



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

China 2026 Policy Outlook

*Implications for Investment, Risk, and Market Entry
for China Transactions and Operations*

March 2026





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Today's Speaker



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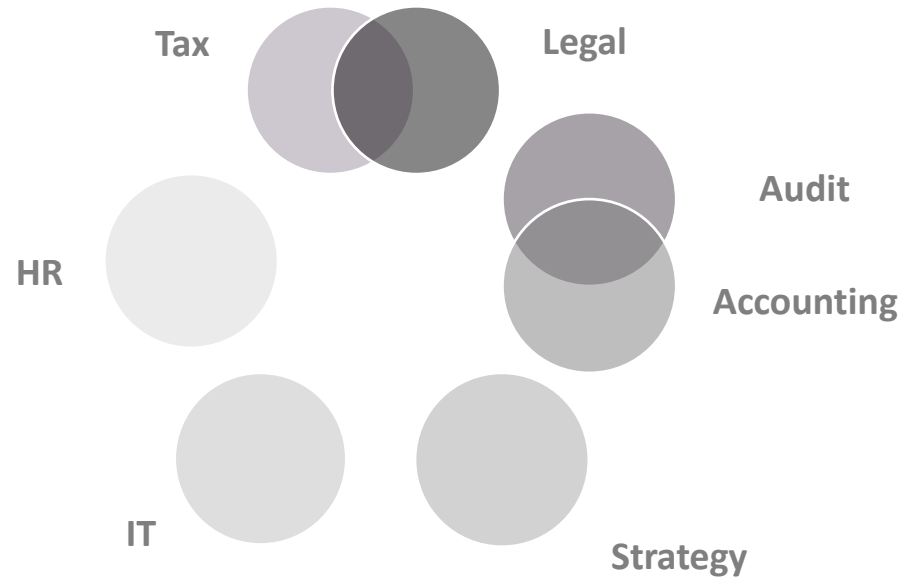
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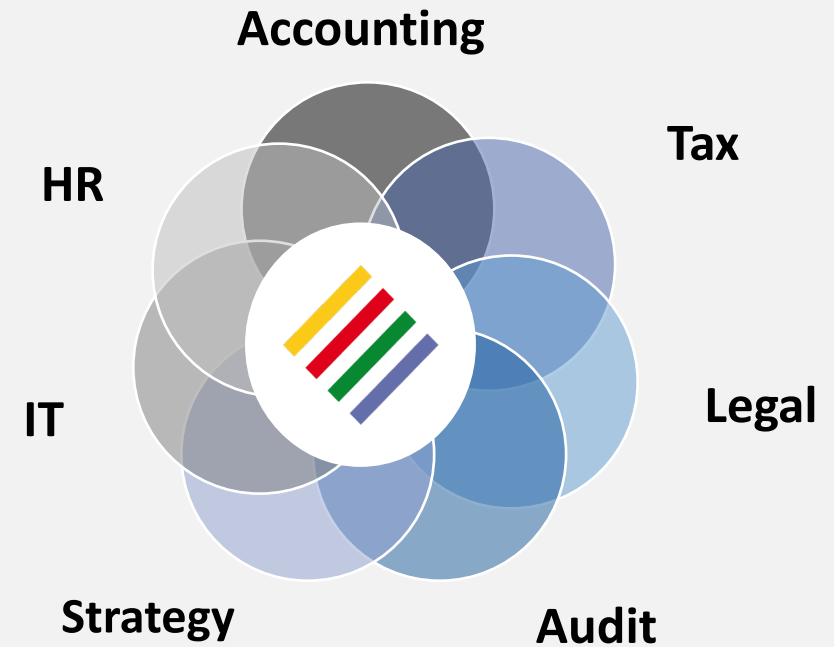
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Our Services *integrated solutions*

Traditional Model



Dezan Shira & Associates' Integrated Pan-Asia Model



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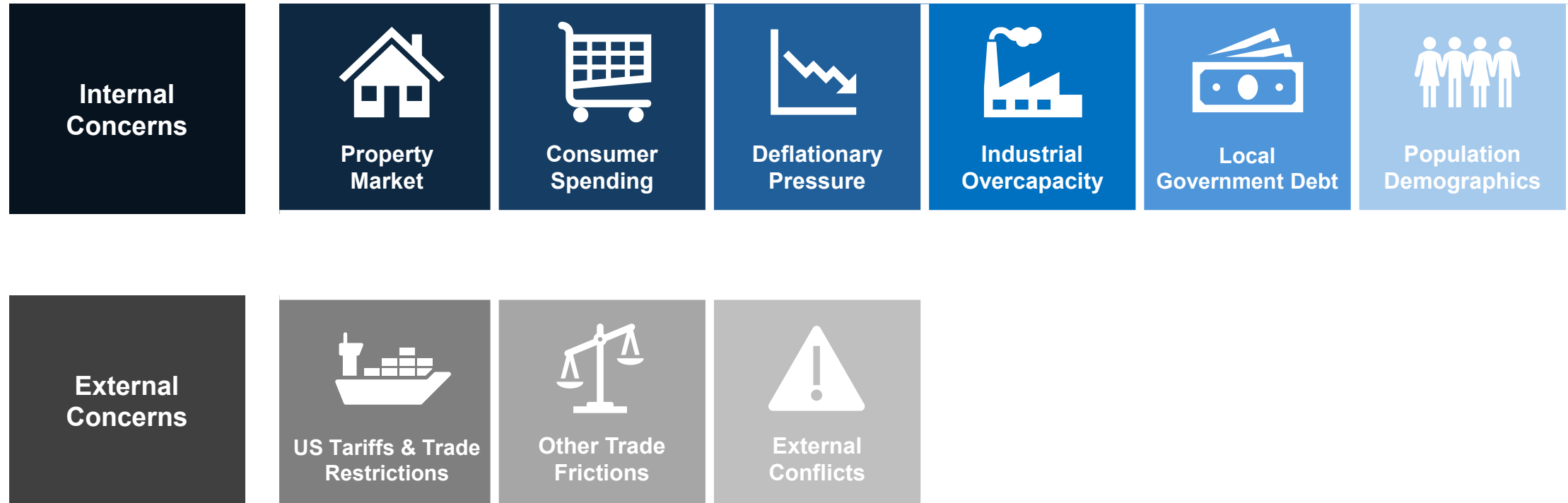


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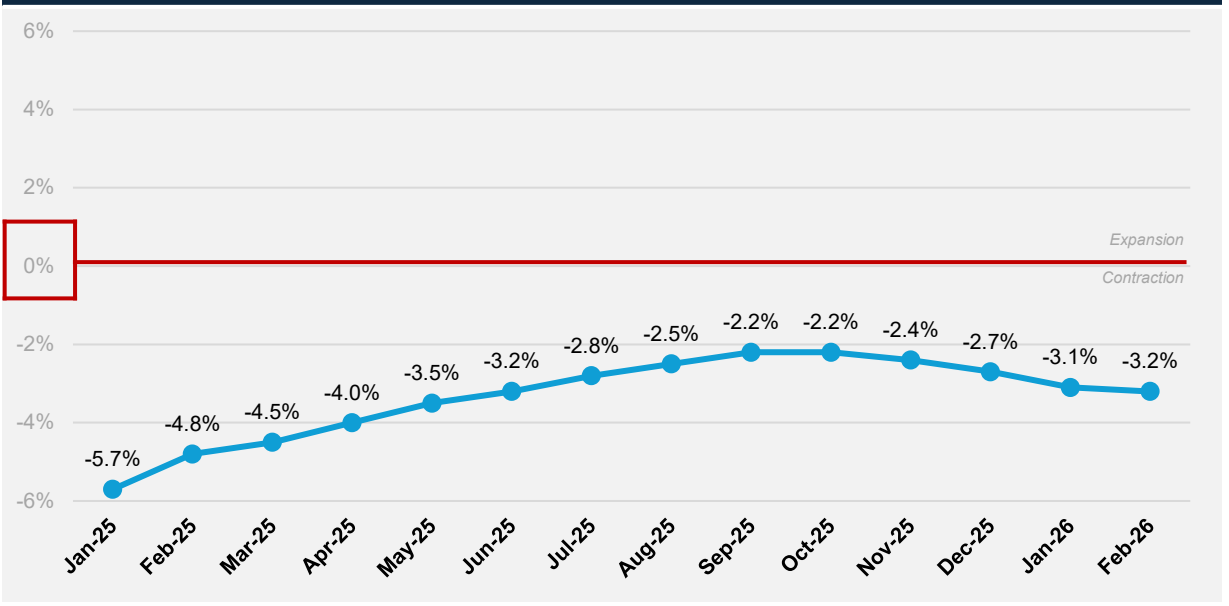
Agenda

- 1. Background**
- 2. 2026 Two Sessions**
- 2. Government Work Report & 2026 Targets**
- 3. 15th Five-Year Plan**

