September 21, 2026 06:10 PM GMT

China Biotechnology | Asia Pacific

15th Five-Year Plan – Domestic Growth and Infrastructure As Actual Upside Beyond Headlines

MIIT's global milestones largely reflect today's run-rate. The domestic objectives carry the ambition: 20% innovative growth anchored to a Rmb3.5tn industry, while the funding path remains unclear as household and government shares decline.

Global milestones actually sit at or below the current run-rate: PharmCube, BCG and IQVIA place China's share of first-in-class innovation at 24% and 34% across definitions spanning asset inventory, new clinical entries and trial starts, against MIIT's 25% threshold. Two China-originated products already exceeded US$1bn in annual sales, and tislelizumab, annualizing near US$0.9bn on 2Q26 revenue, sitting alongside ivonescimab, sac-TMT and sonrotoclax to cover the remaining three. We see upside to both milestones and maintain our 2040 forecast of 35% of US FDA approvals and US$220bn of ex-China revenue. Policy attention should shift toward domestic n.

The growth objectives increase pressure on established franchises: Our estimate already puts domestic innovative-drug sales above Rmb450bn in 2023. Sustained growth near 20% would materially increase their share of pharmaceutical spending. We expect continued pressure on pricing and portfolio mix in established therapies as reimbursement is reallocated toward innovation.

Funding mechanism remains unresolved: *Healthy China 2030*, issued in 2016, targets personal healthcare expenditure at around 25% of total health spending by 2030, and government contributions have declined over 2021-2025. Social insurance, commercial and corporate sources therefore carry the increment, and we now estimate they reach close to 54% of expenditure by 2030 against roughly 48% in 2025. Ageing demographics constrain social insurance, while commercial insurance remains small: c.Rmb1tn of premiums and Rmb405bn of claims funded only c.7% of residents' medical spending.

Rmb2tn of park output sits inside the Rmb3.5tn target: Twenty clusters at Rmb100bn represent c.Rmb2tn, the majority of the industry target. We estimate the associated project investment at c.Rmb140bn on disclosed project economics, modest relative to that output bar. With utilization at 72.5% in 2025, we expect incremental spending to favour conjugate, peptide and oligonucleotide capacity over general-purpose expansion.

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Industry View **Attractive**

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Innovation Progress Today Sits At or Above Global Targets

Existing biotechnology innovation supply supports 2030 objectives

China is close to MIIT's 2030 FIC objective: PharmCube's July 2026 publication places China at 24%, compared with MIIT's 25% target. BCG's 34% share of new potential-FIC clinical entries in 2025 and IQVIA's 30% share of global trial starts in 2024 provide additional evidence of China's development scale. We see scope to exceed the global milestones by 2030, with approvals and commercial uptake determining the revenue contribution.

Exhibit 1: China's global innovation contribution

Source	Reference period	China share	Definition of the percentage
MIIT objective	2030	≥25%	Published stage perimeter includes Phase I–III, NDA/BLA and approved drugs; excludes preclinical, terminated and withdrawn programs. Full counting and country-attribution methodology remains pending. (Cnpharm)
CMSJ analysis of PharmCube	published December 2024	19%; 1,775 assets	Global FIC inventory, described as drugs with new targets or mechanisms spanning preclinical through approved stages.
PharmCube	Published July 2026; Published July 2026; Figure 6 labelled 2026 YTD	24%	Dynamic FIC classification using target, mechanism, drug form/modality, clinical stage and entry timing.
BCG analysis of PharmCube	New clinical registrations in 2025	34%; 149/438	Annual snapshot of clinically registered potential FIC assets, defined by global development leadership within a target × modality class.
IQVIA / Citeline Trialtrove	Trial starts during 2024	30%; oncology 39%	China-headquartered sponsors' share of industry-sponsored Phase I–III trial starts.

