



KEEP FAITH

From series "Outlook 2022"

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A. VIETNAM'S ECONOMIC SITUATION

I. OVERVIEW

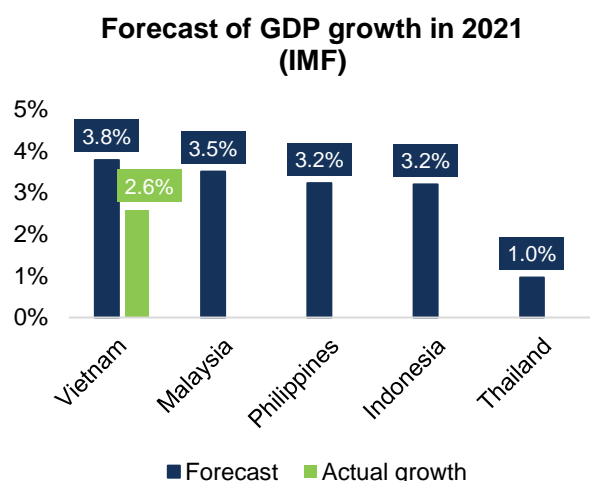
1. Positive economic growth momentum maintained in 2021

By the end of 2021, Vietnam's GDP was estimated to go up by 2.6%, which was much below expectations of major global economic organizations. The prolonged social distancing in the third quarter of 2021 in big cities and provinces such as Ha Noi, Ho Chi Minh City, and Binh Duong had seriously affected Vietnamese economy. For the third quarter, GDP decreased by 6.2% as compared to the same period last year – the greatest decline ever. During the last months of the year, the authorities had accelerated the vaccination schedule, and as a result, Vietnamese economic and social situation was gradually being transitioned to the “new normal” state with impressive bouncing back of production and business activities. The fourth quarter of 2021 recored a remarkable recovery with an increase of 5.2% over the same period.

Compared with other regional countries, Vietnam is considered the most optimistic economic growth. According to October 2021 forecast of GDP growth in 2021 by the International Monetary Fund (IMF), Vietnam's growth rate has been projected at the highest level of 3.8% compared to those of other South East Asia nations such as Malaysia (+3,5%), Philippines (+3,2%), Indonesia (+3,2%), Thailand (+1,0%).

Country	GDP Growth Rate (%)					
	2019	2020	2021			
	Year	Year	Q1	Q2	Q3	Q4
Vietnam	7.2	2.9	4.7	6.6	-6.2	5.2
Thailand	2.3	-6.1	0.2	0.1	-1.1	
Indonesia	5.0	-2.1	-0.7	7.1	3.5	
Malaysia	4.4	-5.6	-0.5	16.1	-4.5	
Philippines	6.1	-9.6	-3.9	12.0	7.1	

Source: FPTS Research



Source: IMF

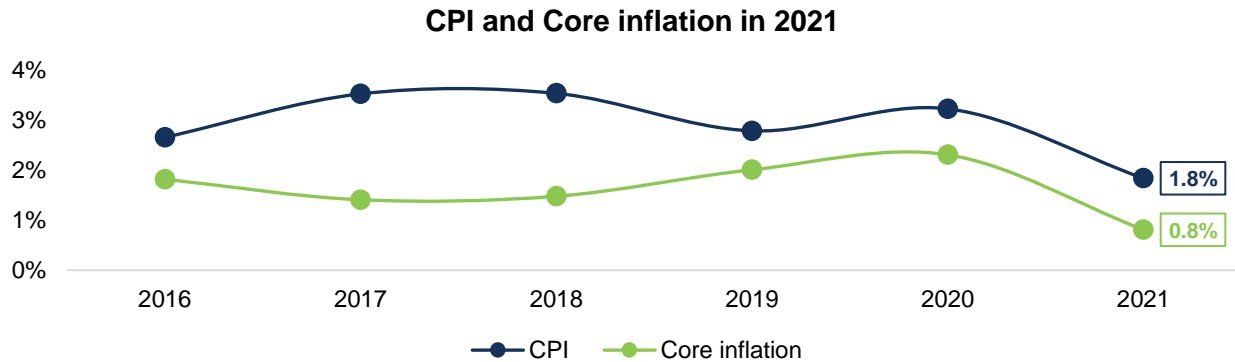
2. 2021 Consumer Price Index (CPI) increased by the lowest percentage since 2016

In 2021, the consumer price index (CPI) increased by 1.84% - the lowest rise since 2016¹ and core inflation (CPI excepts fresh food and foodstuff; energy and State-managed goods including health and educational services) rose by only 0.81% over the previous year thanks to Vietnamese government policies regarding providing support to people during the Covid-19 pandemic:

- Prices of food products (accounting for 21% of CPI 2021) decreased by 0.54% compared to 2020. Of which, meat prices declined by 10.52%.
- The average price of electricity for daily life (representing roughly 19% in CPI 2021) declined by 0.9% yoy. Vietnam Electricity Corporation (EVN) discounted electricity bills for people two times in 2021. The policy was carried out in January (reduction of electricity bills in the final quarter of 2020) and August-September (decrease in electricity prices in localities implementing social distancing).

¹ CPI for the years 2016 – 2010 were 2.66%, 3.53%, 3.54%, 2.79%, 3.23%, respectively.

- Airfares decreased by 21.15% over the same period in 2020; package tour price fell by 2.32% due to restricting civils' domestic travel during the Covid-19 epidemic – Culture, Entertainments, and Tourism group accounts for nearly 5% in CPI 2021.