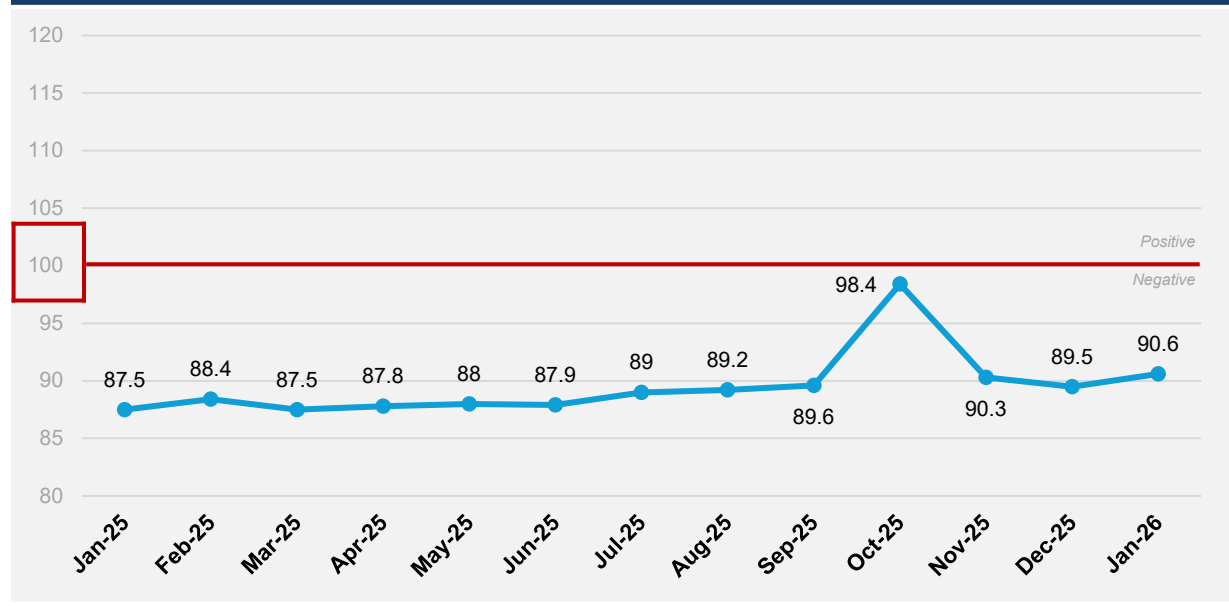
Economic Concern *leading up to 2026 Two Sessions*



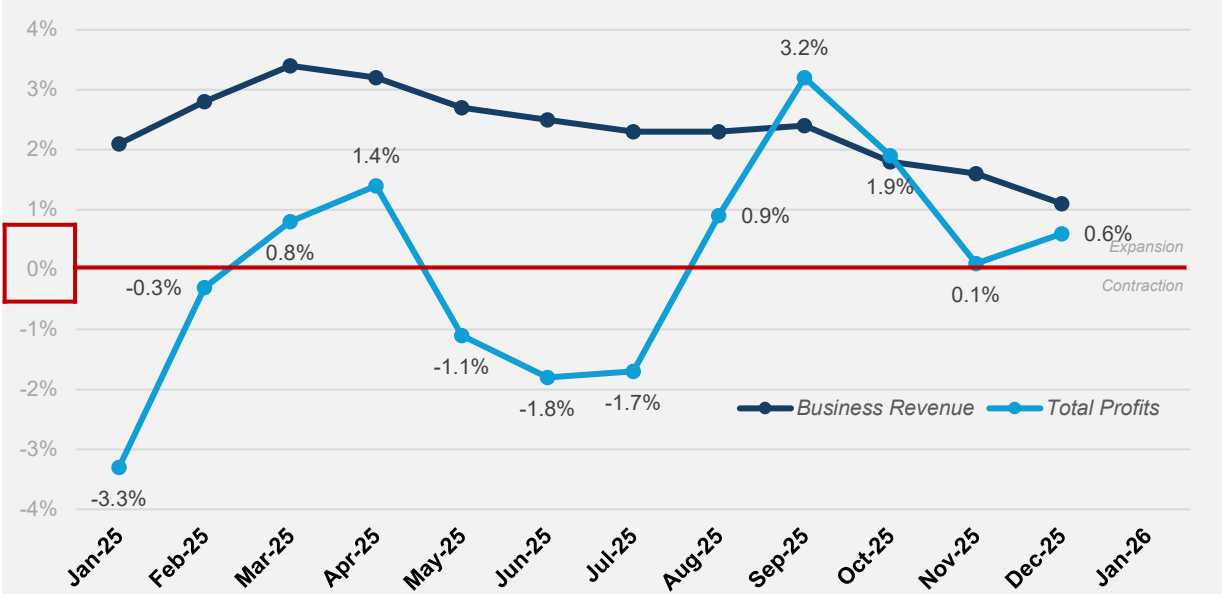
Newly Built Home Prices *YoY change*



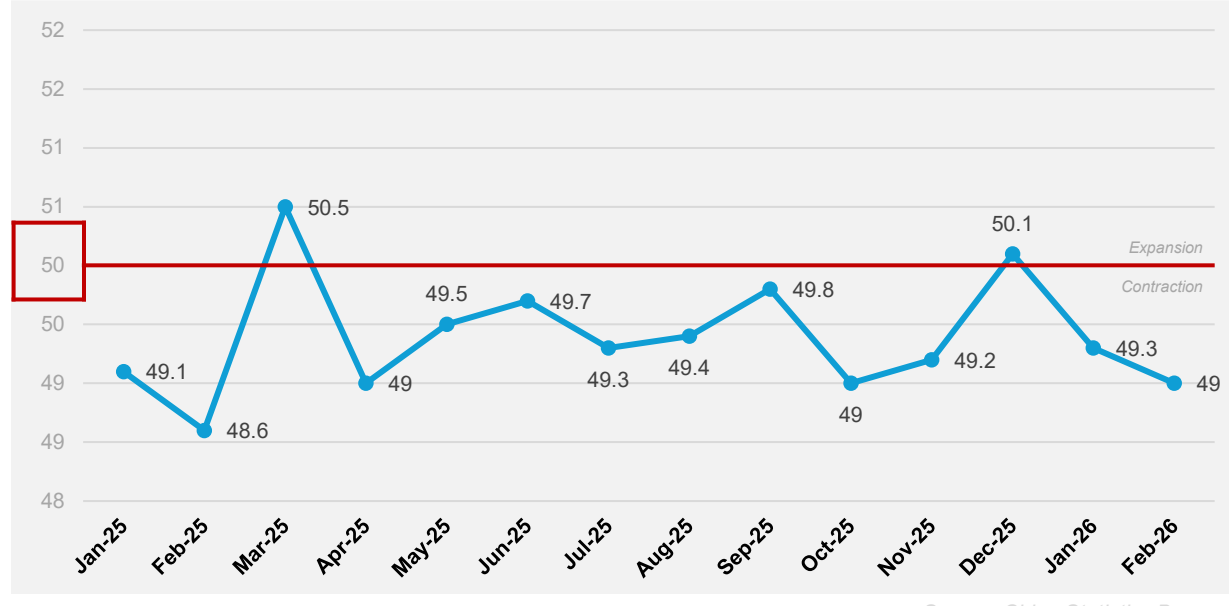
Consumer Confidence



Industrial Revenue & Profits *YoY change, for enterprises above a designated size*

