



VIETNAM STEEL ASSOCIATION
Cooperation - Competition – Success

REVIEW OF
VIETNAM STEEL INDUSTRY IN 2016
AND OUTLOOK FOR 2017

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- 1/ Review of Vietnam economy in 2016
and outlook for 2017;**
- 2/ Overview of Vietnam steel industry in 2016 &
1st Quarter of 2017;**
- 3/ Outlook for Vietnam steel industry in 2017;**

1/ REVIEW OF VIETNAM ECONOMY IN 2016 AND OUTLOOK FOR 2017

1.1/ REVIEW OF VIETNAM ECONOMY IN 2016

| Macro-economic indicators | 2013 | 2014 | 2015 | 2016 | 2017 (F) |
|------------------------------------|--------|--------|--------|--------|----------|
| GDP growth rate (% YOY) | 5.42 | 5.98 | 6.68 | 6.21 | 6.7 |
| GDP (USD billion) at current price | 171.4 | 186.36 | 193.50 | 205.52 | 222 |
| GDP per capital (USD) | 1,904 | 2,028 | 2,109 | 2,215 | 2,368 |
| Exchange rate (VND/USD) | 20,916 | 21,131 | 21,669 | 22,159 | 22,350 |
| Foreign Trade | | | | | |
| - Export growth rate (%) | 15.4 | 13.6 | 8.1 | 8.6 | 7.0 |
| - Import growth rate (%) | 15.4 | 12.1 | 12 | 4.6 | 10.0 |
| - Trade Balance (USD billion) | 0.1 | 2 | 3.2 | 2.6 | - 6.5 |
| FDI attraction (USD billion) | 11.5 | 12.5 | 14.5 | 15.8 | N/A |
| Inflation (%) | 6.04 | 4.09 | 2.05 | 1.83 | 5 |

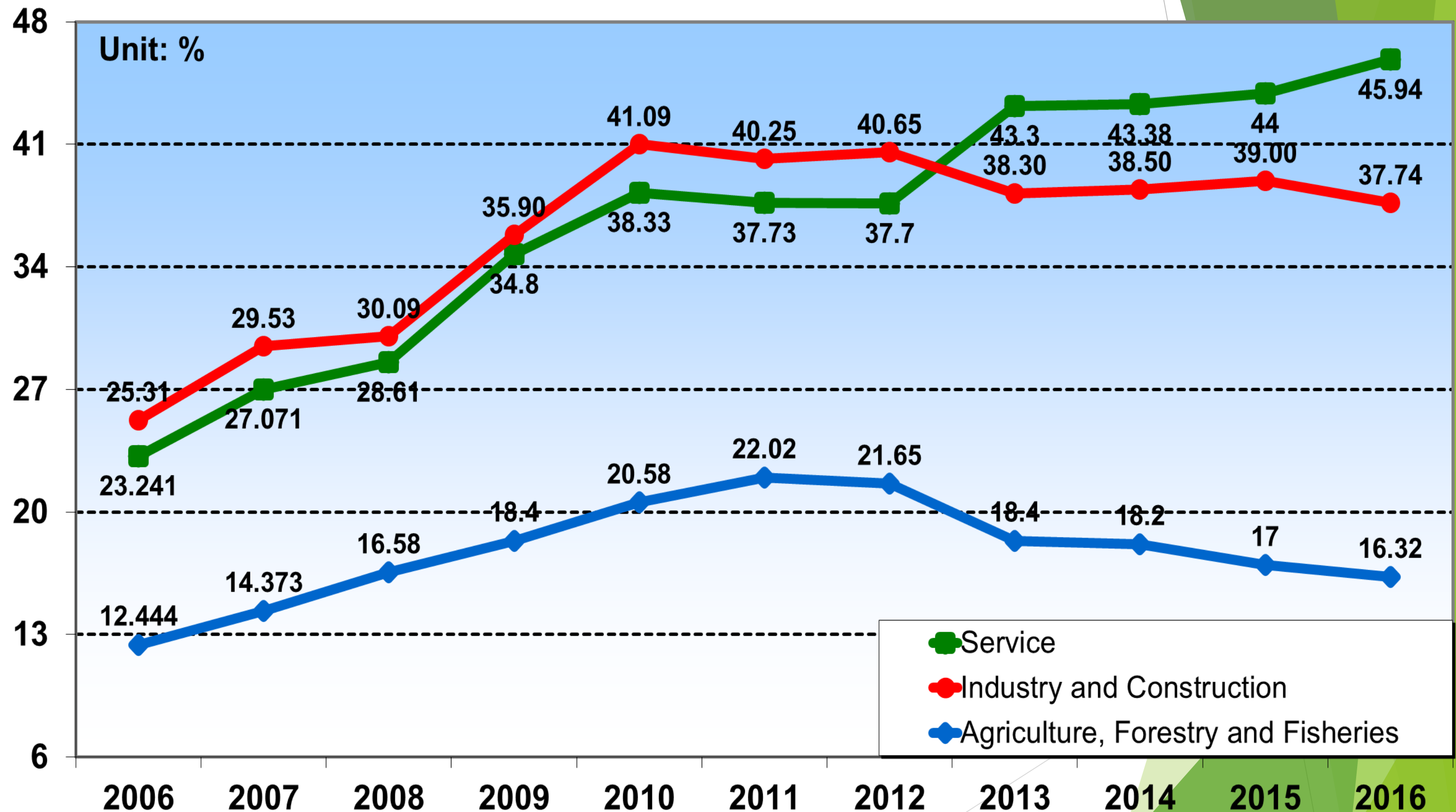
1/ REVIEW OF VIETNAM ECONOMY IN 2016 AND OUTLOOK FOR 2017