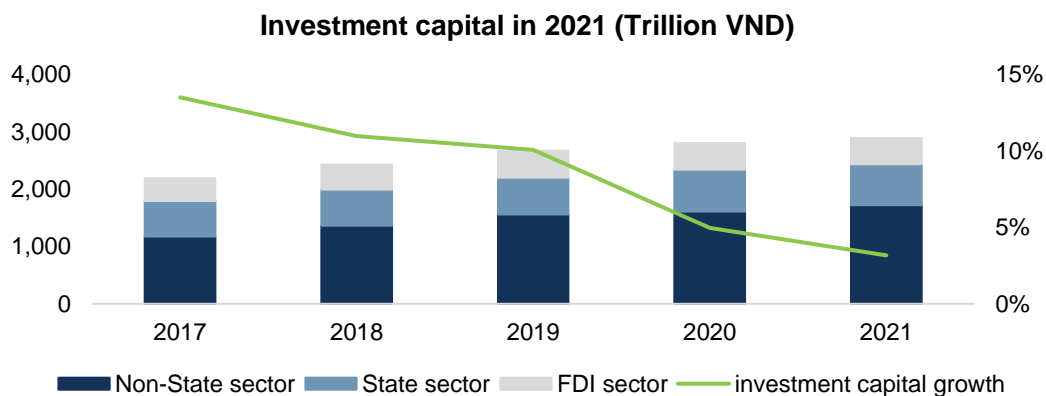


Source: General Statistics Office

II. KEY DRIVERS OF ECONOMIC GROWTH

1. Annual positive growth recorded for investment capital

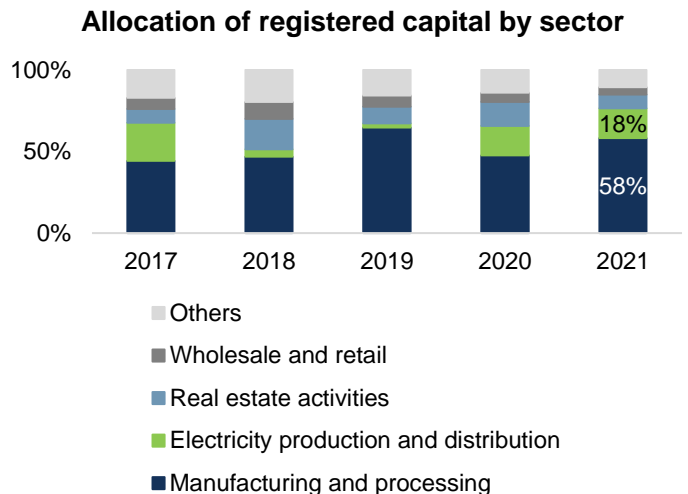
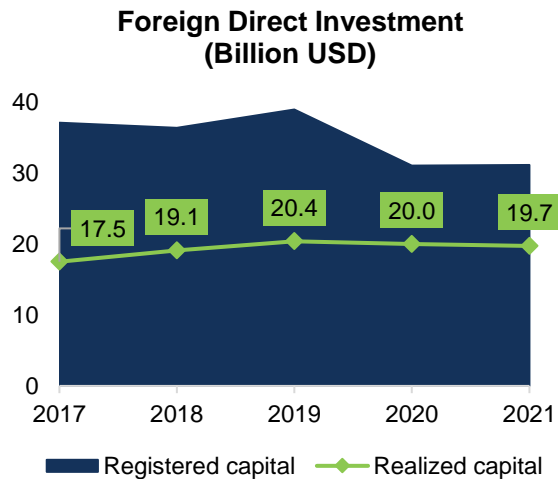
Although prolonged social distancing had negatively affected and slowed down the disbursement progress, total investment capital in 2021 increased by 3.2% over the same period. Specifically, the non-State sector's investment was the largest with an amount of VND 1,720 trillion (+7.2%yoy). Next came the State sector's investment with VND 714 trillion (-2.9%yoy). The FDI sector's investment reached VND 458 trillion (-1.1%yoy).



Source: General Statistics Office (GSO)

FDI inflow kept slowing down in 2021

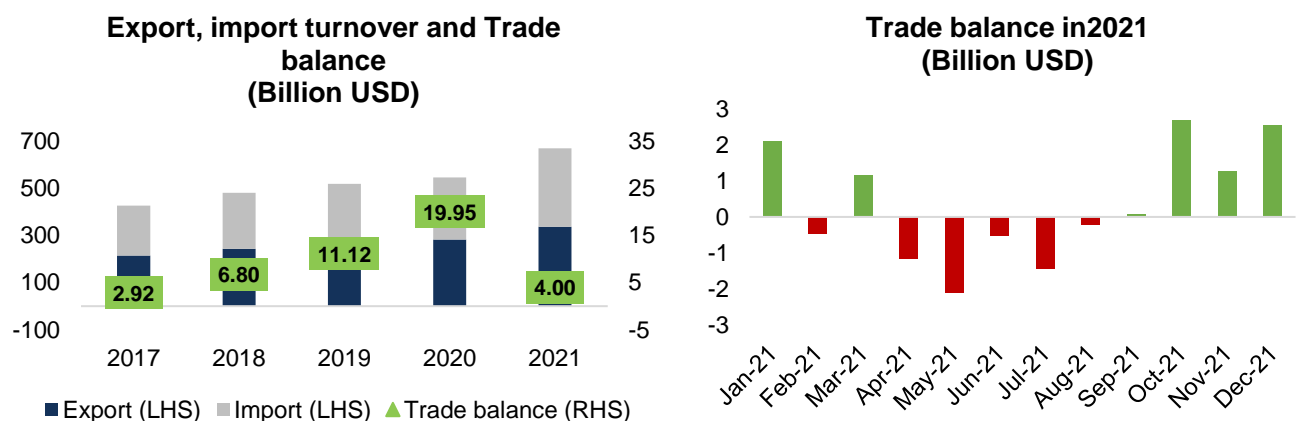
In 2021, although registered FDI inflows into Vietnam increased slightly over the same period, reaching USD 31,153 million (+0.3%yoy), but realized FDI inflows continued the downward trend of 2020, reaching USD 19,740 million (-1.2%yoy). Foreign investors still prioritized investment in the processing and manufacturing industry with USD 18,121 million, accounting for 58% of the total registered capital. The electricity production and distribution industry attracted a number of large-scale projects such as the Long An I and II LNG power plants project with the total registered capital of over 3.1 billion USD; the O Mon II thermal power plant project with total registered capital of more than 1.31 billion USD.



Source: Ministry of Planning and Investment

2. Vietnam's export and import activities remained positive

According to trade statistics of the General Statistics Office, in 2021, total export and import value retained high growth rate and was estimated at USD 668.5 billion (+22.6%yoy). Export value reached USD 336.25 billion (+19%yoy), and import one reached USD 332.25 billion (+26.5%yoy). After months of worsening trade deficits, the trade balance of goods in 2021 recorded a recovery of a USD 4 billion surplus, decreasing remarkably in comparison to USD 19.95 billion over the same period in 2020.



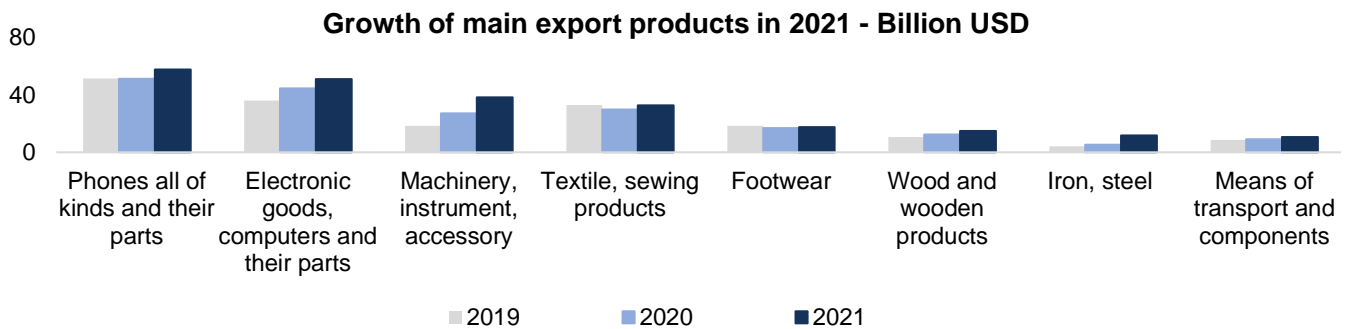
Source: General Statistics Office

The optimistic context of export activities helps Vietnam retain a trade surplus, in which the result comes mainly from:

Firstly, due to the accelerated vaccination campaigns that helped reopen international trade, Vietnam's activities of exporting key products has recovered more quickly than expected.

