

Chinese official warns of overcapacity amid industry recovery

BEIJING, Dec. 3 (Xinhua) -- Senior Chinese officials Thursday warned of increasing industrial overcapacity, saying that expansion of some Chinese industries has outrun the growth of market demand.

Boosted by government policies, domestic market demand increased rapidly, but industrial capacity expanded faster, Jia Yinsong, inspector of the raw materials division under the Ministry of Industry and Information Technology (MIIT), told a press conference.

The situation made industrial overcapacity more serious and caused price fluctuations, he said.

Steel, cement, and flat glass industries were highlighted as among those with overcapacity problems during Thursday's press conference.

In the first 10 months, crude steel production reached 472 million tonnes, up 10.5 percent year on year. This is compared to a 13.5 percent fall of global steel production at 982 million tonnes during the same period.

Cement production was up 18.7 percent at 1.34 billion tonnes while production of flat glass was up 2.5 percent to 469 million weight boxes, each weighing about 50 kilograms, Jia said.

Total capacity in China's steel industry hit 660 million tonnes by the end of 2008. By October, excess capacity in the sector had reached 200 million tonnes with another 58 million tonnes under construction, according to MIIT figures released on Oct. 27.

The cement sector also saw huge excess capacity. Total capacity in the sector was 1.87 billion tonnes by the end of last year, but only 1.4 billion tonnes of cement was produced in 2008. By the end of September this year, another 600 million tonnes of capacity were put to use or under construction, MIIT figures show.

The rising capacity was accompanied by expanding investment in those sectors. Investment in the cement industry grew 64 percent while investment in flat glass grew by 35.3 percent and in steel by 3.8 percent year on year in the first 10 months, Jia said.

He gave no exact figures for investment.

About 27 percent of capacity in the country's cement sector was obsolete, according to Jia.

Jia said the government would push forward mergers and acquisitions in the steel sector to increase industrial concentration.

Xiong Bilin, an official with the Industrial Coordination Division under the National Development and Reform Commission (NDRC), the country's top economic planning body, said at the press conference that the NDRC would join with the MIIT and other government departments to strictly control overcapacity in some sectors.

Xiong said government documents were expected to be released soon regarding industrial

readjustment. He said projects involving new capacity building or expansion in the steel industry would be refused approval and support by the government.

In January, the central government unveiled a support package for the auto and steel industries, which also highlighted eliminating outdated capacity, promoting technological advancement, while warning against establishing new projects in the steel sector.

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