Steel sector earnings forecast: Domestic market to lead growth in Q2/2025

- In Q2/25: The domestic market becomes the growth driver as consumption volume is expected to increase by 22% YoY with contributions from both construction steel and HRC.
- Meanwhile, export activities are less positive as key export markets such as the EU and the US have imposed tariffs on steel from Vietnam.
- We expect companies with high proportion of domestic consumption such as HPG and HSG to record net profit growth of 19% and 3% YoY. Export companies such as NKG, GDA may record net profit decrease by 32% and 65% YoY.

Domestic production to grow 22% YoY while exports to fall 20% YoY

We expect domestic market to record a growth in steel consumption of about 22% YoY to 7.1 million tons, of which 60% from construction steel and HRC. More specifically, thanks to the disbursement of public investment capital and growth in real estate supply, we expect construction steel consumption to grow by 14% YoY to 3.1 million tons in the peak season of Q2, of which HPG's construction steel output is expected to increase by 15% YoY. For HRC steel, the temporary anti-dumping duty at 19% - 28% has reduced the price gap between Chinese steel and Vietnamese steel by about 22% YoY to 50 USD/ton, making domestic HRC price more competitive than imported goods. According to HPG, the proportion of domestic HRC used in galvanized steel companies has increased to 40% (from 15% - 20% in the same period in 2024). Thanks to, anti-dumping duty and contributions from the DQ2, HPG's HRC consumption in Q2/25 can reach 2.2 million tons (+40% YoY).

Due to export markets such as the EU and the US imposing anti-dumping duty on Vietnam since the end of Q1, we expect export volume to decrease by 20% YoY to 1.5 million tons, since then export companies will be negatively affected in terms of prices and volume.

Stable steel prices in Q2 combining with the decrease in input costs may widen the gross margins of steel companies

In Q2/25, domestic steel prices remained stable due to high demand and the positive impact of anti-dumping duty. Construction steel prices stay flat yoy and increase slightly by 1% compared to the previous quarter. Besides, HRC prices remain stable thanks to strong consumption growth. The domestic HRC market share has improved to 65% from about 40% as domestic companies occupy market share from steel exports. According to HPG, consumption demand has been higher than production and they are consuming inventory from the previous quarter. We assess that good consumption demand will continue to be the driving force for domestic steel prices in the second half of 2025 even though Chinese steel prices have not yet shown signs of recovery. We believe that domestic steel prices may increase starting from Q3 thanks to positive consumption demand and pressure from Chinese steel cooling down due to the country's production cuts.

In Q2/25, coal and ore prices continue to decline by 4% and 3% YoY, respectively, due to excess supply in Australia and Brazil in the context of China's production cuts. Therefore, manufacturing companies such as HPG are expected to benefit from cooling material prices and stable selling prices. In addition, for domestic galvanized steel companies such as HSG, the stable HRC price can help companies in reversal provisions from previous quarters, thereby improving the gross profit margin. Thanks to the decrease in input prices and stable selling prices, the gross profit margin of steel companies will improve in this Q2.

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Q2/2025 net profit after tax and minority interest (NPATMI) forecast under MBS's steel sector coverage:

No	Ticker	Industry	NPATMI								Comment
			Q2/2025	% YoY		% QoQ		2025	% YoY		
1	HPG	Steel	3,900		19%		16%	17,765		48%	Q2/25: We expect net profit to grow by 19% YoY, driven by a 15% YoY increase in output with contributions from DQ2. In addition, the gross profit margin projected to improve by 0.4% YoY, thanks to cooling material prices. Accordingly, company's 6-month net profit is estimated to climb by 17% YoY, as 48% of the company's target.
2	HSG	Steel	280		3%		37%	800		40%	Net profit may record a slight increase YoY, supported by positive impacts from the domestic market as output expected to grow by 5% YoY. As a result, after 9 months of fiscal year 2025, net profit after tax may decline by 6% YoY, but has achieved 131% of the full-year target.
3	NKG	Steel	150		-32%		24%	560		24%	Q2/25: Net profit could decline compared to the high base in 2024, due to duties imposed by export markets such as the EU and the US. Output is projected to decrease by approximately 20% YoY, negatively impacted by export markets. Consequently, the company's 6-month net profit is estimated to decrease by 41% YoY, completing 48% of the annual target.
4	GDA	Steel	60		-65%		-2%	300		-12%	Net profit may decrease YoY amid challenges in key export markets, namely the US and EU. Although the company has plans to expand its domestic market, the impact would be reflected in the business results starting from Q3. As a result, the company's 6-month net profit is estimated to decrease by 54% YoY, completing 41% of the annual target.

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