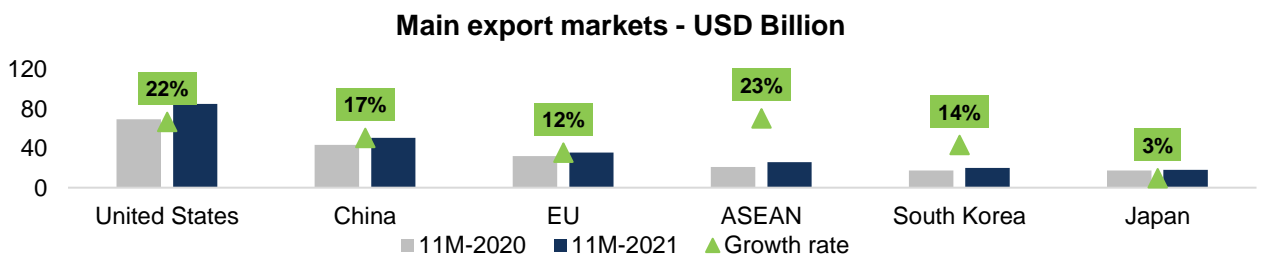
- In 2021, there were 35 products with total export value of more than USD 1 billion. Of which, 8 products recorded export turnover of over USD 10 billion (accounting for 69.7% of total export turnover).
- The group of high-tech products continued to grow and contributed significantly to Vietnam's export value as a whole: Phones of kinds and their parts reached USD 57.5 billion (+12.4%yoy); Electronic goods, computers, and their parts stood at USD 51.0 billion (+14.4%yoy); Machinery, instrument, accessory reached USD 38.4 billion (+41.0%yoy).

- The group of traditional products such as Textiles, sewing products and Footwear in 2021 recovered well after decreasing in 2020 and being close to the level at the time before the COVID-19 pandemic: Textiles, sewing products reached USD 32.7 billion (+9.8%yoy); Footwear was USD 17.6 billion (+4.9%yoy).
- Iron and steel; Means of transport and components thereof grew strongly with an export value of more than \$10 billion.



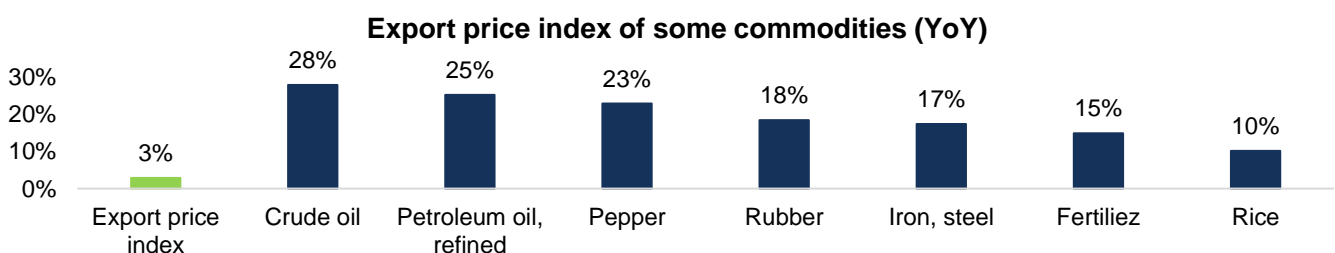
Source: General Statistics Office

Secondly, Vietnam's export value to main markets grew optimistically in 2021 thanks to the effective use of Free Trade Agreements (FTAs), especially newly signed free trade agreements such as EVFTA, UKVFTA, CPTPP. Of which, the United States continued to be the largest export market of Vietnam with an annual value of USD 84.8 billion (+22.2%yoy). Next came China market with USD 50.5 billion (+16.8%yoy), The EU with USD 35.7 billion (+11.8%yoy), ASEAN market with USD 25.9 billion (+23.5%yoy), South Korea with USD 20 billion (+14.6%yoy), Japan with USD 18 billion (+3%yoy).



Source: General Statistics Office

Thirdly, international commodity prices went up due to supply shortages while demand recovered strongly. According to statistics of the General Statistics Office, the export price index of almost all commodities increased over the same period. In which, the export price of many products increased by more than 10%: crude oil by 28%yoy, petroleum products by 25%yoy, and pepper by 23%yoy, etc.



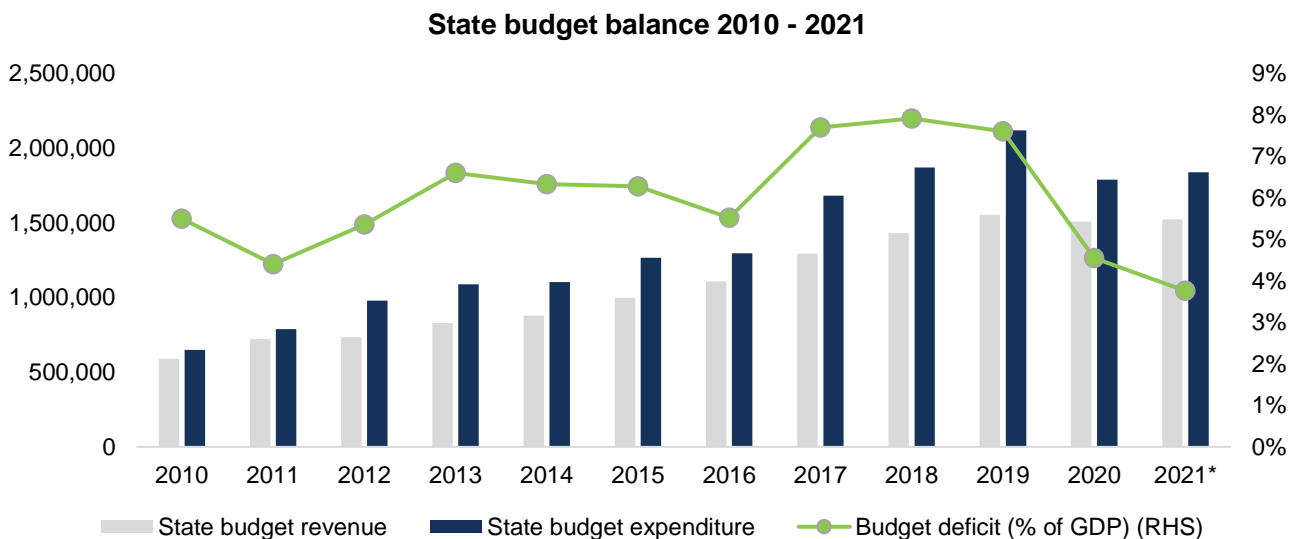
Source: General Statistics Office

3. Fiscal and monetary policy – Stay on dual-target strategy

3.1. Fiscal policy – increasing state budget expenditure and struggling to disburse public investment capital

Accelerating state budget expenditure in the last months of the year: According to data from the General Statistics Office, the estimated state budget deficit in 2021 is about 315,800 billion VND (equivalent to 3.8% of the total GDP). In general, the state budget has changed significantly in 2021 December, accordingly, the state budget expenditure in the last month of the year increased sharply to more than 600,000 billion VND (equivalent to about 50% of the state budget expenditure in the first 11 months of this year).

