

Electricity Consumption and Economic Growth in China

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ABSTRACT

This project applies the Error Correction Model to examine the causal relationship between electricity consumption and national real GDP for China during 1978-2010. The estimation results indicate that national real GDP and electricity consumption for China are cointegrated and also there is unidirectional Granger causality running from real national GDP to electricity consumption but not vice versa. In order to maintain the mutual development of the electric power industry and national economy, the Chinese government should regulate the electric industry's investment rate and adjust the electricity price in order to improve the investment environment of the electric industry and also make the industry more competitive.