

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 monthly sales volumes have continued to rise year on year however overall sales volumes is down by 4.3% in the last 12 months compared to the previous year.
- Solar Thermal sales continue to rise, this quarter total sales are up 13.1% on the previous quarter



Total gas boiler sales for the 4th quarter were 436,690, 2.5% up on last year. This is traditionally the largest quarter in sales output for the year, and this year's figures saw continued upwards growth. However the growth was not enough to offset the lower sales figures for the rest of the year, leaving overall sales for 2009 4.3% down on 2008. With the recent very cold weather and the introduction of the Boiler Scrappage Scheme, it will be interesting to see how 2010 starts, all indications are that the boiler market could move into positive year on year growth by the end of first quarter of 2010.

The condensing boiler share of the market increased ended the year at 98.9%, 1.4% more than in 2008.

Quarter 4 again saw continued strong growth in the Solar Thermal market. This was another month of positive growth with figures up 22.7% year on year. The Solar Thermal market shows no signs of slowing down with greater growth expected within 2010.

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.

	Q4 2009			Q4 2008			Annual Comparison		
	Oct	Nov	Dec	Oct	Nov	Dec	Q109-Q409	Q108-Q408	% change
Total boiler sales (000's)	170.8	150.9	114.9	168.6	146.5	110.9	1518	1587	-4.3
% condensing	99	99.3	98.7	98.4	97.1	97.1	98.9	97.5	+1.4

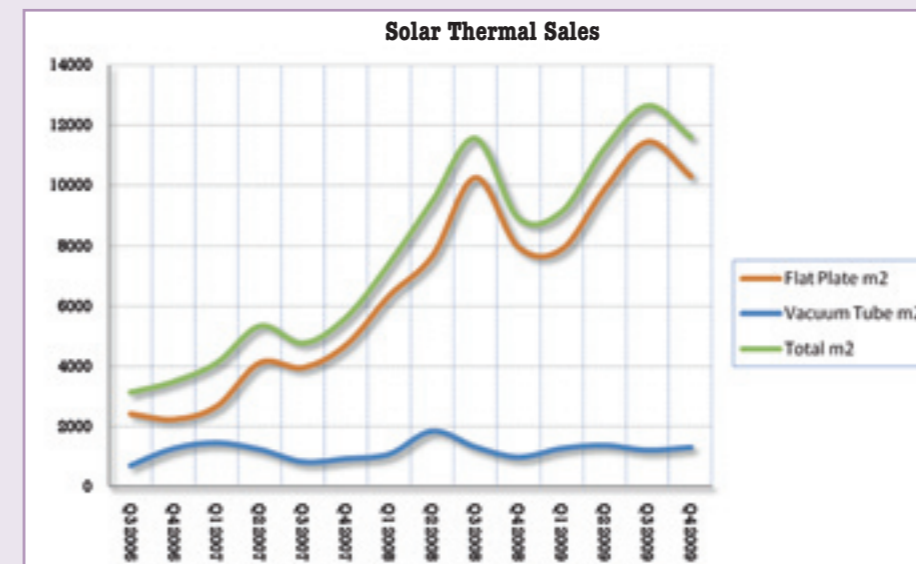
	Q4 2009	Q4 2008	Q4 09-Q1 09	Q4 08 - Q1 08	% change
Flat Plate	10303.72	7942.16	39519.03	32195.71	+22.7%
Vacuum tube	1306.53	980.35	5158.16	5222.83	-1.2%
Total	11610.25	8922.51	44677.19	37418.54	+19.4%

Inflation

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

	Sep 09	Oct 09	Nov 09
CPI change (%)	1.1	1.5	1.9
RPI change (%)	-1.4	-0.8	0.3

By far the largest upward contribution to the change in the CPI annual rate came from transport. Within this division the largest upward effect came from fuels and lubricants where prices rose by 2.8 per cent between October and November this year compared



with a fall of 8.3 per cent a year ago. The 8.3 per cent decrease was the largest monthly fall in fuels and lubricants on record and was due to sharp falls in petrol and diesel prices, reflecting the falling price of crude oil in the latter half of 2008.

The largest downward contribution to the change in the CPI annual rate came from food and non-alcoholic beverages with prices overall rising by 0.6 per cent between October and November this year compared with 1.4 per cent a year ago. The main downward effects came from vegetables and, to a lesser extent, coffee, tea and cocoa with prices falling this year but rising a year ago across a wide range of products in these classes. Partially offsetting these was a large upward effect from fruit, with prices rising by 11.7 per cent between October and November this year compared with 6.0 per cent a year ago.

The largest upward contribution to the change in the RPI annual rate came from motoring expenditure. Large effects came

from petrol and oil and the purchase of motor vehicles with car prices and the average price of petrol and diesel each rising between October and November this year but falling a year ago.

The largest downward contribution to the change in the RPI annual rate came from food where prices rose between October and November this year by less than a year ago.

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%.

Domestic Fuel Prices

The most recent figures available from the Department for Energy & Climate Change (DECC) are for Q3 2009 and these are compared with Q3 2008.

	Gas	Electricity	Heating oils
Q3 2009	273.4	193.9	234.5
Q3 2008	253.3	193.3	347.3
% comparison	+8.0	+0.3	-32.5

Provisional Q3 2009 data shows that the price paid for all fuel and light has fallen by 1.2 per cent in real terms between Q3 2008 and Q3 2009. Prices fell by 1.9 per cent in real terms between Q2 2009 and Q3 2009.

Domestic electricity prices, including VAT, fell by 1.7 per cent in real terms in the year to Q3 2009. Domestic gas prices, including VAT, rose by 5.9 per cent in real terms in the year to Q3 2009.

The price of coal and smokeless fuels increased in real terms by 13.5 per cent, and the price of heating oils decreased by 33.8 per cent between Q3 2008 and Q3 2009. Source: BERR

House Prices

	08	09
October	£158,872	£162,038
November	£158,442	£162,764
December	£153,048	£162,103
Average	£156,828	£162,116

Source: Nationwide

The final quarter of 2009 saw a slowing in the quarterly rate of house price growth across the majority of UK regions, but most regions ended the year with average prices higher than at the end of 2008. For the UK as a whole, prices rose by 1.6% in the fourth quarter, leading to an increase in the annual rate of change from -3.0% in the third quarter to +3.4%. Source: Nationwide

New Build Homes

The figures reveal that during the three months from September to November 2009 NHBC received 27,124 applications to build new homes in the UK - an increase of 45 per cent on the same period last year (18,675).

Recovery in the private sector continues. Private sector applications were up 74 per cent across the UK to 18,617 from 10,718 for the same period last year.

Public sector figures for the three months to the end of November were also up, at 8,507 - 7 per cent higher than the same period a year ago (7,957). Source: NHBC

Housing and Property Transactions

The average number of daily sales of new homes in the UK recorded by NHBC during September to November 2009 was 355 - just 6 per cent lower than the same period a year ago (378). Source: NHBC

The total number of property transactions was up, to 83,000 in October 2009, an increase of 23.9%.

Source: Construction Products Association