Support package for individuals and businesses affected by the COVID-19 pandemic: In terms of policy, the Government will continue to implement support measures during the epidemic period with a direct support level of about VND 74,000 billion in 2021. The Vietnamese government has issued several incentives in the form of tax breaks, delayed tax payments, and land-use fees for businesses impacted by the COVID-19 outbreak. The incentives cost the government about 138 trillion VND in 2021. However, the main support through the extension of tax payment obligations may put pressure on 2022 when the business activities have not yet fully recovered.



*: estimated figures

Sources: MOF

Disbursement of public investment capital is slow compared to the same period last year: Along with that, the rate of disbursement of public investment capital until December 31, 2021, is only 68.1%; while in the same period the disbursement rate reached 73.0%. In addition to general difficulties from restrictions related to the pandemic, the price of construction materials increased sharply in 2021. In terms of capital allocated to each ministry, the Ministry of Transport, which plays an important role in infrastructure investment projects, has disbursed 77% of the plan. Key projects disbursed behind schedule such as the Long Thanh International Airport project (only reaching 19.5% of the 2021 disbursement plan); some expressway sections on the North-South route in the form of PPP have only completed less than 10% of the plan.

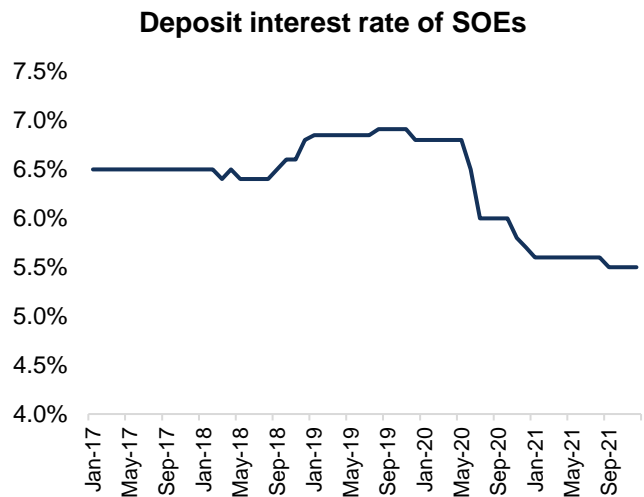
Public debt ceiling increase: The absolute value of the public debt ceiling in 2021 will increase by more than 20% compared to 2020 because the statistical GDP scale will increase to ~25-40% after applying the new calculation method (from 2021, GDP includes more defense enterprises and households). In contrast, the public debt ceiling rate in the 2021-2025 period will only decrease from 65% to 60% (according to Resolution 23/2021/QH15). At the end of 2021, Vietnam's public debt is at 43.7% of GDP, a slight decrease compared to 2020 at 45.1% and far from the ceiling of 60%.

This new space will be the basis for the Government to keep public investment at a high level in the 2021-2025 period. In 2022, investment and development expenditures are estimated at 526.1 trillion VND, up 10.2% compared

to the previous year. According to Resolution 29/2021/QH-15, we estimate this value to increase by an average of 8.6%/year through 2025, based on the total medium-term investment plan in the 2021-2025 period of VND2,870 trillion (about 44% higher than the 2016-2020 period). As of November 1, 2021, the medium-term public investment plan has been allocated about 76%, focusing on key infrastructure projects such as North-South Expressway, Quang Ninh - Kien Giang coastal road, Long Thanh International Airport, and other highways.

3.2. Monetary policy - cutting interest rates to support businesses amidst COVID-19 outbreak

The State Bank (SBV) had several requirements for commercial banks to promote lowering lending rates. Since the last adjustment of the key interest rates in October 2020, the rate tool has not had the effect of reducing lending interest rates of credit institutions. However, in 2021, the SBV has taken tougher measures along with asking commercial banks to support customers such as requiring large commercial banks to sign commitments to reduce interest rates, reporting periodically the implementation of interest rate cuts to the SBV or cutting interest rates is considered a factor to expand credit room. As a result, in 2021, the deposit interest rate level has decreased by 1% - 2% compared to the beginning of the year with action from 16 commercial banks (accounting for 75% of the total outstanding loans of the economy).

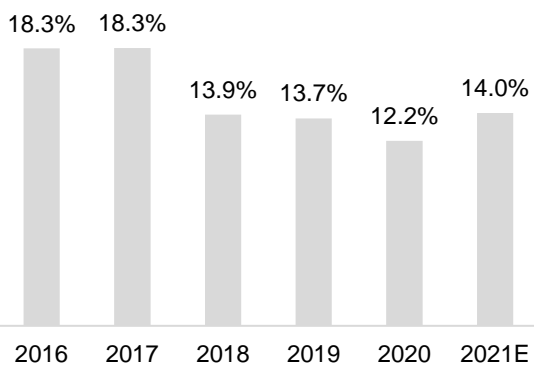


Sources: VCB, CTG, BID, Agribank

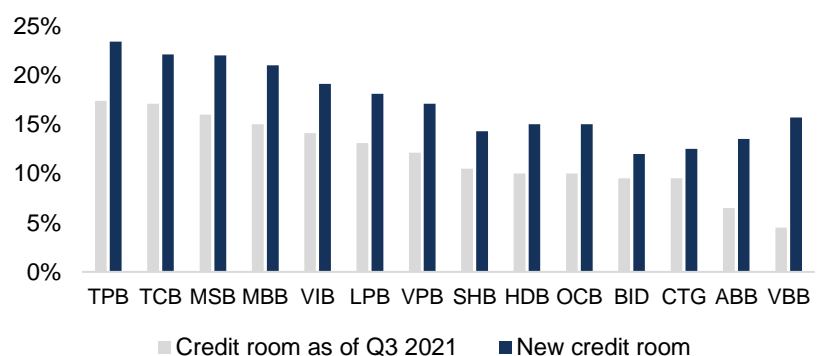
Vietnam's credit growth is forecasted to hit 14% in 2021. At the end of the year, along with the granting of additional credit room to qualified commercial banks, credit growth in December 2021 increased by 2% compared to the previous month. In which, Ho Chi Minh city, the most affected area during the period of isolation, also saw growth after falling 0.67% in the third quarter of 2021.

