

# Steel

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**Neutral (Maintain)**

## **Sales volume continued to improve on m-o-m basis**

### **Sales volume continued to improve on m-o-m basis**

- Vietnam Steel Association (VSA) publicized the Mar steel production volume of 2.2mn tonnes, +3.6% mom, -27.6% yoy. We witnessed a significant m-o-m increase of the production for steel coil only.
- The total consumption volume was significantly down 29.0% yoy to 2.0mn tonnes, but up 8.3% mom.
- Breaking down domestic sale volume (1.4mn tonnes, -34.8% yoy), we witnessed a significant y-o-y drop in all products.
- The export volume was 624,476 tonnes, -10.8% yoy, +21.9% mom.
- Steel inventory as of end-Mar was at 1.13mn tonnes – increased slightly by 2.3% mom.
- The movements of raw material input prices were in downtrend the last 30 days: as of 17 Apr, iron ore was around USD116/mt (-5USD/mt), China hot roll coil (HRC) decreased to USD618/mt (-42USD/mt); Au hard coking coal decreased to USD286/mt (-84USD/mt).
- Based on quoted prices of Hoa Phat steel bar in Mar, the local prices of steel products were VND16.39mn/tonne.

### **3M23 performance slumped**

- Overall, Vietnam produced 6.1mn tonnes in the 3M22, -21.6% yoy. The total sale volume was slumped due to weak global demand (5.5mn tonnes, -26.6% yoy).
- The positive signals from China property markets and new support policies in Vietnam are improving sentiment for the industry, however, it's still quite early to expect the significant revival, which is expected to happen in 2H23.

### **Ratings and recommendation: Neutral on weak 2023F 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.

**Table 1. Sales volume growth** (Tonnes)

	Monthly				Accumulated		
	Mar-22	Mar-23	MoM (%)	YoY (%)	3M22	3M23	YoY (%)
<b>Steel Pipes</b>	<b>247,185</b>	<b>181,691</b>	<b>4.5</b>	<b>(26.5)</b>	<b>639,975</b>	<b>536,005</b>	<b>(16.2)</b>
Export	21,478	29,598	21.2	37.8	60,645	83,865	38.3
Domestic	225,707	152,093	1.8	(32.6)	579,330	452,140	(22.0)
<b>Steel Coat</b>	<b>446,481</b>	<b>355,066</b>	<b>9.4</b>	<b>(20.5)</b>	<b>1,257,600</b>	<b>930,251</b>	<b>(26.0)</b>
Export	207,003	178,427	23.0	(13.8)	658,131	447,648	(32.0)
Domestic	239,478	176,639	(1.6)	(26.2)	599,469	482,603	(19.5)
<b>Steel Constru'</b>	<b>1,242,912</b>	<b>737,060</b>	<b>3.2</b>	<b>(40.7)</b>	<b>3,195,455</b>	<b>2,141,773</b>	<b>(33.0)</b>
Export	312,800	134,413	26.2	(57.0)	692,283	362,513	(47.6)
Domestic	930,112	602,647	(0.8)	(35.2)	2,503,172	1,779,260	(28.9)
<b>Steel Coil</b>	<b>943,000</b>	<b>770,520</b>	<b>14.0</b>	<b>(18.3)</b>	<b>2,445,004</b>	<b>1,925,515</b>	<b>(21.2)</b>
Export	159,063	282,038	19.4	77.3	394,235	713,113	80.9
Domestic	783,937	488,482	11.1	(37.7)	2,050,769	1,212,402	(40.9)
<b>Total Steel Volume</b>	<b>2,879,578</b>	<b>2,044,337</b>	<b>8.3</b>	<b>(29.0)</b>	<b>7,538,034</b>	<b>5,533,544</b>	<b>(26.6)</b>
Export	700,344	624,476	21.9	(10.8)	1,805,294	1,607,139	(11.0)
Domestic	2,179,234	1,419,861	3.2	(34.8)	5,732,740	3,926,405	(31.5)

