

# ASIA MONTHLY

## February 2026

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## Topics *China's economic roadmap for 2026*

In 2026, China will take economic measures based on a policy of securing stable growth by stimulating domestic demand. But the policy may not work as the Xi Jinping administration intends given the undeniable sense that the domestic demand stimulus measures seem inadequate.

### ■ Economic management based on two plans/ policies

In China, two important economic management plans/ policies were formulated towards the end of last year.

The first was the draft of the 15th Five-Year Plan, which was released in October. The Five-Year Plan is China's most important medium-term plan. It is comprehensive, covering the direction for economic and social development, goals to be achieved during the period of the plan, and major initiatives. Following the adoption of the draft, the official version, formulated by the government with additions such as numerical targets, will be adopted by the National People's Congress (China's parliament) in March. Policies in accordance with the final plan will be implemented until the end of 2030.

The second was the economic roadmap for 2026, announced in December. It was determined at the Central Economic Work Conference, which is held jointly by the Communist Party and the State Council (central government). The roadmap will be fleshed out in the form of a menu of specific policies, including the annual economic and social development plan. After this is adopted by the National People's Congress in March, the implementation of policies will begin in earnest.

The key features of these plans/ policies are presented below, followed by an examination of China's economic roadmap for 2026.

### ■ Features of the 15th Five-Year Plan

The draft of the 15th Five-Year Plan begins with a general discussion, comprising two chapters, on the importance of the plan and the guiding principles behind it. This is followed by 12 major initiatives covering areas such as industrial policy and domestic demand expansion. Finally, the document ends with statements of commitment to achieve the plan's goals (through Party leadership). The official version to be adopted by the National People's Congress in March is likely to be similar to the draft in terms of structure, for example. An assessment of the 15th Five-Year Plan based on the draft reveals two key features.

The first is that making the country a manufacturing powerhouse is positioned as the top priority. Becoming a manufacturing powerhouse is currently central to China's vision for itself as a great power. Compared to other major countries, manufacturing accounts for a large share of China's economy, and China is already a manufacturing superpower. However, it is not satisfied with the

<Overview of Draft of 15th Five-Year Plan>

Section	Item
General Discussion	1) Implementation period and importance
	2) Guiding principles and key economic goals
Specific Policies	3) Modernization of industrial structure
	4) Development of new quality productive forces through self-reliance and strength in science and technology
	5) Domestic demand expansion
	6) Establishment of a socialist market economy and acceleration of high-quality development
	7) High-standard opening up
	8) Agricultural and rural development
	9) Balanced regional development
	10) Development of a socialist culture
	11) Common prosperity through improvement and expansion of social security
	12) Transition to environment-focused economic and social development
	13) Improvement of national security and governance capabilities
	14) Modernization of national defense and military
Closing Statements	15) Initiatives for achieving goals

Source: JRI based on the "News of the Communist Party of China"  
 Note: Shaded items indicate strengthening from the previous Five-Year Plan (or new items).

current situation. Based on a policy of strengthening the industrial base, centered on manufacturing, it is trying to create a national system for breakthroughs in key core technologies such as integrated circuits, machine tools, and software, and seeking to achieve high international competitiveness.

The second is emphasis on the pursuit of quality over quantity in the economy and human resources. For example, while a specific economic growth rate target is not presented, a policy of pursuing appropriate growth through the improvement of total factor productivity, an indicator of technological innovation and production efficiency enhancement, is clearly stated. The content reflects a policy of aiming to become a human-resource superpower rather than a population superpower, and the focus is on boosting individual human capital instead of merely pursuing quantitative economic growth.

#### ■ 2026 economic roadmap demonstrates recognition of the severe economic situation

Next are the policies contained in this year's economic roadmap, which was presented at the Central Economic Work Conference. 2026 is positioned as the kick-off year for the Five-Year Plan, and reflecting that, the direction and goals are basically the same as those of the 15th Five-Year Plan.

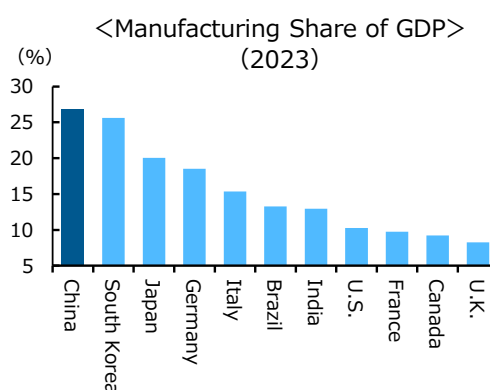
What is notable, however, is that the roadmap presents a harsher view of the current economy than has been seen before. It states that the contradiction between domestic oversupply and the shortage of demand has become pronounced.

Based on this recognition, this year's economic roadmap prioritizes domestic demand expansion, especially consumption expansion. Alongside executing the plan on special initiatives to boost consumption, announced in March 2025, the roadmap includes numerous other measures to stimulate consumption. These include formulating and implementing an income growth plan, easing purchase restrictions, and continuing the durable consumer goods replacement policy. Furthermore, in response to increasing deflationary pressures, a statement on aiming for appropriate price increases was also included, a further indication of the Chinese leadership's sense of crisis.