Circular 03/2021/TT-NHNN and Circular 14/2021/TT-NHNN on restructuring debt were issued to help reduce pressure on debt repayment for businesses, and at the same time help banks ensure liquidity. However, these circulars only support the banking system in the short term, the pressure of bad debts (including those that are restructured at risk of becoming bad debts) is high with a rate of up to 8.2% (according to The Permanent Deputy Governor of the SBV – Dao Minh Tu)

Credit growth 2016 - 2021E



Credit room 2021

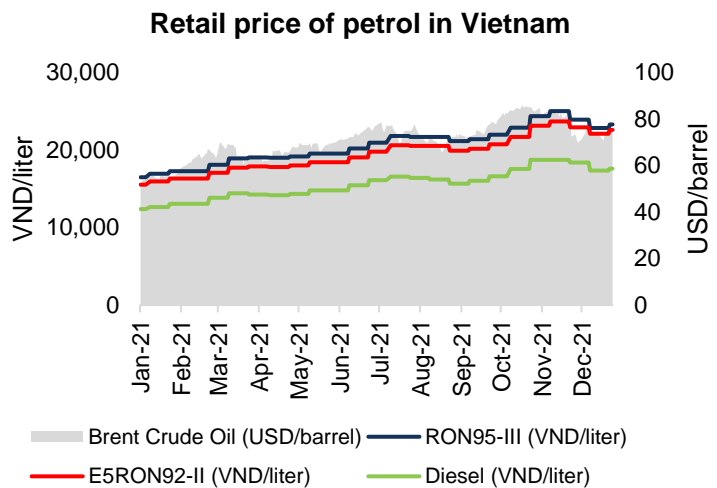


Sources: SBV, Commercial Banks

III. COMMODITY PRICES

1. Vietnamese retail petrol price rose dramatically in 2021

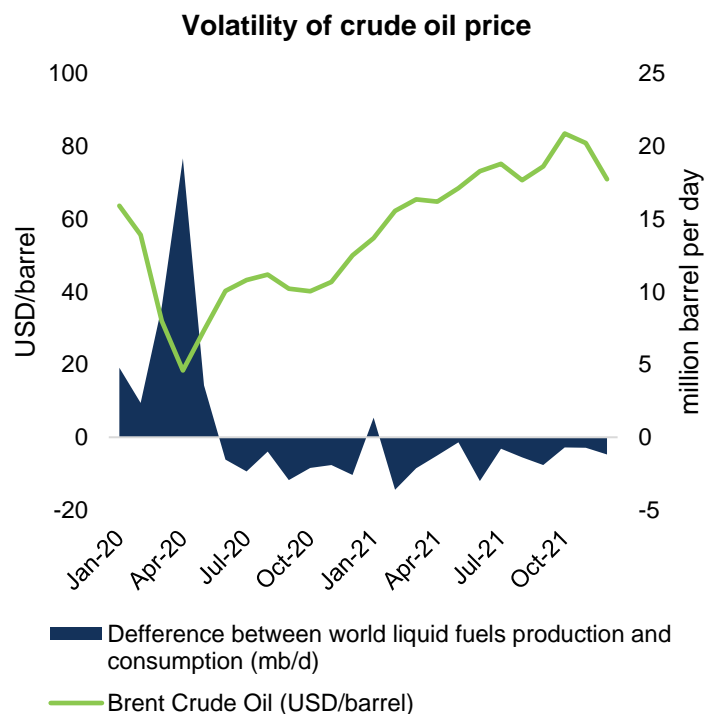
The retail petrol price in the country increased by approximately 40% compared to the beginning of the year due to upward push from rising world gasoline price. On December 25, 2021, the price of RON 95-III gasoline was adjusted up to VND 23,290/liter, equivalent to an increase of +41% compared to the beginning of the year; Diesel price was also adjusted up to VND 17,570/liter, equivalent to an increase of 42%.



Source: PetroVietnam Oil Corporation

The world oil price increased sharply due to the recovery of fuel demand when the world trade was gradually reopened, but the supply could not meet the demand.

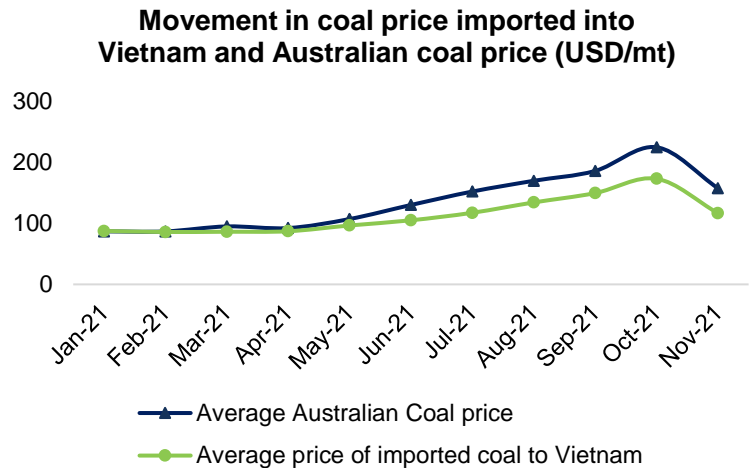
The global economy is also gradually adapting to the complicated course of the global Covid-19 pandemic. This led to a recovery in fuel demand for production. According to EIA's estimate in Short-Term Energy Outlook, global liquid fuel consumption rose by 9% in 2021, from an average of 92.4 million barrel per day (mb/d) to 100.6 mb/d. Meanwhile, liquid fuel production increased by only about 6%, from 93.7 mb/d to 99.5 mb/d. Demand increased but supply wasn't able to meet it, causing oil prices to rise highly. Brent crude oil price increased by nearly 30% compared to the beginning of the year, from an average of USD 54.77/barrel to USD 71/barrel.



Source: EIA

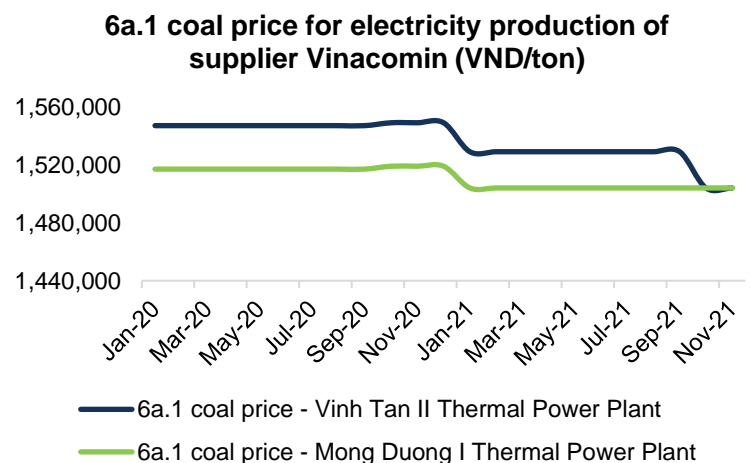
2. Average imported coal price rose sharply while domestic one saw few changes thanks to Vietnamese government’s price management mechanism.

In 2021, on the one hand, **price of imported coal increased sharply in line with the world coal price trend**. According to World Bank data, the average Australian coal price in October increased 2.6 times as compared to the beginning of the year, before falling down in November to USD 157.5/mt. Similarly, the average price of imported coal into Vietnam peaked at USD 173/mt in October 2021 (+98% as compared to the beginning of the year), then dropped to USD 117/mt in November.



