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TYRE & RUBBER

European market

LMC Tyre & Rubber for ETRMA

May 2020



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We provide comprehensive coverage of the industry supply chain, including:

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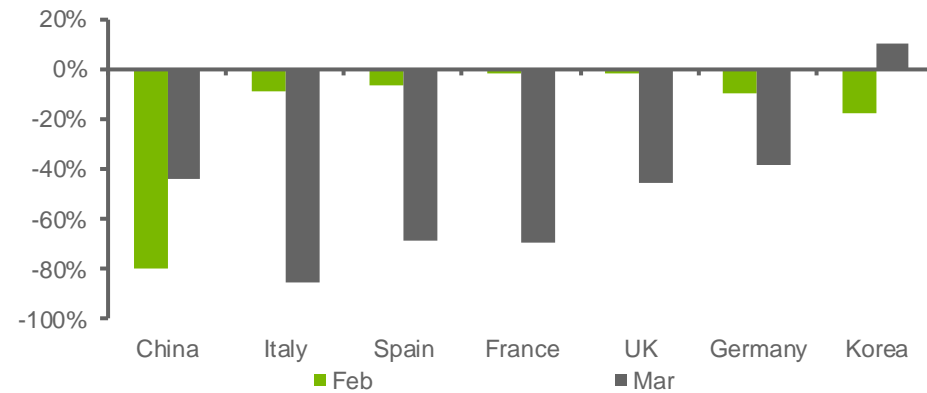
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TYRES	RUBBER	AUTOMOTIVE	SERVICES
Sales & Production	Natural Rubber	Sales & Production	Consulting Projects
Size Segments	Synthetic Rubbers	Engine & Transmission	Regular Publications
Trade		LVs, Trucks & Buses	
Price Monitoring			

- As coronavirus has spread throughout the world, measures governments have taken to reduce infection rates have affected economic growth, vehicle purchases, driving behaviour and the number of miles driven.
- Full lockdown leads to around an 80% fall in light vehicle sales, but recovery begins as countries open up.
- Replacement tyre sales fall as movement is restricted, with the fall in LV replacement tyre sales greater than that of MHCV replacement tyre sales. Early evidence suggests retreads are the least affected.
- Public transportation use collapses.

Light vehicle sales, 2020

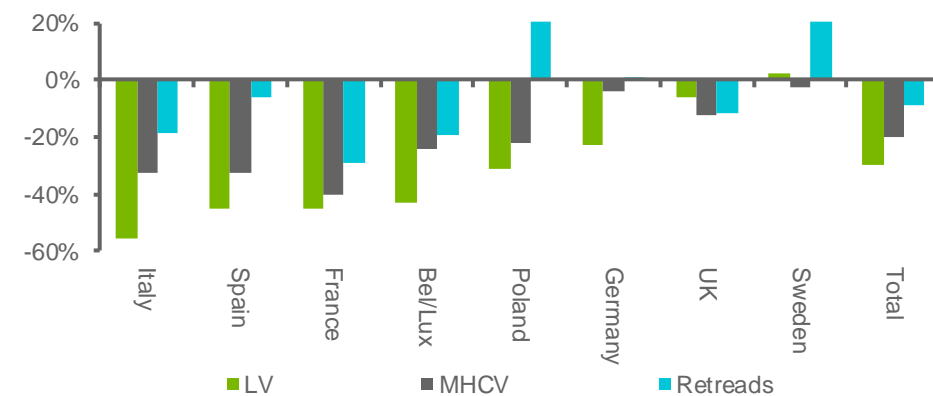
Change on 2019



Source: LMC Automotive

European replacement tyre sales, March 2020

Change on 2019



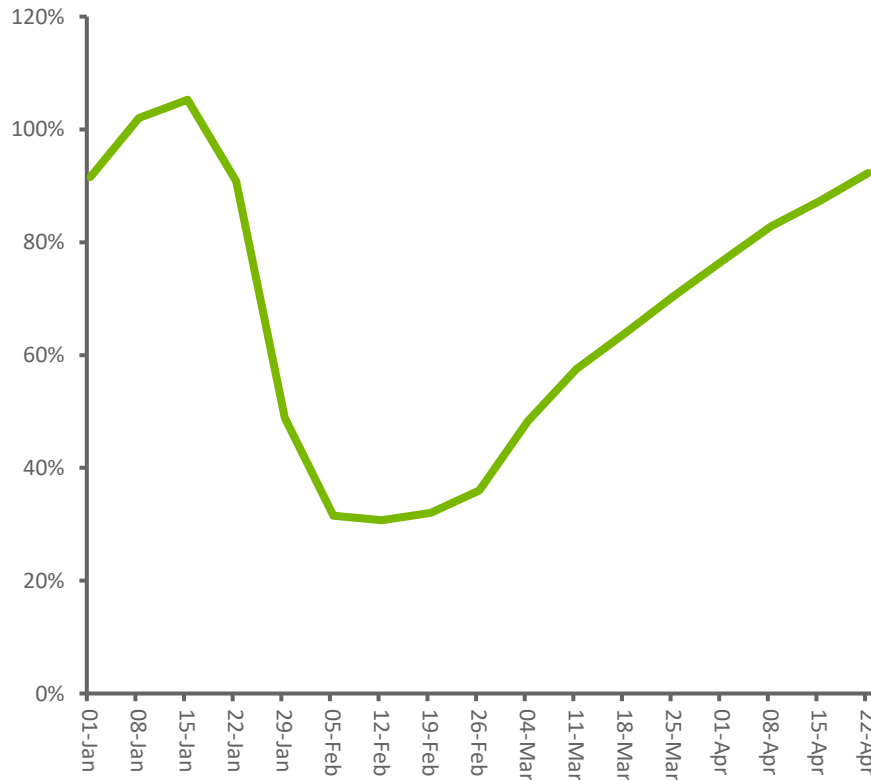
Source: ETRMA

What does recovery look like?

The Chinese recovery gives an indication, although this is expected to be faster than Europe. Congestion levels give an indication of economic activity and miles driven.

