

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 fall to average seasonal levels as Boiler Scrappage affect ends
- Solar Thermal sales continue to rise, especially for Flat Plate collectors

After the unprecedented high sales of the first quarter, gas boiler sales have now returned to seasonally average numbers, with June's sales being identical to 2009's. With the success of the boiler scrappage scheme now in the past, the industry will be looking closely at the coming quarter's numbers to see if the scheme brought new customers into the market or merely brought forward planned purchases.

The growth in solar thermal sales continues, especially for flat plate collectors where sales rose by 46.6%. The sales in vacuum tube panels have started to level out possibly indicating the future direction of this technology. With sales expected to rise during the traditionally buoyant quarter 3 it will remain to be seen if sales can continue to rise at this speed, especially with the economy expected to slow in the later quarters of this year.

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:



Gas Boiler Sales Q2 2010 v Q2 2009

	Q1 2010			Q1 2009			Annual Comparison		
	Apr	May	Jun	Apr	May	June	Q3 09-Q2 10	Q3 08-Q2 09	% change
Total boiler sales (000's)	141.7	122.3	116.6	129.8	108.8	116.5	1578	1518.15	+3.9
% condensing	98.7	99.2	98.4	98.7	99	98.6	98.9	98.3	+0.6

Solar Thermal Heating Sales by m² Q2 2010 v Q2 2009

	Q2 2010	Q2 2009	% change	Q3 2009 - Q2 2010	Q3 2008 - Q2 2009	% change
Flat Plate	18154.46	12381.23	+46.6	59414.54	40851.89	+45.4
Vacuum tube	4867.54	5005.87	-2.8	17397.88	11129.67	+56.3
Total	23022	17387.10	+32.4	76812.42	51981.56	+47.85

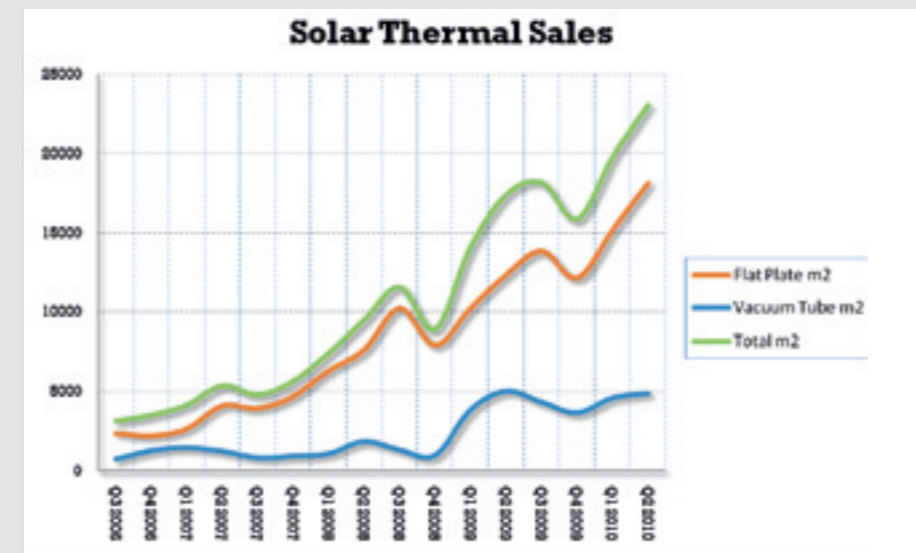
	Apr 10	May 10	Jun 10
CPI change (%)	3.7	3.4	3.2
RPI change (%)	5.3	5.1	5.0

downward contribution came from clothing and footwear where price falls this month are a record for the June sales season.

The main upward pressures to inflation between May and June were sharp rises in air fares and increases in insurance premiums.

The slightly smaller decrease in the RPI

Falling petrol and diesel prices are by far the main driver to the decrease in annual inflation between May and June. The next largest



12-month rate is mainly due to insurance. Insurance has a far higher weight in the RPI than the CPI so the upward effect from this component had a much larger impact on the RPI. House depreciation was also a factor in the smaller decrease in the RPI 12-month rate; this component had an upward effect on the RPI but is excluded from the CPI.

Partially offsetting these larger upward effects to the RPI compared to the CPI are air transport and petrol and oil. Air transport has a lower weight in the RPI compared with the CPI so the upward effect from this component had less of an impact on the RPI. Finally petrol and oil has a higher weight in the RPI so the downward effect from this component had a larger impact on the RPI compared to the CPI.

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 Q1 2010 and these are compared with Q1 2009.

Domestic Fuel Prices Indices:

	Gas	Electricity	Heating oils
Q1 2010	187.1	155.0	155.9
Q1 2009	199.9	168.1	122.3
% comparison	-6.4	-7.8	+27.5

Q1 2010 data shows that the prices paid for all fuel and light have fallen by 9.0 per cent in real terms between Q1 2009 and Q1 2010. Prices fell by 2.1 per cent in real terms between Q4 2009 and Q1 2010.



Domestic electricity prices, including VAT, fell by 11.0 per cent in real terms in the year to Q1 2010. Domestic gas prices, including VAT, fell by 9.6 per cent in real terms in the year to Q1 2010.

The price of coal and smokeless fuels decreased in real terms by 3.1 per cent, and the price of heating oils increased by 23.1 per cent between Q1 2009 and Q1 2010.

Source: BERR

House Prices

	2009	2010
April	£151,867	£167,802
May	£154,016	£169,162
June	£156,442	£170,111
Average	£154,066	£168,719

Source: Nationwide

"The second quarter of 2010 saw continued house price growth across nearly all UK regions. For the UK as a whole, prices rose by 1.9% in the quarter, leading to a slight increase in the annual growth rate from 8.8% in the first quarter to 9.5%.

"The South West of England saw the strongest growth in the quarter, with prices up by a seasonally adjusted 3.0%. This resulted in a pick up in annual growth from 8.9% to 12.5%.

Source: Nationwide

New Build Homes

New home registration levels are on the rise across the whole of the UK, according to NHBC.

A total of 31,038 new homes were registered during the period February - April 2010. This was a 74 per cent improvement on the same period last year (17,859) and indicates consistent improvement in the house-building sector.

NHBC statistics for the three months to the end of April 2010 show that both private and public sector demonstrated significant improvements:

- Private sector registrations were up 113 per cent (at 20,538) when compared with the same period last year (9,627)
- Public sector registrations were 10,500 - 28 per cent higher than the same period a year ago (8,232).

Source NHBC

Housing and Property Transactions

The total number of property transactions was up, to 78,000 in April 2010, an increase of 24%.

Source Construction Products Association