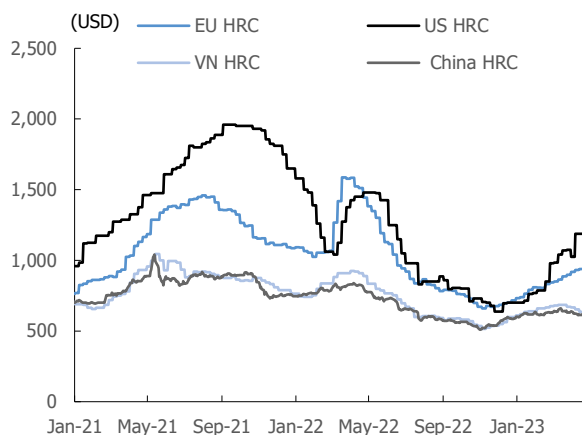
Source: VSA, KIS

**Table 2. Production volume growth** (Tonnes)

	Monthly				Accumulated		
	Mar-22	Mar-23	MoM (%)	YoY (%)	3M22	3M23	YoY (%)
<b>Steel Pipes</b>							
Production	242,399	176,436	(9.7)	(27.2)	577,933	532,715	(7.8)
Inventories	65,599	62,809	(2.6)	(4.3)			
<b>Steel Coat</b>							
Production	530,504	391,798	1.1	(26.1)	1,328,221	1,043,358	(21.4)
Inventories	215,138	212,249	4.4	(1.3)			
<b>Steel Constru'</b>							
Production	1,169,225	754,340	(1.4)	(35.5)	3,060,648	2,236,599	(26.9)
Inventories	684,372	690,471	2.0	0.9			
<b>Steel Coil</b>							
Production	1,136,000	906,879	12.7	(20.2)	2,887,202	2,342,394	(18.9)
Inventories	NA	170,045	2.8	NA			
<b>Total</b>							
Production	3,078,128	2,229,453	3.6	(27.6)	7,854,004	6,155,066	(21.6)
Inventories	NA	1,135,574	2.3	NA			