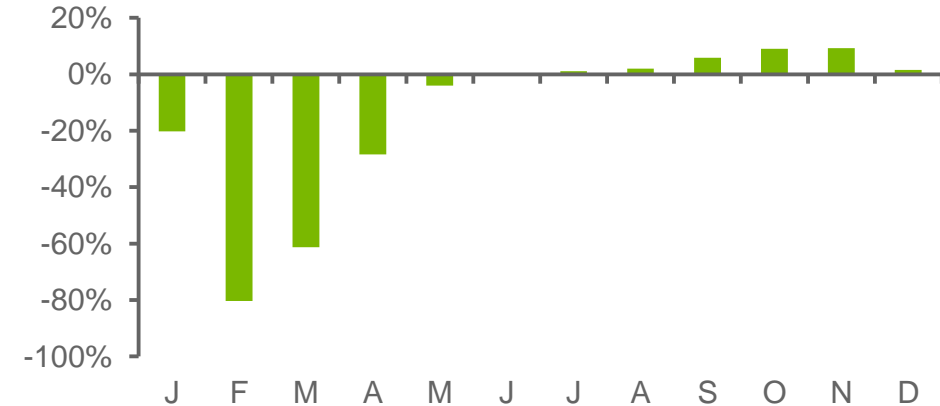
China congestion levels

Passenger traffic (% compared to same month previous year)



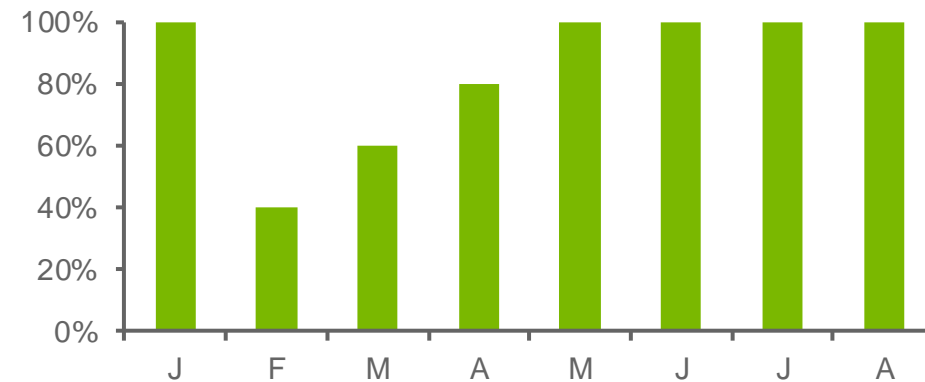
China LV sales

Change on 2019



China: replacement tyre sales

Change on previous year



Note: Automotive forecasts - LMC Automotive

European vehicle sales

The shape and speed of the recovery are dependent upon the recovery of the macro-economy and the control/management of the virus.

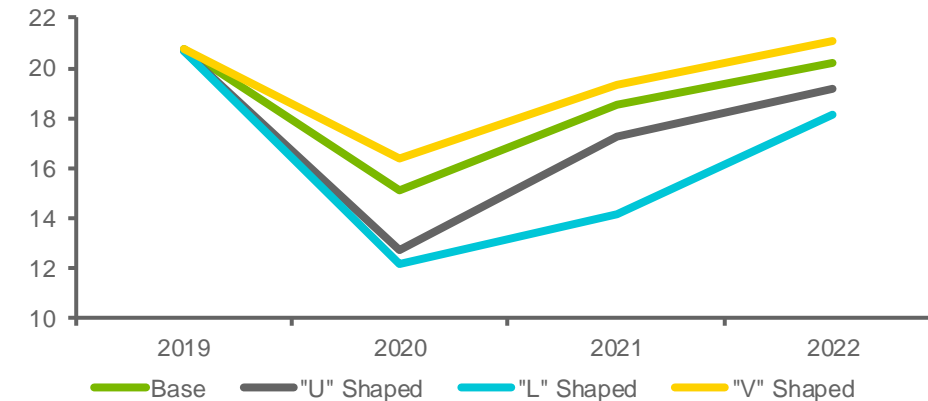
- **“V” Shaped:** Q1/Q2 lockdown is the longest and most extreme. Social distancing and other measures remain during relaxation, but do not present large economic costs.
- **“U” Shaped:** Q1/Q2 is still the most extreme lockdown, but subsequent social controls continue to take a toll on vehicle sales and economic activity.
- **“L” Shaped:** Q1/Q2 is still the most extreme lockdown, but subsequent social controls continue to take a toll on vehicle sales and economic activity. Economic slowdown is severe and lasting.

While freight volumes are holding up the falls in manufacturing and investment confidence are expected to result in larger falls in MHCV sales and production than LV in 2020.

Policy initiatives can encourage new vehicle sales as seen in 2009. For instance, the use of scrapping incentives to renew the vehicle fleet thus enabling cleaner less polluting transportation (Electric/hybrid vehicles, etc). The wider range of vehicles included in such schemes, the greater the impact of vehicle sales.