Source: CMSJ, PharmaCube, BCG, IQVIA

PharmCube's framework maps most closely to MIIT's perimeter: MIIT's published stage definition spans Phase I through approval and excludes preclinical, terminated and withdrawn programmes. PharmCube classifies on target, mechanism, modality, clinical stage and entry timing, giving an asset-level structure closest to that measure; the earlier CMSJ inventory extends into preclinical, BCG adds a global-development-leadership test within each target-modality class, and IQVIA counts trial starts, where one asset can generate several. Counting and country-attribution rules remain outstanding, and we would expect any MIIT methodology to land within this range. That said, we view share of FIC as measured position at the frontier, and the conversion into pivotal success.

The five-blockbuster objective is visible in the existing portfolio

Our consensus screen supports five blockbusters by 2030: Brukinsa and Carvykti already exceed US$1bn in annual global sales. The forecasts shown in Exhibit 2 also place tislelizumab, ivonescimab and sac-TMT above the threshold in 2030. Sonrotoclax provides additional potential, with consensus at US$885m in 2030 and US$1.3bn in 2031. Registration, indication expansion and launch execution determine whether the existing portfolio delivers MIIT's five-product objective.

Exhibit 2: Global US$1bn product candidates— actual sales, current development status and 2030 consensus.

Product	Company	Current evidence	Visible Alpha Cons. 2030e Sales
Brukinsa / zanubrutinib	BeOne	c US$3.9bn global sales in 2025	c. US$7 0bn
Carvykti / cilta-cel	Legend Biotech/JnJ	c. $1.9bn global net trade sales in 2025	c. US$2.3bn
Tislelizumab	BeOne	Q2 2026 global sales of US$229m, equivalent to a US$916m annualized quarterly rate.	c. US$1 2bn
Ivonescimab	Akeso/Summit	US BLA accepted; 14 November 2026 PDUFA.	c. US$3.0bn
Sac-TMT	Kelun Bio/Merck	Global TroFuse-005 met OS and PFS endpoints in previously treated endometrial cancer.	c. US$2.6bn
Sonrotoclax	BeOne	US accelerated approval in relapsed/ refractory MCL on 13 May 2026.	c. US$885mn (c. US$1.3bn 2031e)

Source: Company data, Visible Alpha. Note: 2030e forecasts are pulled from partner forecasts (e. Ivonescimab from SMYT, Sac-TMT from MRK)

The globalization bar sits beyond asset generation: With supply already at or ahead of the 2030 objectives, policy support should concentrate on n and payment. This also follows the emphasis on global value capture in Innovation Dawn 2.0, where the next stage of development turns on asset quality and the economics innovators retain.

Crossing the Chasm of Global Translatability

Bridging from Innovation Dawn 1.0 to Innovation Dawn 2.0: Since last year's market recognition of the "DeepSeek moment" and the inflection in China biotech's globalization outlook, licensing momentum confirms that external demand for China-originated innovation remains intact. Funding is tracking ahead of our assumptions, with trial activity mixed. Regulatory milestones — Phase 3 starts, BLA and sBLA submissions, PDUFA dates and US development activity — now carry more weight for our 2040 thesis, testing whether China-originated assets are globally developable and regula as licensable. On 8M26 data, progress broadly tracks the assumptio Innovation Dawn 2040 target.

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Exhibit 3: Globalization progress has broadly tracked ahead of our prior assumptions/forecasts during 2H25 and 2026 YTD

	2025E	2025A	2026E	8M26
Funding (US$mn, incl. licensing upfront)	11,098	10,376	12,652	12,166
BLA approval	4	2	4	1
Upcoming PDUFA				2
China NME Ph1 Initiation	710	833	691	409
China NME entering US Ph3	8	8	8	8

Source: GEI, Morgan Stanley Research estimates

Funding and US pivotal entries are ahead of our 2026 run-rate; approvals lag: Funding including licensing upfronts reached US$12.2bn in 8M26, or 96% of our US$12.7bn full-year forecast, and eight China NMEs entered US Phase III, meeting our full-year assumption. Phase I initiations of 409 annualize modestly below our 691 forecast. One BLA approval has been recorded against four assumed for the year, with two PDUFA decisions outstanding. Those decisions are the near-term delivery test. .