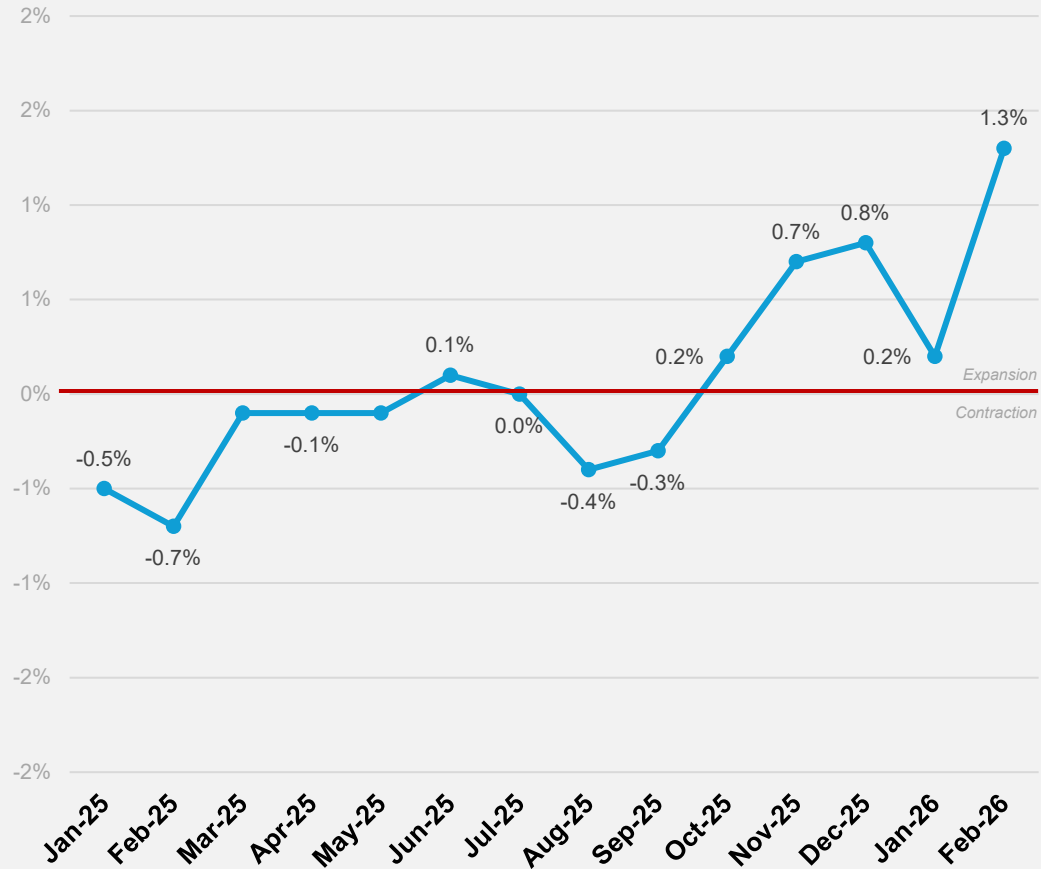


Purchasing Managers Index (PMI)

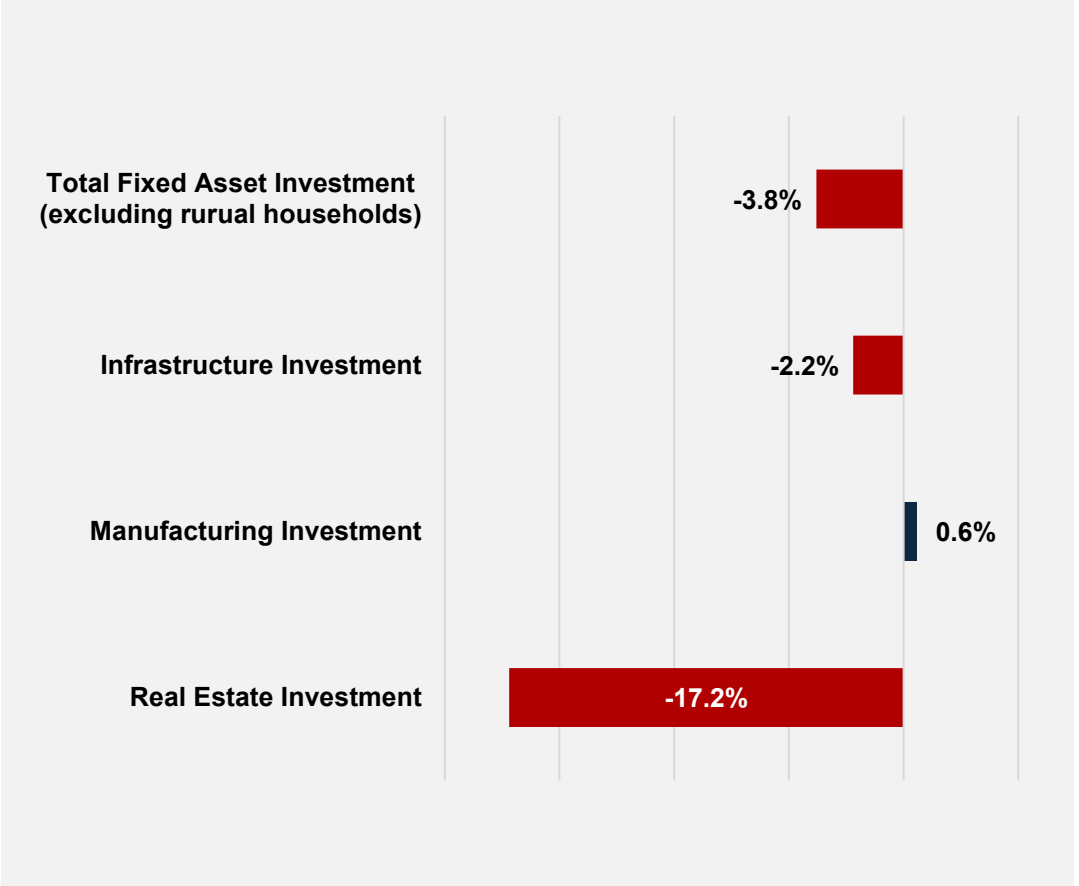


Prices & Investment

Inflation Rate YoY change



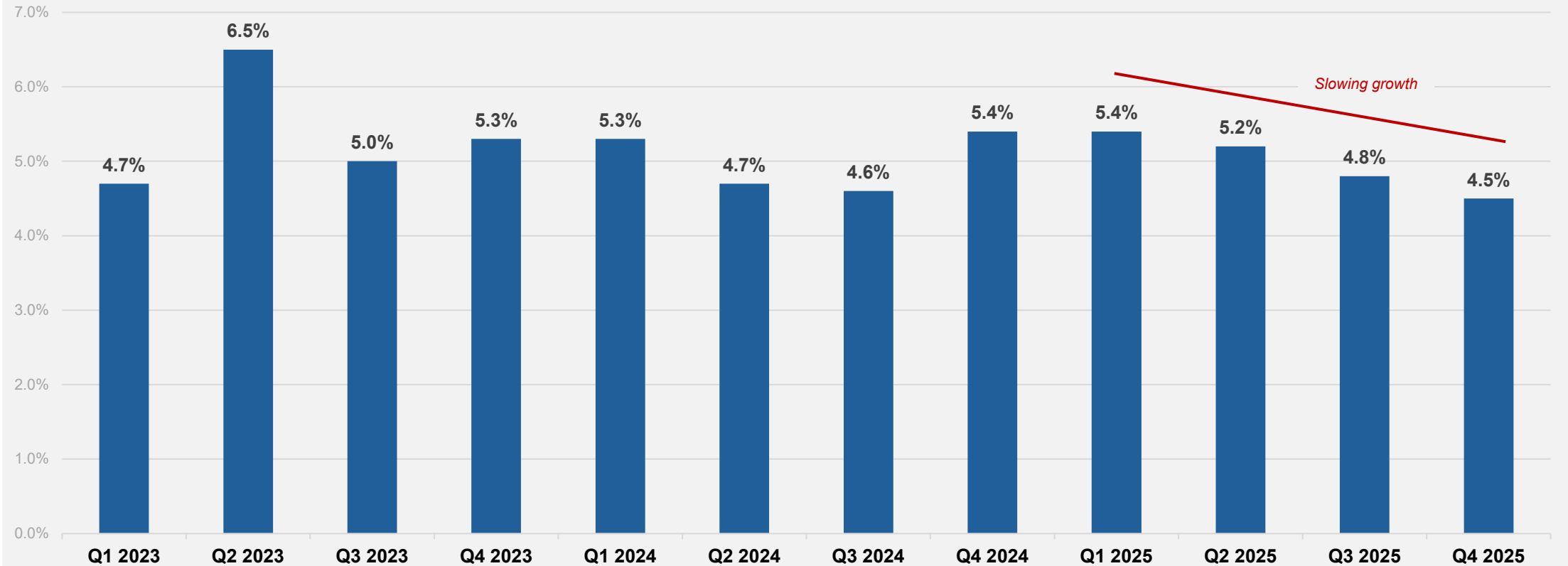
Fixed Asset Investment YoY change, 2024-2025