In this way, although the Xi Jinping administration is emphasizing strengthening the supply side over the medium term to make the country a manufacturing powerhouse, in 2026 only, it is ready to prioritize expanding domestic demand by focusing on the demand side. The intention seems to be to start by boosting economic strength in order to achieve the goals of the Five-Year Plan.

#### ■ The Xi Jinping administration faces a difficult task

However, the Chinese economy is confronted with various problems, and the Xi Jinping administration is likely to face difficulties managing the economy. From a medium-term perspective, correcting the excessive supply capacity is the biggest challenge. Various measures to make China a manufacturing powerhouse in the future may induce competition among companies to expand investment, exacerbating

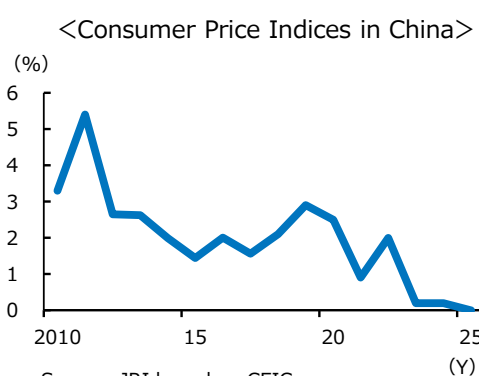


Source: JRI based on U.N.

#### <Overview of The Central Economic Work Conference>

Order of Measures Mentioned	Main Economic Tasks for 2026
1)	Expand domestic demand
2)	Foster and accelerate technological innovation and new engines
3)	Continue reforms
4)	Continue opening up
5)	Promote development in harmony with regions
6)	Achieve the "double carbon" goal
7)	Execute measures to improve welfare
8)	Proactively and steadily eliminate key risks

Source: JRI based on the "News of the Communist Party of China"



Source: JRI based on CEIC

the problem of overinvestment in the economy as a whole.

From a short-term perspective, the challenge is to ensure stable growth by stimulating domestic demand. At the Central Economic Work Conference, while the need to expand domestic demand was emphasized, a stance of restraint, such as adherence to fiscal discipline, was also conveyed. Regarding the series of consumption stimulus measures, the impression that they are insufficient in terms of scale and other factors is hard to shake off. The focus for the time being will be on whether China can embark on more aggressive domestic demand stimulus measures at the National People's Congress in March.

**(Junya Sano)**

## Topics *Bangladesh's general election to affect the situation in South Asia*

The general election to be held in Bangladesh in February this year is a noteworthy event that will influence the stability of bilateral relations between that country and neighboring India, and by extension, the political and economic stability of the South Asian region.

### ■ Bangladesh approaching a general election

A general election is scheduled for mid-February this year in Bangladesh, which, along with ASEAN countries and India, has been attracting significant attention from Japanese companies as a potential production base to replace China.

To summarize the country's political situation, since the 1990s, power has alternated between two major parties: the AL (Awami League), which has emphasized secularism and nationalism, and the BNP (Bangladesh Nationalist Party), which has emphasized Muslim identity.

The AL government led by Sheikh Hasina remained in power for approximately 15 years starting in 2009, but the administration collapsed in August 2024, after large-scale anti-government protests erupted following a High Court decision regarding preferential treatment in civil service hiring. After resigning as prime minister, Hasina fled to India, while an interim government was established with Nobel Peace Prize Laureate Dr. Muhammad Yunus installed as Chief Adviser. Yunus is the founder of Grameen Bank, which provides microfinance to low-income earners. Under this interim administration, action was taken to restore security and prepare for the holding of a general election.

With the AL's political activities banned under the interim government, public opinion polls overwhelmingly indicate that a BNP-centered administration will be formed. Tarique Rahman, the eldest son of Khaleda Zia, who served as prime minister for a total of 10 years in 1991-96 and 2001-06, is seen as the leading candidate for prime minister, but the new administration will face a mountain of challenges.

Regarding domestic politics and society, the most important tasks are to continue the judicial and political reforms and anti-corruption measures that have been implemented under the interim government and to promote domestic reconciliation. The outcome will depend on the results of the referendum on the "July Charter," which was formulated to advance fundamental structural reforms. This referendum is scheduled to be held on the same day as the general election. Attention is focused on whether a majority of citizens will approve the Charter and progress will be made with constitutional amendments toward changing the current unicameral parliament to a bicameral system, expanding presidential powers, and strengthening local autonomy.

