



By: TA | AP Insight

# China set the lowest growth target since 1991



China has signaled continuity rather than change for its economy, setting a slightly lower target for growth this year in the midst of a property slump and other **headwinds at home** and growing uncertainty abroad.

Premier Li Qiang announced a target of 4.5% to 5% annual growth in his report presented to the opening session of this year's meeting of the **National People's Congress**.

That compares to actual **5% growth last year** and a target of about 5% in the three years before. It's the lowest growth target since 1991.

"While recognizing our achievements, we are also clear-eyed about the difficulties and challenges we face," Li said, reading much of the 35-page report in a more than hourlong address.

Experts say the lower target is in line with longer-term goals that are less focused on high growth rates.

"GDP targets in recent years have become less important than before because the overarching, and most important political priority has shifted from promoting economic development to so-called 'high-quality development,'" said Xin Sun, a senior lecturer in Chinese and East Asian business at King's College London.

The government is striving to balance two goals: reviving the **flagging economy** by boosting domestic spending, while also furthering leader **Xi Jinping's ambitions** to build China into a global power in AI, robotics and other advanced technologies — and one that is not dependent on the U.S. or others for high-end semiconductors and other components.

## China faces "a grave and complex landscape"

In its draft budget for 2026, the government also trimmed China's annual increase in defense spending to 7%, down from 7.2% in

recent years.

The nearly 3,000-member Congress, a largely ceremonial body that endorses policies set by Communist Party leaders, is due to approve the annual report and budget at its closing session next week, along with a **five-year plan** setting policy priorities until 2030.

### Rarely in many years have we encountered such a grave and complex landscape - Li Qiang

China is grappling with tariff wars and actual wars. Like much of Asia, it depends heavily on oil and natural gas from the Middle East, and the war in that region has **driven up prices** and threatened supplies.

The report said that free trade is under severe threat, noting rising geopolitical risks.

At home, it highlighted an "acute" imbalance between strong manufacturing supply and weak demand and the challenge of shifting to new drivers of growth.

"Rarely in many years have we encountered such a grave and complex landscape, where external shocks and challenges were intertwined with numerous domestic difficulties and tough choices," Li said in his report.

## Boosting consumption will take time

With the domestic economy in the doldrums, China has maintained growth by exporting.

Its trade surplus surged to a record of nearly \$1.2 trillion last year, though exports to the U.S. fell after President Donald Trump sharply raised tariffs.

But the **growth in exports** to other countries has met pushback from governments worried about their own industries and workers.

Li pledged to improve living standards and boost consumer spending, which has lagged as Chinese have tightened their belts, feeling the pinch from a property slump weighing on home prices that has wiped out hundreds of thousands of jobs.

**The annual report indicated the government would continue to support domestic demand but not unleash any major new stimulus to boost growth**

Nonetheless, in line with the government's approach in recent years, the annual report Thursday indicated it would continue to support domestic demand but not unleash any major new stimulus to boost growth.

"Beijing continues to prioritize strengthening industrial self-reliance over boosting household consumption," said Neil Thomas, a China politics expert at the Asia Society Policy Institute.

The report said the government would issue 250 billion yuan (\$36 billion) in bonds for rebates to consumers who trade-in cars, appliances and other products for new ones. City-specific policies to control new housing supply and reduce unsold properties will be used to stabilize the property market, Li said.

He Meiru, a real estate agent in southern China, said he's lucky if he completes one deal every two months. His monthly income is hovering around 10,000 yuan (\$1,400) – less than a third of five years ago.

"It's been a tough period for many – jobs are hard to find, people don't have money," he said.

Apart from a **property market** recovery, social welfare spending and improved job security are needed to get families to spend more of their savings, said Ecaterina Bigos of AXA Investment Managers.

"Reviving domestic demand is key for sustained long-term growth," she said.

"However, redirecting China toward higher levels of domestic consumption will take time."

## China has purged its military leadership

The increase in defense spending to 1.9 trillion yuan (\$270 billion) comes against the backdrop of a widespread **purge of military officials** over corruption charges.



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Analysts believe the dismissals are meant both to reform and modernize the military and to ensure Communist Party control over the People's Liberation Army.

Nine military officers were among 19 delegates dismissed from the National People's Congress ahead of this year's meeting.

This year's report to the Congress repeated the government's commitment to "the Party's absolute leadership over the people's armed forces."

Then it added a new line: "Guided by the principle of ensuring political loyalty in the military, we will continue to improve military political conduct."