Source: China Statistics Bureau

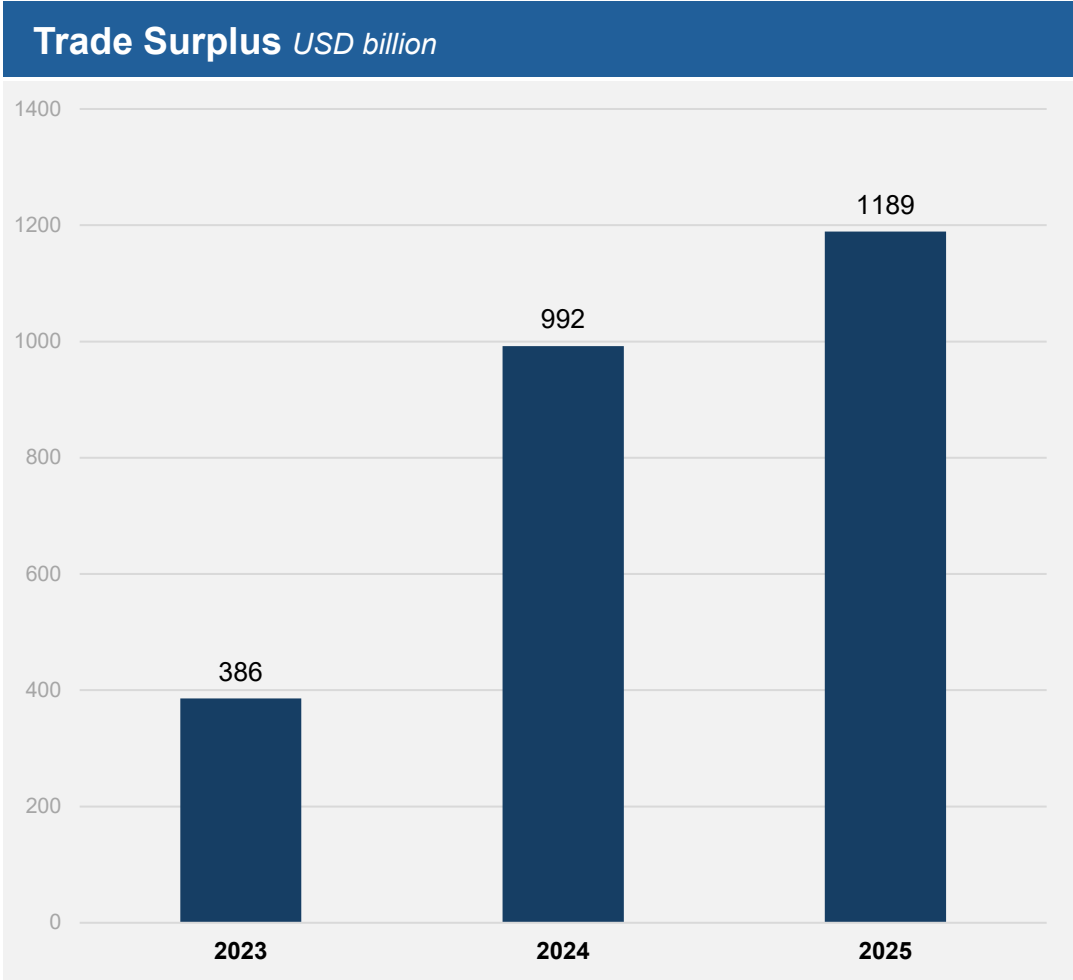
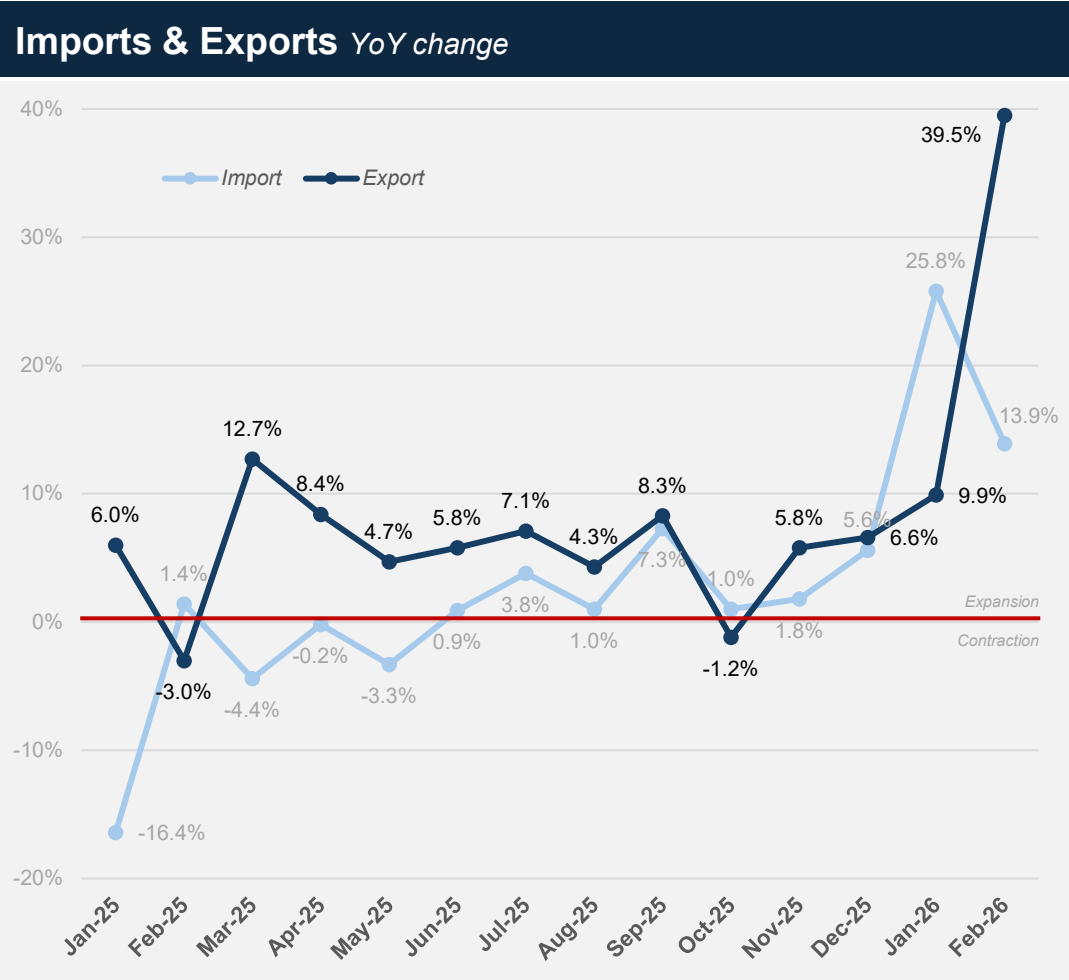
Economic Growth

