

UTILITIES

UTILITIES OVERVIEW

Operators in the utilities industry provide services including electric power generation and transmission, natural gas distribution, steam supply, water supply, and sewage removal. The industries' patterns are influenced by a variety of factors, the most important of which are electric power consumption and the pricing trends of the various resources utilized to create energy. The industry has seen decreased earnings in the five years leading up to 2021, owing to sharp drops in natural gas prices and low electricity demand due to households continuing to shift to using energy-efficient appliances. Over the five years to 2021, industry revenue increased marginally, expanding at an annualized rate of 0.5% to **\$638.4 billion**, including a **5.2% gain in 2021** due to an increase in the price of natural gas and electric power. Prices are projected to rise as a result of decreasing production and higher imports by US oil firms. Rises in oil prices at the production level are projected to lead to price increases in downstream industries that utilize oil as an input. Utilities companies are likely to pass on such additional costs to consumers.

UTILITIES OUTLOOK

Revenues in the utilities industry are predicted to continue growing in the coming years, albeit at a slightly slower pace. Industry operators anticipate that electric power demand trends, price trends, pricing trends of various resources utilized to generate electricity, and changes in natural gas prices will determine industry performance. The elimination of the Clean Power Plan (CPP), together with the expiration of the Federal Investment Tax Credit and the Production Tax Credit, will inevitably slow projected growth in the renewables segment of electric power generation. While the elimination of the CPP will likely benefit coal producers in the short term, coal-related generation is predicted to decline significantly overall during the forecast period, lowering coal's role in the industry. However, over the next four years, both electric power transmission and natural gas distribution are likely to see an increase in the number of businesses, institutions, and employees as demand for these services rises in tandem with economic expansion. Over the next four years to **2026**, industry revenue is expected to increase by **0.4%** annually to **\$650.7 billion**.

KEY EXTERNAL DRIVER #1

Price of Natural Gas

Natural gas is distributed to customers by natural gas utilities. As a result, gas prices have a significant impact on revenue. Additionally, when the price of natural gas declines, companies that generate electricity from it make more money and create more electricity. As already being realized in the market, the price of natural gas is expected to rise.

KEY EXTERNAL DRIVER #2

Electric Power Consumption

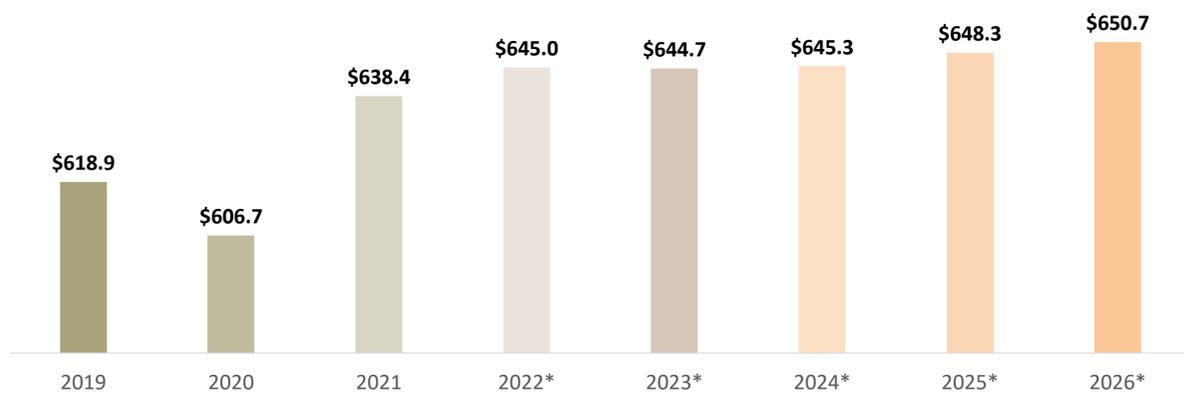
All power must be delivered to end users through this subindustry's transmission and distribution networks. As a result, electric power consumption tends to follow utilities industry demand and revenue. However, if it grows too slowly, it may have a negative impact on industry revenue. Electric power demand is predicted to rise, presenting a potential opportunity for the industry.

KEY EXTERNAL DRIVER #3

Housing Starts

The amount of new residential dwellings under development is referred to as housing starts. Because all utilities services are household necessities, an increase in housing starts increases demand for industry services. Housing starts are predicted to rise.

INDUSTRY ANNUAL REVENUE 2019-2026* US\$ BILLIONS



CONCLUSION

To summarize, the utilities industry is in a unique position to take advantage of broad macroeconomic factors and expansion, which will boost industry performance. As the COVID-19 pandemic abates and companies resume operations, electricity consumption is anticipated to increase. Demand for electric power transmission and consumption, natural gas distribution, and housing starts (which fully rely on all utility services) will all contribute to revenue growth through 2026.

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