



Natural Gas Declines as Slumping Economy Curbs Energy Demand

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By Reg Curren

Jan. 12 (Bloomberg) -- Natural gas futures in New York declined for a fifth day on concern a deepening recession in the U.S. will slash fuel use for much of 2009.

Falling demand for natural gas used to produce chemicals and run factories, which accounts for 29 percent of U.S. consumption, left stockpiles 3.2 percent above the five-year average, a government report last week showed. Gas prices rebounded from steeper declines on forecasts for cold weather.

"We have some really cold temperatures to contend with and that's one thing cushioning the price weakness," said **Jim Ritterbusch**, president of Ritterbusch & Associates in Galena, Illinois.

Natural gas for February delivery fell 2.3 cents, or 0.4 percent, to \$5.493 per million British thermal units at 10:53 a.m. on the New York Mercantile Exchange after falling as low as \$5.37. Gas futures have fallen 2.3 percent this month.

Temperatures are expected to be below normal in the eastern half of the U.S. through Jan. 19, according to forecaster MDA Federal Inc.'s EarthSat Energy Weather of Rockville, Maryland.

Chicago may have lows of minus 17 Fahrenheit (minus 27 Celsius) by Jan. 16. New York may fall to 2 degrees by Jan. 17, the forecaster said. The typical lows are 14 degrees in Chicago and 26 in New York.

Lower **temperatures** help lift demand because of residential heating needs, especially in the Midwest, where 72 percent of households rely on natural gas.

Weak Economy

Gas and oil prices also declined on concern U.S. demand will slow during the recession. Job losses may double to more than 5 million by the end of 2009, the most since the Great Depression, as a prolonged recession shatters business confidence, economists said last week.

Payrolls may drop by an additional 2.4 million workers this year, projected Ethan Harris, co-head of economic research at Barclays Capital in New York. The Labor Department reported Jan. 9 that job losses last year totaled 2.6 million, the biggest annual decrease since 1945.

"Crude is taking it on the chin," said **Chris Jarvis**, president of Caprock Risk Management LLC in Hampton Falls, New Hampshire. "Oil is more economically sensitive than gas."

Crude oil for February delivery fell \$2.90, or 7.1 percent, to \$37.93 a barrel in New York, down 15 percent this month.

Oil may drop to \$32 a barrel and weigh on gas prices in the coming days, Ritterbusch said.

"We're looking at a gas market that could potentially spend 80 percent of its time between \$5 and \$6 within the next five or six weeks," he said.

In the past month, gas prices have traded from a low of \$5.21 per million Btu to a high of \$6.24, according to data compiled by Bloomberg.

Gas inventories stood at 2.83 trillion cubic feet the week ended Jan. 2 after dropping 47 billion cubic feet, the U.S. Energy Department said on Jan. 8. The surplus to the five-year average expanded to 3.2 percent from 2 percent in the previous week's report.

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