Source: World Bank, GSO

On the other hand, **the domestic coal price saw no big change** thanks to Vietnam's price management mechanism for the commodity (according to the Ministry of Industry and Trade). According to Power Generation Joint Stock Corporation 3, the price of 6a.1 coal that Vinacomin² provided for power production in 2021 at the two plants Vinh Tan 2 and Mong Duong 1 remained almost unchanged. Coal supplied to Mong Duong 1 factory remained at VND 1,504,000/ton. Coal price at Vinh Tan 2 thermal power plant mainly remained at VND 1,529,000/ton and started decreasing to VND 1,504,000/ton from October 2021.



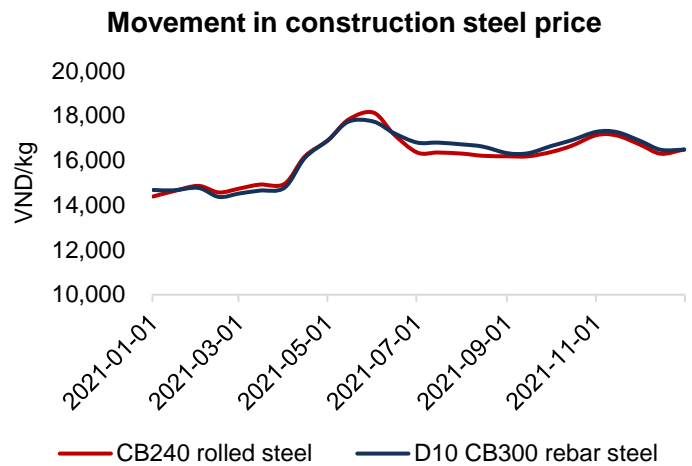
Source: Power Generation Joint Stock Corporation 3

² Vinacomin stands for Vietnam national coal and mineral industries holding corporation limited.

3. Domestic steel prices increased significantly as China cut down its steel output and prices of raw input materials for steel production rocketed.

Domestic steel prices in 2021 continuously increased in the first half of the year. At the beginning of June, the average price of CB240 rolled steel was about VND 18,137/kg, up 26% as compared to the beginning of the year; The price of D10 CB300 rebar was about VND 17,738/kg, up 20% as compared to the beginning of January.

Regarding the second half of 2021, domestic steel prices were stable as demand dropped due to social distancing. On December 31, 2021, the average price of CB240 rolled steel and D10 CB300 rebar was about VND 16,492/kg and VND 16,481/kg, respectively, up 15% and 13% as compared to the beginning of the year.

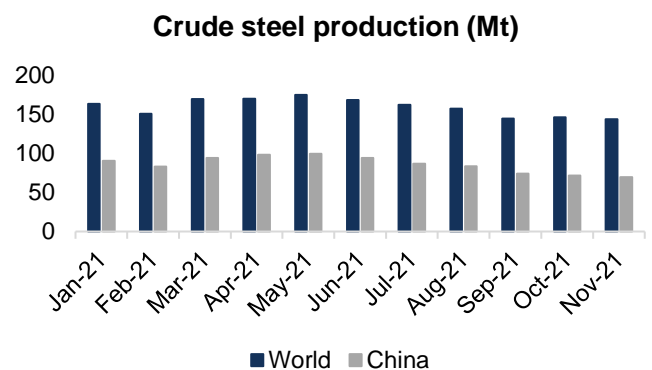


Source: FPTS research

The sharp increase in steel price was mainly due to (1) the decrease in China's supply and (2) the increase in the imported materials price.

(1) World steel supply declined as China cut down production.

China is the world's largest crude steel producer, accounting for more than 50% of the world production. China's steel production in 2021 has been severely affected by power shortages and government's pressure to reduce emissions. The country's crude steel production had been declining gradually since June. This has led to a downward trend of total worldwide crude steel production in the second half of 2021.

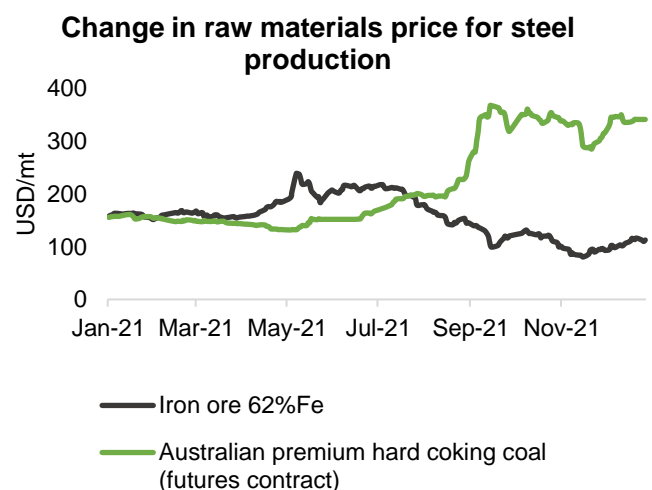


Source: Bloomberg, FPTS research

(2) The price of raw input materials for steel production increased highly.

In the first half of 2021, the price of 62% Fe iron ore imported from China and the price of the Australian coking coal futures contract increased by 35% and 5%, respectively.

In the last 6 months of the year, coking coal price continued to increase, the price of coking coal futures contract from Australia reached USD 341/mt on December 30, 2021, up 2.2 times as compared to the beginning of the year. In contrast, the iron ore price cooled down and dropped to USD 112.6/mt, down 28% compared to the beginning of the year and nearly 50% compared to the beginning of July, respectively.



Source: Bloomberg, FPTS Research

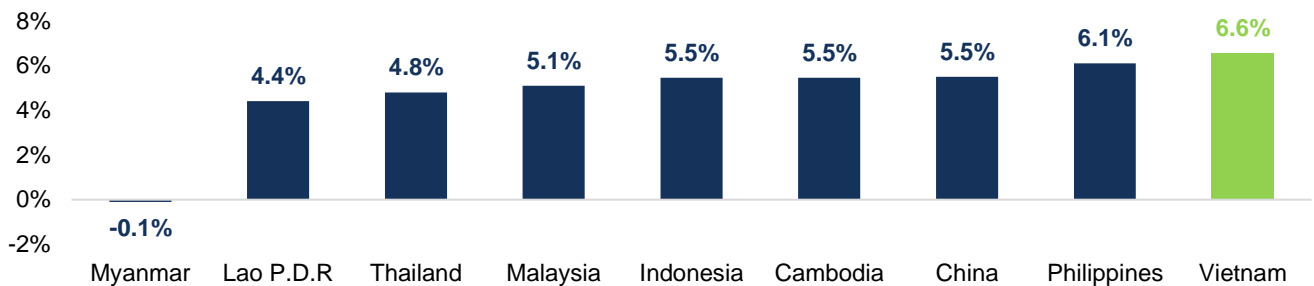
B. ECONOMIC OUTLOOK IN 2022

I. ECONOMIC GROWTH PROSPECT IN 2022

1. 2022 Economic growth forecast

Vietnam’s economic growth in 2022 is projected at 6.5-6.6% by WB and IMF and expected to be one of the fastest-growing economies in Asia – Pacific based on the assumption that the COVID-19 pandemic is brought under control at the end of 2021 and vaccination coverage reaches roughly 70 percent of Vietnamese population in the second quarter of 2022.

