

# Tire makers weigh up the impact of Middle East war

## Higher fuel costs, inflation and economic pressure expected to reduce miles driven beyond duration of conflict

The ongoing Middle East conflict is expected to continue impacting European vehicle mileage and replacement tire demand well beyond the end of hostilities, according to a market update released by Tyres Europe.

In a report, prepared by Astutus Research and released 7 May, Tyres Europe said the conflict is affecting mobility through "elevated fuel prices and broader macroeconomic pressure from higher general inflation and the threat of rising interest rates."

While fuel shortages have so far been avoided, Europe remains heavily dependent on imported diesel supplies, particularly from the Middle East and the US, after sanctions curtailed Russian supply.

Tyres Europe said the impact on miles driven is expected to "outlast the conflict itself."

Futures contracts, said the report, indicate that oil prices are likely to peak during the current quarter before easing gradually towards the end of the year.

However, "embedded inflation and residual supply-chain disruption will continue to weigh on the economy and therefore motorists" into 2027, the report added.

For the tire industry, the situation represents "a headwind for replacement tire demand," as

fewer miles driven impacts replacement intervals.

Seasonal driving patterns could partly moderate the overall annual impact, Tyres Europe said, noting that discretionary travel typically increases during the summer months.

"Disruption during the early part of the year therefore has less impact on the aggregate annual result," the report stated.

### Michelin guidance

French group Michelin, however, is maintaining its 2026 guidance despite growing uncertainty linked to the Middle East conflict, which the group has warned could raise costs, disrupt raw material supply and weaken global demand.

The French group said the conflict had limited direct exposure to its sales, with the Middle East accounting for less than 1% of total group turnover.

Michelin also said it has fewer than 100 employees in the region excluding joint ventures, no tire manufacturing plants, and two joint ventures in Saudi Arabia.

In presentation materials accompanying its first-quarter results, Michelin warned that a prolonged Middle East conflict could weigh on global demand through softer GDP growth while

also disrupting supply chains and increasing costs.

The group said weaker economic activity could translate into lower tire demand, while raw materials availability could also come under pressure.

At the same time, it flagged risks of inflation in raw materials as well as higher energy and logistics expenses, which in turn could create pressure on both operating margin and free cash flow.

Under a prolonged disruption scenario, Michelin estimated potential cost inflation of "€400 million or more."

On supply chains, Michelin said raw materials were currently "secured until June" and that it was maintaining "dynamic monitoring of suppliers."

In terms of market access, Michelin said risks included possible "disruption to regional customer deliveries," but added that "alternative commercial routes" were already "secured and operational."

As part of its crisis management protocol, Michelin said it would leverage its structural strengths to manage the volatile environment.

Measures could include "vertical integration," and "local-to-local operations" to reduce "geographical interdependence."

### Bridgestone cost impact

Tokyo-based Bridgestone Corp. estimated that the current Middle East situation could have a gross cost impact of around Yen70

billion (€378 million) on its fiscal 2026 performance, driven by rising raw material, energy and logistics costs.

In a 14 May presentation, the Japanese group said the estimate was based on an assumption that crude oil prices, measured by WTI, remain at "\$90/bbl by end of the year."

Describing the effect on its business so far as mainly indirect, Bridgestone said results will be impacted by "rising raw material costs due to higher crude oil prices" as well as "rising conversion and logistics costs due to higher energy costs."

Bridgestone also warned of a possible "impact on production due to supply chain disruptions."

The group, however, added there were "no concerns so far," while stressing that the situation "requires cautious monitoring."

The tire maker further pointed to a potential "decline in tire demand due to the economic downturn."

According to the group, direct exposure to the region remains limited, with sales from affected areas accounting for just around 1.5% out of total sales.

Bridgestone added that it was "closely monitoring the situation" and would implement various measures, including "business cost reduction," "optimising costs by leveraging our global supply chain," and "strengthening sales initiatives to minimise impact of the Middle East situation."

## PRICE INCREASES

**Teijin Ltd** is mulling product price increases as due to rising costs and prolonged price competition. It said the "deteriorating situation in the Middle East" had disrupted crude oil supply, causing "rapid price fluctuations" and increasing costs for raw materials, energy and logistics. Teijin has taken steps to reduce procurement and production costs, but said the increases are "too steep to be offset" by these steps alone.

Effective 1 May, or as contracts allowed, **Celanese Corp.** increased prices in Asia for flame retardant Santoprene TPV products by \$1.50/kg. Additionally, said the company, individual grades may be subject to higher increases than specified.

Japanese group **Tosoh Corp.** is raising the prices of its chloroprene rubber products due to the "soaring cost" of butadiene – adding "Yen80/kg or more" to all Skyprene-branded

rubbers from 1 May, said the Japanese supplier. If raw material and energy costs "fluctuate significantly further" in future, it says it might request additional price revisions.

German major **Lanxess AG** is increasing prices for sulphur-based products by an average of 40%, citing sharply higher input costs. It said "ongoing geopolitical tensions" have driven up costs for sulphur, energy and logistics, requiring a price adjustment outside the regular schedule.