

# China's power shortages, housing struggles put the brakes on its economy

By [Eva Dou](#)

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It was the summer when the rains wouldn't stop. The lights went out. And a housing boom came to a shuddering halt.

China's economy still grew 4.9 percent in the third quarter, matching its rate from a year earlier. But it lagged behind projections, reflecting that simply controlling the spread of the [coronavirus](#) isn't enough to ensure smooth sailing.

First, central China was [flooded](#) by record rains over the summer, which destroyed crops and washed away homes and businesses. In September, a fuel shortage prompted rolling power outages across the country, disrupting factory production and daily life. Then came the news that mega property developer Evergrande was unable to repay its staggering debts, [sending jolts of panic](#) through the financial sector.

These challenges are weighing on the world's second-largest economy, despite Beijing's triumph in all but eradicating the coronavirus, a preoccupation for the past year and a half. While outbreaks are no longer a major risk that could derail production in the country, power shortages and financial turmoil just might be.

**"China's growth momentum has taken a sharp hit from the combination of deleveraging, squeeze on property speculation, and energy shortages,"** said Eswar Prasad, an economics professor at Cornell University.

In a news conference on Monday, National Bureau of Statistics spokesman Fu Linghui called the impacts of the energy crunch and housing crisis limited.

"Overall, China's national economy maintained a gradual recovery in the first three quarters," he said. "But we must see that uncertainties in international circumstances are mounting, and our economic recovery remains unstable and unbalanced."

Strong growth in electric cars, industrial robots and integrated circuits helped to buoy the economy in the third quarter. But traditional industries, like cement and steelmaking, experienced double-digit percentage declines.

In a research note, Capital Economics, a London-based firm, said one bright spot was that China's urban unemployment rate had fallen to 4.9 percent in September, the lowest since December 2018.

"This suggests that the near-term prospects for consumer spending remain favorable," it said.

After contracting 6.8 percent at the pandemic's onset in the first quarter 2020, China has since managed to notch continual growth. Beijing has set an easy GDP target of over 6 percent for the whole year and is expected to meet it, with its economic growth for the first nine months of 2021 up 9.8 percent on the year. Still, officials have signaled their nervousness over the prospects for certain sectors.

The energy crunch has recently surged to the forefront, as factories find themselves entering the holiday production rush season without being able to reliably keep the lights on. Chinese authorities have urged energy authorities to secure enough fuel, with Premier Li Keqiang saying at a meeting of senior officials that China must ensure its supply chains and energy security, despite efforts to limit carbon emissions.

Energy authorities have announced efforts to acquire more coal from overseas to meet the shortfall, including from Russia, Indonesia and Kazakhstan.

Investors are also wary of the economic effects of Evergrande's debt crisis, which have begun to spread to other property developers. Economists say the fallout is unlikely to have major impacts around the world, but China will still feel the pain at home, with real estate construction long serving as an economic engine.

In addition, there has been rising investor concern about crackdowns on some of the most successful Chinese private-sector companies, including mobile payments giant Ant Financial and online education firms. In the quarterly Cheung Kong Investor Sentiment Survey, conducted by a Beijing-based business school, the percentage of investors concerned about the state of China's private economy rose to 39 percent in the third quarter from 34 percent in the previous three months.

*Lyric Li in Seoul contributed to this report.*

