

Steel

Neutral (Maintain)

Weak domestic demand

Domestic sales volume slumped

- Vietnam Steel Association (VSA) publicized the Oct steel production volume of 1.92mn tonnes, -15.0% mom, -27.7% yoy. We witnessed a significant decline of the production for most products.
- The total consumption volume was slightly down 3.5% mom to 1.76mn tonnes, -28.5% yoy.
- Breaking down domestic sale volume (1.32mn tonnes, -26.4% yoy), we witnessed a significant drop in most products' sales volume.
- The export volume was 444,086 tonnes, -34.1% yoy, but +51% mom thanks to the surge in steel-coil export volume (186,374 tonnes, +81.3% yoy, +193% mom).
- Steel inventory as of end-Oct surged by 25.5% yoy to 1.45mn tonnes.
- The movements of raw material input prices were mixed in the last 30 days: as of 16 Nov, iron ore was around USD89/mt (-8USD/mt), China hot roll coil (HRC) decreased to USD545/mt (-21USD/mt); Au hard coking coal increased to USD312/mt (+29USD/mt).
- Based on quoted prices of Hoa Phat steel bar in Oct, the local prices of steel products were VND15.09Mn/tonne.

10M22 performance sustained

- Overall, Vietnam produced 23.47mn tonnes in the 10M22, -8.4% yoy. The total sale volume was also encouraging (21.3mn tonnes, -5.6% yoy).
- Oversupply fear from China was partly relieved thanks to the recent policy to support China property sector. We still expect to see the problem will be solved soon thanks to the return of buyers to property market when China government policies improves the sentiment.

Ratings and recommendation: Neutral on tepid 2022F outlook

- We maintain our Neutral rating on Vietnam's steel sector due to the lack of sales volume growth, which might continue to hinder the market's business sales over the next months. Furthermore, the tepid economic growth could cast a shadow on the export performance.

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Table 1. Sales volume growth (Tonnes)

| | Monthly | | | | Accumulated | | |
|---------------------------|------------------|------------------|---------------|---------------|-------------------|-------------------|---------------|
| | Oct-21 | Oct-22 | MoM (%) | YoY (%) | 10M21 | 10M22 | YoY (%) |
| Steel Pipes | 211,549 | 184,972 | (18.3) | (12.6) | 1,850,933 | 1,922,614 | 3.9 |
| Export | 18,688 | 23,799 | 8.7 | 27.3 | 203,704 | 216,907 | 6.5 |
| Domestic | 192,861 | 161,173 | (21.2) | (16.4) | 1,647,229 | 1,705,707 | 3.6 |
| Steel Coat | 511,588 | 285,714 | (4.5) | (44.2) | 4,483,329 | 3,517,563 | (21.5) |
| Export | 306,604 | 136,939 | 31.0 | (55.3) | 2,802,380 | 1,773,128 | (36.7) |
| Domestic | 204,984 | 148,775 | (23.6) | (27.4) | 1,680,949 | 1,744,435 | 3.8 |
| Steel Constru' | 1,029,079 | 608,646 | (21.4) | (40.9) | 8,432,102 | 8,862,572 | 5.1 |
| Export | 246,092 | 96,974 | (6.9) | (60.6) | 1,609,177 | 1,801,313 | 11.9 |
| Domestic | 782,987 | 511,672 | (23.6) | (34.7) | 6,822,925 | 7,061,259 | 3.5 |
| Steel Coil | 717,714 | 686,153 | 29.7 | (4.4) | 7,893,048 | 7,091,682 | (10.2) |
| Export | 102,809 | 186,374 | 193.0 | 81.3 | 1,649,648 | 1,224,944 | (25.7) |
| Domestic | 614,905 | 499,779 | 7.3 | (18.7) | 6,243,400 | 4,923,738 | (21.1) |
| Total Steel Volume | 2,469,930 | 1,765,485 | (3.5) | (28.5) | 22,659,412 | 21,394,431 | (5.6) |
| Export | 674,193 | 444,086 | 51.0 | (34.1) | N.A | N.A | N.A |
| Domestic | 1,795,737 | 1,321,399 | (13.9) | (26.4) | N.A | N.A | N.A |

