

DAILY ECONOMIC COMMENT

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October 26, 2009

Gas Demand on the Up and Up

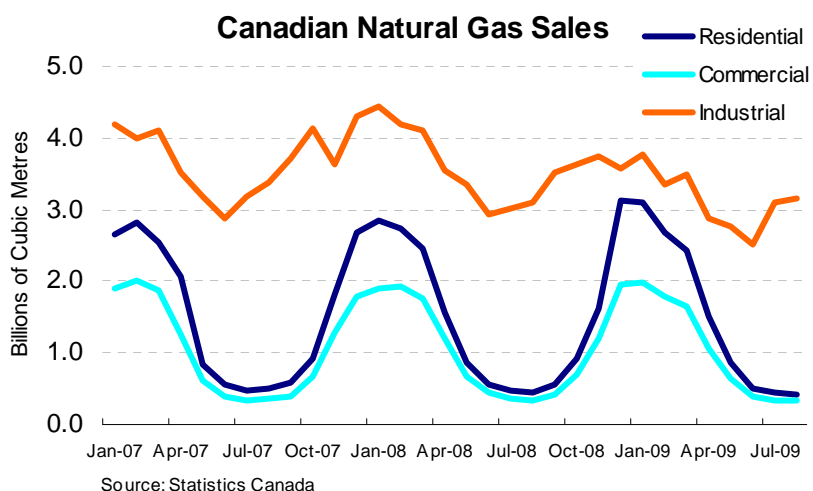
Natural gas has had a tough go of it in 2009, with pressure from both the demand and supply sides weighing on prices. But recently, gas prices spiked from multi-year lows to around \$US 5 per mcf. It is possible that a rebound in demand from industrial users is helping to fuel the sentiment that has pushed gas prices higher.

Canadian natural gas sales totaled 3.9 billion cubic metres in August 2009, a 0.4% gain from the same month in 2008. August's year-over-year increase followed a 0.3% rise in July — the first time in twelve months that gas demand was higher on a year-over-year basis.

All of the recovery in gas demand in the summer of 2009 resulted from higher sales to industrial users. Industrial gas demand was up 1.8% in August, more than enough to offset a 4% year-over-year decline in commercial and a 5% reduction in residential sales.

Gas demand in the commercial and residential sectors is largely weather dependant, growing gradually as the number of households and the population increases. Industrial gas demand, the largest of the three users, is more dependent on the overall level of economic activity. With the recent economic recovery, on both sides of the Canada-US border, industrial gas demand may be set to move back towards pre-recession levels.

Because Canadian industrial gas demand is small compared to that in the US, the recent price rebound likely has little to do with the nascent recovery in Canadian industrial gas demand. However, the North American wide industrial recovery would have more of an impact and will, at a minimum, help alleviate the oversupply that currently exists in North America.



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