The annual meeting of Chinese mainland's National People's Congress (NPC) is concluding this week. The China equity team shares its latest views on key policy developments and analyses the main growth engines supporting high-quality growth.

Key takeaways from Chinese mainland NPC meeting

In terms of fiscal and monetary policies, the announcement for the Chinese mainland's 15th Five-Year Plan is largely in line with our expectations. Despite a lower GDP growth target (between 4.5%-5%), the Chinese mainland has been very proactive in rolling out fiscal policies since the beginning of 2026 – e.g., announcing infrastructure projects and consumption programs year-to-date. Also, the Chinese mainland is looking to boost domestic demand, with a keen focus on domestic consumption, technology advancement and advanced manufacturing.

Overall, the Chinese mainland aims to: (1) facilitate a more positive overall inflation rate this year, (2) support domestic consumption and technology, and (3) reiterate the Chinese mainland's ambition to double 2020 GDP per capita by 2035.

Technology

There's no shortage of Chinese innovation, ranging from hardware, Large Language Model (LLM) companies, AI data center supply chains, software, etc. Looking at AI adoption year-to-date, we have witnessed the Chinese mainland's ability to produce globally competitive AI models. CCTV's impressive CNY dance this year vs. last year showcased the Chinese mainland's acceleration in humanoid robot development. The outlook for humanoid robotic markets in the Chinese mainland remains strong due to declining robot costs and improving robot efficiencies. The US and Chinese Mainland are home to the most humanoid robotic supply chain companies. Recently, some component companies in the Chinese mainland "go global" by becoming suppliers to robotics companies in North America.

Key targets in the 2026 Government Work Report

	2026 target	2025 actual
Real GDP Growth	4.5-5.0%	5%
Urban job creation	At least 12 million	12.67 million
Surveyed urban unemployment rate	Around 5.5%	5.2%
CPI	About 2.0%	0.1%
Wage growth	Consistent with economic growth	5.3%
M2 Growth	Consistent with economic growth and price levels	8.5%
Total Social Financing growth	Consistent with economic growth and price levels	8.3%
Fiscal deficit, % of GDP	4.0%	4.0%
Special local government bond issuance	RMB 4.4 trillion	RMB 4.4 trillion

	2026 target	2025 actual
Special central government bond issuance	RMB 1.6 trillion	RMB 1.8 trillion
Ultra-long dated special central government bonds	RMB 1.3 trillion	RMB 1.3 trillion
Consumer goods trade-ins	RMB 250 billion	RMB 300 billion
Equipment upgrading	RMB 200 billion	RMB 200 billion
Two importance (investment)	RMB 800 billion	RMB 800 billion
Special sovereign bonds for big banks	RMB300 billion	RMB 500 billion
Cut energy consumption, per unit of GDP	No mention	5.1%
Cut carbon dioxide emissions, per unit of GDP	Around 3.8%	5.0%

Source: 2026 Government Work Report, 5 March 2026

For autonomous driving, L3 autonomous driving (AD) commercialisation and L4 robotaxi deployment may accelerate further in 2026.

Industrials

The Chinese mainland's grid investment reached a record RMB 639.5 billion in 2025, representing year-on-year growth of 5%[1] . Grid investment growth is expected to remain resilient at an annual rate of 5-10% over the 2026-2030 period. Grid investment is typically higher in the first year of a 5-year plan. We believe grid equipment players should benefit from the structural growth opportunities over the next 5 years. On the other hand, the global manufacturing cycle continues its upturn. We expect more industrial sub-sectors—construction machinery, automation, battery equipment, among others—to benefit from the trend.

Energy resiliency and independence

In the midst of the conflict in the Middle East and the ensuing volatility in oil & gas prices, we believe that the Chinese mainland's energy independence and resiliency show a sharp contrast vs. regional players for the following reasons:

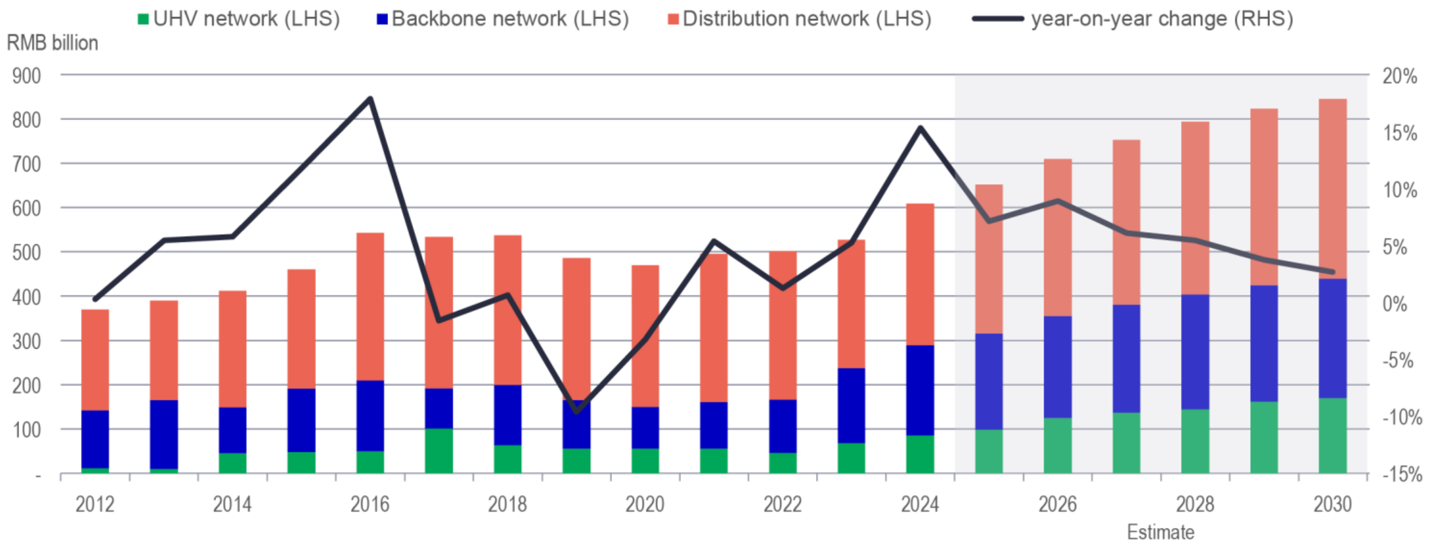
(1) Chinese mainland has large oil reserves

