

Why China's New Power-Use Record Isn't as Electrifying As it Sounds



A power plant near Hengshui in China's Hebei province.- Agence France-Presse/Getty Images

China on Friday posted figures showing the world's second-largest economy consumed a record amount of electricity in December, but the hot numbers met a cold shoulder from analysts watching the industry.

If volts [don't lie](#), the all-time-high usage – along with statistics earlier this week showing China [buying scads of bargain commodities](#) on global markets – suggest the country could be priming a production surge following what many economists say could be the country's first [failure](#) since 1998 to meet its annual growth target.

At 511.7 billion kilowatt-hours, December's power consumption rose at 10.5% compared with November, according to [data](#) from China's National Energy Administration. That's the highest volume since August last year, when the nation consumed 510 billion kWh, and the fastest pace of month-on-month growth in at least a year.

So why aren't analysts impressed? The key indicator, they say, is the year-on-year growth numbers – and those don't suggest a significant improvement, at least not yet.

“The question is the growth – it's the most important indicator and it's in line with figures that show the economy is still slowing,” said investment bank North Square Blue Oak's Miao Tian.

In December, China's electricity consumption rose 4.7% year-on-year, according to China Real Time's calculations. That's higher than every preceding month since June, but only restores the sector's pace of growth to the same levels as in the first half of this year, when growth was still relatively anaemic.

Another important figure is consumption for the full year, which at 5.52 trillion kWh, rose just 3.8% from a year earlier – half the pace of last year's growth. The fact that 5.52 trillion kWh marks a fresh record, again, meant little to the analysts. China's been posting consecutive annual power consumption records for decades, they say.

There may be another reason for the unusual surge: The government shut down [large numbers of factories](#) in areas around Beijing in November in order to ensure blue skies for the Asia-Pacific Economic Cooperation. Beijing was so keen to put on an unpolluted face for 21 visiting world leaders that it lopped an estimated 25% off steel production that month and 3% across industries overall. Factories restarting their production in December would be striving to catch up on all the lost volume, analysts say.

That, along with a whole bunch of electric heating systems kicking into gear as winter set in, could be broadly ascribed to seasonal effects on power consumption.

“There's no doubt that the economy stabilized somewhat toward the end of the year, and companies did restart quite a bit of production after selling down inventories during earlier suspensions,” said Dai Bing, an analyst with Beijing-based consultancy Coal Network. “But the overall macroeconomic situation is still weak.”

– *Chuin-Wei Yap. Follow him on Twitter [@YapCW](#)*

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