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# China's Scorching Heat Leads to Power Cuts, Factory Disruptions

Foxconn, VW, Toyota plants hit in Sichuan; crop output also affected



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Dried-up rivers, scorching heat and power rationing in parts of China are disrupting factories and threatening crop yields, adding to the country's economic strains and echoing struggles with extreme weather elsewhere around the world.

Parts of China are suffering their worst heat wave in six decades, with temperatures as high as 110 degrees Fahrenheit in many parts of the country's central and southwestern regions, according to state weather services, which predict that high temperatures in the south may last another two weeks.

The heat has coincided with a lack of rain, down 40% in July from a year earlier (and the lowest since 1961), and with water levels in the upper stretches of the Yangtze River—a crucial source of hydropower, transport and water for crops—at the lowest level since recordings began, according to data published Monday by China's Ministry of Water Resources. Soaring temperatures have driven up air conditioning demand, overloading the electricity grid.

On Monday, the southwestern Chinese province of Sichuan, heavily reliant on hydropower, ordered many factories in 19 cities to shut or scale back production for six days to give priority to electricity supplies for homes, according to a notice seen by The Wall Street Journal and referenced in company filings.

The cuts, while limited so far, are hitting a number of global manufacturers. Apple Inc. device maker Foxconn Technology Group had to partially cease production at a plant. A spokesman said the impact currently isn't significant.

Toyota Motor Corp. and Volkswagen AG both said their plants in Sichuan had temporarily suspended operations. VW said it expected a slight delay on deliveries but believed they could be made up for in the near future.

Aluminum producer Henan Zhongfu Industrial Co. also said in a filing that its subsidiaries based in Sichuan will have to suspend production for a week, and some fertilizer companies reported hits to their output.

The impact of the power curbs on China's overall industrial production in August will be limited if they last only the six days ordered by Sichuan, said Zhang Yiping, an economist with China Merchants Securities. Still, China's industrial output has already been hurt by suspensions caused by efforts to rein in Covid-19 outbreaks, and electricity supply problems have the attention of top leaders.

Chinese Vice Premier Han Zheng said Wednesday that the government would ensure the power and energy supplies needed to support the country's economy and stabilize consumer prices. He pledged to step up support for coal power plants and prevent outages.

Sichuan has a population of 84 million people and an economy close to the size of Switzerland's. It relied on hydropower for more than 80% of its electricity generation in 2021.



Although the water available to Sichuan for hydropower fell by 50% in August from a year earlier, the province—an exporter of power—is obliged to fulfill contracts to send electricity to cities such as Shanghai and provinces including Zhejiang, an industrial powerhouse on China's prosperous east coast.

The Yangtze is the longest river in China and the third-longest in the world. From its source on the Tibetan plateau, it winds for nearly 4,000 miles before emptying into the East China Sea near Shanghai, feeding some of the country's most productive farmland. It also serves as a vital waterway for the transport of goods, conveying more than 2 billion metric tons of cargo in the first seven months of the year, according to Chinese state media.

At Hankou, a key Yangtze River monitoring site in the central Chinese city of Wuhan, water levels dropped to the equivalent of about 57.5 feet on Aug. 13—the lowest for this time of year since records began in 1865, the city's Water Resource Department said.

On Tuesday, the Ministry of Water Resources said it would release 500 million cubic meters of water from the Three Gorges Dam to replenish the middle and lower reaches of the Yangtze.