The Chinese mainland had been stockpiling oil through most of 2025 and could draw down on its strategic reserves, which currently comprise an estimated 1.3 billion barrels.

Crude oil imports to the Chinese mainland are very diverse, with no single country making up more than 20% of total imports. While the Middle East comprised 53% of Chinese mainland's imports in 2025, it is likely to divert its crude oil imports further and rely more on other countries.

Different countries may also coordinate responses to mitigate oil price volatility.

Chart 1: Grid investment growth: RMB 4 trillion investment (2026-2030)



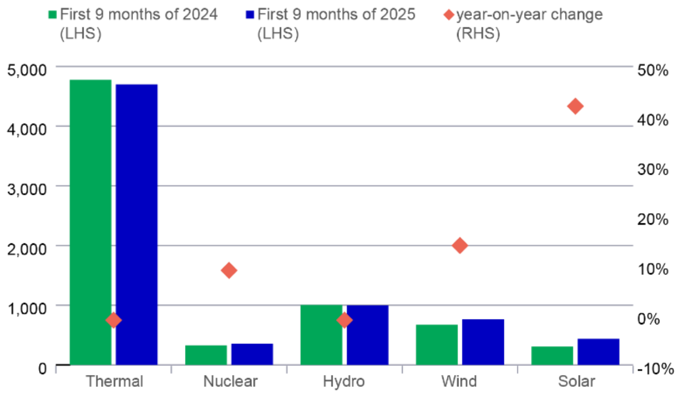
Source: HSBC Global Research, March 2026

[1] Bloomberg, 3 February 2026.

(2) Chinese mainland has been diversifying toward renewable energy over the last decade

Chinese mainland has been diversifying away from thermal energy and toward wind and solar generation over the last decade (see chart 2).

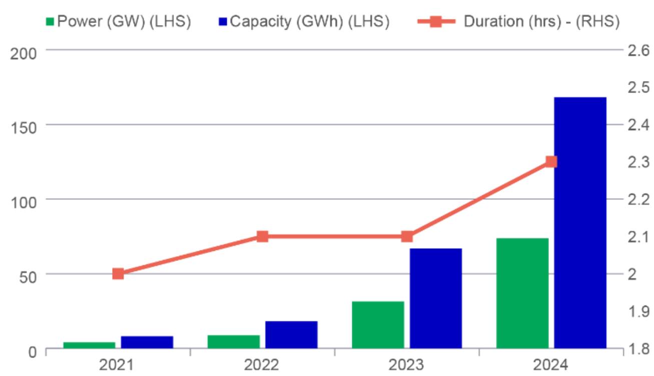
Chart 2: Chinese mainland's power generation (billion kWh)



Source: MS Research, November 2025

Furthermore, Chinese mainland has long-term plans to develop energy storage systems (ESS) under a renewable market trading scheme. In September 2025, Chinese mainland set an energy storage system deployment goal of 180GW cumulative capacity by 2027, which implies an annual power capacity of ~35 GW in 2025-2027, vs. 43.7GWh in 2024.

Chart 3: New energy storage installation in China since the 14th Five-year plan



Source: MS Research, November 2025

Chinese mainland has also introduced an official guideline for all wind and solar projects to trade electricity generation in the market with a transitory option to trade through Contract For Difference (CFD), in lieu of mandatory access to the grid[2]. The transition from Feed-in-Tariffs (FITs) to market-based pricing, effective June 2025, has helped increase revenue stability for generators (increasing incentives for companies to enter into ESS projects) while promoting market competition. The State Council released a white paper on carbon peaking and carbon neutrality in Chinese mainland, highlighting the importance of ESS to the power system.

(3) Government regulation of refined oil prices

Chinese mainland's administrated fuel price mechanism helps mitigate global oil price shock and protect downstream customers. For example, when Brent prices are between US$80 and US$130 a barrel, state-owned oil companies help to smooth price pass-through. When the price exceeds US$130/barrel, domestic fuel prices are capped, with ad hoc, time-limited fiscal subsidies for refiners.

Conclusion

In conclusion, Chinese mainland is aiming for high-quality growth over the next 5 years via service consumption, productivity gains via artificial intelligence (AI) adoption, technology advancement and digital infrastructure expansion.

Chinese mainland is also well-positioned to further accelerate its roadmap for advanced manufacturing, and we believe there is still significant room to grow. Meanwhile, China is also focused on stabilising the housing market, boosting consumption and supporting household income. On energy transition, we believe Chinese mainland's investment in grid modernisation should bear fruit over the next few years, with the goal of achieving peak carbon emissions by 2030 still within reach.

[2] Source: National Development and Reform Commission (NDRC) and National Energy Administration (NEA), 9 February 2025

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