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February CPI

No signs of inflation pressure from petrol group

15-day prices for RON95 and E5 RON92 jumped by more than 4%

— Retail gasoline price rose significantly in the 15-day repricing calculation from the Ministry of Industry and Trade on February 25. Upward pricing for retail and ex-factory prices reflects the strong recovery in global crude oil market. Specifically, data from the Ministry of Industry and Trade shows that as of February 23, the average ex-factory prices of RON92 and RON95 were USD67.4 and USD69.0 per barrel, respectively, up approximately 9% compared with the previous repricing period (January 26 – February 9). The Government continued to increase in Petrol Price Stabilization Fund spending (up by VND300 VND/litre to the previous period). Thus, E5RON92 and RON95 prices increased to VND17,031 and 18,084/litre, respectively (up by VND722 and 814).

February CPI saw no signs of pressure due to the impact of the Covid-19 outbreak that broke out right before the Lunar New Year

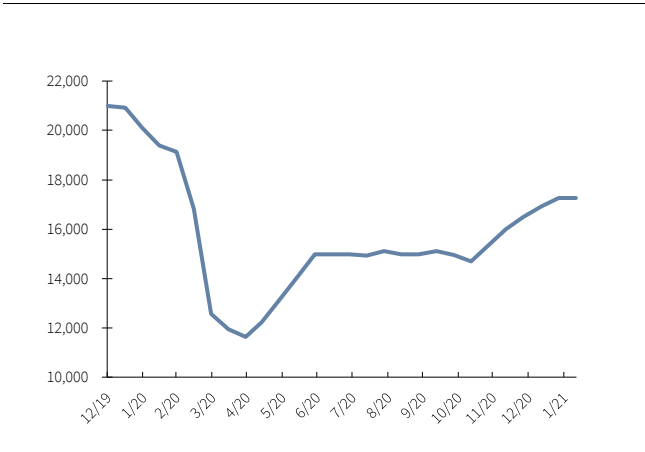
— Although February average retail gasoline price was up by more than 4% MoM, it was still down by 14.8% YoY. In addition, the Covid-19 epidemic broke out just before the Lunar New Year, which cooled down demands for goods and services so seasonal impact for inflation could not see on February. Therefore, we forecast consumer prices in February to increase only about 0.2% MoM and down 0.6%YoY.

Inflation pressure will clearly see in Q2 and Q3 of this year in the context of retail gasoline prices bottoming in the same period last year

- Inflation pressure will increase strongly in Q2 and Q3 with a low base level in 2020 due to the bottom of the gasoline price under the impact of Covid-19.
- Assuming no abnormal fluctuations in other commodity prices and gasoline prices accounting for about 4% of the CPI basket, we estimate that 2021 average CPI could rise above the Government target of 4% if 2021 average RON95 increased by 30% YoY (equivalent to about VND20,500/liter, 13.4% higher than the current level). If this risk occurs, SBV may have to apply more conservative monetary policies to curb inflation (policy rate hike, tightening on credit growth), thereby could cause negative effects to the cash flow in the stock market.
- However, we remain low possibility of the scenario of a jump on oil prices later this year from the current prices due to rising oil supply. Bloomberg consensus (Figure 2) shows that the market expects WTI oil price to fluctuate around USD58/barrel for 2021 (8% lower than current price). In addition, the petroleum stabilization fund is currently estimated at VND3,500 billion, which can be continued to be used in case of necessity to curb gasoline prices.

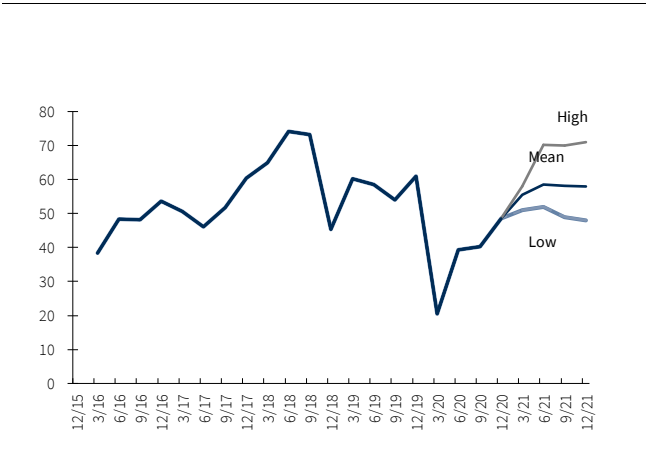


Fig 1. Vietnam – RON95 pump price, Jan 20 – Feb 21 (VND per litre)



Source: Ministry of Industry and Trade, KBSV

Fig 2. Bloomberg WTI price forecast, Jan 16 – Dec 21 (USD per barrel)



Source: Bloomberg, KBSV

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(based on expectations for absolute price gains over the next 6 months)

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|--------------|--------------|--------------|
| +15% or more | +15% to -15% | -15% or more |

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(based on expectations for absolute price gains over the next 6 months)

| Positive: | Neutral: | Negative: |
|-----------------------|---------------------------------|-------------------------|
| Outperform the market | Perform in line with the market | Underperform the market |

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