

Steel

June steel production updates

Non-rated

Weak demand in both domestic and export markets

- Vietnam Steel Association (VSA) publicized the decreasing June steel production volume of 2.23mn tonnes, -13.1% mom, -12.8% yoy. We witnessed the decline in production for all steel products.
- The total consumption volume was down 3.4% mom to 2.07mn tonnes, -1.1% yoy.
- Breaking down domestic sale volume (1.51mn tonnes, +2.8% yoy), we witnessed significant decline in steel coil products on year-on-year basis.
- The export-driven volume was 558,813 tonnes, -10.1% yoy.
- Steel inventory as of end-June was 1.41mn tonnes, increasing by 9.0% yoy.
- The movements of raw material input prices were in downtrend in the last 30 days: as of July 22, iron ore was around USD93/mt (-27USD/mt), China hot roll coil (HRC) decreased to USD573/mt (-76USD/mt); Aust hard coking coal retreated to USD235/mt (-150USD/mt).
- Based on quoted prices of Hoa Phat steel bar in June, the local prices of steel products were VND16.71mn/tonne.

6M22 performance still firm

- Overall, Vietnam produced 15.42mn tonnes in the first 6M22, -3.4% yoy. The total sale volume was also encouraging (14.0mn tonnes, -0.7% yoy) amid slower demand.
- The domestic demand is expected to be weak in 3Q22 due to the rainy season but better than 3Q21 (lock-down period).

Global steel updates

- China's crude steel output fell 3.4% yoy to 90.7mn tonnes in June 2022.
- China will launch a real estate fund to help property developers resolve a crippling debt crisis, aiming for a warchest of up to 300 billion yuan (\$44 billion) in a bid to restore confidence in the industry, according to Reuters. From our view, we consider it as a good new for steel industry amid steel-price downtrend. What we are waiting now is the improvement in sentiment from buyer side.

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Table 1. Sales volume growth (Tonnes)

	Monthly				Accumulated		
	Jun-21	Jun-22	MoM (%)	YoY (%)	6M21	6M22	YoY (%)
Steel Pipes	153,659	179,799	13.2	17.0	1,250,622	1,146,108	(8.4)
Export	21,494	20,532	(4.5)	(4.5)	131,903	123,682	(6.2)
Domestic	132,165	159,267	16.0	20.5	1,118,719	1,022,426	(8.6)
Steel Coat	453,748	330,519	(9.6)	(27.2)	2,599,097	2,394,180	(7.9)
Export	283,362	168,109	(18.9)	(40.7)	1,487,470	1,304,013	(12.3)
Domestic	170,386	162,410	2.5	(4.7)	1,111,627	1,090,167	(1.9)
Steel Constru'	655,046	877,829	9.1	34.0	5,315,272	5,642,030	6.1
Export	135,682	190,567	7.7	40.5	830,700	1,226,359	47.6
Domestic	519,364	687,262	9.4	32.3	4,484,572	4,415,671	(1.5)
Steel Coil	833,255	685,516	(16.1)	(17.7)	4,962,956	4,851,628	(2.2)
Export	181,079	179,605	32.3	(0.8)	998,990	N.A	N.A
Domestic	652,176	505,911	(25.8)	(22.4)	3,963,966	N.A	N.A
Total Steel Volume	2,095,708	2,073,663	(3.4)	(1.1)	14,127,947	14,033,946	(0.7)

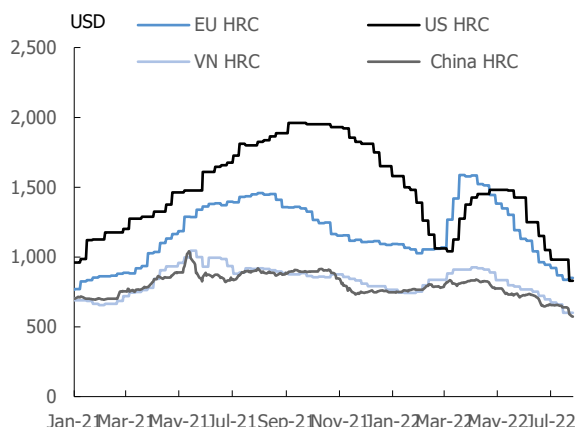
Source: VSA, KIS

Table 2. Production volume growth (Tonnes)