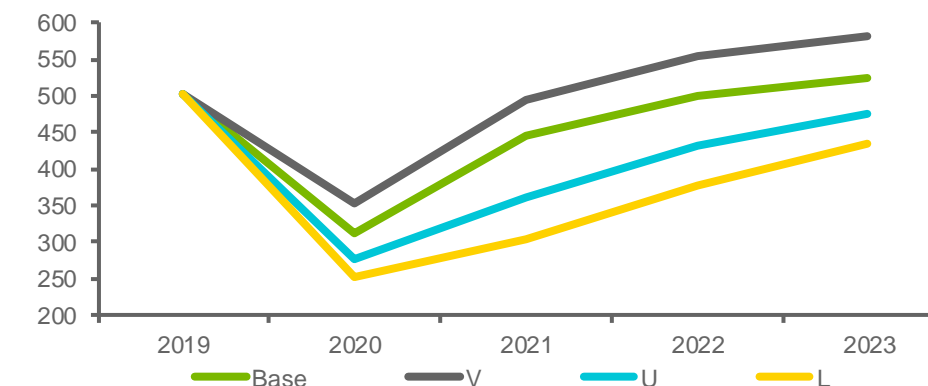
European light vehicle sales

Mn units



European MHCV vehicle sales

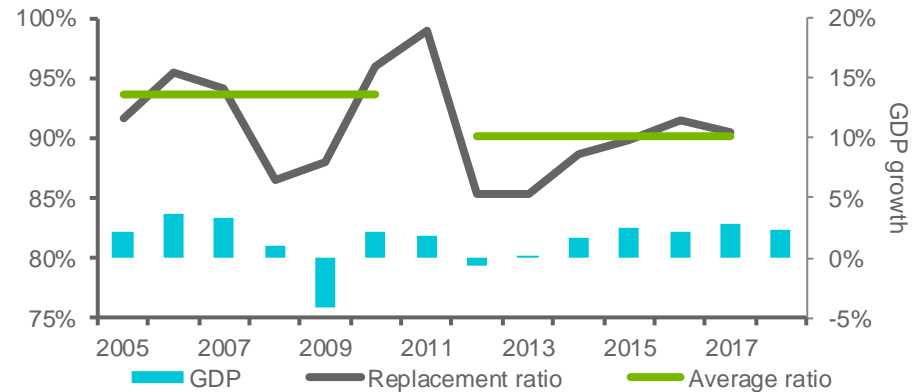
Mn units



Replacement tyre sales

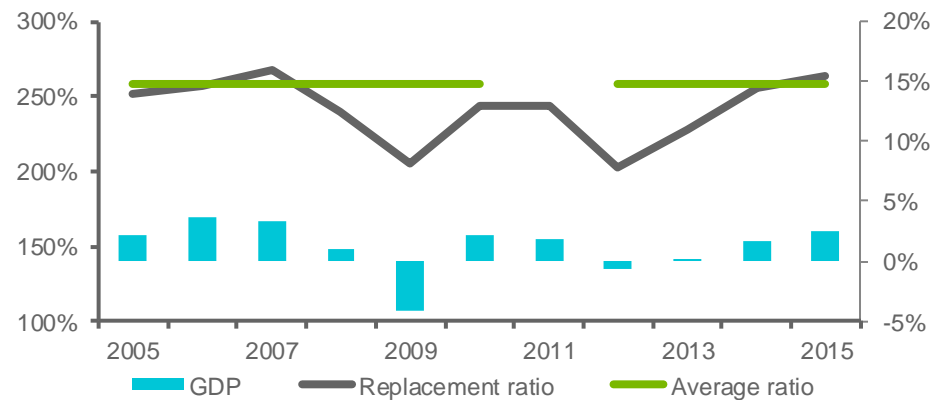
European LV tyre replacement ratio

Replacement ratio (%)



European MHCV tyre replacement ratio

Replacement ratio (%)



The recovery of the replacement tyre segment is largely dependent economic conditions and what happens to miles driven.

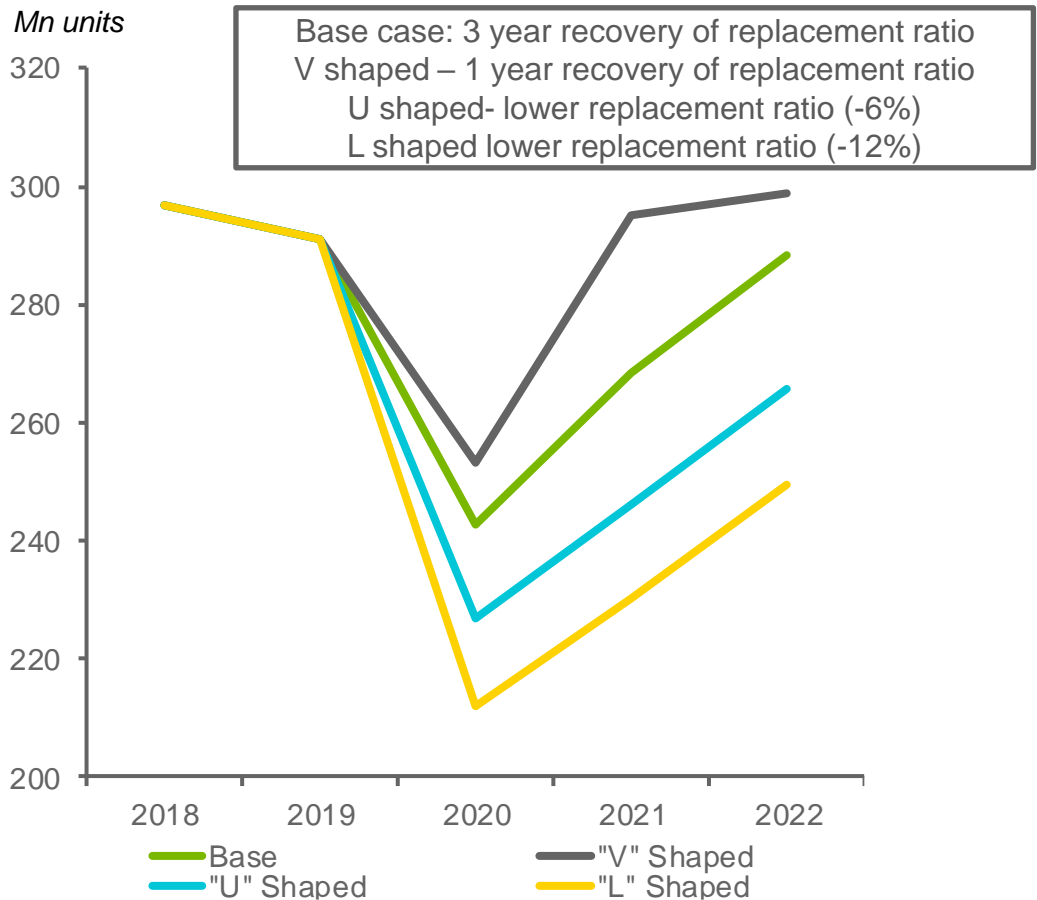
- In the former case, history shows that takes between 1 (2009) to 3 (2012) years for the light vehicle tyre replacement ratio to recover from a recession. The speed depending on the speed of the macro-economic recovery. The recovery in 2009 was aided by the introduction on winter tyre legislation and cold winters encouraging winter tyre use.
- MHCV replacement ratios have recovered quicker than those of light vehicles. In both 2009 and 2012 the replacement ratio recovered in two years. The recovery of freight transportation is dependent on economic growth