In the economic arena, graduating from LDC (Least Developed Country) status, as defined by the United Nations, is an urgent task for 2026. The new administration is expected to focus on efforts such as supporting productivity improvement through mechanization/ automation and concluding FTAs (Free Trade Agreements) to maintain the export competitiveness of labor-intensive industries such as apparel, which are susceptible to negative impacts from a phased termination of incentives such as preferential

#### <Political and Social Developments in Bangladesh>

Year	Events
1947	Gains independence as part of Pakistan (East Pakistan)
1971	Becomes independent from Pakistan after the Bangladesh Liberation War
1975	A military coup results in military rule until 1990
1990	Military rule collapses in the face of a student-led pro-democracy movement
1991	After a general election, a BNP (Bangladesh Nationalist Party) government under Khaleda Zia is inaugurated (term ended in 1996)
1996	After a general election, an AL (Awami League) government under Sheikh Hasina is inaugurated (term ended in 2001)
2001	After a general election, a BNP government under Zia returns to power (after the end of her term in 2006, a caretaker government rules until 2009 due to domestic political turmoil)
2009	After a general election, an AL government under Hasina returns to power
2024	Large-scale anti-government protests erupt, leading to the collapse of the Hasina government (a caretaker government under Dr. Muhammad Yunus is formed)
2026	A general election is to be held

Source: JRI based on various media reports

tariffs and export subsidies. In December 2025, Japan and Bangladesh settled on a draft EPA (Economic Partnership Agreement), and progress has also been seen in negotiations toward concluding a CPA (Comprehensive Partnership Agreement) with the EU. Therefore, attention is now focused on whether the new administration will be able to maintain and accelerate this momentum.

In addition, to improve economic and financial stability, another key task is to set out a path to fiscal consolidation through digital-driven administrative efficiency improvements and bold tax reforms, including a review of the controversial VAT (Value Added Tax).

### ■ Relations with India are the main point of interest in foreign relations

On the diplomatic front, the matter attracting the most attention is whether the new administration can avoid a deterioration in relations with India. During the 15 years of AL rule, Bangladesh and India maintained good relations, as the AL positioned India as a trusted partner. However, since the collapse of that administration, bilateral relations have been worsening.

The trigger for this deterioration in relations was the Indian government's refusal to comply with a request to extradite former Prime Minister Hasina, even after a Bangladeshi court had sentenced her to death.

In addition, the following have also become factors in increasing bilateral tensions: 1) Bangladesh has strengthened its stance demanding "fair and equitable distribution of water resources" from India in negotiations toward revising the Ganges Water Sharing Treaty, which expires in December 2026; 2) Chief Adviser Yunus made remarks about the geographical vulnerability of landlocked northeastern India; and 3) Bangladesh has been improving its relations with Pakistan, which is hostile to India.

Under these circumstances, both countries have taken measures to restrict imports from each other, and a movement to boycott Indian products has emerged in Bangladesh, so the impact of deteriorating bilateral relations is also spreading to the economic sphere. Bangladesh accounts for only about 1% of India's trade, meaning that the direct trade impact on the Indian economy is limited, but indirect negative effects such as worsening investor sentiment toward India resulting from changes in the security environment surrounding India cannot be ignored.

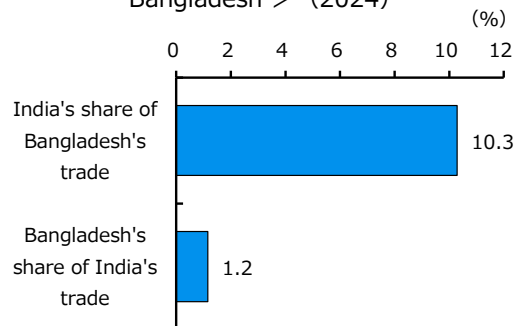
The BNP, which is expected to play a central role in the new administration, has indicated a policy of breaking away from the dichotomy of "pro-India or pro-Pakistan" and conducting diplomacy based on national interests. However, it will not be easy to suppress domestic opposition and improve relations with India. If the government gives in easily in negotiations over the extradition of former Prime Minister

<Recent Developments in India-Bangladesh Relations>

Date	Events
August 2024	Prime Minister Sheikh Hasina resigns and flees to India
November 2024	Bangladesh asks India to extradite Hasina after a Bangladeshi court sentences her to death (although an extradition treaty exists between the two countries, India has avoided giving an official response while continuing to provide her protection)
March 2025	Chief Adviser Muhammad Yunus, during a visit to China, comments on the geographical vulnerability of landlocked northeastern India (India reacted strongly, viewing it as an insult to the Northeast)
April 2025	Bangladesh imposes restrictions on overland imports of cotton yarn and rice from India
May 2025	India imposes restrictions on overland imports of textile products from Bangladesh
November-December 2025	Following criticism by Indian legal experts and political analysts that Hasina's death sentence was politically motivated and not the result of a fair trial, a boycott of Indian products expanded within Bangladesh
December 2026	The Ganges Water Sharing Treaty concluded in 1996 is set to expire

Source: JRI based on various media reports

<Trade Dependency between India and Bangladesh> (2024)



Source: JRI based on IMF

Hasina or the allocation of Ganges River water resources to avoid economic damage, criticism from the public of being "weak-kneed" may intensify, and support for the administration may be shaken. It is therefore necessary to be mindful of the risk that the new government will maintain a hardline stance and that this will lead to political and economic destabilization throughout South Asia.

**(Shotaro Kumagai)**