1.1/ REVIEW OF VIETNAM ECONOMY IN 2016

- ❑ GDP growth reached 6.21% in 2016 lower than the targeted 6.7%;
- ❑ The inflation of 2016 is 1.83%; The lowest growth rate for the pass 10 years;
- ❑ Export turnover in 2016 stood at 175.9 billions of USD, increased 8.6% compare to previous year;
- ❑ While the import revenue in 2016 was 173.3 billions of USD, an increase of 4.6% in compared to 2015. So that, Vietnam had achieved a trade surplus of 2.6 billion USD in 2016 (*FOB price exchange, after exclude \$ 17.7 billion freight and insurance on imports of services*);
- ❑ Real estate sector and infrastructure investment have been warmer back.

1/ REVIEW OF VIETNAM ECONOMY IN 2016 AND OUTLOOK FOR 2017

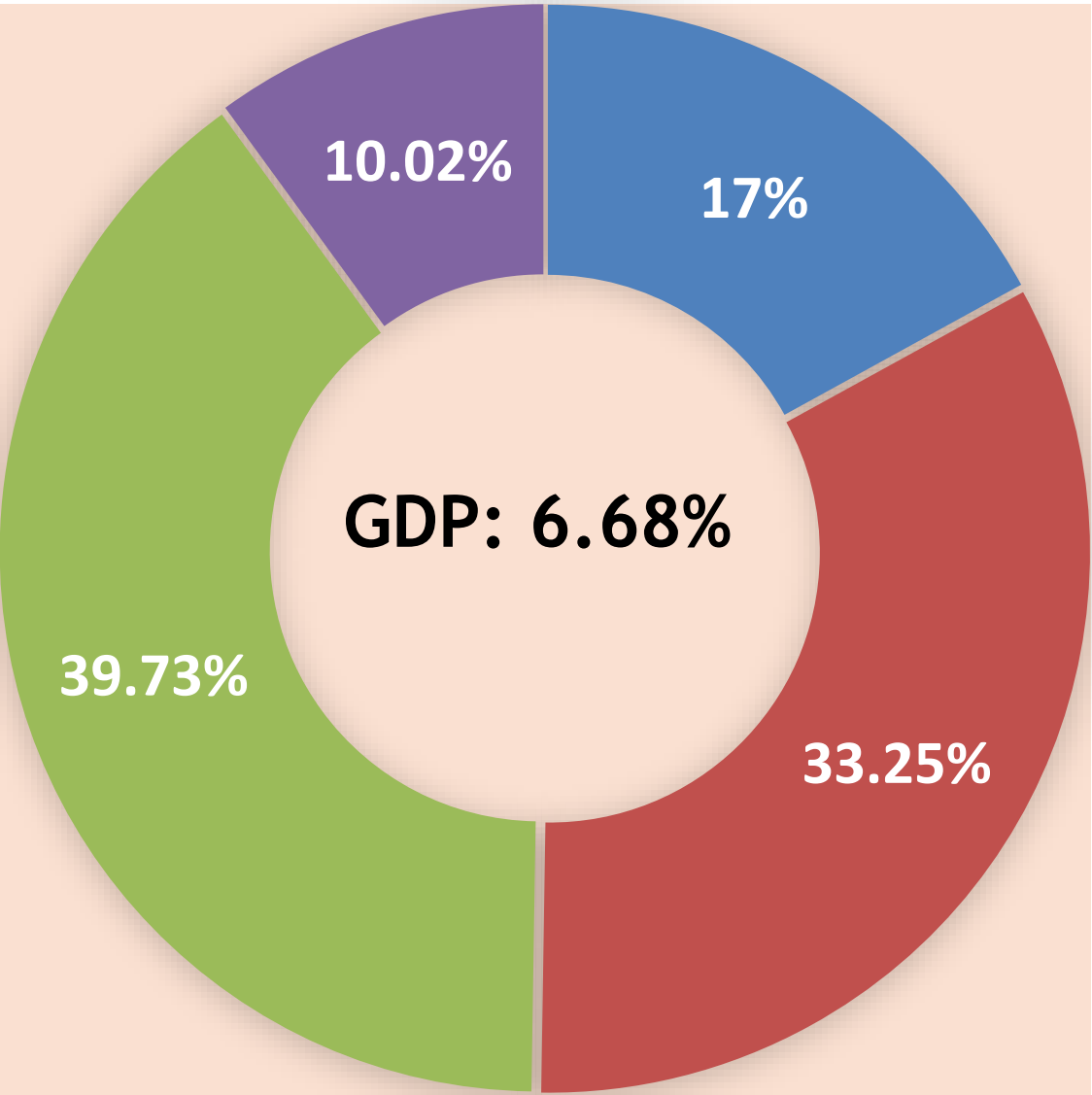
1.1/ REVIEW OF VIETNAM ECONOMY IN 2016



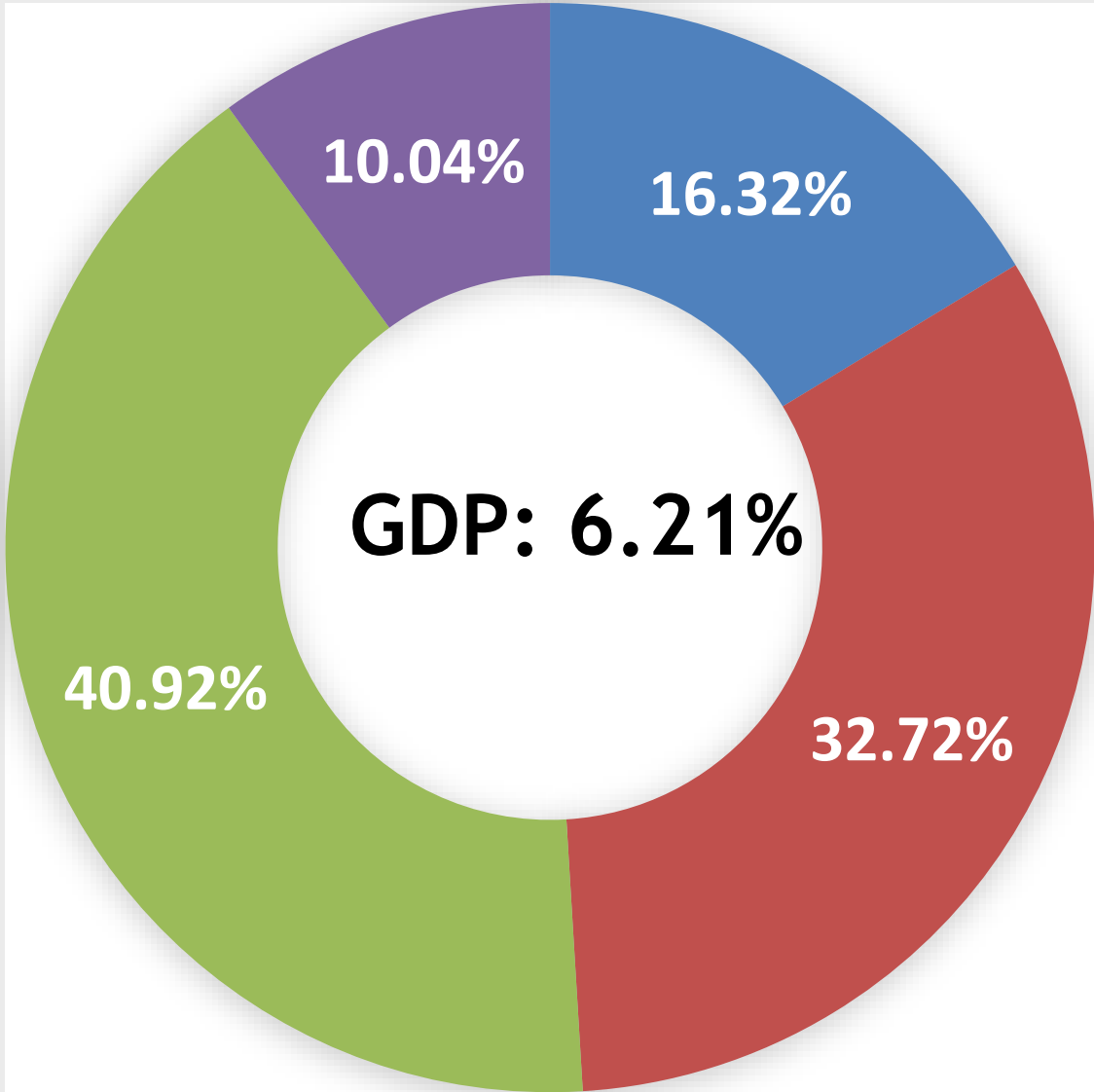
1/ REVIEW OF VIETNAM ECONOMY IN 2016 AND OUTLOOK FOR 2017

