

PRESS INFORMATION

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Tyre replacement business in Germany: stabilisation at a high level

Around 55.1 million tyres were sold in the tyre replacement sector in Germany in 2017. That equates to a slight increase of 0.5 percent on average across all product segments, the German Tyre Retail and Vulcanisation Trades Association (BRV, Bonn) reports. With some 92 percent share of items sold, 'consumer tyres' (= car/off-road and light truck tyre product groups) were by far the biggest segment in the tyre replacement sector, followed by HGV tyres (almost 5 percent) and motorcycle tyres (2.4 percent). The niche segments FARM and EM tyres accounted for the rest, only achieving a market share of around 0.4 percent. "Tyre sales from retail to consumer has thus stabilised at a high level for the third year in a row," said Yorick M. Lowin, Managing Director of the Bonn expert association, in summary of the overall development in the German tyre replacement business.

The BRV analysed the sell-out development in the various product segments as follows:

Consumer tyre segment

The **car and off-road tyres (4x4)** product groups attained around 92.5 percent share in the consumer tyres segment and a good 85 percent of the entire tyre replacement business and thus majorly defines the overall market development. With over 47 million tyres, this product group enjoyed 0.4 percent more sales than in the previous year. Due to the increasing difficulty in precise allocation by tyre dimension, car and off-road tyres are now cumulated for the first time in the BRV market data. "In doing so, we are taking account of the trend of car tyre dimensions becoming increasingly large, and the fact that the two vehicle segments are becoming increasingly intertwined with the manufacturers' model policies and the sustained boom in demand for road-ready SUVs," Hans-Jürgen Drechsler, Managing Director and Technical Expert of the German Tyre Retail association, explained.

For the first time, the association is presenting **all season tyres** as a separate category in the consumer segment in the 2017 statistics, where they had previously been allocated to summer tyres. Last year, all season tyres achieved a share of around 16 percent in that segment with sales of 8.2 million items. "We are thus also following the market trend there, too," Hans-Jürgen Drechsler said about the introduction of the new all season product category to the market statistics. "Even if as an association we largely still recommend 'summer tyres in summer, winter tyres in winter', and only consider the use of all season tyres sensible in a clearly defined range, supply and demand are growing and so of course we have to document and analyse this development." Accordingly, the BRV statistics show that the sales volume for all season tyres in the consumer segment has risen by 17 percent on average compared to the previous year, but mainly to the detriment of summer tyre sales, whilst the sales of winter tyres remained stable. Around half of sales in the consumer segment in 2017 were, like in the previous year, accounted for by winter tyres, whilst the summer tyre market share decreased by around two percent to almost 34 percent and the all season share increased by around two percent to just over 16 percent. This development was indeed very similar in both product groups in the consumer segment. The sale of light truck tyres enjoyed an increase of 5.6 percent over the previous year, however, thus being considerably higher than both the car/off-road tyre product group (+0.4 percent) and the overall segment average (+0.8 percent).

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HGV tyre segment

Last year, 2.7 million items were sold in the **HGV tyre** product segment, meaning the sales volume was exactly the same as the previous year. A good 70 percent of them were new tyres, the rest retreaded tyres. The BRV views the fact that the sale of retreaded tyres and thus their share of the overall segment remained stable as a success of their efforts to strengthen the predominantly medium-sized retreaders in German - also represented by the association - in their battle against increasingly difficult market conditions. In collaboration with its members from the retreading sector, it was broadly possible to secure funding for retreaded HGV tyres as part of the De-minimis public funding programme.

The association also played a key role in filing the EU anti-dumping suit filed last autumn against cheaply imported new HGV and bus tyres from China. They were posing an increasingly great threat to the livelihoods of retreaders across Europe. Coming into effect on 7th May 2018, the European Commission has indeed imposed preliminary anti-dumping duties against new tyres for heavy-goods vehicles, trailers and buses imported from China. The amount is manufacturer-dependent and is between 52.85 and 82.17 Euro per tyre when introduced into the European Economic Area. The preliminary regulation shall first apply for six months, after which a final regulation shall be determined for 3 years. At the same time, a decision will be taken as to whether and to what extent a retroactive application of the sanctions shall be imposed dating back to 3rd February 2018. On the instruction of the European Commission, all imports of Chinese HGV and bus tyres to the EU have been recorded by customs since that date to allow for retroactive anti-dumping and anti-subsidy measures to be taken. The sanctions will ensure a considerable relaxation of competition for HGV retreaders in Germany and Europe.

Motorcycle tyres and niche segments

The sale of **motorcycle tyres**, a rather small product group with 1.7 million items sold in 2017, again experienced a downturn compared to the previous year, predominantly due to poor weather.

The niche segments for tyres for agricultural and forestry vehicles (**FARM tyres**) and earth-moving machines (**EM tyres**) which are primarily used in mining and construction also experienced a decrease in sales. Sales in the FARM product group decreased by 4.4 percent to some 215,000 units, whilst EM tyres saw a decrease of 2.8 percent to 34,400 units, which the BRV puts down to normal market fluctuations. Due to their extremely small share of only about 0.4 percent of the overall market each, these niche products do not have any significant influence on the development of the tyre replacement business as a whole.

Forecast: sales figures continue to remain stable

The tyre retail association anticipates largely stable sales figures in the German tyre replacement business for the ongoing year. Only in the consumer sector is a slight increase expected as a result of potential growth of 0.8 percent in the car and off-road tyre product group.

The BRV forecast for 2018 is +/-0 for all other market segments, from HGV to the niche markets. "The consolidation phase in the tyre replacement business will continue," said BRV Managing Director Yorick M. Lowin. "We expect the largest sales growth in the consumer segment with a good 12 percent increase for the all season product category, although the growth rates will flatten out here. The fact that the expected increase for the entire consumer tyre segment is significantly lower at 0.8 percent is due to all season tyres in all three product categories of the segment having the lowest share."

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Turnover increased, returns in need of improvement

The positive development shown in the volume statistics can also be found on a qualitative level. The results of the BRV annual intercompany comparison 2017 for specialist tyre retail show that the overall turnover generated from the sale of products and services increased by 1.6 percent over the previous year. Gross profit increased on average amongst all participants by 2.8 percent to a current 39 percent of turnover; return on sales grew by 3.2 percent and was thus five percent higher than the year before.

"Securing specialists and staff know-how coupled with increasing digitalisation in all areas of business and society and the growing technical complexity of modern vehicles will be an increasingly important cost driver in our sector's companies," BRV Managing Director Yorick M. Lowin warned. He emphasised: "The good business results from last year therefore absolutely have to be maintained and further expanded to be able to financially support the investments needed to safeguard our future." Specialist tyre retail is currently the leading distribution channel in the German tyre replacement business with 42 percent market share in the car segment and 95 percent in the HGV segment.

The BRV expects positive impulses for the sector they represent from the new international leading sector trade fair THE TIRE COLOGNE which is taking place under the ideal sponsorship of the association for the first time from 29th May to 1st June 2018 in Cologne. It is not simply an exhibition, but rather highlights trends and future topics with events and special areas - from "digital reality" and modern fleet management to the future of retreading. More info: www.thetire-cologne.de

About the BRV

The Bundesverband Reifenhandel und Vulkaniseur-Handwerk e.V. (BRV - German Tyre Retail and Vulcanisation Trades Association) is the nationwide expert association of the German tyre industry. With its approx. 1,950 members and total approx. 3,500 outlets, it represents about four fifths of the specialist tyre retailers and traders in Germany. The BRV also has 175 sponsoring members. More info: www.bundesverband-reifenhandel.de.