

Retail pump prices

First uptick in gasoline prices in four months

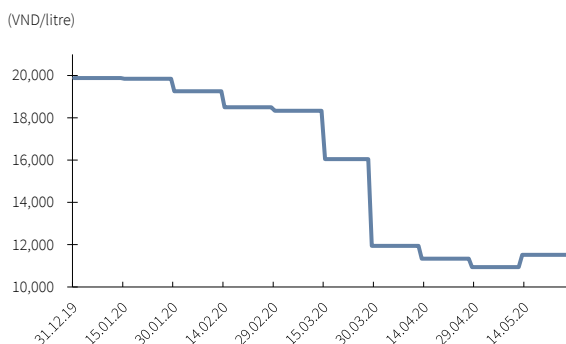
Gasoline prices move higher but other products continue to trend down

— Retail gasoline prices rose for the first time in four months in the most recent 15-day repricing calculation from the Ministry of Industry & Trade. Pump prices for RON95 (premium) increased by 5.2% to VND12,230/litre and 5.3% to VND11,520 for E5 RON92 (biofuel). Other fuel prices continued to trend lower, with diesel prices down 0.9% to VND9,850, kerosene down 1.0% to VND7,880 and fuel oil down 1.4% to VND5,210. These other products are more closely linked with commercial activity and a delayed pick up in demand likely explains the downtrend in pricing. Importantly, retail fuel pricing continues to move in line with the government’s inflation targets and avoided use of the *Petroleum Price Stabilization Fund* during the lockdown measures. Suppliers often tap this fund when the government limits the hike in retail fuel prices to control inflation despite higher oil input costs and usually pressures the cash flows and profitability of Petrolimex (PLX) and PV Oil (OIL).

Higher retail prices should allow provision reversals at PLX & OIL

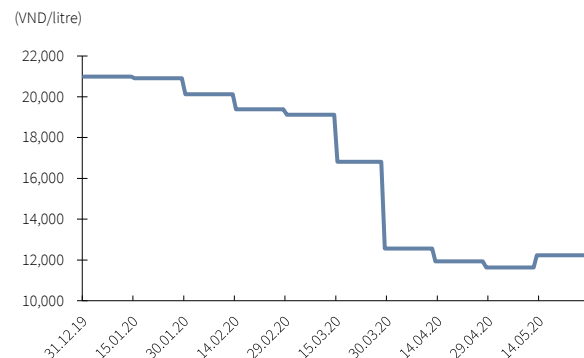
— Provisions reached VND1,600 billion at Petrolimex and VND430 billion at PV Oil during 1Q after retail prices fell below the average cost of inventory at the end of the quarter. Recovery in retail pricing for most fuel products should allow both companies to reverse these provisions and boost earnings in the upcoming quarters.

Fig 1. Vietnam – E5 RON92 pump prices (biofuel), Jan 20–May 20 (VND per litre)



Source: Ministry of Industry & Trade, KB Securities Vietnam

Fig 2. Vietnam – RON95 pump prices (premium), Jan 20–May 20 (VND per litre)



Source: Ministry of Industry & Trade, KB Securities Vietnam

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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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