Real GDP YoY change, 2023-2025



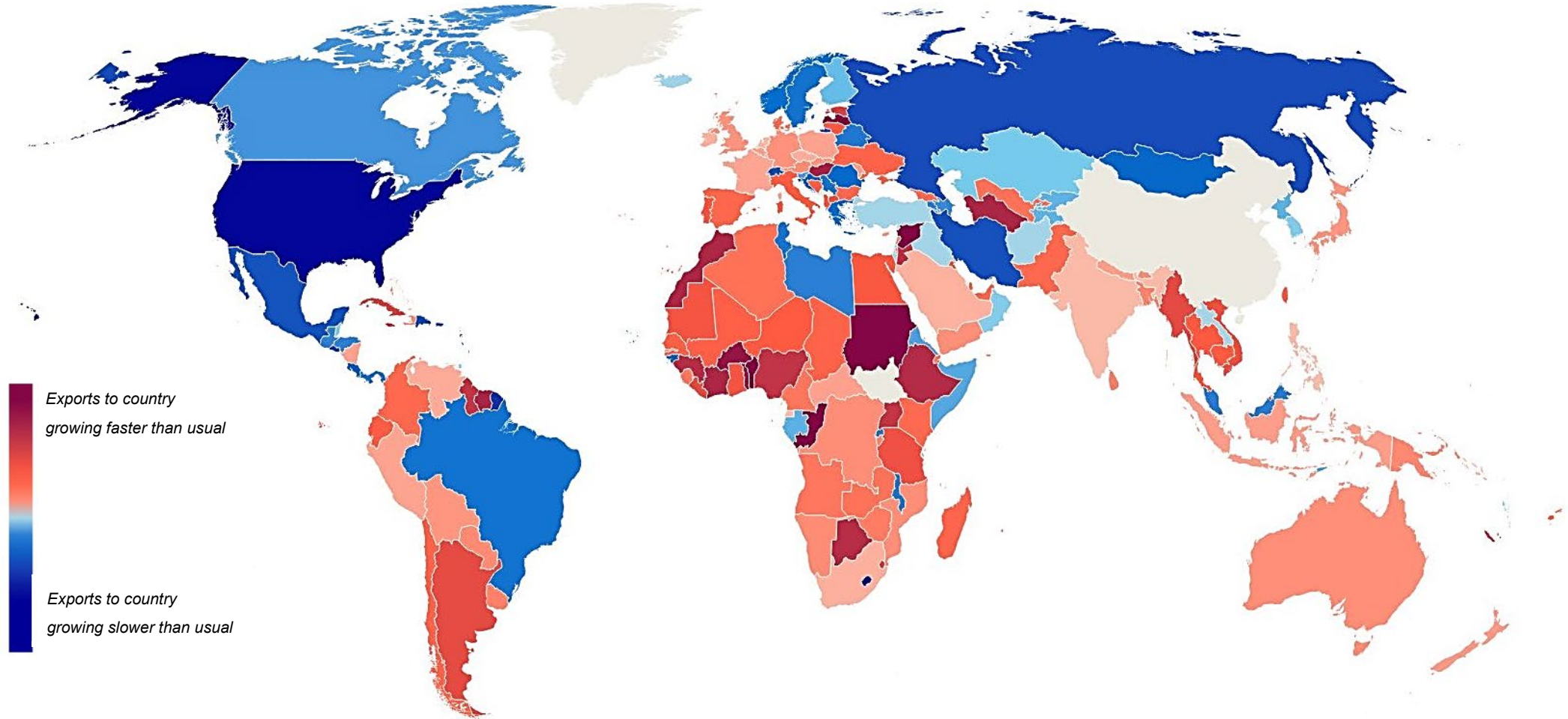
Source: China Statistics Bureau

Trade



Source: China Statistics Bureau

Trade Surplus *a source of trade friction*









Source: Economist Intelligence Unit

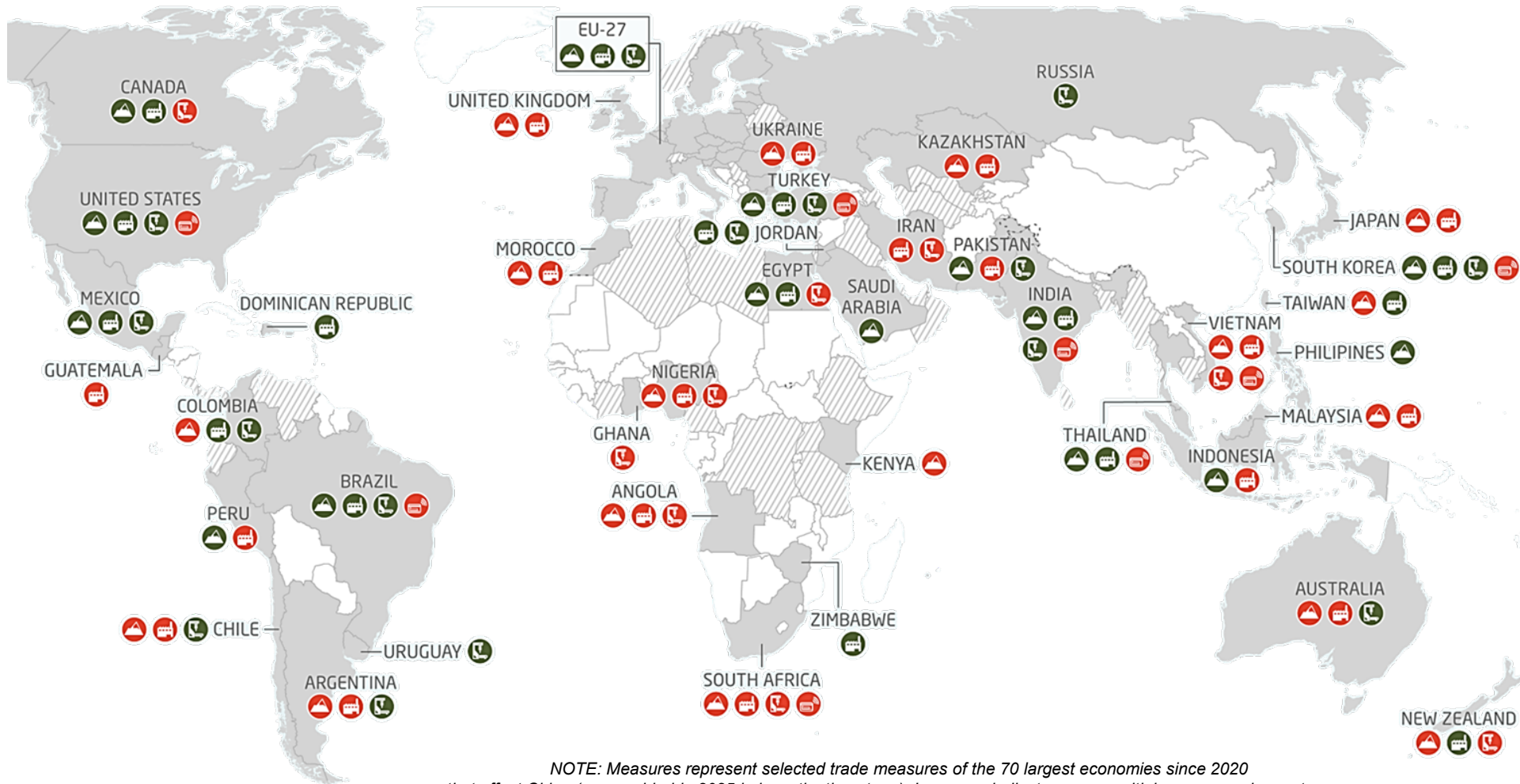
Increasing Trade Actions *against China*

New measures imposed on goods from China globally

 No China-focused measures identified

 New measures were introduced in 2025  No new measures introduced in 2025, but previous measures exist

 Commodities  Basic manufactured goods  Advanced manufactured goods  E-commerce



NOTE: Measures represent selected trade measures of the 70 largest economies since 2020 that affect China (some added in 2025 in investigation stage). Icons can indicate one or multiple measures in a category.

Source: MERICS

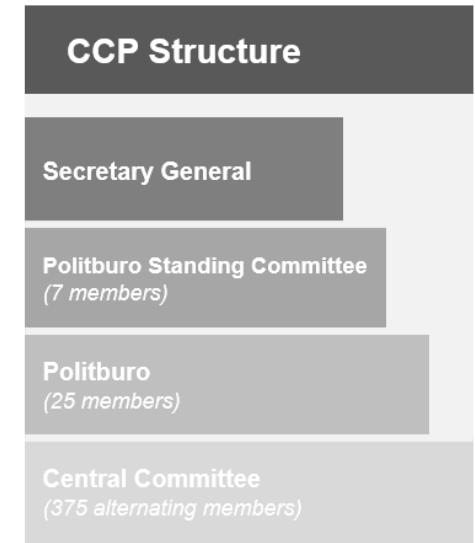
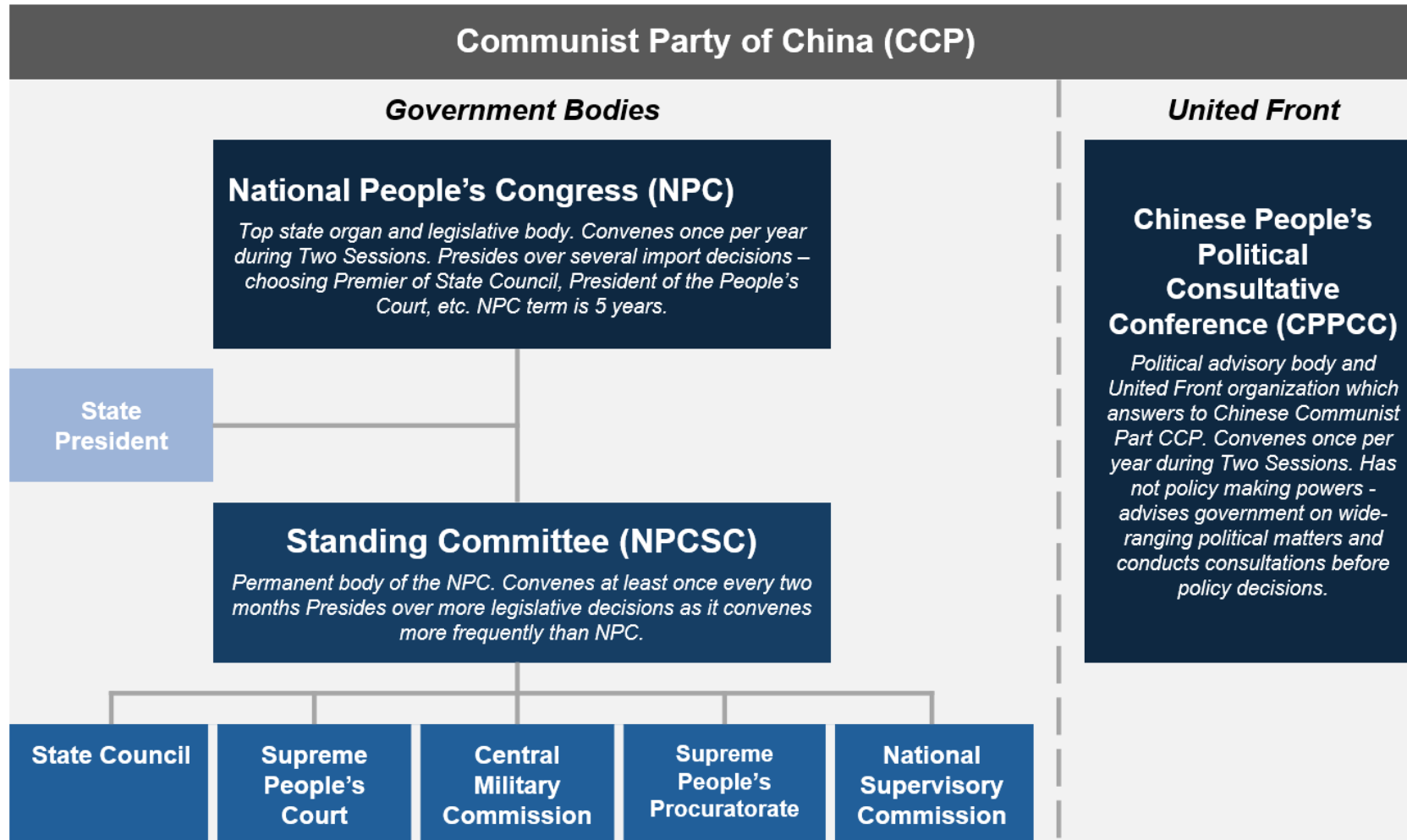


