

Effects of Chinese Oil Consumption on World Oil Prices

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January 2008

Abstract: world oil prices have experienced record levels in recent years. Various hypotheses have been put forward to explain this phenomenon. One popular explanation among practitioners is the “Chinese factor”: the accelerated Chinese demand for imported oil since 2001 is a significant factor that has altered the balance between supply and demand in the world market and resulted in unprecedented price levels. In this study, we provide empirical evidence on the “Chinese factor”. In particular, we examine the relationship between Chinese monthly imported oil quantities and Brent oil prices from 2002 to 2007, using ECM model. Our results show Brent crude, as a benchmark world oil price, has been adjusting to monthly Chinese crude oil import quantities, a result implying that “Chinese factor” is a significant factor that influences world oil prices.

¹ Corresponding author. The author is a faculty of Cass Business School, City University, London, UK. The paper is produced while conducting research at Fudan University on Chinese energy market funded by the Dept of Innovation, Universities and Skills, UK. The author wishes to thank Liu HongZhong, Chao Yu, Liang XiangLin and Gao Xiaomei for helpful support for the project; Yan Lin, Zhang Yanxun, Song Jun, for stimulating discussions and suggestions. Funding by UK-China Research Excellence programme is acknowledged. All remaining errors are, of course, of the author.