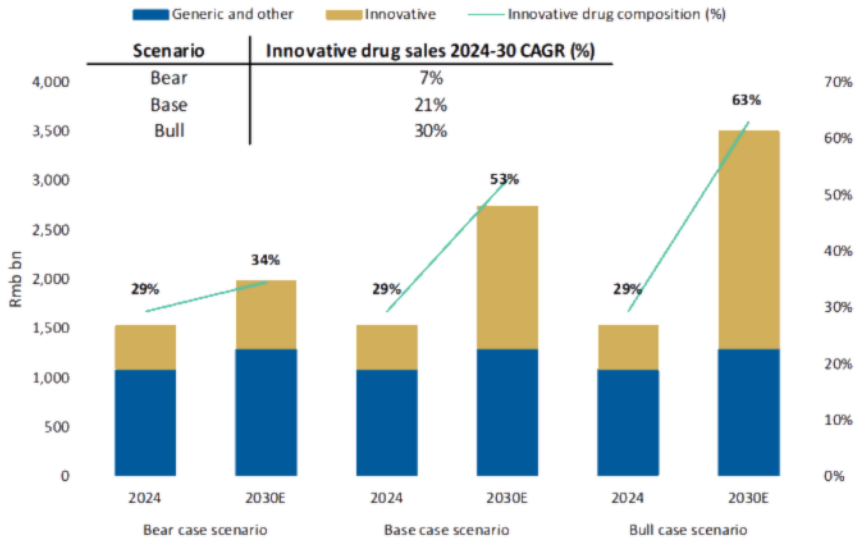
Global readouts are expanding the pool of filable assets: Sone-Ve's July OS result in CLARITY-Gastric01 and the August PFS and OS results for savolitinib plus osimertinib in SAFFRON add registrational evidence behind China-originated assets, following sac-TMT's earlier success in global TroFuse-005. Ivonescimab's 14 November FDA decision and HARMONi-3 are the next major tests of US market entry and first-line expansion. Regulatory conversion should bring milestones and overseas launch revenue forward while clarifying the economics retained by China originators.

We maintain our 2040 forecast of 35% of US FDA approvals and US$220bn of ex-China revenue: Our forecast assumes that 32% of China-originated assets reaching Phase III in China progress into global Phase III multi-regional trials by 2040. The eight US Phase III entries recorded in 8M26 meet our annual entry assumption and support the development pace underlying that forecast. The 2030 FIC and blockbuster objectives provide intermediate checks on that trajectory. Our next forecast revisions are likely to be driven by global approval rates, product-level sales and the share of commercial economics retained through licensing, co-development and direct participation. This remains the central investment framework we established in Innovation Dawn 2.0.

Domestic Growth Target Requires a Larger Funding Base and a Shift in Payer Mix

MIIT's growth objective supports the direction of our domestic forecast: At least 20% annual growth in innovative drugs is broadly in line with the 21% CAGR behind our c.US $200bn 2030 market estimate. Our base case assumes innovative medicines rise from 29% of drug spending in 2024 to 53% in 2030, alongside 2% generic growth. The policy now provides an explicit benchmark; reimbursement expansion and patient access remain the key mechanisms converting pipeline growth into sales.

Exhibit 4: Domestic reimbursement infrastructure to support a 21% CAGR in 2024-30 for innovative drugs



Source: Morgan Stanley Research estimates

The Rmb3.5tn objective implies innovation materially outgrows the rest of the industry: Revenue of above-designated-size pharmaceutical industrial enterprises reached Rmb2.956tn in 2025, implying c.3.4% annual growth to the Rmb3.5tn 2030 goal. Set against the 20% innovative growth objective, established categories contract in absolute terms. By contrast, Rmb3.5tn also sits close to our domestic bull-case drug-market estimate, which assumed a c.30% CAGR, as the industrial series includes exports, APIs and intermediate manufacturing transactions. We retain our domestic-market forecast and assess these additional revenue sources separately when comparing it with MIIT's industrial objective.