	Monthly				Accumulated		
	Jun-21	Jun-22	MoM (%)	YoY (%)	6M21	6M22	YoY (%)
Steel Pipes							
Production	149,451	167,269	6.2	11.9	1,204,214	1,087,051	(9.7)
Inventories	79,358	69,391	(5.4)	(12.6)			
Steel Coat							
Production	506,699	355,745	(17.4)	(29.8)	2,903,201	2,624,009	(9.6)
Inventories	286,015	238,004	(5.3)	(16.8)			
Steel Constru'							
Production	847,279	766,869	(18.7)	(9.5)	5,625,809	5,739,252	2.0
Inventories	822,348	792,646	(11.1)	(3.6)			
Steel Coil							
Production	1,059,381	945,578	(9.1)	(10.7)	6,239,360	5,975,637	(4.2)
Inventories	115,322	319,905	15.7	177.4			
Total							
Production	2,562,810	2,235,461	(13.1)	(12.8)	15,972,584	15,425,949	(3.4)
Inventories	1,303,043	1,419,946	(4.9)	9.0			

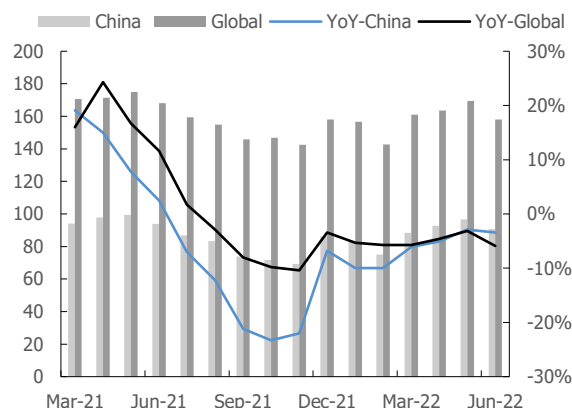
Source: VSA, KIS

Figure 1. HRC prices declined but gaps still remained