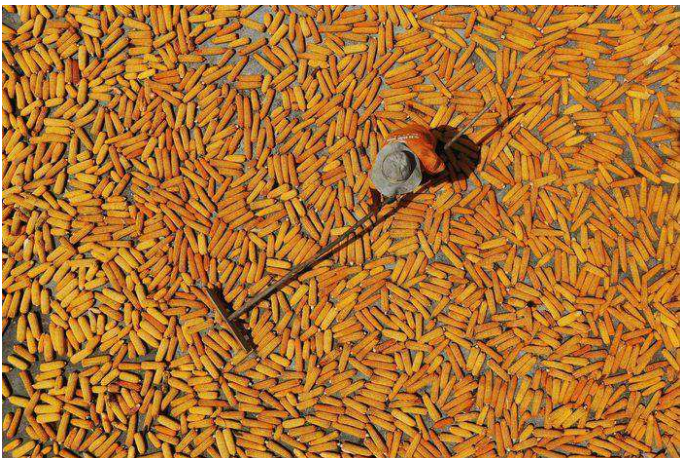
Record temperatures in many areas of the world this summer have threatened crop yields in the U.S., killed hundreds in Europe and bent rails in the U.K., in addition to disrupting power generation.

Some analysts worry that the drought and heat in China will damage the output of crops such as rice and corn for the fall harvest season in the country's central regions and along the Yangtze River basin. The corn crop is in a key stage called tasseling, where bad heat or water conditions could hurt yields, said Darin Friedrichs, co-founder of Sitonia Consulting, a Shanghai-based agricultural research firm.

The five provinces and one municipality affected by drought produced around a quarter of China's total grain output in 2021, according to the National Bureau of Statistics.

The impact of the drought and heat wave could lead Beijing to import more corn from Brazil or the U.S., Mr. Friedrichs said.

The U.S. is the biggest seller of corn to China, which is already coping with cuts to exports from Ukraine, another major supplier. For the year ending September 2023, China is expected to produce 271 million metric tons of corn and import 18 million metric tons, with the majority of it being used as animal feed, while industrial applications are expected to use 81 million metric tons, according to forecasts from the U.S. Department of Agriculture.



In Yaodu Town, about 200 miles north of Sichuan's provincial capital of Chengdu, spring corn that was planted in May and due to be harvested in August had wilted in July, while autumn corn planted in mid-July has barely grown because of a lack of water and baking temperatures, according to local media.

August and September are critical periods for fall grain production, said Fu Linghui, a spokeswoman for China's National Bureau of Statistics, during a press briefing on Monday, adding that China would try to keep grain output stable.

China's Ministry of Agriculture and Rural Affairs has dispatched teams to the key grain-producing provinces affected by high temperature and drought, China's state-run Xinhua News Agency reported.

Xing Zhaopeng, an economist with ANZ, said the heat wave and drought that hit Sichuan and other provinces along the Yangtze River has driven up China's vegetable prices, which rose 12.9% in July from a year earlier, compared with a 3.7% year-on-year increase in June.

“But the shock to vegetable supply and prices will also be short term,” he said.

On Aug. 12, local Chinese media reported that egg prices in Hefei, the capital of central Anhui province, had risen by roughly 30% from June after hens there laid fewer eggs amid the heat. Even after some farmers installed air conditioning in the holding pens, hens still produced 2-3% fewer eggs than in cooler weather, the reports said.

In its annual climate-change report published earlier this month (Aug. 3), the China Meteorological Administration said China's average annual surface temperature rose by an average 0.26 degrees Celsius each decade between 1951 and 2021—much faster than the global average of 0.15 degrees Celsius each decade.

Sichuan's six-day power outage for industrial companies could further push up lithium prices, Guotai Junan Securities, a Chinese brokerage, told clients in a note Tuesday. Sichuan produces nearly one-third of China's lithium salt and 20% of the world's total. The supply of lithium salts is crucial for making lithium-ion batteries that power devices such as smartphones, laptops and electric vehicles.

Fertilizer output could be hit as well. Sichuan Lutianhua Co., a fertilizer producer, said in a stock-exchange filing Monday that Sichuan's power curbs could reduce its urea output by about 35,000 tons and its methanol production by around 10,000 tons, hurting profits.

Sichuan Meifeng Chemical Industry Co. said in a filing that a production suspension caused by the power rationing was expected to cut urea output by about 15,000 tons and compound fertilizer output by about 6,000 tons but wouldn't have a significant impact on the company's operating performance.

—Grace Zhu contributed to this article.

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