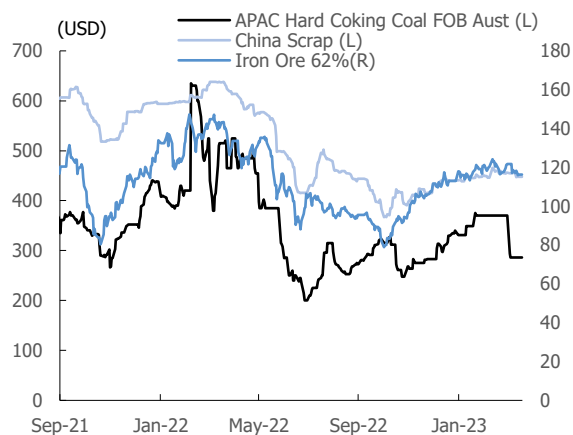
Source: VSA, KIS

**Figure 1. Global HRC prices diverged**



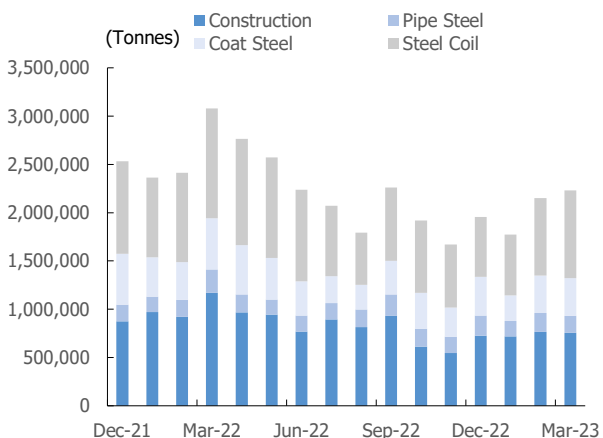
Source: Bloomberg

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



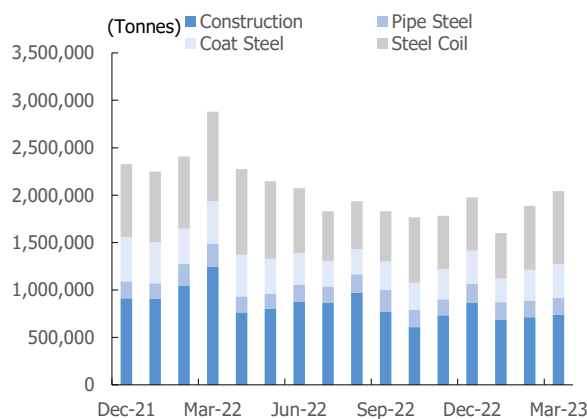
Source: Bloomberg

**Figure 3. Vietnam steel production increased in Mar**



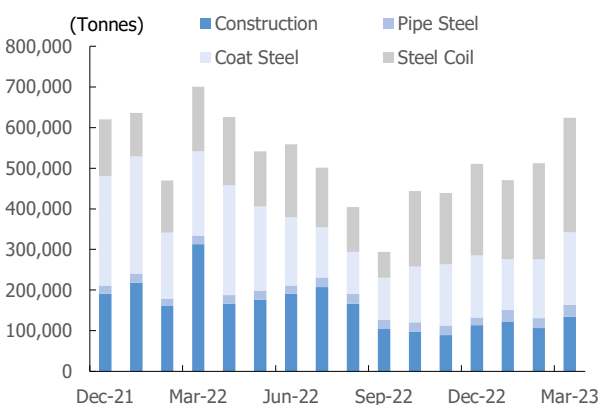
Source: VSA, Fiinpro

**Figure 4. Total consumption revived from Jan 23**



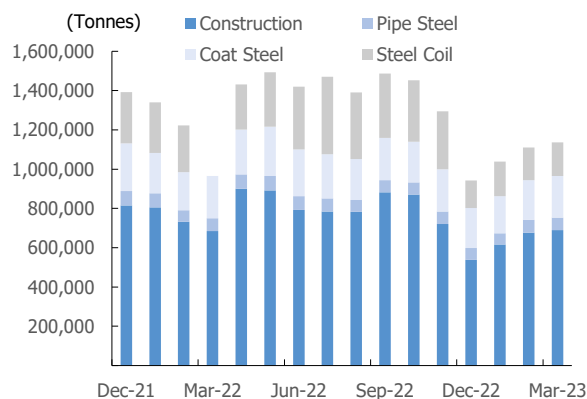
Source: VSA, Fiinpro

**Figure 5. Export volume showed significant improvement in Mar**

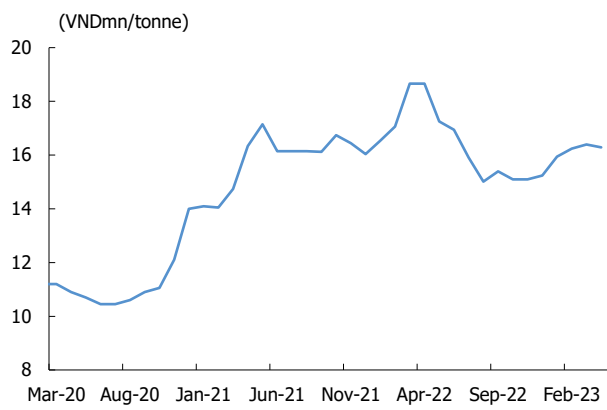


Source: VSA, Fiinpro

**Figure 6. Inventory volume increased from Dec low**



Source: VSA, Fiinpro

**Figure 7. Selling price of steel bar was up in Mar**

Source: Fiinpro, Hoa Phat

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