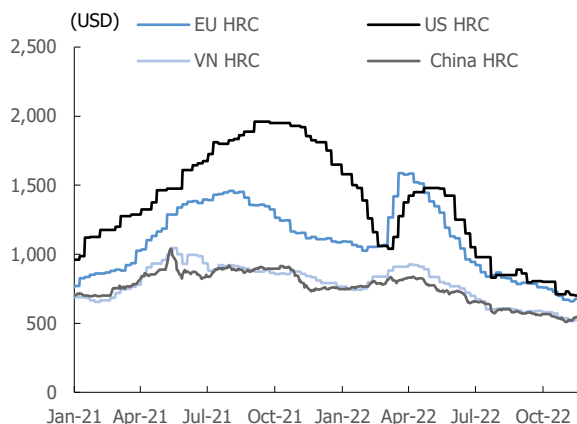
Source: VSA, KIS

Table 2. Production volume growth (Tonnes)

| | Monthly | | | | Accumulated | | |
|-----------------------|-----------|-----------|---------|---------|-------------|------------|---------|
| | Oct-21 | Oct-22 | MoM (%) | YoY (%) | 10M21 | 10M22 | YoY (%) |
| Steel Pipes | | | | | | | |
| Production | 190,531 | 184,753 | (16.5) | (3.0) | 1,768,620 | 1,845,819 | 4.4 |
| Inventories | 70,454 | 62,805 | 2.5 | (10.9) | | | |
| Steel Coat | | | | | | | |
| Production | 526,292 | 371,940 | 7.1 | (29.3) | 4,923,052 | 3,875,096 | (21.3) |
| Inventories | 219,547 | 207,210 | (4.3) | (5.6) | | | |
| Steel Constru' | | | | | | | |
| Production | 895,273 | 613,897 | (34.1) | (31.4) | 8,601,213 | 8,993,852 | 4.6 |
| Inventories | 653,521 | 870,021 | (1.4) | 33.1 | | | |
| Steel Coil | | | | | | | |
| Production | 1,043,180 | 749,494 | (1.2) | (28.2) | 10,338,524 | 8,755,823 | (15.3) |
| Inventories | 214,236 | 313,063 | (4.2) | 46.1 | | | |
| Total | | | | | | | |
| Production | 2,655,276 | 1,920,084 | (15.0) | (27.7) | 25,631,409 | 23,470,590 | (8.4) |
| Inventories | 1,157,758 | 1,453,099 | (2.3) | 25.5 | | | |