1.1/ REVIEW OF VIETNAM ECONOMY IN 2016

2015



2016



- Agriculture, Forestry and Fisheries
- Industry and Construction
- Service
- Tax (exclude production benefit)

1/ REVIEW OF VIETNAM ECONOMY IN 2016 AND OUTLOOK FOR 2017

1.2/ OUTLOOK FOR YEAR 2017

The main objectives of Vietnam Government in the year 2017 were:

- + Macroeconomic stability;
- + Controlling inflation;
- + Restructure economy and creating new model of growth.

Social

Environmental



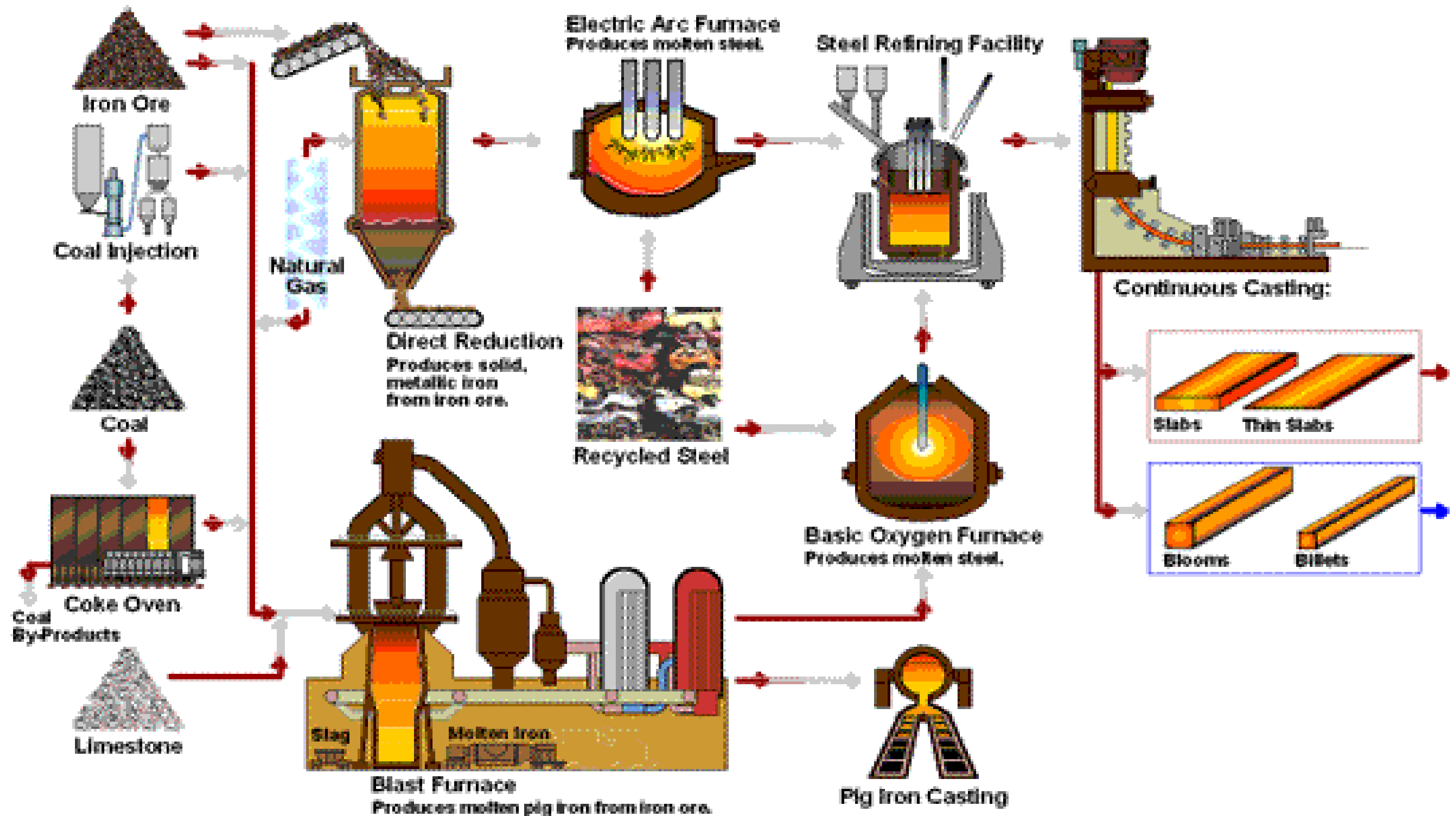
► For year 2017, the National Assembly of Vietnam has approved the targets for socio-economical development:

- GDP growth rate: 6.7%;
- Export growth rate: 6 - 7%;
- Trade deficit: 3.5% of total trade turnover;
- CPI below 5%;

❖ In the first quarter of 2017:

- ✓ GDP growth of 5.1%, slower than the previous two years at 5.48% and 6.12%, respectively.
- ✓ Export turnover in the first quarter is estimated at US\$ 43.7 billion, up 12.8%
- ✓ CPI increased 4.96%.