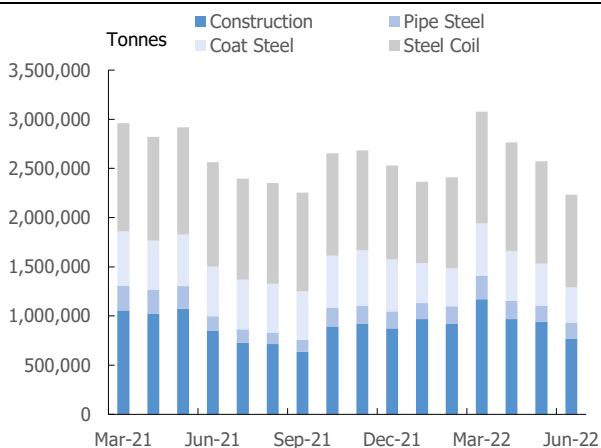
Source: Bloomberg

Figure 2. China-production-output revival paused



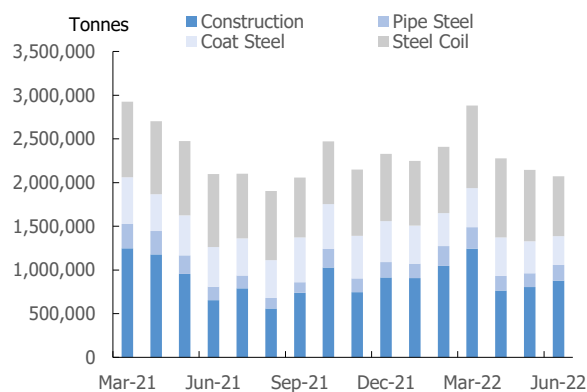
Source: World Steel Association

Figure 3. Vietnam steel production decreased in June



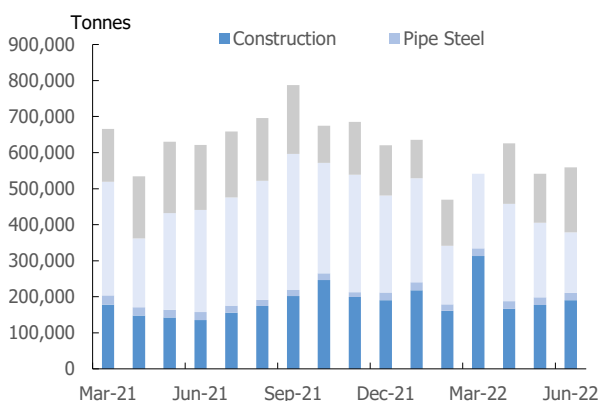
Source: VSA, Fiipro

Figure 3. Steel consumption revival paused



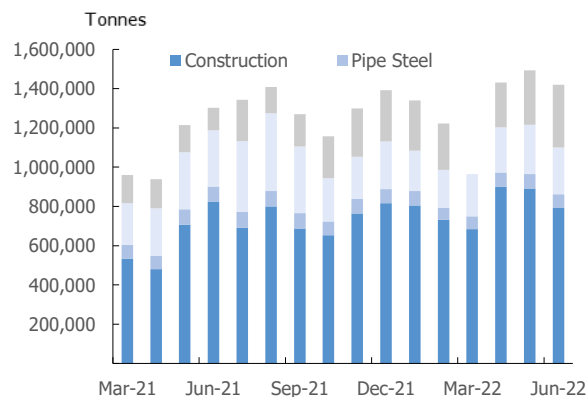
Source: VSA, Fiipro

Figure 4. Export volume declined amid slower demand

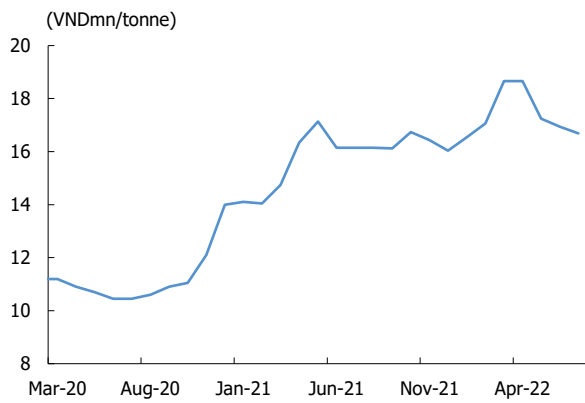


Source: VSA, Fiipro

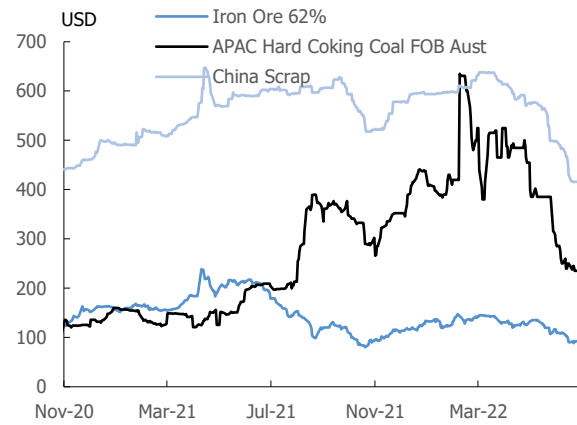
Figure 5. Inventory volume declined



Source: VSA, Fiipro

Figure 8. Selling price of steel bar was down in June

Source: Fiinpro, Hoa Phat

Figure 9. Material input prices in downtrend in the last 30 days

Source: Bloomberg

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