2026 Two Sessions



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Two Sessions *within government & party structure*



CCP leadership changes were confirmed during the 2023 Two Sessions

 Two Sessions

Key Outcome *from 2026 Two Sessions*



Government Work Report



Five Year Plan



Other Approved Legislation

Other Legislation *passed during the Fourth Session of the 14th NPC*



National Development Planning Law

Sets out legal procedures governing formulation, approval, implementation and supervision of national five-year development plans, including the new 15th Five-Year Plan



Ecology and Environment Code







Consolidates and systematizes existing environmental protection laws and establishes a unified legal framework for ecological and environmental governance



Law on Promoting Ethnic Unity & Progress

Provides statutory framework for administration of ethnic affairs and promotion of ethnic unity and development, signifying an intensified effort to expand education in and usage of Mandarin Chinese at expense of minority languages

Catalogue of Encouraged Service Imports *key sectoral changes in 2026 edition*

Service Category	2019	2026	Notable Changes
 Medical and health	Not Categorized	New Primary Category	Significant opportunities in eldercare, major disease treatment, and digital health
 Other professional services	Not Categorized	New Primary Category	Stronger policy support for supply chain management and green building-related services
 R&D and design	Included	Expanded <i>(added integrated circuit R&D and design – expanded digital tech to include blockchain, cloud computing, and big data)</i>	To support the development of “new productive forces” and domestic technological advancement
 Energy Conservation & Environmental Protection	Included	Adjusted <i>(added recycling for wind turbines, and solar panels)</i>	Shifted from basic cleanup to complex “synergistic pollution and carbon reduction”.
 Environmental Services	Included	Refined <i>(removed air pollution control services, with only synergistic pollution / carbon reduction remaining)</i>	Domestic capabilities have improved sufficiently; imports in this specific niche are no longer needed
 Consulting Services	Included	Expanded <i>(added Climate change consulting, including carbon trading/taxes, carbon footprints, etc.)</i>	Reflects China’s pivot from basic cleanup to structural decarbonization and green transition

Foreign Investment Regulation *key policies*

Only applies to foreign investment

Market Access Negative List

2025

(replaces 2022 edition)

- Defines industries, sectors, and activities that are prohibited or subject to government approval
- Eases private investment restrictions in manufacturing, healthcare, entertainment, agriculture, pharmaceuticals, retail, and IT – also introduces new restrictions in e-cigarette production, drone manufacturing, online pharmaceutical sales, and non-commercial internet information services

Catalogue for Guiding Industry Restructuring

2024

(replaces 2019 edition)

- Outlines promoted and encouraged industries, and defines encouraged, restricted, and obsolete sectors
- Increased focus on high-tech industries, environmental priorities, and modern services

Negative List for Foreign Investment Access

2024

(replaces 2021 edition)

- Specifies sector with foreign investment restrictions
- Removes restrictions on foreign investment in manufacturing completely – further opens telecommunications, education, and healthcare service sectors







Catalogue of Encouraged Industries for Foreign Investment

2025

(replaces 2022 version)

- Outlines industries foreign investment benefits from preferential tax, land, and customs policies
- Separate national policies and central, western, northeastern China and Hainan policies
- Expands support for high-tech, green development, and key regional markets

Catalogue of Encouraged Service Imports *key sectoral changes in 2026 edition*

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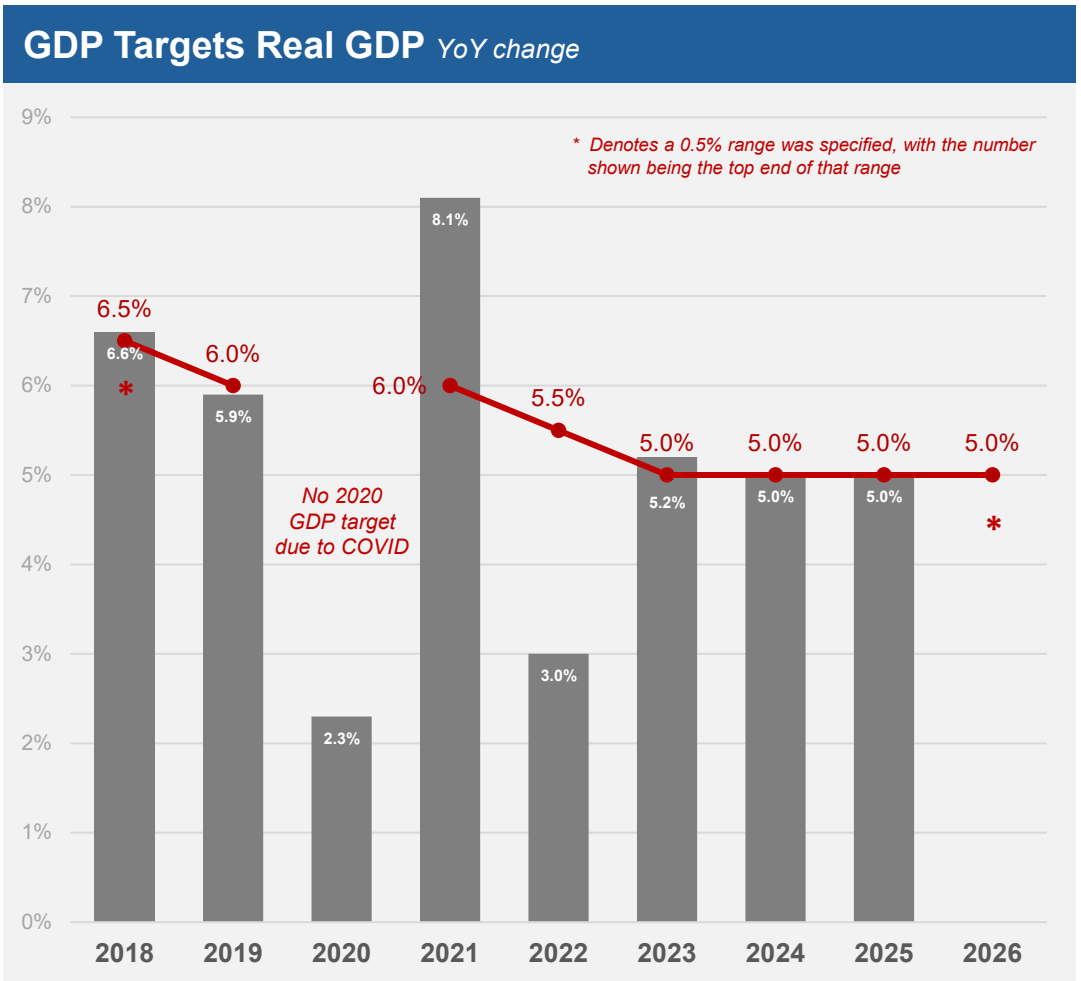
Government Work Report & 2026 Targets



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2026 Targets *key targets from government work report*

	GDP Growth	4.5%–5%
	New Urban Jobs	≥ 12 million
	Surveyed Urban Unemployment Rate	5.50%
	Consumer Price Index (CPI) Increase	2%
	Personal Income Growth	In step with economic growth
	Balance of Payments	In basic equilibrium
	Grain Output	≈ 700 million tons
	CO2 Emissions Per Unit of GDP	≈ 3.8% ↓



Government Spending *stated 2026 fiscal expansion*

Total Deficit Spending
RMB 12 trillion

Stated Deficit Spending
RMB 5.89 trillion
(4% of GDP target)

Other Instruments

Ultra-Long Special Treasury Bonds

RMB 1.3 trillion

Continue to support national strategic capabilities, equipment upgrades, and consumer goods replacement, benefiting sectors like industrial machinery, home appliances, and new-energy vehicles

Local Government Special Bonds

RMB 4.4 trillion

Tighten project controls, accelerate self-approved issuance pilots, and allow bond proceeds to be used to swap implicit debt and clear overdue government payments to suppliers – this offers real relief to private companies engaged in government procurement, even though it reduces the share of funds available for new investment

Special Sovereign Bonds

RMB 300 billion

Replenish bank capital to maintain credit supply at a time when net interest margins are thinning, and non-performing loan pressures are rising