2/ OVERVIEW OF VIETNAM STEEL INDUSTRY IN 2016



Metallurgy process – Technology line

2/ OVERVIEW OF VIETNAM STEEL INDUSTRY IN 2016

2.1/ THE HIGHLIGHT OF STEEL INDUSTRY IN 2016

- ❑ The main exporting market of Vietnam in recent years is ASEAN. In 2016, Vietnam exported to ASEAN countries more than US\$ **1.2 billion**;
- In 2017, when Formosa Ha Tinh Steel Corporation goes into operation, Vietnam will become the largest steel producer in the region;

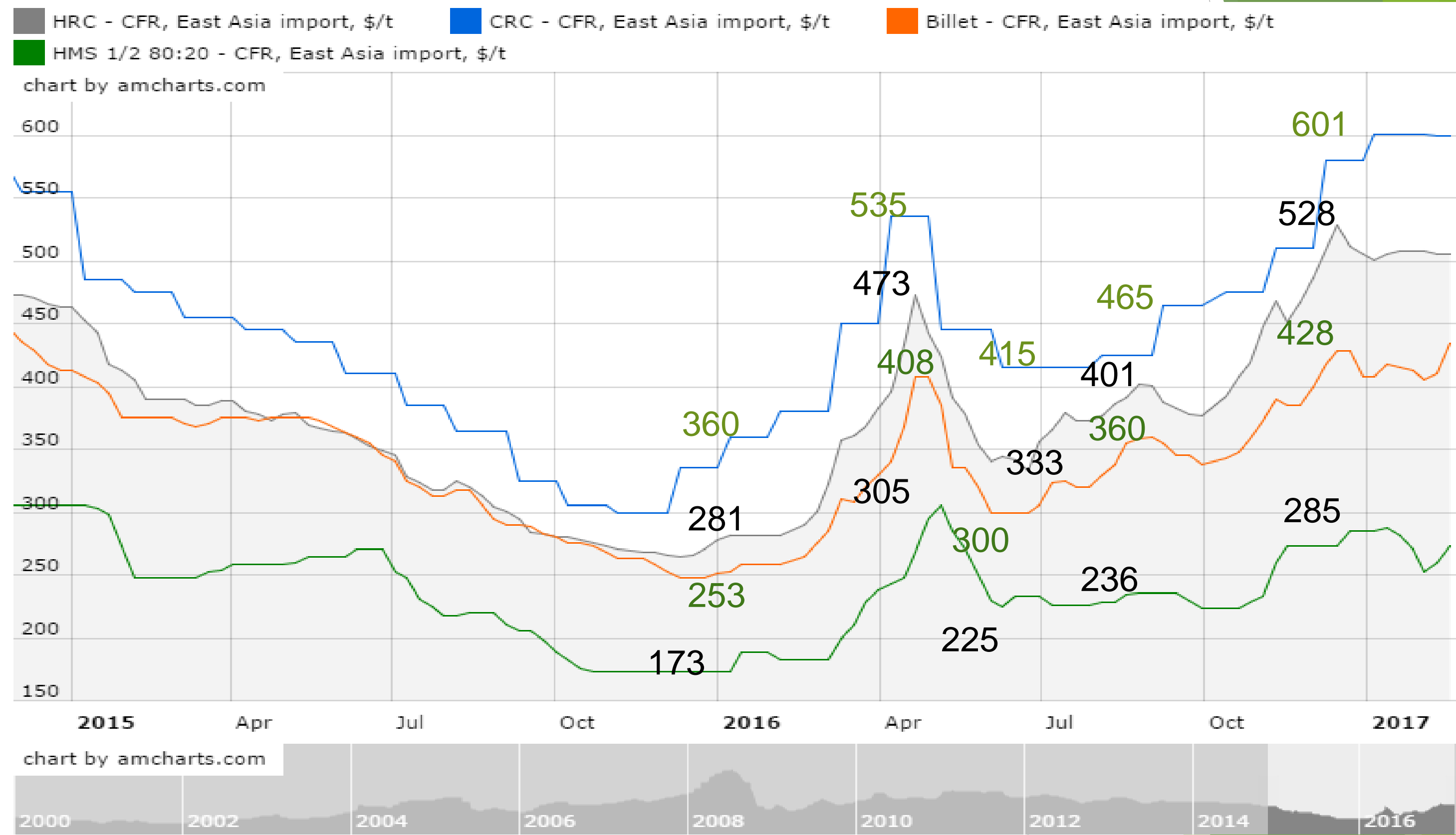
Vietnam is at risk becoming a consumption market for the imported steel products in 2016.

