

Retail pump prices

Momentum in pump prices sets up provision reversals

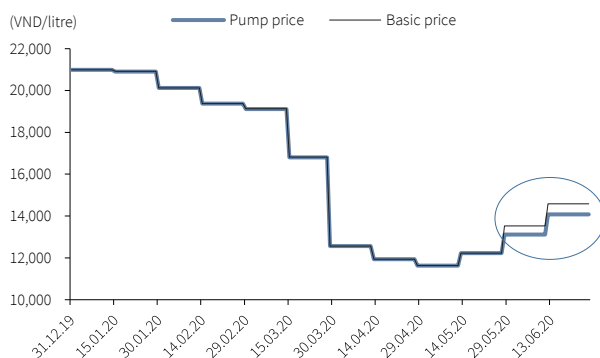
Retail pump prices continue to trend higher & sets up provision reversals for PLX/OIL

— Retail gasoline prices rose again in the 15-day repricing calculation from the Ministry of Industry & Trade. Pump prices for RON95 (premium) increased by 7.3% to VND14,080/litre and E5 RON92 (biofuel) were up by 8.0% to VND13,390/litre. Other fuels also kept their upward momentum from the previous period, with diesel prices up by 4.3% to VND11,510, kerosene surging by 9.8% to VND9,610 and fuel oil prices increasing by 8.7% to VND10,320. The spike in retail pump prices was supported by the recovery of Brent prices that increased by 8% over the last fifteen days. The continued rise in retail pump prices should keep open the possibility of reversing inventory provisions taken by Petrolimex (PLX) and PV Oil (OIL) in 1Q, which may need to rise by another 30% before triggering reversals. Provisions were VND1,600 billion or 4.2% of sales for PLX and VND430 billion or 2.4% of sales for OIL.

Government continues to tap the *Price Stabilization Fund*

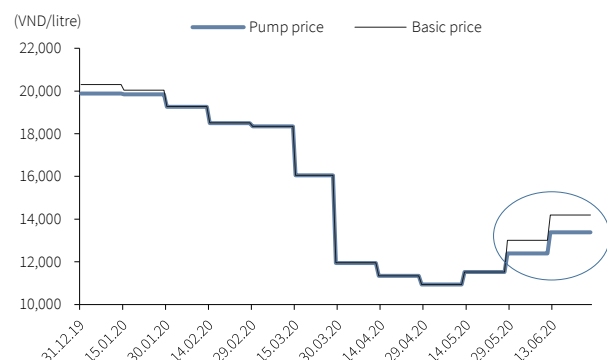
— The government kept tapping the *Petroleum Price Stabilization Fund* in this period to minimize the impact of surging pump price on inflation. Subsidy amounts are now VND500/litre for RON 95, VND800/litre for E5 RON 92 and VND 200/litre for fuel oil. Reserves for the *Price Stabilization Fund* were at VND4,310 billion for PLX on June 12 or up by 88% from 1Q, implying little impact to earnings. Reserves at OIL, however, are only VND356 billion as of June 12, which could negatively impact profitability once this fund is depleted and additional provisions are needed.

Fig 1. Vietnam – RON95 pump prices (premium), Jan 20–Jun 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–Jun 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

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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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