In terms of miles driven, in the short run this depends on the speed with which social controls on movement are lifted. In the longer term, there are two conflicting possibilities:

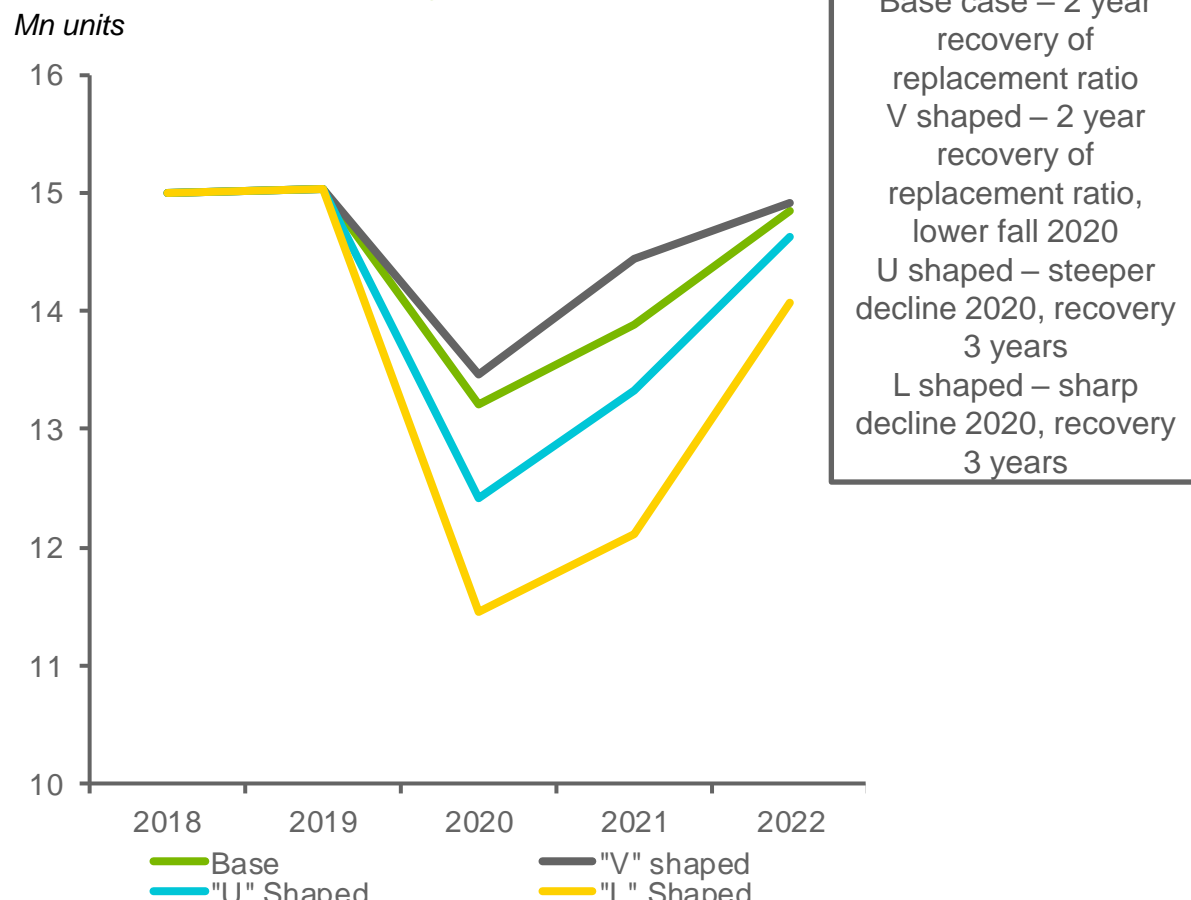
1. Fear of contracting the virus leads to a reduction in public transport use and/or shared vehicle use leading in car use.
2. Trends in home working, on line shopping, etc, continue into the longer term.

Replacement tyre scenarios

LV replacement tyre sales



MHCV replacement tyre sales



Where will tyres be made?

A final question to ask where will the replacement tyres be produced?

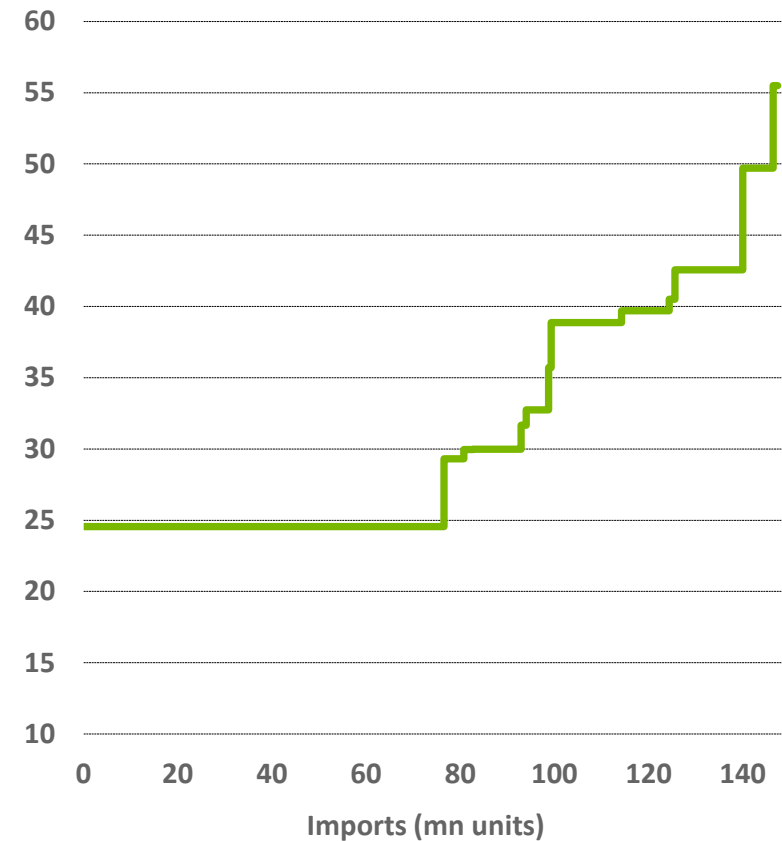
The evidence of both the 2009 and 2012 recessions was that during the recovery, low cost imports increased at a faster rate than EU produced tyres for the replacement market. With consumers facing lower incomes, the need for a low cost alternative increased, and imports, particularly from China rose, dramatically.

