

Michelin bids \$1.5b for the growth of Chinese high-end tire market

Michelin's new factory in Shenyang, China officially went into operation on Jan. 26. Michelin has invested around \$1.5 billion building this factory, topping all its investments in China.

The new factory will produce high-end tires with an annual output of over 12 million units.

"Tires produced by the new factory are high-performance and 100 percent environment friendly," said Jean-Dominique Senard, president of Michelin Group.

More broadly, international tire companies are bullish about the high-end tire market.

Korean Hankook Tires announced in 2012 an increase in the proportion of sales of large-sized (above 15 inches) tires to 60 percent and the segment of UHPT (ultra high pressure technology) tires to 26 percent.

Another Korean tire producer KUMHO, long focused on the ordinary tire market, announced it would break into the high-end tire market as well last year, targeting 15 percent of the Chinese high-end tire market. Therefore, KUMHO plans to open 350 new outlets in China this year working from a base of 2,150 existing stores.

Italian Pirelli also announced a focus on the Chinese high-end tire market. The company has invested \$400 million in China since 2005 when it built its first Chinese factory in Yanzhou and plans to invest another \$200 million in the coming two years to raise the production capacity of tires for passenger cars.

The Chinese car market is on a smooth decline, but is still gaining against the European market. As a result, several tire market segments, especially high-end tires with features such as energy conservation, safety, and durability are still widely demanded, Wan Nengyi, president of Michelin (China) Investment Company told National Business Daily.

It was estimated that the annual growth rate of the global high-end tire market would be 9.6 percent, while the rate in the Asia-Pacific area would reach 17 percent, reported National Business Daily.

According to spokesman of Michelin, the car ownership will double in five years and tire replacement market will increase at the same pace, if not even faster.