

MARKET UPDATE

Each quarter we will bring you an update on the heating market, with a focus on boiler sales. This update replaces the quarterly Boiler Sales Update which HHIC used to distribute as a separate publication.

Highlights

- Domestic gas boiler sales volumes were down 1.7% in 2008 compared with the record sales in 2007 reflecting the difficult housing market
- Sales in the fourth quarter were down 6% on the same period in 2007
- Condensing boiler sales increased by about 1% in 2008 to 1.55million

Total gas boiler sales were almost 1.59 million in 2008. This was a 1.7% reduction on the record sales of over 1.6 million in 2007. The year had started well with a 5% increase in sales in the busy first quarter compared with 2007. By May a significant slow down in sales had started as housing and wider economic factors began to take hold and in Q2 as a whole, sales were very similar to 2007. In Q3 sales had fallen by nearly 8% over 2007. In Q4 the table shows some fluctuation in monthly sales but taken together sales were down by just over 6%.

The condensing boiler share of the market increased to 98% in 2008 from 95% in 2007. There have been some variations in this figure from month-to-month with three individual months when condensing boilers sales reached 99%.

Solar Water Heating

Sales (sq m – aperture area)	Q4 2008	Q4 2007	Comparison 2008 to 2007
Flat plate	7100	4543	+56%
Vacuum tube	3150	928	240%
Total	10250	5471	+87%

The table shows solid growth in sales of solar panels from suppliers that contribute to these



Gas Boiler Sales Q4 2008 v Q4 2007

	Q4 2008			Q4 2007			Annual Comparison		
	Oct	Nov	Dec	Oct	Nov	Dec	Jan08-Dec08	Jan07-Dec07	% change
Total boiler sales (000's)	168.6	146.5	110.9	166.8	173.7	113.8	1587	1615	-1.7
% condensing	99	98	97	96	96	97	98	95	

statistics. The market grew at a slower rate in the fourth quarter of 2008 compared to the previous quarter perhaps in part due to adverse weather. Total sales in 2008, however, grew at an impressive 90% from 2007 to almost 40,000 sq metres.

Economic Overview

The heating market is influenced by a range of factors many of which involve decisions based on economic factors. Some of these are outlined below.

Inflation

Recent changes in RPI and CPI annual rates were as follows:

	Sep 08	Oct 08	Nov 08
CPI change (%)	5.2	4.5	4.1
RPI change (%)	5.0	4.2	3.0

The most recent largest downward contributions in both CPI and RPI came from transport costs. This was mainly due to reductions in the prices of petrol and oil. There



was also a large downward contribution to both indices from fuel and light. The effect was mainly from heating oil where prices had fallen in price in December but has risen a year ago. The main upward pressure had come from food together with recreation activities.

Source: Office for National Statistics

Interest Rates

Monthly average bank base rates reduced from 4.61% to 2.14% from October to December 2008 as a result of a series of cuts in the base rate to combat recession. In comparison average bank base rates had reduced from the recent peak of 5.75% to 5.54% in the same period in 2007.

Source Bank of England

Domestic Fuel Prices

The most recent figures available from the Department for Energy & Climate Change (DECC) are for Q3 2008 and these are compared with Q3 2007.

Domestic Fuel Prices Indices

	Gas	Electricity	Heating oils
Q3 2008	243.3	193.3	347.3
Q3 2007	193.8	160.7	215.2
% comparison	+30.7	+20.3	+61.4

Overall the price paid for fuel and light has risen in real terms by 23.6% between Q3 2007 and Q3 2008. During that period domestic gas prices rose by 27.1% while those for electricity rose by 17.0%. The price of heating oils increased by 57.0% between Q3 2007 and Q3 2008. Average annual standard credit gas bills in 2008 were £570, up £18 on 2007. For electricity average annual standard credit bills in 2008 were £405 up £22 on 2007.

Source: BERR

House Prices

	07	08
October	£186,044	£158,872
November	£184,099	£158,442
December	£182,080	£153,048
Average	£184,074	£156,787

Source: Nationwide

New Build Homes

There were 8,675 applications to start new homes during the September to November 2008, a 62% reduction on the same period a year ago. Of the total, 10,718 related to the private sector, showing a 73% decrease over the same period in 2007. Housing association applications in the same period totalled 7,957, a decrease of 9% compared with 2007. New build completions totalled 34,595 during the three months ending November 2008 which equates to a reduction of 31% over the same period last year.

Source: NHBC

Housing and Property Transactions

NHBC has also reported that the average number of new homes sold each day in the UK during the period September 2008 to November 2008 was 378, a reduction of 22% on the same period a year ago.

Source: NHBC

The total number of property transactions fell to 65,000 in October 2008, a reduction of 50% from October 2007. The average reduction over the three months ending October 2008 was 53%.

Source Construction Products Association