Imports account for 55% of light vehicle replacement tyre sales, with currently 25% of replacement tyres sold on the European market being imported from China.

In the case of MHCV tyres, low cost imports increased sharply after the 2012 recession. The introduction of anti-dumping and countervailing duties against China in May 2018 has seen Chinese imports decline, but total imports have increased.

EU imports, 2019

Import unit value (€)



European LV tyre sales

Mn units

Summary	2018	2019	2020	2021	2022
Light vehicles					
OE tyre sales	86.68	83.93	62.23	74.57	80.42
Change %		-3%	-26%	20%	8%
Replacement sales	296.71	291.00	242.90	266.94	285.68
Change %		-2%	-17%	10%	7%
Total sales	383.38	374.93	305.12	341.51	366.10
Change %		-2%	-19%	12%	7%
Scenarios					
Change in total sales					
"V" Shaped			-15%	17%	3%
"U" Shaped			-26%	12%	8%
"L" Shaped			-30%	8%	12%

European MHCV tyre sales

Mn units

	2018	2019	2020	2021	2022
MHCV					
OE tyre sales	4.97	4.84	2.99	4.26	4.79
Change %		-3%	-38%	43%	12%
Replacement sales	15.00	15.04	13.21	13.89	14.85
Change %		0%	-12%	5%	7%
Total sales	19.98	19.88	16.20	18.15	19.64
Change %		0%	-19%	12%	8%
Scenarios					
Change in total sales					
"V" Shaped			-15%	14%	5%
"U" Shaped			-24%	11%	12%
"L" Shaped			-30%	8%	18%



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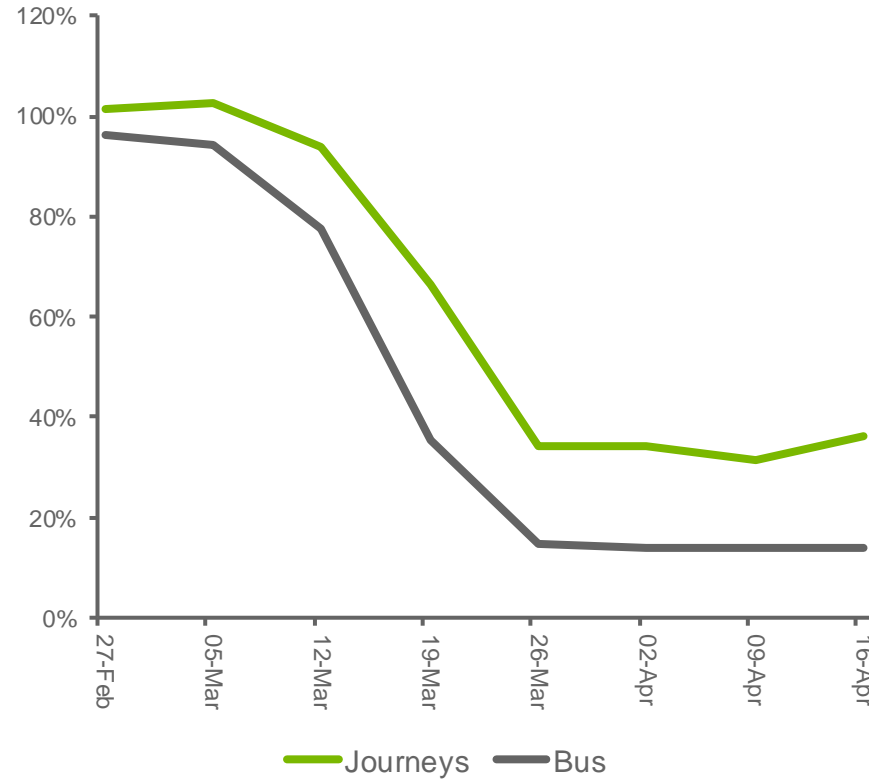
Appendix

Current situation: Vehicle use

There has been a dramatic reduction in vehicle use in Europe. The fall in passenger vehicle use has been greater than commercial vehicles.