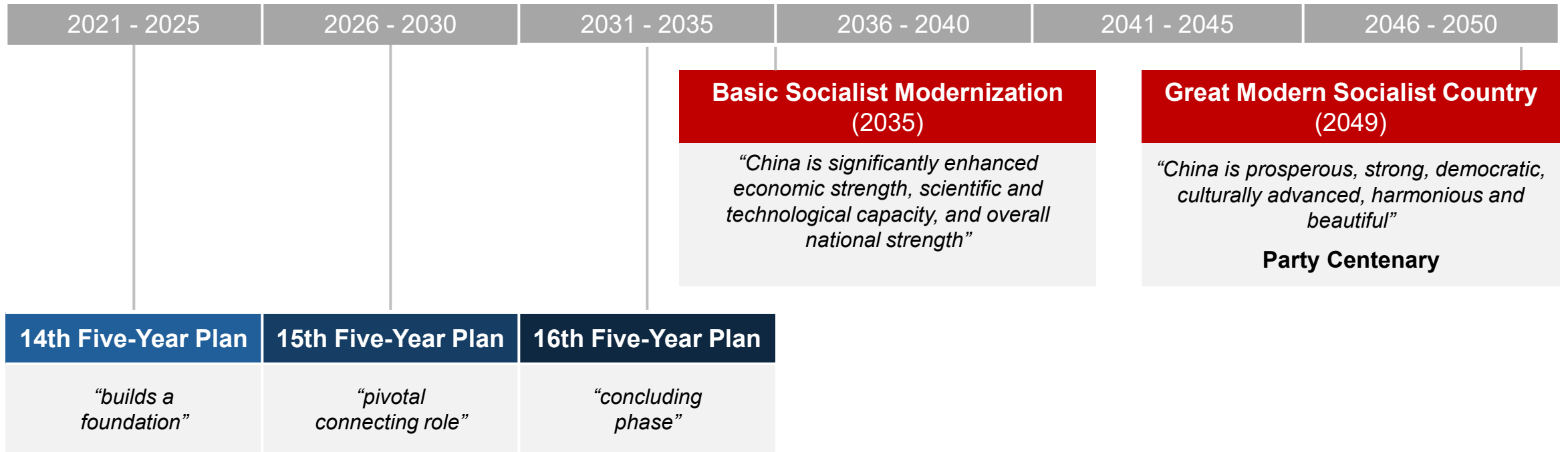


15th Five-Year Plan



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15th Five-Year Plan in Context *of Party plans*



Key Priorities *comparison of leading chapters to previous five-year plans*

15th Five-Year Plan (2026-2030)

1. Developing a Modern Industrial System
2. Accelerating Technological Self-Reliance and Leadership
3. Building a Strong Domestic Market

14th Five-Year Plan (2021-2025)

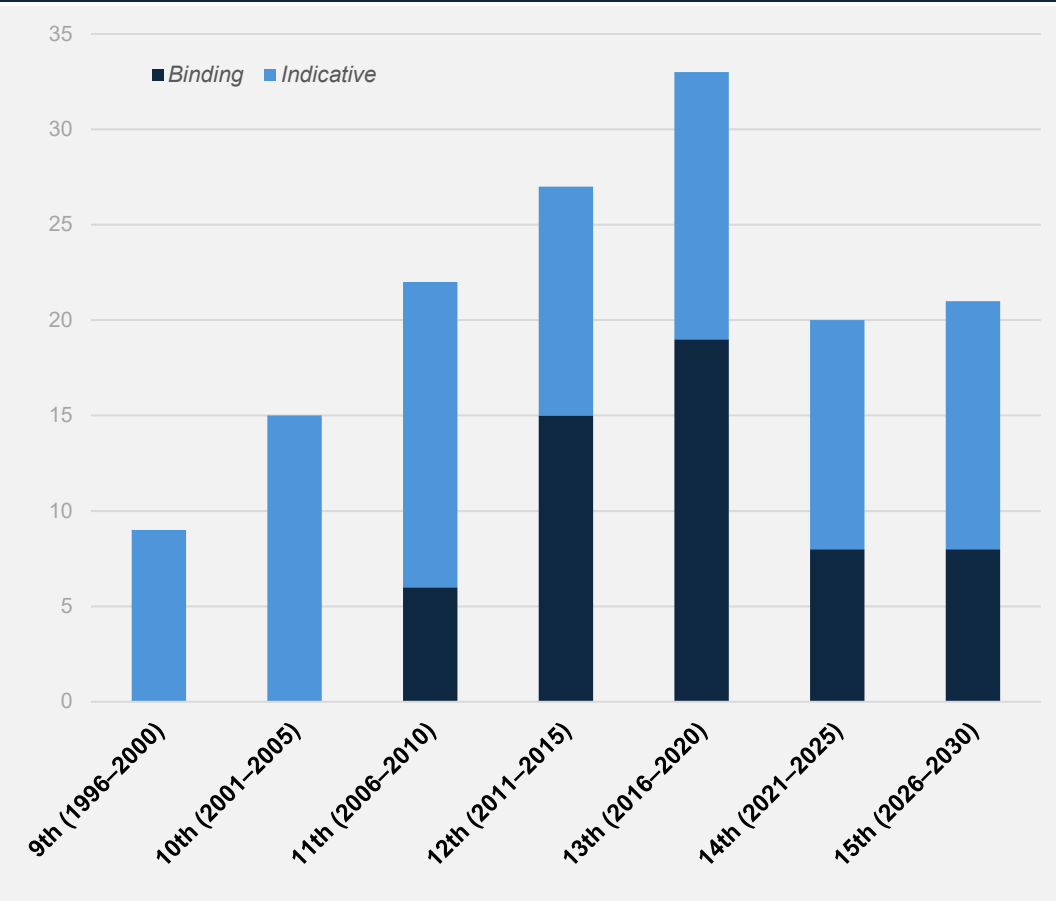
1. Pursuing Innovation-Driven Development
2. Developing a Modern Industrial System
3. Building a Strong Domestic Market

13th Five-Year Plan (2016-2020)

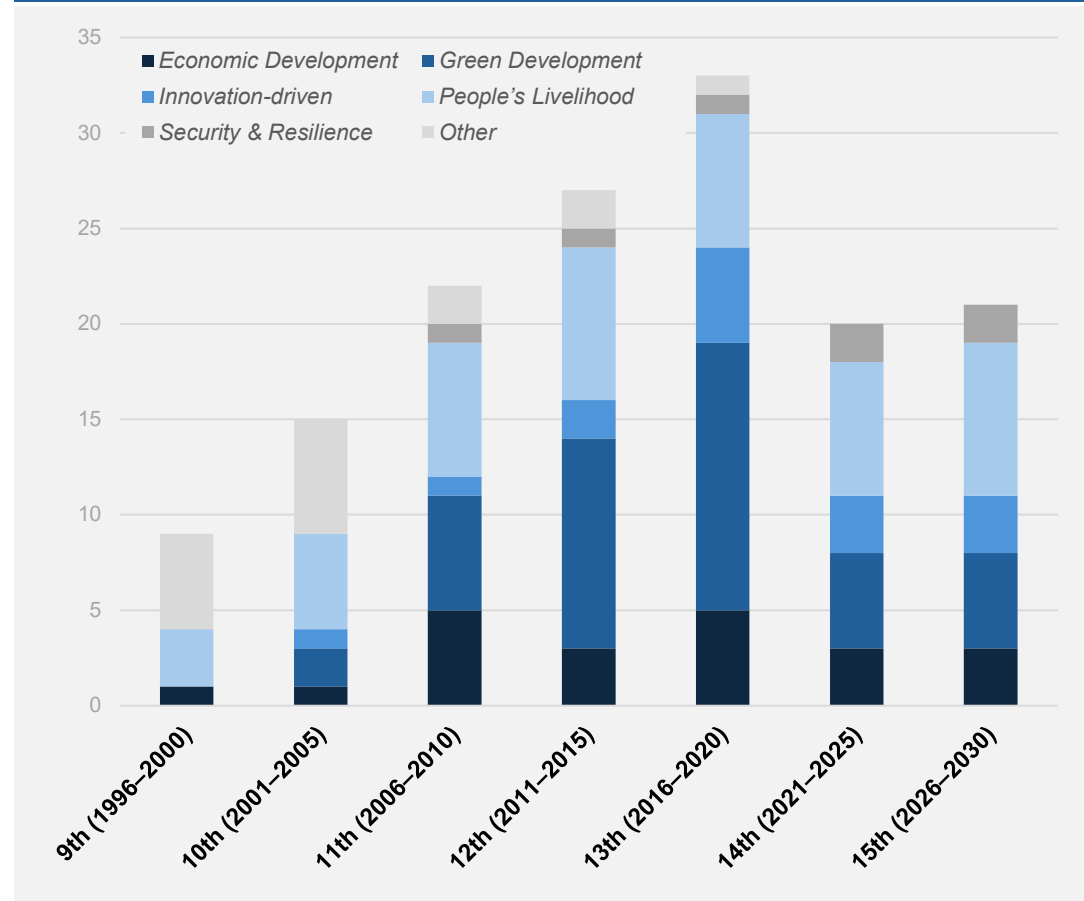
1. Pursuing Innovation-Driven Development
2. Establishing a New Development System
3. Advancing Agricultural Modernization

