

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

- Boiler sales up overall by 4% for the first six months of 2008 but with a significant slowdown indicated by sales in both May and June
- Condensing boiler share of sales reached 98% for the first time in June
- Band A boilers continue to dominate condensing boiler sales

Boiler sales still make up the majority of market sales for domestic heating. We are now also collecting market statistics on solar thermal and will introduce information on this sector in future issues. This report provides information on UK sales of gas boilers from manufacturers during the second quarter of 2008. These are compared with sales in 2007 and also historical trends.

The year so far

Following a strong start to 2008 the table shows that there has been a significant slow down in sales of gas boilers in both May and June. The current housing and wider economic factors are likely to be significant contributors to this. Overall sales for the first six months were however still 4% up on the same period last year.



Gas Boiler Sales Q2 2008 v Q2 2007

	Q2 2008			Q2 2007			Annual Comparison		
	Apr	May	Jun	Apr	May	Jun	Jul 07-Jun 08	Jul 06-Jun 07	% change
Total boiler sales (000's)	137.3	122.7	114.3	115.2	131.2	124.2	1645	1,591	+3.4
% condensing	97	97	98	94	95	95	96	92	

Individual monthly sales statistics can be subject to significant variations from year to year and so should not be treated in isolation. For example in the table sales in April are shown as 19% higher than in 2007. However it should be noted that sales in March were about 6% lower than in March 2007. This may well have been influenced by the early Easter holiday which occurred in March this year.

The condensing boiler share of the market has continued to grow and reached 98% for the first time in June. SEDBUK Band A boilers have continued to dominate condensing boiler sales averaging 84% of the market during Q2 2008.

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:

	Apr 08	May 08	Jun 08
CPI change (%)	3.0	3.3	3.8
RPI change (%)	4.2	4.3	4.6

While increases in both CPI and RPI in June were driven mainly by increased food prices there were large upward effects from housing and household services due to gas, electricity and other fuels. Gas and electricity bills were unchanged over the periods but had fallen a year ago.

A large downward contribution to RPI came from mortgage interest payments where there was a smaller increase this year than last year.

Source: Office for National Statistics

Interest Rates

Bank of England base rate reduced from 5.25% to 5.00% in April 2008. In comparison during Q2 2007 rates had increased from 5.25% to 5.5%

Source Bank of England

Domestic Fuel Prices

The most recent figures available from the Department for Business, Enterprise & Regulatory Reform (BERR) are for Q1 2008. These are compared with Q1 2007.

Domestic Fuel Prices Indices

	Gas	Electricity	Heating oils
Q1 2008	208.6	172.2	279.5
Q1 2007	221.0	168.9	193.0
% comparison	-5.6	+2.0	+44.8



Overall the price paid for fuel and light fell in real terms by 1.9% between Q1 2007 and Q1 2008. During that period domestic gas prices fell by 8.1% in real terms while those for electricity fell by 0.8%. The price of heating oils increased by 41.0% between Q1 2007 and Q1 2008

The rate of transfer of domestic gas and electricity customers between suppliers had both decreased between Q4 2007 and Q1 2008. For gas the reduction was from an average of 359,000 transfers per month to 312,000 (13.1%) and for electricity the reduction was from 445,000 to 417,000 transfers per month (6.3%).

Source: BERR

House Prices

According to Nationwide, average UK house prices fell by 3.9% in Q2 2008 compared with the same period in 2007. All regions had shown a decline with the exception of Scotland where there was a marginal increase of 0.6% year on year in Q2.

	07	08
April	£180,314	£178,555
May	£181,584	£173,583
June	£184,070	£172,415
Average	£181,989	£174,851

Source: Nationwide

New Build Homes

There were 34,802 applications to start new homes during the period March to May 2008, a 38% reduction on the same period a year ago. Of the total, 24,917 related to the private sector, showing a 44% decrease over the same period in 2007. Housing association applications were 9,165 in the same period, a reduction of 14%.



New build completions totalled 40,271 during the three months ending May 2008 which equates to a reduction of 14% 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 March 2008 to May 2008 was 452, a reduction of 18% on the same period a year ago.

Source: NHBC

The total number of property transactions fell to 110,000 in April 2008, a reduction of 31% from March 2007. The average reduction over the three months ending April 2008 was 33%.

Source Construction Products Association