- + *More than 4.5 million tons of alloy steel was imported into Vietnam;*
- + *nearly 2.0 million tons of wire rod and drawing wire is imported into Vietnam;*
- + *Nearly 1.9 million tons of GI & PPGI steel sheet is imported, up 30% y-o-y.*



2/ OVERVIEW OF VIETNAM STEEL INDUSTRY IN 2016

2.2/ PRICE MOVEMENTS OF INPUT MATERIALS FOR STEEL INDUSTRY



2/ OVERVIEW OF VIETNAM STEEL INDUSTRY IN 2016

Data consolidation for Vietnam Steel Products

Unit: '1000 Mt

| No. | Products | Production | | | Import | | | Export | | | Consumption | | |
|-----|---|------------|--------|-----------|--------|--------|-----------|--------|-------|-----------|-------------|--------|-----------|
| | | 2015 | 2016 | % to 2015 | 2015 | 2016 | % to 2015 | 2015 | 2016 | % to 2015 | 2015 | 2016 | % to 2015 |
| (1) | (2) | (3) | | (4) | (5) | | (6) | (7) | | (8) | (9) | | (10) |
| 1 | Scrap | 1,726 | 2,502 | 145% | 3,230 | 3,990 | 124% | 55 | 79 | 144% | 4,901 | 6,413 | 131% |
| 2 | Billet | 5,647 | 7,811 | 138% | 1,959 | 1,220 | 62% | 47 | 27 | 57% | 7,559 | 9,004 | 119% |
| 3 | Long product | 7,199 | 8,657 | 120% | 2,633 | 3,036 | 115% | 767 | 1,009 | 132% | 9,065 | 10,684 | 118% |
| 3.1 | Bar | 5,930 | 7,086 | 119% | 276 | 294 | 107% | 258 | 279 | 108% | 5,948 | 7,101 | 119% |
| 3.2 | Coil | 1,147 | 1,302 | 114% | 1,540 | 1,679 | 109% | 306 | 306 | 100% | 2,381 | 2,675 | 112% |
| 3.3 | Section | 122 | 269 | 220% | 594 | 821 | 138% | 118 | 311 | 264% | 598 | 779 | 130% |
| 3.4 | Drawing Wire | 0 | | | 223 | 242 | 109% | 85 | 113 | 133% | 138 | 129 | 93% |
| 4 | Flat product | 6,275 | 7,109 | 113% | 11,202 | 14,363 | 128% | 1,780 | 2,381 | 134% | 9,422 | 11,982 | 127% |
| 4.1 | HRC | 0 | | | 9,046 | 11,570 | 128% | 96 | 119 | 124% | 8,950 | 11,451 | 128% |
| 4.2 | CRC | 2,930 | 3,671 | 125% | 692 | 891 | 129% | 570 | 822 | 144% | 122 | 69 | 57% |
| 4.3 | GI & Coulor | 3,345 | 3,438 | 103% | 1,464 | 1,902 | 130% | 1,114 | 1,440 | 129% | 350 | 462 | 132% |
| 5 | Other steel | 1,548 | 2,061 | 133% | 293 | 323 | 110% | 372 | 512 | 138% | 1,469 | 1,872 | 127% |
| 5.1 | Welded pipe | 1,548 | 2,061 | 133% | 81 | 79 | 98% | 350 | 498 | 142% | 1279 | 1,642 | 128% |
| 5.2 | Seamless pipe | 0 | - | | 137 | 158 | 115% | 21 | 13 | 62% | 116 | 145 | 125% |
| 5.3 | Other steel (Rails, Steel Sheet Pile..) | 0 | - | | 75 | 86 | 115% | 1 | 1 | 100% | 74 | 85 | 115% |
| | Total | 15,022 | 17,827 | 119% | 19,317 | 22,932 | 119% | 3,021 | 4,008 | 133% | 18,487 | 22,666 | 123% |

From HRC→CRC→GI & Welded Pipe

Note: 1/ Total Production row is included rows (3+4+5)

2/ Total Import & Export row is included rows (1+2+3+4+5)

3/ Total Consumption row is included rows (3+4)