UK motor vehicle use

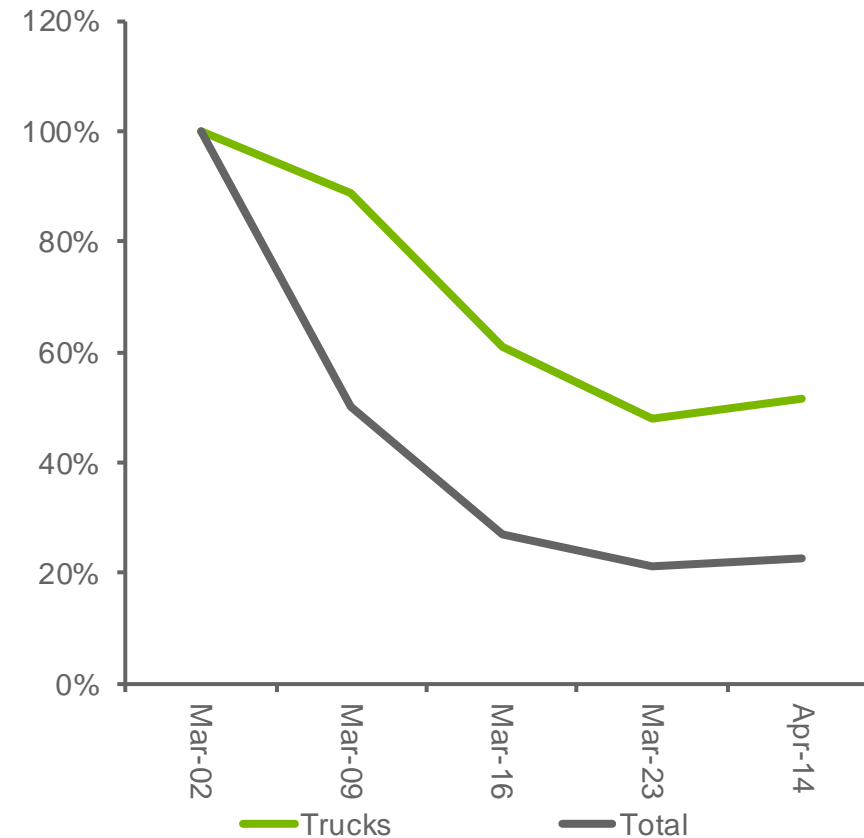
Motor vehicle use (% compared to previous year)



Source: UK, Department of Transport

Italy motorway traffic

Traffic (% Change, compared to Feb 2020)



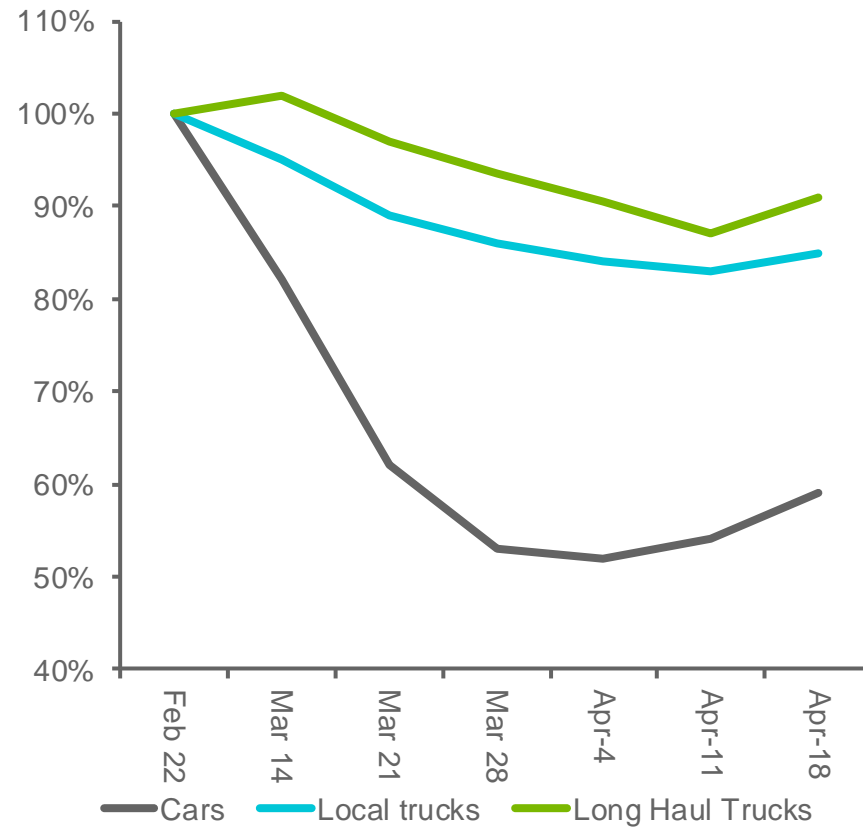
Source: ANAS, Archivio Osservatorio del traffico

Current situation: similar across the world

The reduction in transport use has occurred across the world.

US journeys

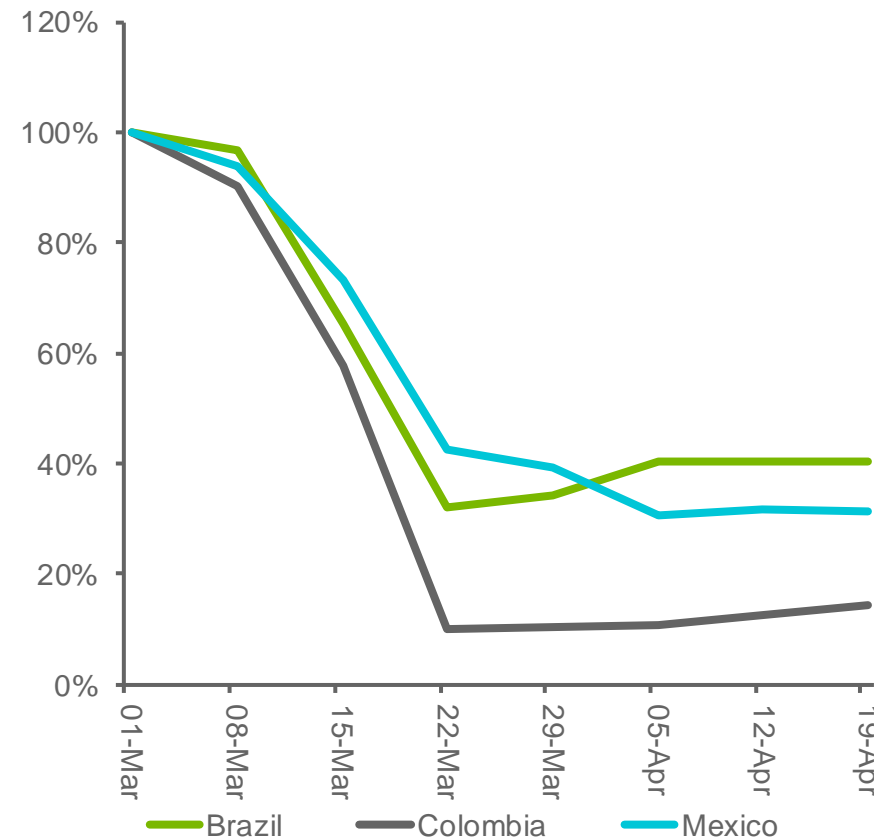
Compared to Feb 2020



Source: INRIX

Latin America congestion

Passenger tariff (% compared to 1-7 March)



