

Frameworks Macro-Policy Efficacy and Structural Challenges in China's 15th Five-Year Plan

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The period covering China's 15th Five-Year Plan (2026–2030) serves as a critical foundational phase linking to the nation's 2035 goal of “basically realizing socialist modernization.” The core logic guiding the five-year plans has shifted significantly. Instead of primarily focusing on leveraging globalization, it now emphasizes a high-quality transition that places equal importance on security and development. This shift aims to strengthen national resilience in the face of growing internal and external uncertainties.


New Quality Productive Forces: The Supply-Side Engine of High-Quality Growth

The 15th Five-Year Plan places “new quality productive forces” at the center of its growth strategy. It seeks to raise total factor productivity through technological innovation, advanced manufacturing, and the green transition, while reducing the economy's traditional dependence on real estate and infrastructure investment. To this end, resources will be concentrated in strategic sectors, including semiconductors, artificial intelligence, and green energy, to resolve critical bottlenecks and advance technological self-reliance.

Furthermore, monetary policy has shifted from prioritizing liquidity expansion toward improving the efficiency of capital allocation, directing funds into the real economy and technological innovation. Building on its early lead in the “New Three” — electric vehicles, lithium-ion batteries, and solar cells — China is seeking to convert environmental constraints into a structural competitive advantage, leveraging lower carbon costs to support export expansion.

Intertemporal Mismatch and Demand Bottlenecks

However, this shift in growth drivers carries a significant risk of “intertemporal mismatch.” The real estate sector has moved from being a pillar of economic growth to a source of prolonged corrective drag, with investment and sales indicators declining broadly and showing little prospect of near-term recovery. At the same time, while investment in new quality productive forces continues to expand, technological inputs typically take three to seven years to translate into measurable economic returns.

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Weak domestic demand has become a persistent structural problem. In 2024, the household consumption rate was about 39.97%, well below international benchmarks. The housing downturn has eroded household wealth and increased precautionary savings, dampening spending. If policy stimulus does not translate into stronger consumption, the economy risks both slower growth and deflation.

Fiscal Restructuring and Risk Governance Challenges

During the 15th Five-Year Plan period, fiscal policy is expected to shift from expansion toward a stronger focus on efficiency and more intensive use of resources. As revenues from “land finance” decline, Beijing is pursuing institutional changes to increase the central government’s authority and share of spending. According to projections, China’s general government debt-to-GDP ratio will continue to rise, while broader measures of debt—including off-balance-sheet funds—could reach 148.2% by 2029. This transition also brings allocation risks: as funding is directed more heavily toward technology and security, less fiscal space may remain for social welfare and public services.

Global South Expansion and External Strategic Adjustments

During the period, China is accelerating its engagement with the Global South. Through Belt and Road Initiative 2.0, it is exporting AI-based surveillance technologies, digital infrastructure standards, and governance models in exchange for market access and natural resources. To reduce its exposure to financial sanctions, China is also actively promoting cross-border renminbi settlement and the broader use of alternatives to the U.S. dollar.

Key Conditions for Structural Rebalancing

In sum, the success of the 15th Five-Year Plan rests on five key factors. First, technological investments must deliver results more quickly to prevent a prolonged gap in growth momentum from undermining confidence. Second, household consumption must rise meaningfully to strengthen domestic demand. Third, better alignment between central and local government incentives is essential to ensure effective policy implementation. Fourth, the social security system must be strengthened to address a potential pension shortfall and the mounting pressures of an aging population, which are projected to intensify around 2028. Finally, the Global South strategy must generate tangible economic returns to offset the effects of technological restrictions imposed by the United States and Europe.