



Normally spring is when tyre makers think about ramping up production to meet increased demand during the summer driving months and the autumn selling season. No such luck in 2013.

Rather than ramping up, tyre makers are ramping down production amid a world-wide slump in tyre demand.

One tyre maker said it is sporadically shutting down one of its US production lines for "inventory control."

Another source said, "I won't use the phrase 'cautiously optimistic' because I don't believe we know what that means anymore."

Indeed, tyre demand was down 10% in Europe in 2012 and is expected to be down another 10% this year. In Asia, producers were recently ordered to empty warehouses to clear excess inventory. And in the US, robust auto sales at a 15.5mn unit annual rate remain the one bright spot, while the replacement tyre market continues to struggle.

weak demand – both from car makers outside the US and in the replacement tyre market worldwide – prices of tyre raw materials are feeling downward pressure.

Butadiene (BD), a key component in styrene butadiene rubber (SBR), rolled over at 84 cents/lb (\$1,852/tonne, €1,445/tonne) for April but is expected to drop by at least a few cents in May.

Market sources say SBR is expected to at least roll over, if not drop by a few cents, when the April contract is settled. And nylon and acrylonitrile (ACN) prices are slipping because of reduced tyre demand.

US tyre makers have all but given up on growth in the first half of 2013, but are hoping that the tyre market improves along with better expectations for the US economy in the second half of 2013.

"Business still looks weak in our three-month horizon," one tyre maker said. "Typically, we would ramp up a bit in late summer getting prepared for the tyre buying season, which is fall. Time will tell if we will be doing so this year."

The American Chemistry Council (ACC) estimates that each automobile contains an average of \$3,297 worth of chemicals, such as acrylonitrile-butadiene-styrene (ABS), nylon, polycarbonate (PC) and others.

(\$1 = €0.78)

By Mark Yost



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