Forecast of economic growth of Asia - Pacific in 2022

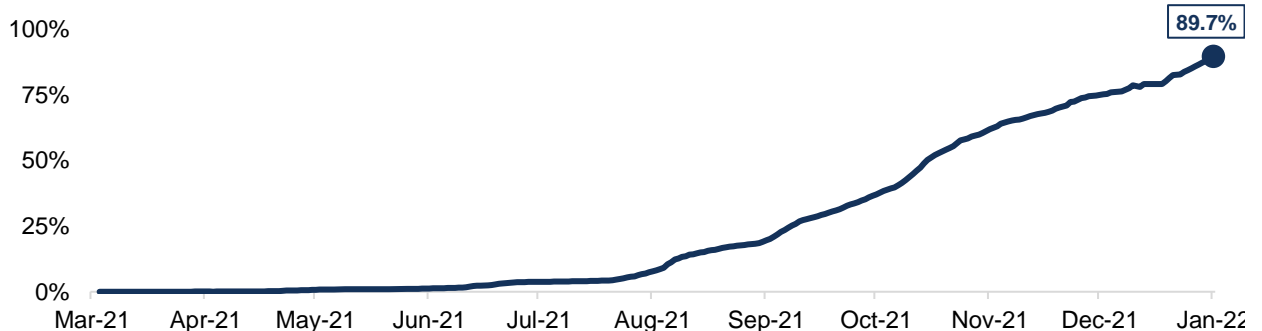


Source: Average forecast of WB and IMF

Since the zero-covid strategy is no longer a viable strategy in Vietnam, the progress of vaccine coverage plays a vital role in the recovery of the country’s economy.

In Vietnam, the Covid-19 vaccination process is being accelerated as the programme’s targeted age was expanded for 12-17-year-olds across the country. On January 6, 2022, the number of people who had been injected at least 2 doses of Covid – 19 vaccine in Vietnam was 70.3 million people, equivalent to 72.8% of the population, and the number of people who was injected 1 dose of vaccine was 16.3 million people, representing 16.9% of the population. In mid-December 2021, Vietnam entered the third phase of vaccination to fortify antibodies against the spread of the Omicron strain (newly appeared in South Africa in November 2021 and was believed to be more infectious than the Delta variant).

Total number of people who received at least one vaccine dose, divided by the total population of Vietnam



Source: OurWorldInData

The Ministry of Planning and Investment has proposed three scenarios for Vietnam's economic growth in 2022³:

	Base scenario	High scenario	Low scenario
GDP growth rate (%)	5.8	6.7	4.5
- Agriculture, Forestry and Fishery	3.3	3.5	3.3
- Industry & Construction	7.7	8.5	6.7
- Services	5.5	6.2	3.1
- Taxes less subsidies on products	3.6	6.3	3.6

Source: NCIF, FPT S Research

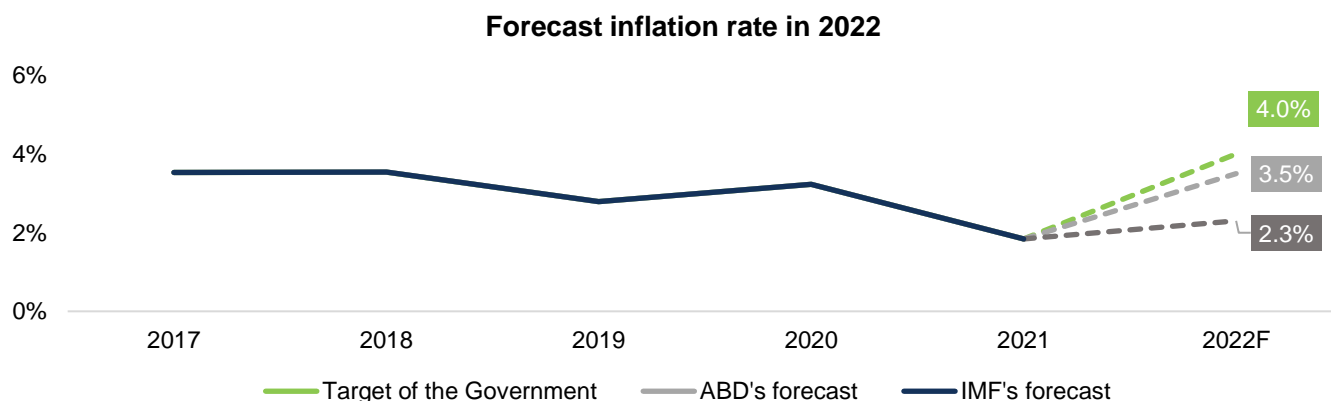
Base scenario: economic growth rate is about 5.8%. This is the most likely scenario if the pandemic is under control and the economy begins to recover. Vietnam's major trade and investment partners such as the US, EU, and Japan achieve positive growth. The domestic socio-economic situation has gradually stabilized without any severe outbreaks or prolonged social distancing periods that interrupt production and negatively affect Vietnamese's lives. Solutions to support businesses to restore production show efficiency as a new normal situation has been established in production, business, and people's lives.

High scenario: economic growth rate is about 6.7%. This is the scenario when the pandemic is being completely under control and the economy recovers steadily. Investments, production, and business activities prospered again by taking advantage of trade agreements and the government's business support policies.

Low scenario: economic growth rate is about 4.5%. This is the scenario when the course of epidemic situation becomes complicated both in Vietnam and other countries. New variants of Covid-19 appear to hinder the global economic recovery, including our major partners. In the country, production recovery activities are at difficulty, the government's support policies also have a delay when being brought to life.

2. Inflation pressure in 2022

According to the report of the General Statistics Office (GSO), inflation pressure in 2022 is expected to be very large although inflation in 2021 is well controlled at a low level. The explanation for the rise of inflation in 2022 is (1) the high price of imported raw materials will push up production costs and domestic product prices, (2) the prices of the gatherings of goods that are affected by social distancing such as food services outdoor, travel services, entertainment will witness an increase again when the epidemic is under control. For inflation in 2022, the Government still maintains the target below 4%, the Asian Development Bank (ADB) and the World Monetary Fund (IMF) forecasted inflation will be around 3.5% and 2.3% respectively.



Source: General Statistics Office

³ According to the latest forecast from the National Center for Socio-Economic Information and Forecasting (NCIF)

II. PROSPECT OF NEW GENERATION FTAs

Up to now, Vietnam has participated in negotiations and signed 15 free trade agreements (FTAs), which has created favorable economic landscape for Vietnamese enterprises to expand their markets and deeply join in the global supply chain. New-generation FTAs such as CPTPP, EVFTA, UKVFTA, and RCEP have been bringing positive results in the context of the complicated developments of the COVID-19 pandemic and have been expected to be utilized effectively in the future.