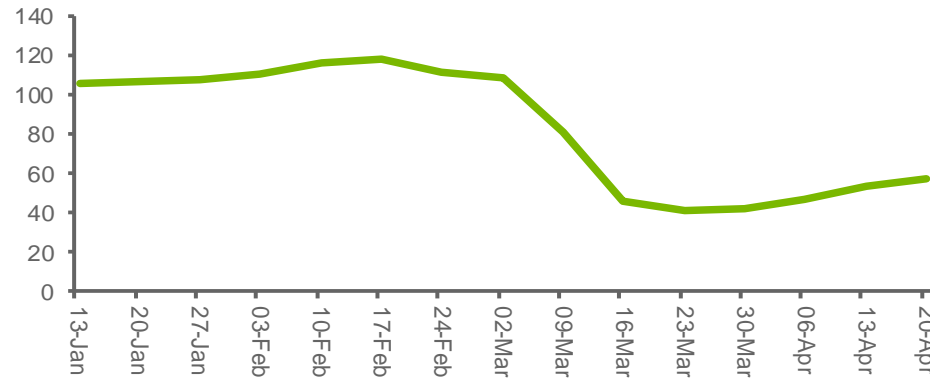
Source: IADB

Current situation: LV replacement tyre sales

Apple: Requests for directions on Apple Maps

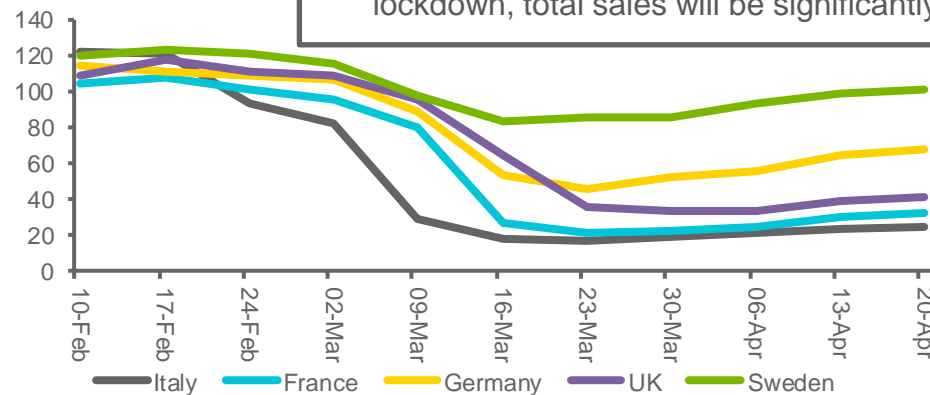
Europe

Jan 13 = 100



Selected EU

Jan 13 = 100

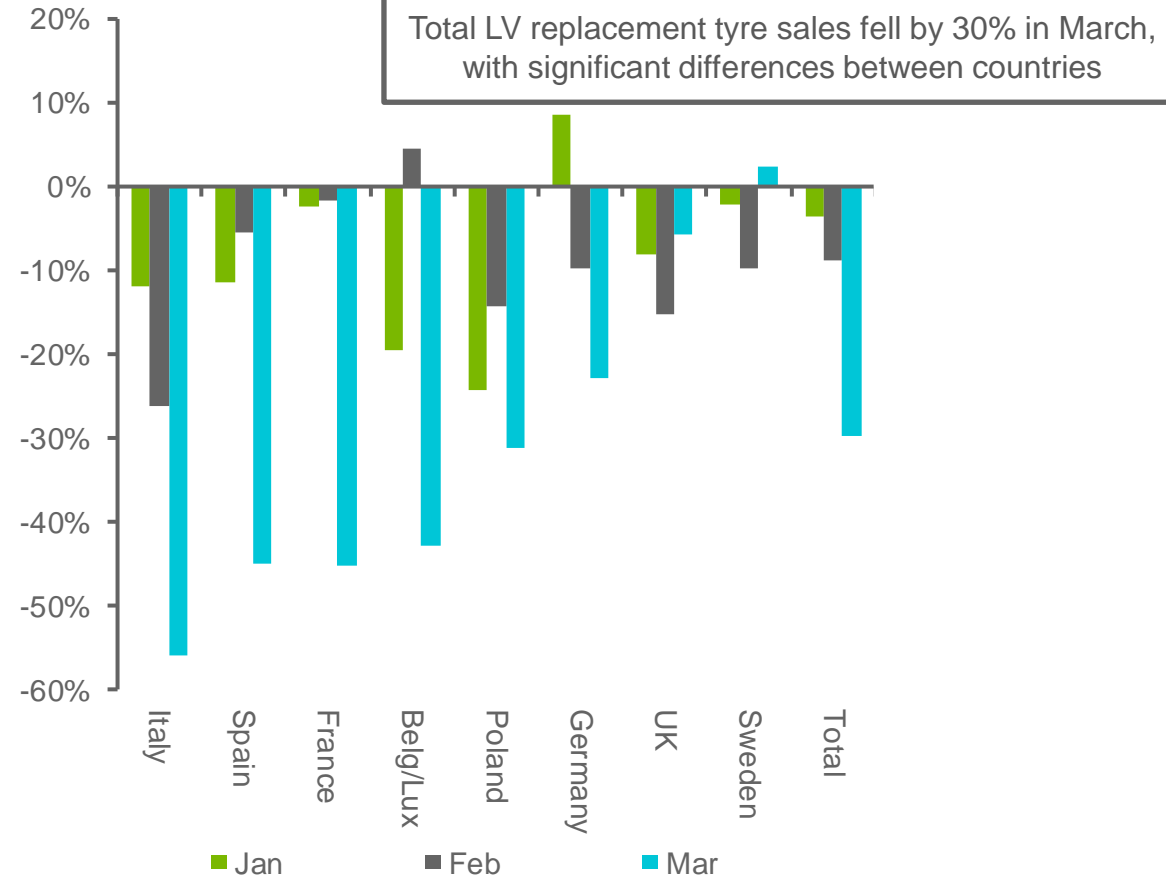


The extent of the fall in sales in March depends upon when countries went into lockdown. In April, with all in lockdown, total sales will be significantly lower

