



## From China, Some Relief on Oil Demand

Posted by [Yankee](#) on July 14, 2005 - 5:51am

From the [New York Times](#): China's oil consumption is down 1% in the second quarter of this year after having risen 11% in 2003 and 15.4% in 2004. (Thanks, [Balogh](#))

No time for extensive commentary right now, but these are the first 3 paragraphs:

A sudden and mysterious drop in China's oil consumption helped to push down the International Energy Agency's estimate on Wednesday of global demand for this year.

After growing 11 percent in 2003 and 15.4 percent last year, China's overall oil use declined 1 percent in the second quarter from the comparable quarter a year earlier, the agency said.

The drop is the latest in a series of unclear and often conflicting indications about whether the Chinese economy is still growing strongly. Top officials of the agency said in interviews they believed that the decline was temporary and that they expected Chinese demand to rebound in the second half of the year, but added that world oil prices could take a heavy blow if Chinese use did not increase.

IEA officials are saying that the drop in demand is probably temporary, and that the most likely explanation for it is

that China had not been allowing the domestic price of electricity and many refined products, like gasoline and diesel fuel, to rise nearly as quickly as world prices. This has caused power-generating concerns and service stations to sell less electricity, and less gasoline and diesel fuel, to limit their losses.

China is an interesting situation. Contrary to the recent discussions we've been having about oil and the free market, there'll be none of that in China. What happens to global oil supply and demand if it's subject to the whims of the market in one major energy-using country, but is tightly controlled by the government in another?

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