

Steel

Neutral (Maintain)

August steel production updates

Domestic sales volume was resilient

- Vietnam Steel Association (VSA) publicized the decreasing August steel production volume of 1.79mn tonnes, -13.4% mom, -23.7% yoy. We witnessed a significant decline in the production for steel-coil products.
- The total consumption volume was up slightly 5.8% mom to 1.93mn tonnes, +1.7% yoy.
- Breaking down domestic sale volume (1.53mn tonnes, +26.8% yoy), we witnessed a brisk revival in most products except steel coil products (+4.4% mom but -36.3% yoy).
- The export volume was 404,684 tonnes, -41.9% yoy, which showed the weak global demand.
- Steel inventory as of end-Aug was 1.39mn tonnes, decreasing by 1.2% yoy.
- The movements of raw material input prices were mixed in the last 30 days: as of 14 Sep, 22, iron ore was around USD100/mt (+2USD/mt), China hot roll coil (HRC) decreased to USD575/mt (-6USD/mt); Aust hard coking coal retreated to USD258/mt (-22USD/mt).
- Based on quoted prices of Hoa Phat steel bar in August, the local prices of steel products were VND15.01mn/tonne.

8M22 performance was sustained

- Overall, Vietnam produced 19.29mn tonnes in the 8M22, -6.9% yoy. The total sale volume was also encouraging (17.8mn tonnes, -1.8% yoy) amid slower global demand.

A shadow casted on global steel operation

- European steelmakers continue to announce planned outages this fall and have begun to significantly reduce steel output due to those high energy costs and raw material prices amid a weak steel consumption environment. This is supposed to benefit global low-cost steel makers, however, the weak global demand caused by lingering high inflation left this viewpoint a big question mark.

Ratings and recommendation: Neutral on tepid 2022F outlook

- We maintain our Neutral rating on Vietnam's steel sector due to a lack of significant growth in sales volume, which might continue to bottleneck the market's business sales over the next 4 months. Furthermore, the slower economic growth could threaten the export performance.

Table 1. Sales volume growth (Tonnes)

	Monthly				Accumulated		
	Aug-21	Aug-22	MoM (%)	YoY (%)	8M21	8M22	YoY (%)
Steel Pipes	121,689	192,099	11.1	57.9	1,515,804	1,511,158	(0.3)
Export	17,206	24,312	4.7	41.3	168,709	171,218	1.5
Domestic	104,483	167,787	12.1	60.6	1,347,095	1,339,940	(0.5)
Steel Coat	432,041	269,029	(0.1)	(37.7)	3,459,222	2,932,523	(15.2)
Export	329,914	103,482	(16.7)	(68.6)	2,117,788	1,531,695	(27.7)
Domestic	102,127	165,547	14.1	62.1	1,341,434	1,400,828	4.4
Steel Constru'	559,482	972,355	12.4	73.8	6,666,170	7,479,778	12.2
Export	174,555	166,255	(19.9)	(4.8)	1,160,699	1,600,181	37.9
Domestic	384,927	806,100	22.5	109.4	5,505,471	5,879,597	6.8
Steel Coil	790,387	502,729	(3.7)	(36.4)	6,491,550	5,876,361	(9.5)
Export	174,431	110,635	(24.4)	(36.6)	1,356,180	974,971	(28.1)
Domestic	615,956	392,094	4.4	(36.3)	5,135,370	3,958,390	(22.9)
Total Steel Volume	1,903,599	1,936,212	5.8	1.7	18,132,746	17,799,820	(1.8)
Export	696,106	404,684	(19.3)	(41.9)	N.A	N.A	N.A
Domestic	1,207,493	1,531,528	15.3	26.8	N.A	N.A	N.A

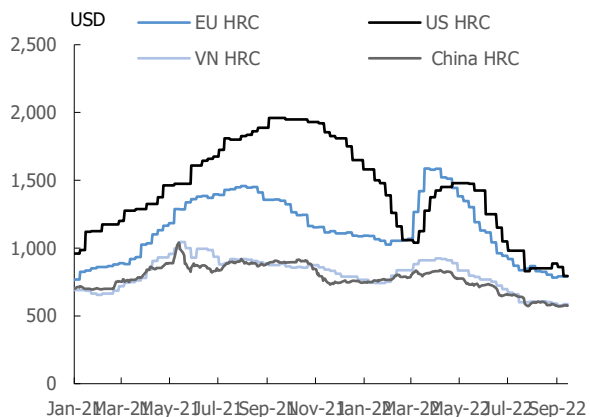
Source: VSA, KIS

Table 2. Production volume growth (Tonnes)

	Monthly				Accumulated		
	Aug-21	Aug-22	MoM (%)	YoY (%)	8M21	8M22	YoY (%)
Steel Pipes							
Production	118,559	181,967	6.6	53.5	1,456,647	1,439,739	(1.2)
Inventories	78,551	59,916	(10.3)	(23.7)			
Steel Coat							
Production	495,263	255,902	(7.3)	(48.3)	3,902,998	3,155,969	(19.1)
Inventories	397,024	209,169	(7.2)	(47.3)			
Steel Constru'							
Production	713,964	814,624	(8.9)	14.1	7,068,770	7,448,310	5.4
Inventories	799,954	782,581	(0.2)	(2.2)			
Steel Coil							
Production	1,024,670	541,919	(25.8)	(47.1)	8,294,653	7,247,499	(12.6)
Inventories	133,054	339,393	(13.9)	155.1			
Total							
Production	2,352,456	1,794,412	(13.4)	(23.7)	20,723,068	19,291,517	(6.9)
Inventories	1,408,583	1,391,059	(5.4)	(1.2)			