Source: Apple

LV replacement tyre sales

Change on previous year



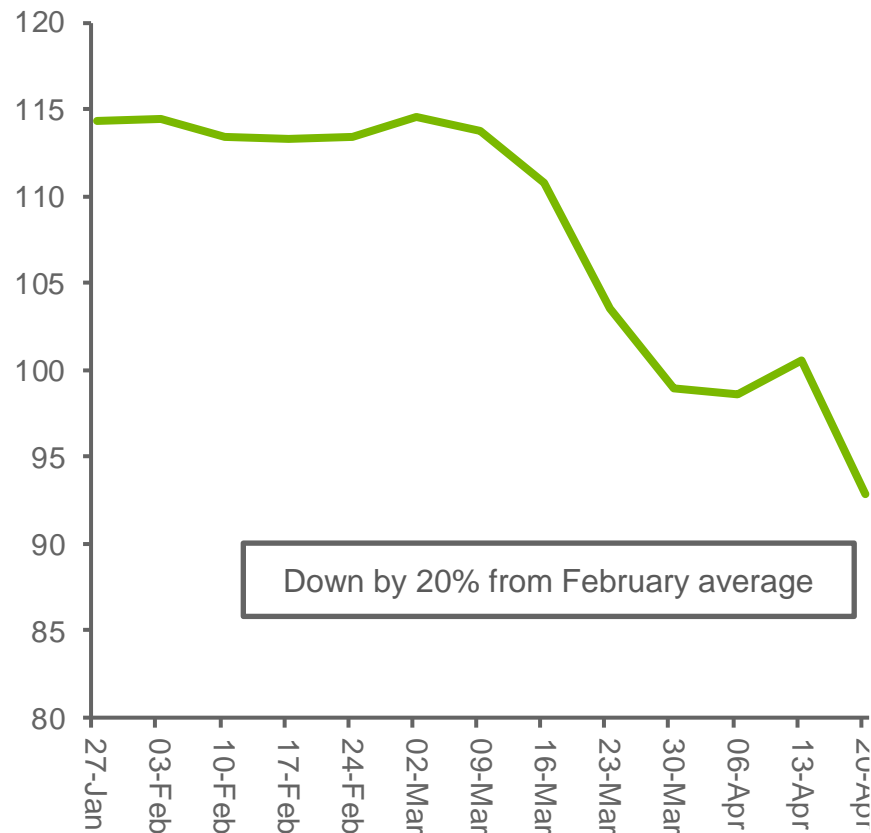
Source: ETRMA

Current situation: MHCV replacement tyre sales

MHCV replacement tyre sales have fallen less than LV tyres. Retreads have been the least affected.

Germany, freight on toll roads

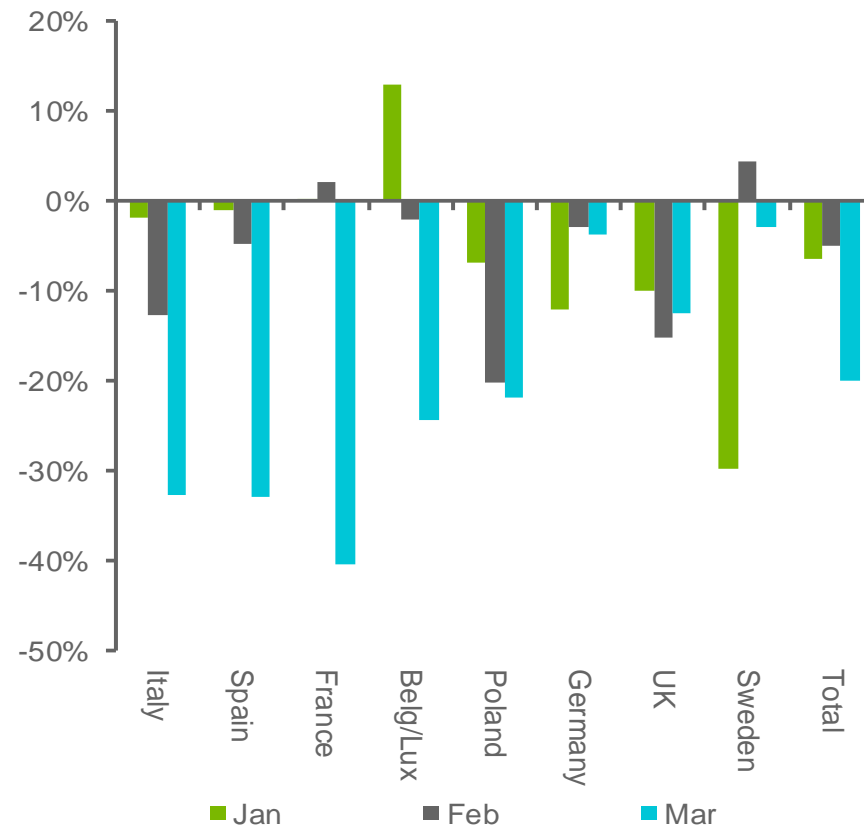
2005 = 100



Source: Statistisches Bundesamt

Replacement tyre sales

Change on previous year



Source: ETRMA



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Thank You

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