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.

MARKET UPDATE

Highlights

- Boiler Scrappage Scheme has immediate effect with boiler sales up 33.8% in March
- Solar Thermal sales continue to rise, this quarter total sales are up 47.4% on the previous quarter

Gas Boiler Sales Q1 2010 v Q1 2009

	Q1 2010			Q1 2009			Annual Comparison		
	Jan	Feb	Mar	Jan	Feb	Mar	Q2 09-Q1 10	Q2 08-Q1 09	% change
Total boiler sales (000's)	99.7	121.0	161.1	109.0	109.1	115.6	1552.6	1533	+1.6
% condensing	99.8	99.9	99.4	99.7	99.4	99.9	98.9	98.0	+0.9

Solar Thermal Heating Sales by m² Q4 2009 v Q4 2008

	Q1 2010	Q1 2009	% change	Q2 2009 - Q1 2010	Q2 2008 - Q1 2009	% change
Flat Plate	13955.76	9065.25	+53.9	48824.31	34920.84	+39.8
Vacuum tube	3537.81	2802.55	+26.2	11997.21	6945.00	+72.7
Total	17493.57	11867.80	+47.4	60721.51	41865.84	+45.3

Despite a sluggish start to the year with below normal sales, the combination of the Boiler Scrappage Scheme and the cold winter has driven sales well above market expectations. March saw boiler sales finally return to positive year on year growth. However all eyes will be on the coming quarter to see how the unprecedented high volumes of sales effects longer term growth.

Quarter 1 again saw continued strong growth in the Solar Thermal market. This was another month of positive growth with figures up 45.3% year on year. The Solar Thermal market continues to grow and with the Renewable Heat Incentive on the horizon greater growth can be expected.

ECOMOMIC 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:

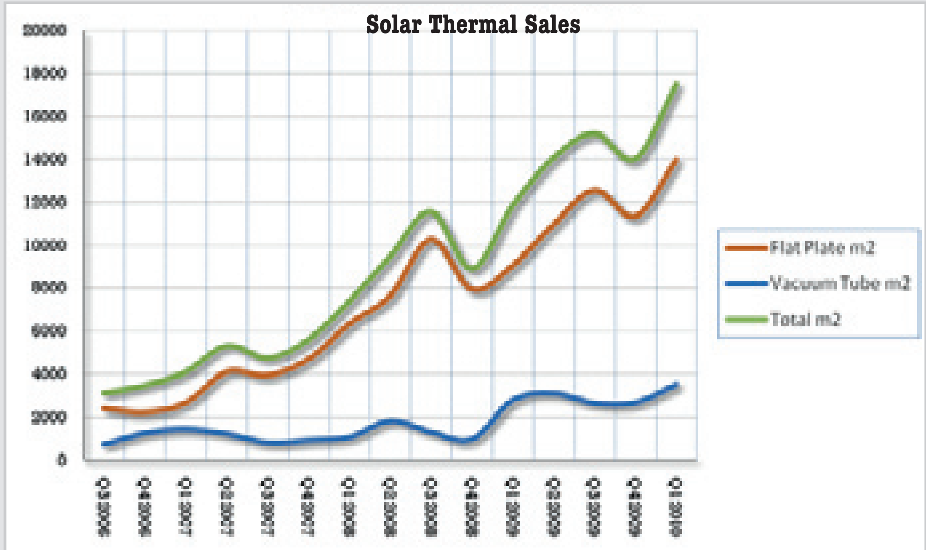
	Dec 09	Jan 10	Feb 10
CPI change (%)	2.9	3.5	3.0
RPI change (%)	2.4	3.7	3.7

The largest downward contribution to the change in the CPI annual rate came from recreation and culture where prices were largely unchanged between January and February this year but rose by 1.1 per cent a year ago.

The largest downward contribution to the change in the RPI annual rate came from motoring expenditure with the effect coming almost entirely from petrol and oil. The price of petrol increased by 1.2 pence per litre (110.7 pence to 111.9 pence) between January and February this year, compared with a rise of 4.1 pence per litre (86.0 pence to 90.1 pence) a year ago.

There were also large downward contributions from fuel and light where average gas bills fell this year but were unchanged a year ago, as well as oil and other fuels where, overall, prices fell by more than a year ago with the main contribution coming from domestic heating oil.

Source: Office for National Statistics



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 2009 and these are compared with Q4 2008.

Domestic Fuel Prices Indices:

	Gas	Electricity	Heating oils
Q4 2009	190.8	155.0	136.4
Q3 2008	202.9	168.8	142.9
% comparison	-6.0	-8.2	-4.5

Q4 2009 data shows that the prices paid for all fuel and light have fallen by 8.3 per cent in real terms between Q4 2008 and Q4 2009. Prices fell by 0.6 per cent in real terms between Q3 2009 and Q4 2009.

Domestic electricity prices, including VAT, fell by 9.5 per cent in real terms in the year to Q4 2009. Domestic gas prices, including VAT, fell by 7.3 per cent in real terms in the year to Q4 2009.

The price of coal and smokeless fuels increased in real terms by 0.5 per cent, and the price of heating oils decreased by 5.9 per cent between Q4 2008 and Q4 2009.

Note: The GDP deflator used to calculate real terms data has been changed from 1990=100 to 2005=100

Source: BERR

House Prices

	2009	2010
October	£150,501	£163,481
November	£147,746	£161,320
December	£150,946	£164,519
Average	£149,709	£162,887

Source: Nationwide

The first quarter of 2010 saw continued house price growth across most UK regions and all regions saw an improvement in their annual rate of change. For the UK as a whole, prices rose by 1.6% in the quarter, leading to an increase in annual growth rate from 3.4% in the final quarter of 2009 to 8.8%.

Greater London maintained its position as the best performing region, with prices up by a seasonally adjusted 2.5% in the quarter. This resulted in a pick up in annual growth from 7.0% to 15.7%. *Source: Nationwide*

New Build Homes

The house-building sector's recovery has thawed following the big freeze, with registrations for new homes in the month of February up 73 per cent (to 9,556) compared to last year (5,526), says NHBC.

NHBC statistics for the three months to the end of February 2010 also show that the recovery is largely driven by the private sector, which was most affected by the recession.

- Private sector applications at 16,669 for the three months to February 2010, were up 110 per cent when compared with the same period last year (7,931)
- Public sector figures for the three months to the end of February were 7,436 - 13 per cent higher than the same period a year ago (6,606). *Source NHBC*

Housing and Property Transactions

The total number of property transactions was up, to 67,000 in January 2010, an increase of 24%.

Source Construction Products Association

MARKET UPDATE <<