

Retail pump prices

Stabilization fund tapped as pump prices surge

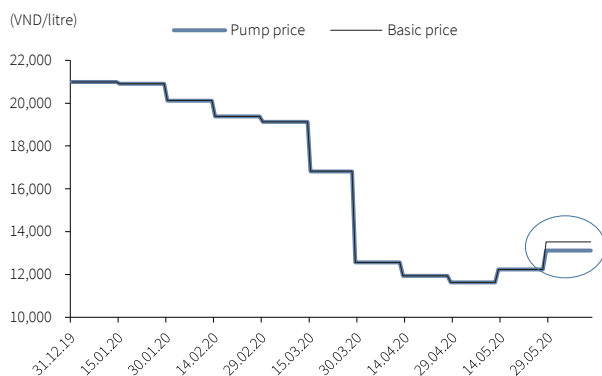
Retail pump prices surge significantly due Brent recovery...

— Retail gasoline prices continued to move higher in the 15-day repricing calculation from the Ministry of Industry & Trade. Pump prices for RON95 (premium) increased by 7.3% to VND 13,120/litre and 7.6% to VND 12,400/litre for E5 RON92 (biofuel). Other fuels prices also posted the first rise since the beginning of December 2019, with diesel prices up 12.1% to VND 11,040, kerosene higher by 11.0% to VND 8,750 and fuel oil surging by 11.1% to VND 9,490. The sharp rise in retail prices can largely be explained by the 18% bounce in Brent oil prices over the last 15 days. This rebound in pump prices has already reached levels that should allow reversals of provisions taken against lower retail product prices in 1Q that reached VND1,600 billion or 4.2% of sales at Petrolimex (PLX) and VND430 billion or 2.4% of sales at PV Oil (OIL).

...but the government has already tapped the Price Stabilization Fund

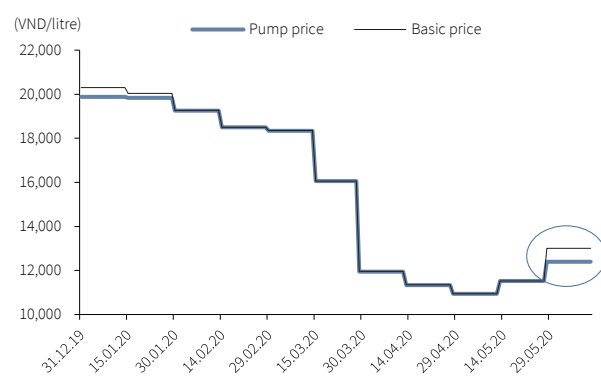
— The government has already moved to tap the *Petroleum Price Stabilization Fund* during this period to minimize the impact of higher pump prices on inflation. Subsidy amounts are 400/litre for RON 95 and 600/litre for E5 RON 92 and no subsidies were needed for other products as of yet. Currently, the *Price Stabilization Fund* reserves are positive for PLX but low at OIL, which could pressure profitability and cash flow if these reserves turn negative. At the end 4Q, the *Petroleum Price Stabilization Fund* was VND2,297 billion for PLX and VND45 billion at OIL.

Fig 1. Vietnam – RON95 pump prices (premium), Jan 20–May 20 (VND per litre)



Note: Fuel subsidy provided when the basic price is higher than the pump price.
Source: Ministry of Industry & Trade, KB Securities Vietnam

Fig 2. Vietnam –E5 RON92 pump prices (biofuel), Jan 20–May 20 (VND per litre)



Note: Fuel subsidy provided when the basic price is higher than the pump price.
Source: Ministry of Industry & Trade, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong

conglt@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen

huyenntt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbf.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh

vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin

shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

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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

Investment Ratings for Sectors

(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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