

# 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 have continued to drop with sales volumes down by 7.9% in the last 12 months compared to the previous year.
- Sales in the second quarter of 2009 were down 4.0% which is a 9.6% increase in sales compared to the first quarter of 2009

Total gas boiler sales for the second quarter were 359,603, 4.0% down on last year. This reflects that trading conditions have remained tough, with new build orders still slow to recover, but that some green shoots are there. In June sales were above 2008 numbers, in April the statistics showed slightly less year on year, however May was significantly slower reflecting the volatile market place in which conditions remain difficult to predict.

The condensing boiler share of the market remained at 98%.

Quarter 2 saw continued steady growth in the Solar Thermal market. The trends shows greater growth in the Flat plate market with larger comparative rise in sales over Vacuum tube collectors. Overall while the sales volumes are not increasing at the dramatic rate of 2007, they are maintaining a strong upward momentum.

## 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



Gas Boiler Sales Q2 2009 v Q2 2008

	Q2 2009			Q2 2008			Annual Comparison		
	Apr	May	Jun	Apr	May	Jun	Jun09-Jul08	Jun08-Jul07	% change
Total boiler sales (000's)	131.8	111.2	116.6	137.3	122.7	114.5	1518	1645	-7.9
% condensing	98	99	98	97	97	98	98	97	

were as follows:

	Mar 09	Apr 09	May 09
CPI change (%)	2.9	2.3	2.2
RPI change (%)	-0.4	-1.2	-1.1

The largest downward pressure on CPI inflation came from food and non-alcoholic beverages, in part due to meat prices rising by less than a year ago.

Housing and household services also contributed to the decline, mainly due to electricity bills, where tariffs fell this year.

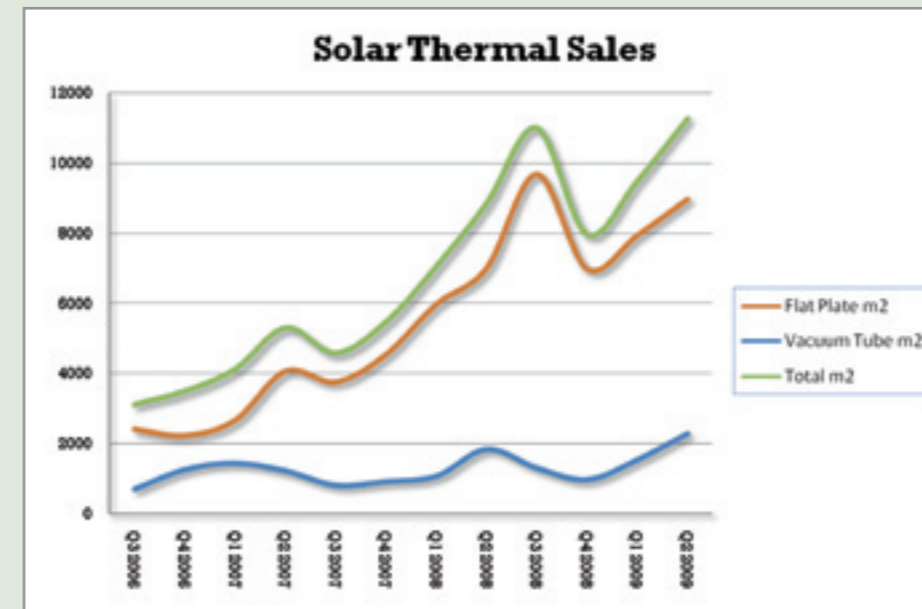
The largest upward pressure on the CPI came

from alcoholic beverages and tobacco, reflecting the increase in excise duty in this year's budget. Last year this effect was seen in April.

Further upward pressures came from recreation and culture, including an effect from recording media such as pre-recorded DVDs where prices rose this year but fell a year ago.

The main factors affecting the RPI also affected the RPI, although the RPI also experienced an upward pressure from housing where the largest effect came from mortgage interest payments.

Source: Office for National Statistics



Solar Thermal Heating Sales Q2 2009 v Q2 2008

	Q2 2009	Q2 2008	Q2 09-Q3 08	Q2 08 - Q3 08	% change
Flat Plate	8972.7	7002.2	33587.36	21278.33	+36.6
Vacuum tube	2289.0	1847.2	6132.51	4678.78	+23.7
Total	11261.7	8849.4	39719.87	25957.11	+34.65

## Interest Rates

The Bank of England's Monetary Policy Committee voted to maintain the official Bank Rate paid on commercial bank reserves at 0.5%.  
Source: Bank of England

## Domestic Fuel Prices

The most recent figures available from the Department for Energy & Climate Change (DECC) are for Q4 2008 and these are compared with Q4 2007.

## Domestic Fuel Prices Indices:

	Gas	Electricity	Heating oils
Q1 2009	286	209.7	230.6
Q1 2008	208.6	172.2	279.5
% comparison	+27.1	+17.9	-21.2

Overall the prices paid for all fuel and light increased by 9.7% between May 2008 and May 2009.

Domestic electricity prices, including VAT, rose by 6.8% in the year to May 2009.

Domestic gas prices, including VAT, increased by 24.0% between May 2008 and May 2009.

There was an increase in the price of coal and smokeless fuels, which rose 25.5% on the year to May 2009. The price of heating oils fell by 36.0% on the year to May 2009. Petrol and oil fell by 12.5% between May 2008 and May 2009.

Source: BERR

## House Prices

	08	09
April	£178,555	£151,861
May	£173,583	£154,016
June	£172,415	£156,442
Average	£174,514	£154,066

Source: Nationwide

## New Build Homes

19,286 applications were received by NHBC from the combined private and public sectors in the three months to the end of May 2009 - 8% higher compared to the previous rolling quarter February to April 2009 (17,859) and 19% higher than January to March this year (16,232).

Of the 19,286 applications to start new homes in the combined private and public sectors during the three months to the end of May, 11,062 were related to private sector activity (i.e. excluding housing associations) - 56% lower than the same three-month period a year ago (24,917).

Public sector figures for the three months to the end of May totalled 8,224 - 10% lower than the same period a year ago (9,165).

New build completions in the combined private and public sectors in the UK totalled 30,104 in the three months to the end of May 2009 - 25% lower than the same period a year ago (40,271).

Source NHBC

## Housing and Property Transactions

The average number of daily sales of new homes in the UK from March to May 2009 was 332 - 26% lower than the same period a year ago (452).

Source: NHBC

The total number of property transactions fell to 64,000 in April 2009, a reduction of 28.1% from April 2007.

Source Construction Products Association

