

Slowdown in China?

By Bertrand Cristau

At beginning of September, our Chinese suppliers announced delays in delivery because their sub-contractors had unexpected delays in production. More and more announced late deliveries, without reliable new delivery dates. The sub-contractors were in internal provinces where slowdowns weren't typical. Typhoons were gone, the ongoing labor shortage wasn't new, the shortage of international containers in August had largely been solved. What was going on?

The delays appeared to be related to electricity shortages. Electricity shortages in September, when the peak consumption of summer was over? Hard to believe! Would the efforts of the central government to force-close the polluting small electric-power plants cause such energy shortages? By October, many provinces that had never suffered from shortages were experiencing shutdowns.

November brought closings and queues at gas stations, and diesel shortages in more developed provinces around Shanghai and Guangdong. Many companies in developed areas turned to the diesel market for powering generators, creating a shortage of diesel. It turns out that local governments are limiting the supply of electricity to reduce emissions and meet the central government's conservation targets for 2010.

During the 11th Five-Year Plan (2005- 2010), China sought to reduce energy consumption per unit of GDP by 20%. A 16% consumption reduction was reached in the first 4 years, but consumption did not reduce in the first half of 2010. Now many local governments, rushing to meet regional targets set by the central government, have decided to introduce blackouts in the remaining months. Drivers who could not find diesel in their own stations are going to neighbouring ones, and the shortage is quickly spreading all over the country. Voices are now rising to say that finally the central government policy will run against its initial aim of emission reduction!

Surely the central government was aware of the consequences of its increased pressure. Entrepreneurs and local governments, remembering the decision of the central committee of the Chinese Communist Party in Autumn 2008 that China should turn from quantitative to qualitative development, should plan for further measures to restrict energy consumption in the coming months.