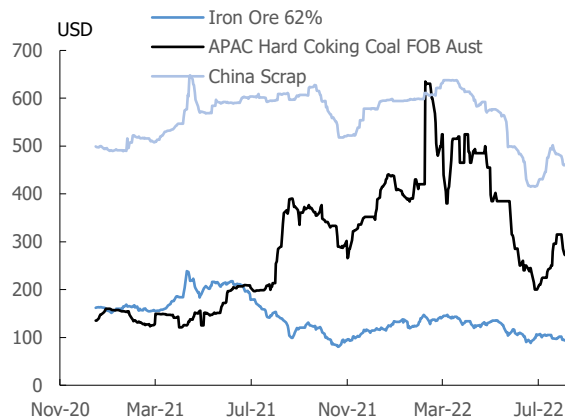
Source: VSA, KIS

Figure 1. HRC prices declined but gaps still remained



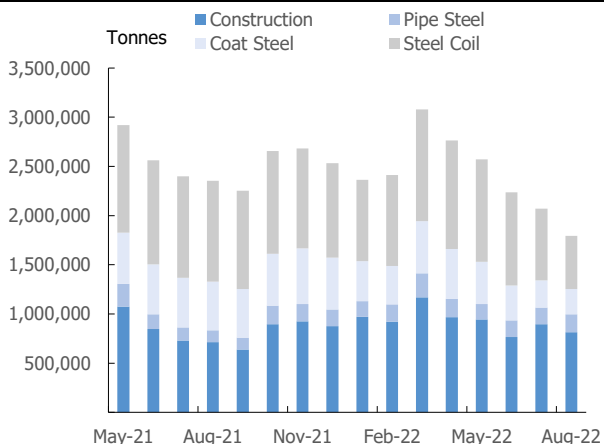
Source: Bloomberg

Figure 2. Material input prices were mixed in the last 30 days



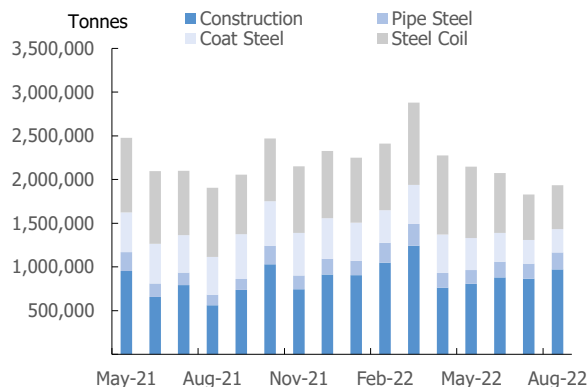
Source: Bloomberg

Figure 3. Vietnam steel production decreased in August



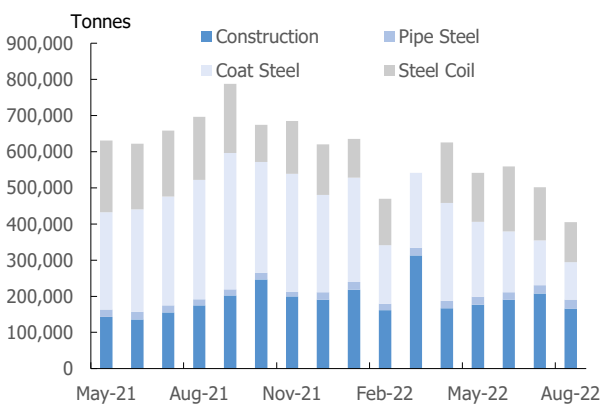
Source: VSA, Fiinpro

Figure 3. Domestic consumption got better



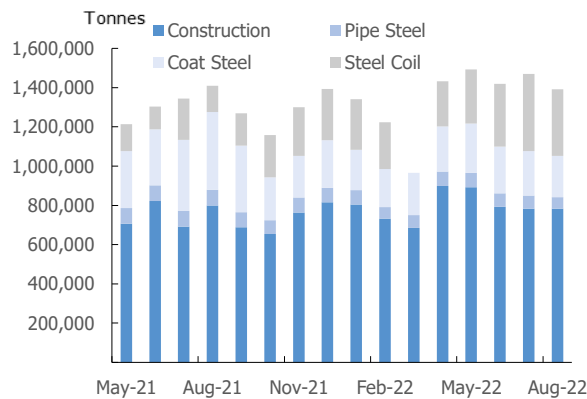
Source: VSA, Fiinpro

Figure 4. Export volume declined amid slower demand



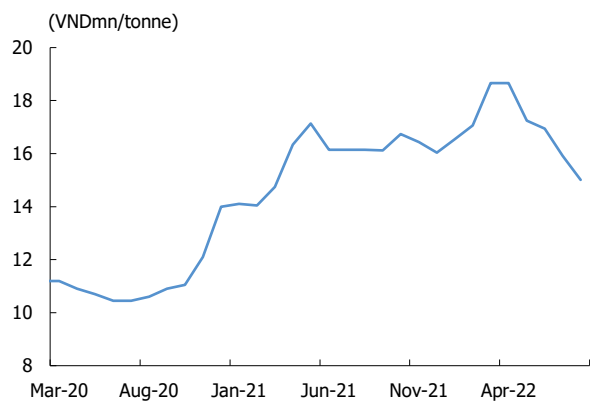
Source: VSA, Fiinpro

Figure 5. Inventory volume decreased



Source: VSA, Fiinpro

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



Source: Fiinpro, Hoa Phat

Figure .

Source:

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