Funding is the binding constraint behind the growth target: Our funding framework assumes nominal GDP growth of 3.5% over 2026-30e, healthcare reaching 9.3% of GDP by 2030e against 6.7% in 2021, and a reallocation across funding sources. The Rmb3.5tn drug market bull-case implies a 23% share of c.Rmb15.3tn healthcare spending. From NHC's preliminary Rmb9.34tn 2025 estimate, that requires c.10.4% annual healthcare-

spending growth through 2030.

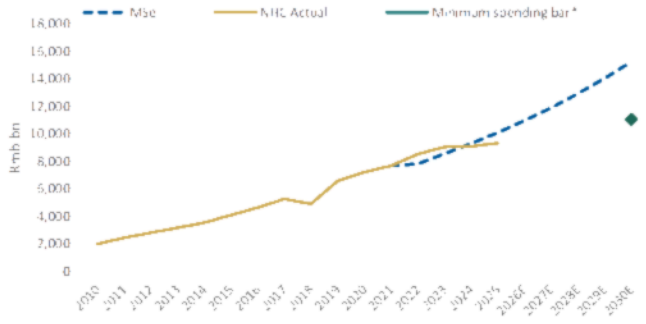
Three drivers support the original forecast: MSR now expects real China GDP growth of 4.6% over 2026-27e and 4.3% over 2028-30e, above the 3.5% we previously assumed. Pharmaceutical industrial revenue of Rmb2.956tn in 2025 equates to c.31.6% of total healthcare spending on NHC data, against our 2030e assumptions of 18% in the base case and 23% in the bull case, despite the two series not measured on the same basis. Holding that ratio at its 2025 level, total healthcare spending needs to clear only a 3.4% CAGR to support the Rmb3.5tn target.

Our financing scenario requires social funding to grow c.13% annually: We assume social, commercial and corporate sources fund 54% of healthcare expenditure in 2030, government 21% and individuals 25%. At Rmb15.3tn of total spending, the combined social contribution reaches Rmb8.26tn, from Rmb4.46tn in 2025. Government expenditure still increases to Rmb3.21tn despite its lower share.

Employee and resident insurance require different funding levers: Employee-insurance revenue depends on the number of active contributors, insured payroll and effective contribution rates. Resident-insurance funding depends on enrolment, per-capita government subsidies and personal contributions. Supporting faster innovative-drug growth also requires a larger allocation within reimbursed spending, including outpatient and chronic-disease benefits. We would assess delivery through fund revenue, benefit expenditure and reimbursed drug volumes.

Commercial insurance needs faster growth and broader drug coverage: Health-insurance premiums reached Rmb997.3bn in 2025, up approximately 2%. The first commercial innovative-drug catalogue, implemented in January 2026, provides insurers with a reference covering 19 medicines. Its contribution to innovative-drug sales depends on incorporation into insurance products, patient eligibility, benefit limits and claims paid. We would track drug-specific coverage, reimbursed patients and direct settlement to assess whether supplementary insurance is expanding access.

Exhibit 5: Actual healthcare spending has tracked MSe broadly, but recent growth has undershot forecasts



Source: NHC, Morgan Stanley Research estimates. Note: * the minimum healthcare scenario is 7.03tn to reach the Rmb3.5tn target for pharmaceuticals assuming consistent % of overall spending as 2025

Exhibit 6: Our financing scenario requires social funding to grow c.13% annually:

Funding source	2025, RMBtn	2030 share	2030, RMBtn	Required 2025–30 CAGR
Government	2.35	21%	3.21	6.50%
Social/ commercial/ corporate	4.46	54%	8.26	13.10%
Personal	2.53	25%	3.83	8.60%
Total	9.34	100%	15.3	10.4

Source: NHC, Morgan Stanley Research estimates

Park Expansion Target Indicates a Multi-Year Manufacturing Investment Cycle

MIIT's 20-park objective adds a substantial industrial-scaling requirement: The plan targets 20 biotechnology/pharmaceutical parks at Rmb100bn scale by 2030, implying at least Rmb2tn of combined activity on a consistent, non-overlapping basis. Park expansion could increase demand for production equipment and manufacturing services: Companies adding production lines would generate construction and equipment orders. Shared manufacturing facilities could also earn service fees from developers that outsource production. As output increases, suppliers of manufacturing materials would gain recurring sales.

