



TIRE MARKET TRENDS

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November 2017: is Truck OE overheating?

LV replacement (RT) tire markets were below ytd trend in November (+3% in Europe, flat plus in Nafta and Brazil) despite one extra selling day in Europe.

Truck RT markets have suffered from strong original equipment (OE) markets as cyclical recovery looks unabated in key regions (+10% in Europe/+49% in Brazil) which, in turn, could hurt mix.

November 2016 comps were rather solid except for trucks RT in Nafta (-8%).

These monthly selling data points are indirectly supportive for Michelin (N/117) or Conti (O/260) as volumes prove resilient despite selling price hikes to offset input cost inflation. Non-rated Nokian Renkaat should benefit from above average Russian growth (+3%/same number of selling days).

CAR & LIGHT-TRUCKS/SR1: RT SOFTER THAN YTD TREND EXCEPT IN CHINA

LV markets have been softer in November than ytd trend (+3% in Europe inc. Russia, +1% in Nafta) despite one extra selling day in most Western Europe markets (Nafta and Russia had comparable selling days vs November 2016). We would highlight the high volatility of Brazil (flat in November after +28% in October) and the sustained growth rate in RT in China (+12%) as the number of cars on the road keeps increasing.

TRUCKS & BUSES/SR2: DOES OE CYCLICAL STRENGTH WEIGH ON RT?

OE seems embarked on a solid up cycle with a 7-months winning streak in Nafta (+19% in November), Europe accelerating (second months of double digit growth and Brazil skyrocketing (+49% in the past months). On the negative, this splendid OE figures might come at the expense of DT segments in mature markets. The NAFTA RT market has suffered from unfavourable comps: 2016 demand was boosted by Chinese pre-buys.

MOST PREFERRED

Continental (OPF/EUR260)

LEAST PREFERRED

Michelin(N/EUR117)

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LV AND CV TIRE DATA

Figure 1: November Tire Market Data by Segment

Trucks - OE	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Trucks OE Europe including Russia&CIS *	-1.0%	-7.0%	5.0%	2.0%	12.0%	-7.0%	11.0%	5.0%	7.0%	4.0%	5.0%	15.0%	10.0%
Trucks OE North America	-21.0%	-27.0%	-6.0%	-15.0%	-6.0%	-8.0%	16.0%	27.0%	27.0%	18.0%	19.0%	14.0%	19.0%
Trucks OE Brazil	6.0%	12.0%	1.0%	-9.0%	-3.0%	-16.0%	-12.0%	-2.0%	40.0%	29.0%	22.0%	79.0%	49.0%
Trucks - Replacement	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Trucks R Europe including Russia&CIS *	7.0%	-2.0%	6%	9%	19%	1%	7%	-3%	2%	1%	5%	1%	1%
Trucks R North America	-8.0%	-7.0%	18%	8%	-2%	-7%	0%	-12%	25%	2%	3%	14%	-5%
Trucks R Brazil	16.0%	19.0%	20%	16%	16%	-15%	-6%	2%	17%	1%	7%	31%	22%
LVs - OE	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
LVs OE Europe including Russia & CIS *	2.0%	4.0%	8.0%	-3.0%	9.0%	-15.0%	6.0%	-2.0%	4.0%	3.0%	3.0%	6.0%	4.0%
LVs OE North America	7.0%	1.0%	4.0%	-5.0%	8.0%	-4.0%	10.0%	-2.0%	-2.0%	-8.0%	-7.0%	-7.0%	-3.0%
LVs OE Brazil	5.0%	19.0%	2.0%	27.0%	-8.0%	-1.0%	3.0%	14.0%	3.0%	22.0%	14.0%	6.0%	13.0%
LVs OE China	3.0%	17.0%	3.0%	7.0%	1.0%	-3.0%	-1.0%	4.0%	6.0%	5.0%	2.0%	2.0%	-2.0%
LVs - Replacement	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
LVs R Europe including Russia & CIS *	10%	4%	7%	3%	9%	-4%	2%	0%	2%	-1%	2%	3%	3%
LVs R North America	1%	3%	4%	0%	1%	-4%	1%	5%	-2%	1%	-1%	4%	1%
LVs R Brazil	11%	14%	2%	1%	0%	0%	9%	13%	0%	1%	0%	28%	0%
LVs R China	5%	5%	3%	28%	6%	2%	0%	4%	6%	7%	9%	8%	12%

Source: Plastic Omnium



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