Key Priorities *comparison of main indicators to previous five-year plans*






Main Indicators *number and nature, 9th-15th Five Year Plan*



Main Indicators *number and category, 9th-15th Five Year Plan*

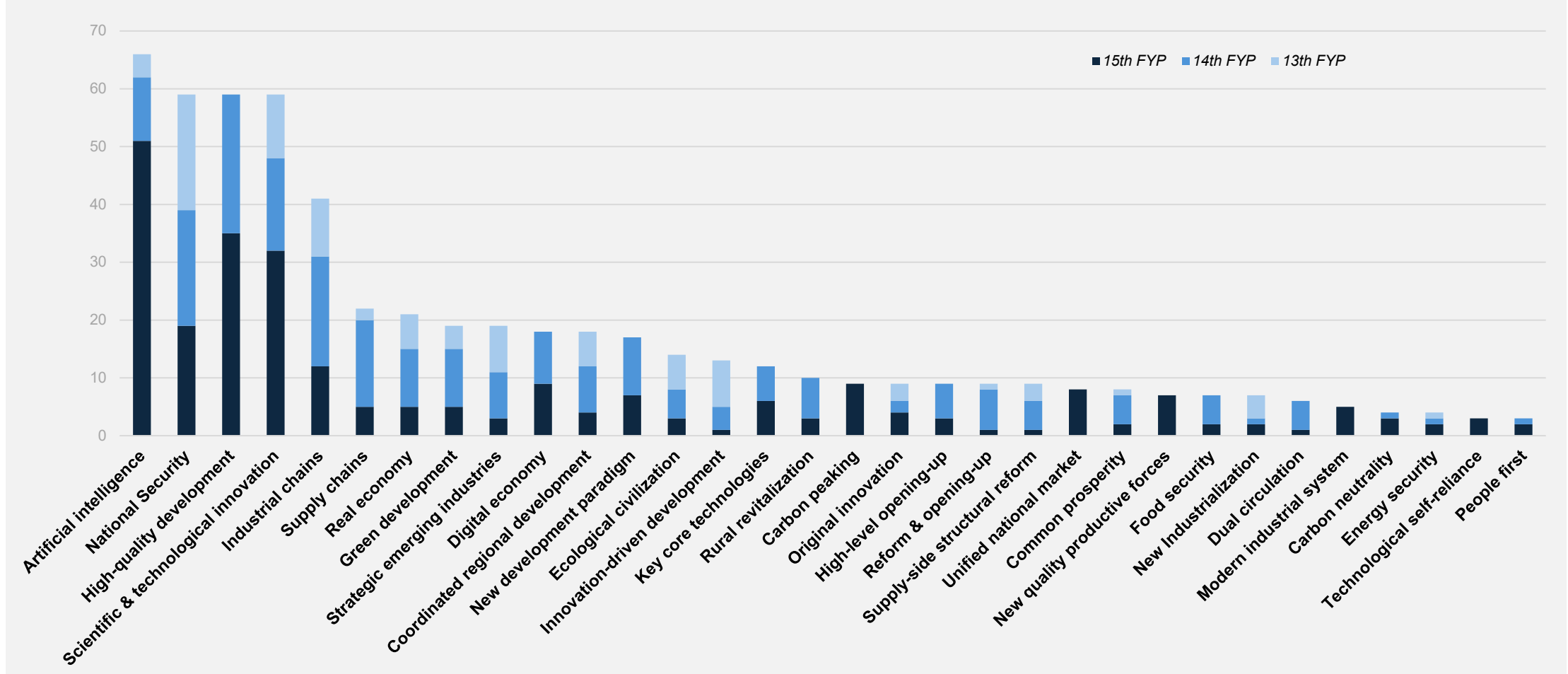


Source: MERICS

Area	Indicator		14th FYP Target (2025)	2025	15th FYP Target (2030)
 Economy	GDP growth (%)		Keep w/in reasonable range <i>annual targets set as appropriate</i>	5	Keep w/in reasonable range <i>annual targets set as appropriate</i>
	Labor productivity growth (%)		Above GDP growth rate	6.1	Above GDP growth rate
	Urbanization rate (%)		65	67.9	71
 Innovation	Society-wide R&D expenditure growth (%)		>7, striving for higher than 13th FYP level	9.1	>7
	High-value invention patents per 10,000 people (no.)		12	16	>22
	GDP share of core digital economy industries added value (%)		10	10.5 ⁽²⁰²⁴⁾	12.5
 Welfare	Surveyed urban unemployment rate		<5.5	5.2	<5.5
	Per capita disposable income growth (%)		<i>“basically”</i> In line with GDP growth	5	In line with GDP growth
	Average years of education of working-age population (years)		11.3	11.3	11.7
	Healthcare workers per thousand people	Licensed doctors (no.)	3.2	3.1	3.7
		Licensed nurses (no.)	NA	4.3	5.1
	Nursing care beds in elderly care institutions (%)		NA	68	73
	Increase in enrollment rate of children under 3 in daycare		NA	NA	+ 6 percentage points <i>cumulative over 5 years</i>
 Green & Low-carbon	Reduction in CO2 emissions per unit of GDP (%)		18 <i>cumulative over 5 years</i>	17.7 <i>cumulative over 5 years</i>	17 <i>cumulative over 5 years</i>
	Proportion of non-fossil energy in total energy consumption (%)		NA	21.7	25
	PM2.5 concentration in cities at the prefecture-level and above (µg/m³)		NA	28	<27
	Proportion of excellent water bodies (%)		NA	80	85
	Forest coverage rate (%)		24.1	25.1 ⁽²⁰²⁴⁾	25.8
 Security	Comprehensive grain production capacity (trillion jin)		1.3	1.39	Around 1.45
	Comprehensive energy production capacity (100 million tons standard coal equivalent)		>46	51.3	58

Key Priorities *comparison of key Party terminology to previous five-year plans*

Policy Terminology Used *number of mentions, 13th-15th Five-Year Plan*



Source: MERICS

Industry Opportunities *industries mentioned or alluded to in 15th Five Year Plan*



Emerging & Future Technology

Artificial Intelligence (AI) and Embodied Intelligence (humanoid robotics) are key sectors as noted in the YouTube video, Quantum technology, 6G technology, Brain-computer interfaces, and Integrated circuits (semiconductors).



Manufacturing & Industrial Upgrading

Advanced aerospace and aviation equipment are key industries mentioned in the U.S.-China Economic and Security Review Commission website, Low-altitude economy (drones), High-end CNC machines and robotics, and new materials



Green & Energy Technology

Hydrogen energy and nuclear fusion energy are explicitly mentioned as future industries in the China IP Law Update website, Electric vehicles (EVs), New energy sources, and Smart energy storage systems



Life Sciences & Bioengineering

Biomanufacturing and synthetic biology, Biomedicine, and High-performance medical devices



Service & Digital Economy

Value-added telecom services, Digital sector development, and Modernization of traditional industries through AI and software

Key Industries *sample of key emerging pillar industries and future oriented industries specified by China*



Key Emerging Pillar Industries

- Integrated Circuits (Semiconductors) – Focus on advanced packaging and logic chips
- Aerospace and Low-Altitude Economy – Development of drones and commercial spaceflight
- Biomedicine and Healthcare Innovation – Clinical use of innovative drugs and advanced medical technology
- Intelligent Robotics – Embodying AI for specialized and manufacturing tasks
- New Energy and Storage – Advanced solar cells and large-scale, intelligent energy storage



Future-Oriented Industries

- 6G Mobile Communications – Developing 6G network equipment
- Quantum Technology – Advancing computing and communication technologies
- Embodied Artificial Intelligence – Developing robots that interact with physical environments
- Brain-Computer Interfaces – Researching next-gen human-machine interaction
- Future Energy – Hydrogen and controllable nuclear fusion

Key Takeaways *from 15th Five-Year Plan*

1. Realistic GDP Target for Rebalancing	Recognition of rising uncertainties and the still insufficient momentum of new growth drivers. This target aligns more closely with international forecasts, marking a shift from last year's more ambitious approach
2. "Anti-involution" Campaign to Continue	Structural adjustments aimed at tackling "involution" – a pattern of excessive investment leading to overcapacity, price wars and weakened corporate profitability. Stronger emphasis on disciplining local government investment and curbing ineffective spending. Regulators will tighten management of production capacity in heavy industries while strengthening enforcement of pricing rules to curb below cost competition.
3. Focus Support on Bright Spots in Consumption	Notable shift is the stronger focus on offline consumption, especially in 3 rd - and 4 th -tier cities where consumer confidence is relatively resilient. Government will support development of malls, pedestrian streets and other commercial infrastructure, encouraging companies to expand their physical presence in such areas. Trade in program will continue and service consumption promoted.
4. Industry and Innovation Will Amongst Top Priorities	Development of a modern industrial system is designated as the top task. Artificial intelligence (AI) will play a central role through the "AI Plus" initiative, which seeks to embed AI across the economy and explore pathways toward artificial general intelligence (AGI). Policymakers will continue cultivating emerging pillar industries.
5. Efficient "Investment in People" for Economic Development	Aims to strengthen talent cultivation to support industrial upgrading and technological self-reliance while addressing people's livelihood concerns to bolster consumer confidence. Investments will focus on education, healthcare, public services and income growth, with greater attention to efficiency and targeted outcomes.
6. Secure a More Stable External Environment	Prioritizes stabilizing relations with major powers, with cautious optimism toward U.S.-China ties and continued trade diversification.

Source: APCO



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