The expansion requirement extends across established clusters: Our top 20 park screen identifies seven locally reported observations around or above Rmb100bn. Among the follow-up group which are not yet at the bar, Zhongguancun Life Science Park reported c.Rmb100bn of enterprise income, Yizhuang Rmb81bn of industrial output and China Medical City Rmb54bn of invoiced sales. Summing each cluster's gap to Rmb100bn gives an indicative c.Rmb720bn expansion bridge across the top 20 parks.

Exhibit 7: Top twenty major biotechnology/pharmaceutical parks and clusters — latest disclosed scale

Park / cluster	Approximate scale, RMBbn	Reported measure and scope
Guangzhou Development Zone / Huangpu	240	Biomedicine/health revenue
Wuhan East Lake / Biolake	220	Broad biological/life-health scale, including bio-agriculture
Suzhou Industrial Park	175.5	Broad industry scale; BioBAY is nested within the zone
Chengdu High-Tech Zone	160+	Broad biomedicine scale
Shanghai Zhangjiang Science City	144	2025 biopharma revenue; broader industry scale definition has been reported at c. Rmb187bn
Chongqing International Biocity	110	Reported industry scale
Wuxi High-Tech Zone / Xinwu	110	Broad biomedicine scale
Zhongguancun Life Science Park	99.9	Core-park enterprise income
Beijing Yizhuang / E-Town	81.3	Biomedicine industrial output
Shijiazhuang High-Tech Zone	58.1	2024 High-Tech Zone biomedical revenue was RMB58.12bn, 46.2% of city total.
Tianjin TEDA / Binhai cluster	56	Biomedical industrial output
China Medical City, Taizhou	54	Invoiced sales; industrial output separately reported at RMB25.1bn
Hangzhou Qiantang / Mediport	50	Industry-scale threshold disclosure
Nanjing Biopharma Valley	36+	Jiangbei New Area government says 2024 industry income exceeded RMB36bn
Xiamen BioBay / Haicang core	32.5	Park industry scale
Beijing Daxing Biomedicine Base	32.1	Core-base industrial output; RMB73.7bn is the district-level figure
Jinan High-Tech / Zhangjin component	24.6	Component-area biomedicine output; a floor for the wider zone
Changchun High-Tech Zone	24.1	Biomedicine industrial output
Yantai EDZ / Huangbohai New Area	20	Reported biomedicine output
Kunming High-Tech Zone	11.6	Above-size biomedicine industrial output

Source: Municipal government announcements

Manufacturing Project	Investment, RMBbn	Planned annula output/ sales, RMBbn	Investment/output
Qilu	3.0	20.0	0.15x
Jiudian	1.1	6.0	0.18x
Huahai	10.0	40.0	0.25x

Closing the individual park gaps implies c.Rmb140bn of project investment on disclosed peer economics: The Rmb720bn scale increase, multiplied by the three projects' average investment/output ratio of c.0.19×, gives c.Rmb140bn, within a Rmb110–180bn peer range. This is a manufacturing-project sensitivity based on planned output. The expenditure schedule and contribution from existing capacity remain to be

established.

Equipment orders provide the earliest evidence of park-related demand: New production lines generate engineering and equipment contracts, followed by recurring demand for manufacturing materials as output rises. CDMO revenue depends on developers awarding outsourced projects; companies expanding their own factories may supply more production internally. We would revise supplier forecasts against disclosed order wins, customer commitments and utilization.