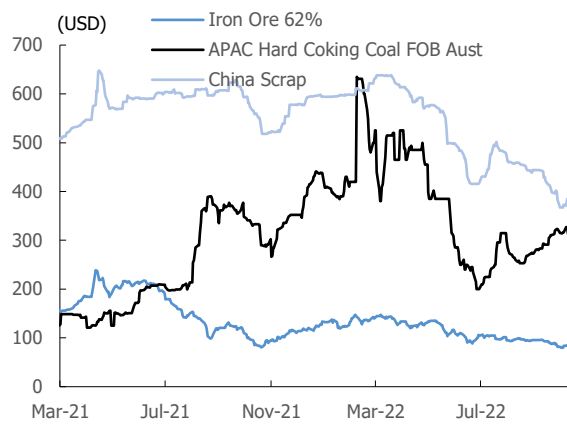
Source: VSA, KIS

Figure 1. Global HRC prices declined



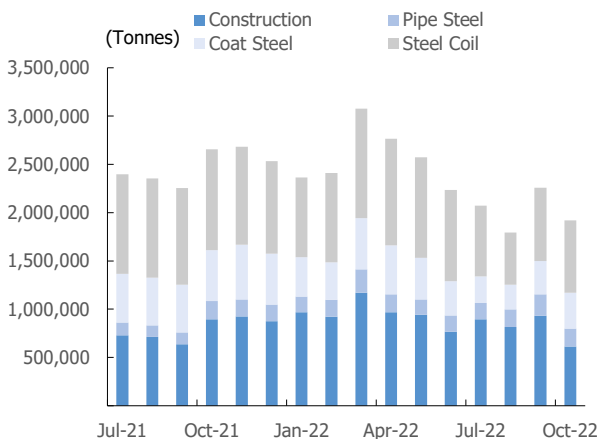
Source: Bloomberg

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



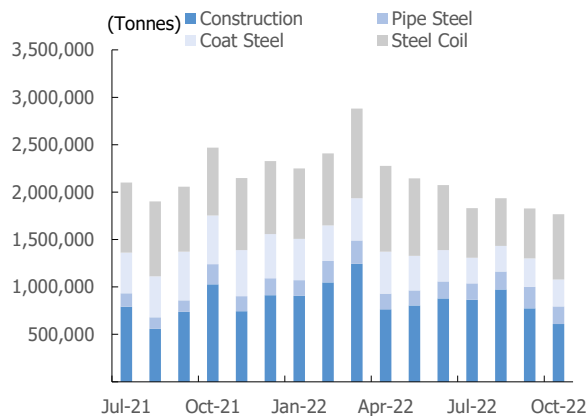
Source: Bloomberg

Figure 3. Vietnam steel production slumped in Oct



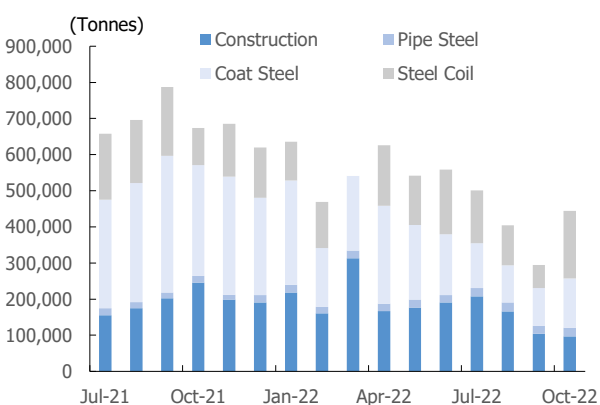
Source: VSA, Fiipro

Figure 4. Domestic consumption dropped significantly



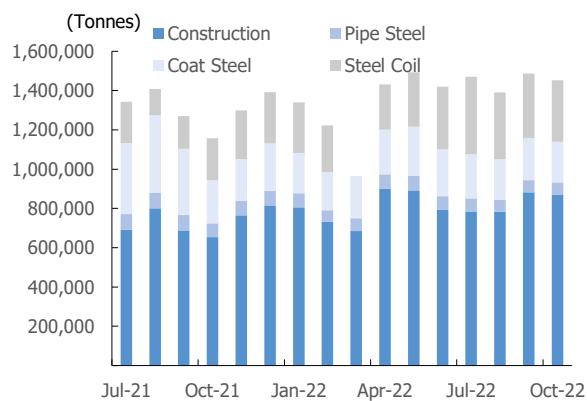
Source: VSA, Fiipro

Figure 5. Export volume surged surprisingly

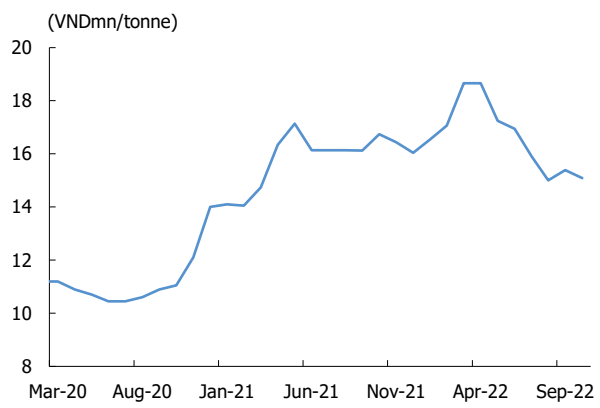


Source: VSA, Fiipro

Figure 6. Inventory volume at high level



Source: VSA, Fiipro

Figure 7. Selling price of steel bar was down in Oct

Source: Fiinpro, Hoa Phat

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