a genuine short-term stimulus.

INNOVATION, AI AND CUTTING-EDGE TECHNOLOGIES: A STRATEGIC IMPERATIVE

The 15th Five-Year Plan is primarily centred on innovation, which serves as the driving force for modernisation and is a strategic imperative on several levels.

Firstly, innovation, science and technology, along with artificial intelligence (AI), are levers of growth that are essential for increasing productivity gains and mitigating the effects of demographic decline. Beijing aims to double real per capita GDP between 2020 and 2035, which requires an average annual economic growth rate of 4.2% over the next decade (this rate slowed from +7.7% per year during 2010-2019 to +4.9% during 2020-2025). This is an ambitious target, which can only be achieved through significant productivity gains. In particular, the development of AI across the entire value chain – from critical materials to chips, from the most powerful models to their applications across all sectors of the economy and the population – is at the heart of China's strategy to boost productivity.

Furthermore, technological advances are a **direct arena of competition with the United States**. The race for semiconductors (a "pillar sector"), AI and quantum computing is fuelling the rivalry between the two powers. Against this backdrop, the 15th Five-Year Plan prioritises achieving dominance in the most advanced technologies for Beijing.

Finally, **national security** emerges as a key principle of the new five-year plan, regarded as an absolute priority. This explains the emphasis placed on "control of industrial and supply chains", "strengthening scientific and technological capabilities" and the development of strategic sectors (as well as energy and food security). The pursuit of national security, self-sufficiency and technological sovereignty justifies prioritising industrial policy and innovation over policies aimed at stimulating demand and increasing private consumption.

The pursuit of technological power and autonomy will be underpinned by massive investment in research, innovation and digital infrastructure. R&D expenditure (already 2.8% of GDP in 2025) is set to grow by more than 7% annually between 2026 and 2030, similar to the trajectory outlined in the 14th Five-Year Plan, but with greater emphasis on fundamental research.



While China has long focused on the development and commercialisation of applied technologies, the 15th Five-Year Plan calls for “*decisive breakthroughs*” to “win the battle for key technologies”. China intends to continue rising the value chain, developing critical technologies and future industries, and rapidly consolidating its comparative advantage in a growing number of sectors.

Key targeted industries include, in particular, next-generation batteries and green energy, semiconductors, AI, robotics, biotechnology and aerospace. The 15th Plan also calls for the modernisation of traditional industries through innovation. All these sectors will continue to benefit from public subsidies, preferential access to energy and raw materials, logistical support and a favourable regulatory framework.

A MORE POWERFUL AND ASSERTIVE CHINA: A CHALLENGE FOR THE REST OF THE WORLD

China’s strategy will continue to have significant implications for the rest of the world. Firstly, the competitive pressure exerted by Chinese goods will persist and impact a wider range of sectors. High price competitiveness, along with the expansion of industrial production and a rapid rise in the value chain—while maintaining a significant advantage in lower value-added sectors—combined with weak domestic demand, will ensure that exports remain substantial. The technological dominance of the US could be under threat; European growth, which relies on exports and the complementarity of comparative advantages, will face limitations; and the developing industries of emerging countries will be weakened.

Furthermore, the 15th Five-Year Plan also calls for the relocation of Chinese production capacity. It advocates for “*supporting companies in their overseas expansion*”, promoting direct investments for economic and geopolitical purposes. This should enable China to circumvent trade barriers, secure access to critical resources and markets, and relocate production to create jobs in partner countries, thereby easing tensions.

At the same time, policies of import substitution, securing supply chains, achieving self-sufficiency and industrial upgrading will further reduce China’s import needs and, consequently, the market opportunities for its trade partners that export manufactured goods.

On the other hand, there are still opportunities in the services sector, particularly in technology services, where Chinese demand will continue to grow and rely on foreign expertise. The 15th Five-Year Plan mentions the possibility of encouraging foreign direct investment, particularly in ‘modern services’ sectors such as healthcare and culture.

Ultimately, the rise in the industrial value chain could increase the rest of the world’s dependence on China. Following critical minerals and green technologies, China could also become a key supplier in emerging high-tech segments. This poses major strategic challenges for advanced economies.

Beijing’s strategy also provides certain advantages for its trade partners, granting them access to low-cost goods, thereby reducing the cost of adopting low-carbon energy and helping to curb inflation. These benefits are all the more valuable in the current context of rising energy prices, inflationary pressures and the energy transition.

The 15th Five-Year Plan does not seek to correct the imbalances in the Chinese growth model, but rather reinforces the path followed during the post-Covid era. The development strategy to be maintained in the short and medium term is based on supply, enhancing sovereignty, and achieving technological and export dominance. This approach addresses China’s internal constraints (demographic, budgetary) as well as its geopolitical ambitions. By failing to rebalance its growth drivers in favour of domestic consumption, China remains reliant on the rest of the world’s willingness to continue absorbing its surpluses of goods, capital and productive capacity. Negotiations between China and its trade partners present a huge challenge and are likely to adopt various strategies. For partner countries, the challenge will be to adapt to the rise of Chinese industry and technology, to protect themselves against the high level of price competitiveness of Chinese goods (while China also has the tools to counter protectionist measures, notably through controls on exports of critical materials), and to attempt to reduce trade imbalances. Moreover, and most importantly, new forms of partnership will need to be established. Given the structurally weak domestic demand and the ongoing decoupling from the United States, it is in China’s best interests to maintain good relations with Europe and the rest of the world. See our next editorial in the 18 May issue of *EcoWeek*.

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