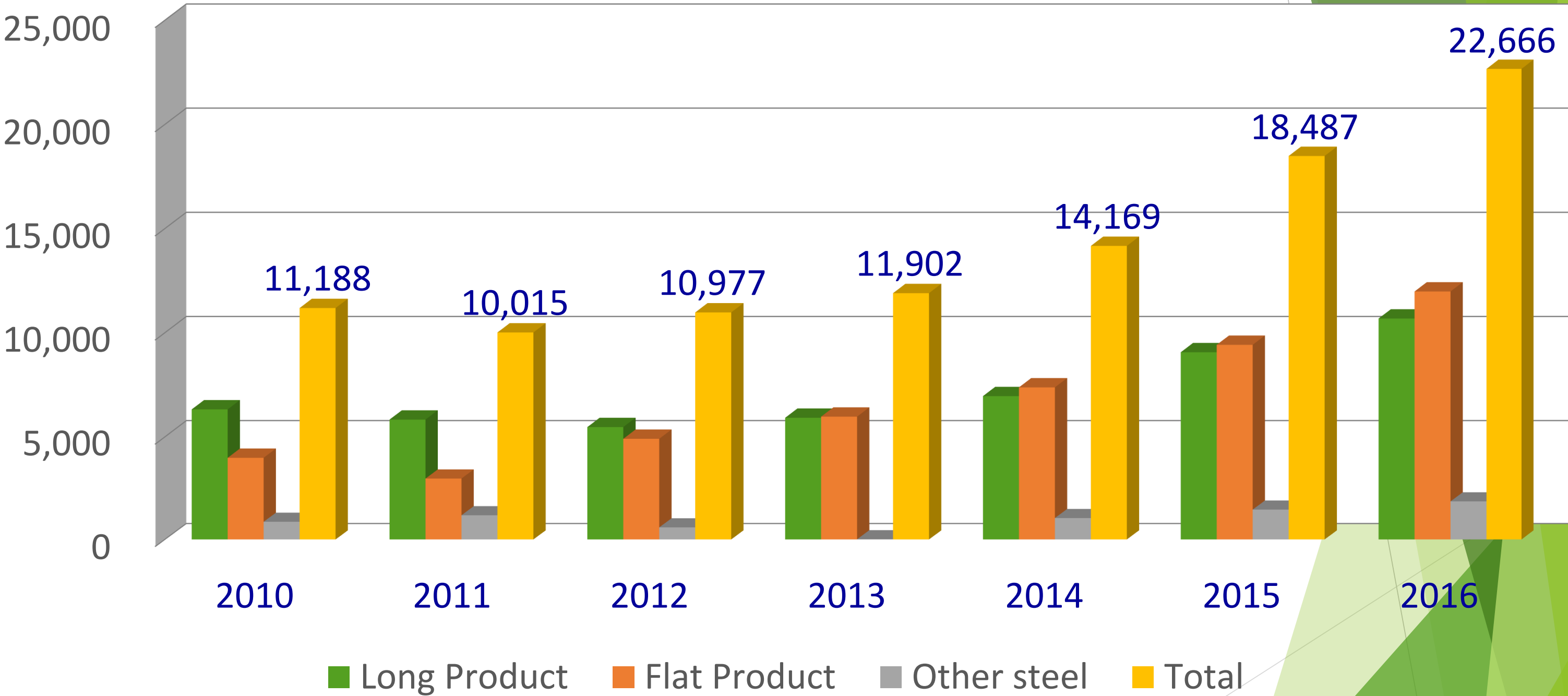
4/ Consumption Column included columns [(3)+(5)-(7)] for long products & other [(5)-(7)] for flat products

2/ OVERVIEW OF VIETNAM STEEL INDUSTRY IN 2016

2.3/ Aggregating data by years

Steel Consumption in 2016

'1000 Mt



Note: Total consumption = Long product + Flat products.



2/ OVERVIEW OF VIETNAM STEEL INDUSTRY IN 2016

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Overview:

- Production of crude steel products in 2016 reached 7,811 million tons, increase to 38% compared to 2015 and finished steel production was up to 20%;
- Apparent Steel Consumption rose dramatically 23% as high import volume of steel finished products (reached more 17.72 million tons);
- **The huge steel products imported to Vietnam in 2016 including Coil, Section, HRC, GI/GL & PPGI/PPGL.**



2/ OVERVIEW OF VIETNAM STEEL INDUSTRY IN 2016

Production of steel products in 2016 reached 17.827 mil. tons, an increase of 19 % compared to 2015 (up 2.8 mil. tons), of which:

- ❑ Long products: 8.657 mil. tons, up 20%;
- ❑ CRC: 3.67 mil. tons, up 25%;
- ❑ Welded steel pipe: 2.061 mil. tons, up 33%;
- ❑ Metallic & color coated: 3.438 mil. tons, up 3%



2/ OVERVIEW OF VIETNAM STEEL INDUSTRY IN 2016

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Comparison Actual production and Capacity in 2016