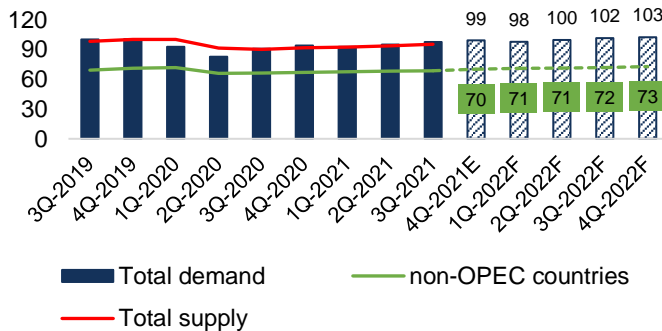
	Status	Parties	Reviews
CPTPP	<ul style="list-style-type: none"> - Dec 30, 2016: came to force in 6 country members - Jan 14, 2019: came to force in Vietnam - Sep 19, 2021: came to force Peru 	11 country members (excluding United States)	<p>Approaching markets without any FTA with Vietnam before such as Canada, Mexico, Peru;</p> <p>Some commodities have export growth potential: textiles and garments, foot-wears, wooden products, fishery products, agricultural products.</p>
EVFTA	<ul style="list-style-type: none"> - Jun 30, 2019: officially signed - Aug 06, 2020: officially came to force 	Vietnam and 27 European Union member states	Export opportunities for textiles and garments, foot-wears, wooden products, fishery products, agricultural products when the government loosens social distancing, tourism activities resum, and the demand would be raised.
UKVFTA	<ul style="list-style-type: none"> - Dec 29, 2020: officially signed - May 01, 2021: officially came to force 	Vietnam and United Kingdom	Some commodities have export growth potential: textiles, foot-wears, rice, fishery products, wood, and wooden products.
RCEP (ASEAN+5)	<ul style="list-style-type: none"> - Nov 15, 2020: 15 RECEP member countries (excluding India) signed - Jan 01, 2022: officially came to force 	ASEAN and 6 country members: China, South Korea, Japan, India, Australia and New Zealand	<p>Vietnam has also signed FTAs with the five other countries. RCEP can help firms get benefits from using only one rule of origin (ROO) instead of group 5 ROO;</p> <p>Promoting exports of textiles, foot-wears, light industry, fruits, and vegetables.</p>

III. FORECAST OF COMMODITY PRICES

1. Crude oil prices are forecast to decrease in 2022

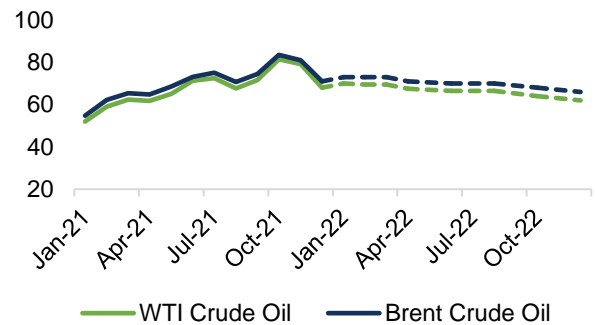
An increase in supply to meet oil demand will lead to a fall in oil prices in 2022. Oil demand is expected to recover to pre-pandemic consumption levels in 2022. According to OPEC's monthly oil market report in November, consumption output will gradually increase in 2022, reaching an average of 100.6 mb/d (+4.3%yoy). On the supply side, the supply of non-OPEC countries is forecast to increase to an average of 71.9 mb/d (+4.6%yoy). OPEC+ members are expected to increase their total output by 400,000 bpd in 2022. EIA forecasts that the price of Brent oil and WTI oil will increase to an average of USD 70.1/barrel and USD 66.4/barrel, respectively; at (-0.5%yoy) and (-1.8%yoy), correspondingly.

Supply and Demand of oil in the world (mb/d)



Source: OPEC, FPTs Research

Oil price trend forecast in 2022 (USD/barrel)

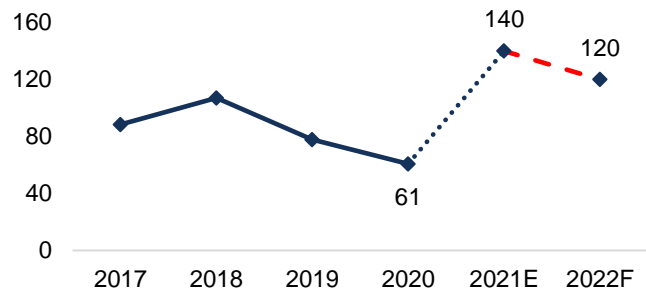


Source: EIA, FPTs Research

2. Global coal price is projected to decrease slightly in 2022

Reduction in supply due to extreme weather conditions along with China's production cutdown will make world coal prices in the first half of 2022 continue the upward trend from 2021. But after that, coal prices will gradually decline in the second half of the year as supply chain interruptions are eased. The World Bank forecasts that the Australian coal price in 2022 will decrease slightly compared to 2021, reaching an average of USD120/mt (-14%yoy).

Australian coal price forecast (USD/mt)

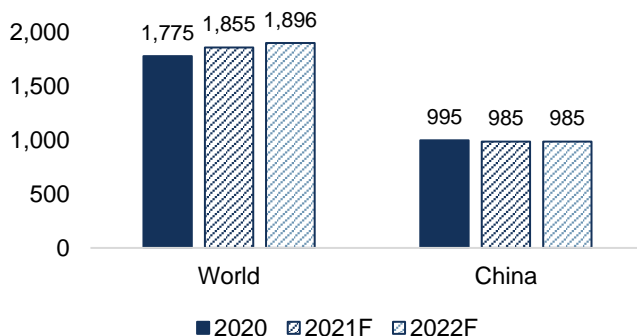


Source: World Bank

3. World steel is expected to have little room for price growth

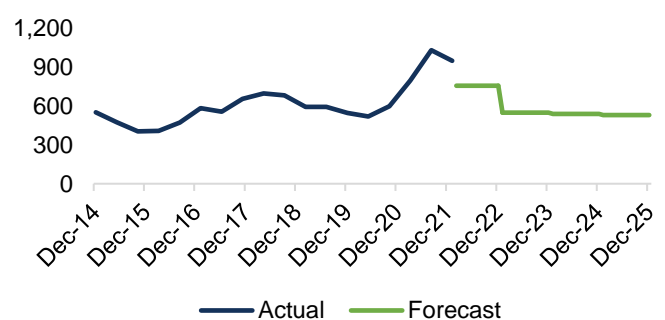
There will not be much room for growth of world steel price as it is expected to cool down because supply will gradually recover and the commodity's demand will not spike like in 2021. According to Short Range Outlook in October 2021, the WorldSteel Association (WorldSteel) has forecast that worldwide steel demand in 2022 will reach about 1,896 million tons, up 2.2% compared to 2021. In which, the demand of China - the world's largest steel user country - is almost unchanged. World steel price is forecast to gradually decrease to USD 750/ton in 2022 (-22%yoy) and stable at USD 535/ton from 2023 (-29%yoy), according to Fitch Solutions.

Steel demand forecast - Million tonnes



Source: WorldSteel

World average steel price forecast - USD/tonnes



Source: Fitch Solutions

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