Unit: x1.000Mt

| No | Item | Capacity | Year 2016 | (%) |
|----|-------------------------|----------|-----------|------|
| A | Pig Iron | 2,700 | 2,600 | 96.3 |
| B | Steel billet | 12,610 | 7,811 | 61.9 |
| C | Finished steel products | 26,404 | 17,749 | 67.2 |
| 1 | Construction steel | 12,780 | 8,657 | 67.7 |
| 2 | CRC | 5,750 | 3,593 | 62.5 |
| 3 | Welded steel pipe | 3,079 | 2,061 | 66.9 |
| 4 | Metallic & color coated | 4,795 | 3,438 | 71.7 |

Note: Capacity of all steel finished products & semi steel products were updated in June 2016



2/ OVERVIEW OF VIETNAM STEEL INDUSTRY IN 2016

Overview:

□ Apparent steel consumption in 2016 (domestic production + imports - exports) reached 22.666 million tones, an increase of 23 % compared to previous year:

- Long products: 10.684 mil. ton, increased 18%; it took 47% in total **Apparent steel consumption**
- Flat products: 11.982 mil. ton, increased 27%; it took 53% in total **Apparent steel consumption**



2/ OVERVIEW OF VIETNAM STEEL INDUSTRY IN 2016

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□ Imports of steel products (Long& Flat) in 2016 stood at **17.399** million tons, an increase compared to previous year; Import turnover reached approximated US\$ 9 billion.



□ Exports of steel products reached **3.390** million tons, up **33%**; Export turnover reached more than US\$ 2.5 billion



□ Thus, the surplus Import & export turnover value of steel products in 2016 was **6.5** billion of USD.

3/ OUTLOOK FOR VIETNAM STEEL INDUSTRY IN 2017

Overview:

❑ Vietnam Steel Industry has continued to be affected by fluctuation of global input materials prices for steel industry.

❑ **As the same as regional countries, Vietnam has being faced with huge steel importation from China.**

❑ In 2017, GDP growth rate targeting of 6.7%. Accordingly, the steel industry has to meet domestic demand. We are hopping for steel production will be increased 12 %.



3/ OUTLOOK FOR VIETNAM STEEL INDUSTRY IN 2017



- ▶ In 10 FTAs that have been signed and implementing, 6 FTAs have been signed as ASEAN members (*including AFTA, 5 FTAs between ASEAN and its partners such as China, South Korea, India, Japan, Australia and New Zealand*); 4 FTAs signed as an independent party (Chile, Japan, Korea, Eurasian Economic Coalition).

- The two FTAs that have concluded negotiations are the FTA with the European Union, and the Trans-Pacific Partnership (**TPP – having problem when USA withdraw**).
- The remaining four FTAs being negotiated include the Comprehensive Economic Partnership Agreement (RCEP), the ASEAN-Hong Kong FTA, the FTA with Israel and the FTA with the EFTA.

❑ Countries trying to use Trade measures to prevent imported steel products for supporting domestic producers (AD, AS & SG and Technical barriers...).

❑ By the end of 2015, AEC already established. It is needed to have consolidation to increase intra ASEAN trading. The competitiveness of products, stability of quality, cost price, delivery time and corporate governance is needed to be improved.



3/ OUTLOOK FOR VIETNAM STEEL INDUSTRY IN 2017

Overview of Vietnam Steel Industry in 1st Quarter of 2017

Unit: '1000 Mt

| No. | Products | Production | Import | Export | Consumption |
|-----|--------------|--------------|--------------|--------------|--------------|
| 1 | Scrap | 1.607 | 871 | 79 | 2.399 |
| 2 | Billet | 2.285 | 96 | 27 | 2.354 |
| 3 | Long product | 2.224 | 1.827 | 368 | 3.683 |
| 4 | Flat product | 1.889 | 1.903 | 561 | 3.231 |
| 5 | Other steel | 491 | 155 | 156 | 490 |
| | Total | 4.604 | 4.852 | 1.191 | 6.914 |

In 1st Quarter of 2017, production of finished products reached 4,604 thousand tons, increased 18.8% compared to Q1/2016:

- ✓ Long products: 2,224 thousand tons, up 23.8%;
- ✓ CRC: 894 thousand tons, up 7.8%;
- ✓ Welded steel pipe: 491 thousand tons, up 31.6%;
- ✓ Metallic & color coated: 995 thousand tons, up 13.8%



3/ OUTLOOK FOR VIETNAM STEEL INDUSTRY IN 2017

OPPORTUNITIES & CHALLENGES

- ❑ Vietnam Steel Industry has continued to be affected by fluctuated global material steel market and surplus steel supply in the world.
- ❑ As the same as countries in the world, especially regional countries, Vietnam has being faced to large steel importation from China.
- ❑ With the import tariff barrier trends to zero, Vietnam as well as other countries, we have to use trade measures to prevent imported steel products for supporting domestic producers.



***The best wishes to all of you
and your family members.***



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