

COVID-19: Economic and Social Impacts on Vietnam

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COVID-19 in Vietnam: Timeline

Jan 23, 2020	Vietnam confirmed its first case
Feb 1, 2020	COVID-19 declared epidemic in Vietnam
Feb 6, 2020	All schools delayed reopening after Tet holidays
Mar 17, 2020	State Bank of Vietnam (SBV) cut policy rate by 100 basis points
Mar 21, 2020	All international flights except special and chartered flights suspended
Mar 23, 2020	Rice exports suspended
Mar 30, 2020	200 th case, border with Laos and Cambodia closed
Mar 31, 2020	Social distancing (lockdown) imposed nationwide until April 23
Apr 8, 2020	Resolution 41 to defer tax payments for firms and individuals
Apr 9, 2020	Resolution 42 to support vulnerable people, households, and small businesses
May 12, 2020	SBV cut policy rate by 50 basis points
July 21, 2020	396 cases. 99 days of no community transmission. No deaths.
July 25, 2020	New cases surged in Da Nang. First deaths reported.
July 31, 2020	93 new cases since July 25. Lockdown in Da Nang and Quang Nam.

Economic impacts: Recent trends

Figure 1. Vietnam's economic activity has slowed amid the COVID-19 pandemic...

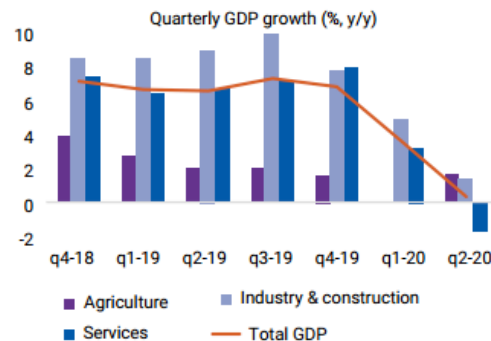


Figure 2. ...weighed down by lower services, while agricultural output remained resilient

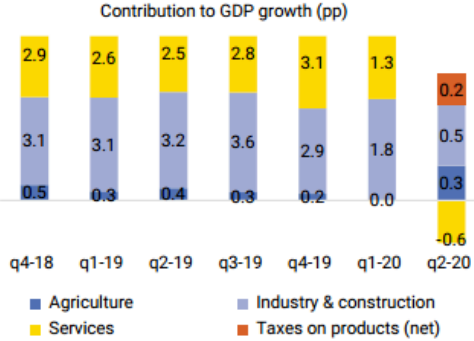


Figure 3. External sector growth is slowing while domestic activities are rebounding

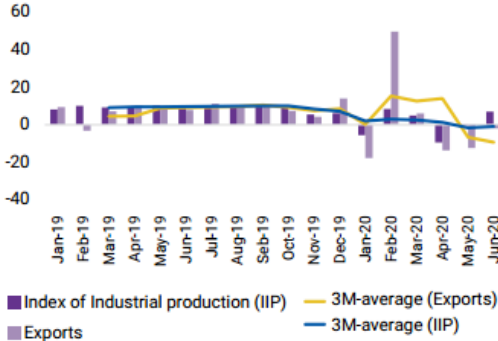
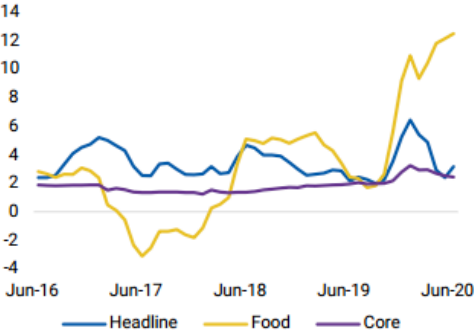


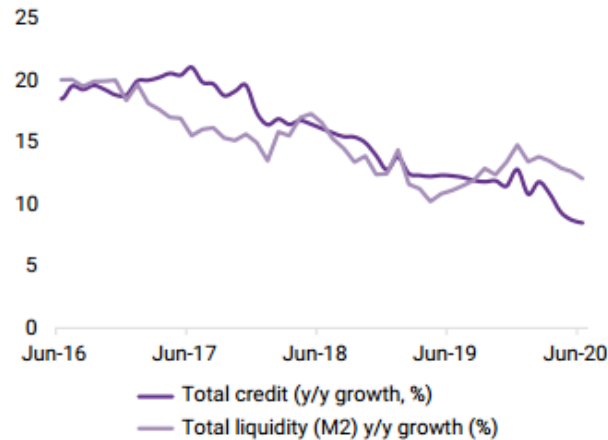
Figure 4. Inflation is decreasing but food prices are on the rise



Source: World Bank

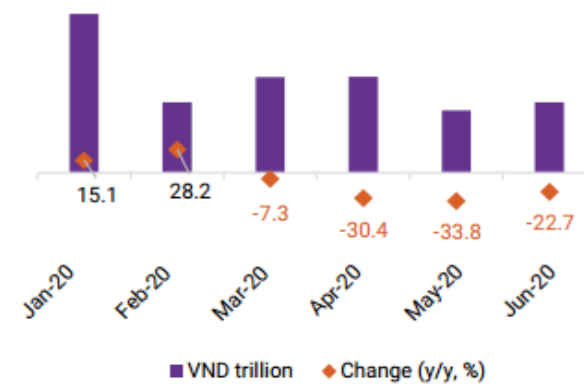
Economic impacts: Recent trends

Figure 5. Credit expansion is decreasing...



Source: GSO, SBV, and MOF.

Figure 6. ...while revenue collection is falling quickly



Source: World Bank

Economic impacts: External sector

Figure 7. The level of international reserves increased up to end-March 2010...

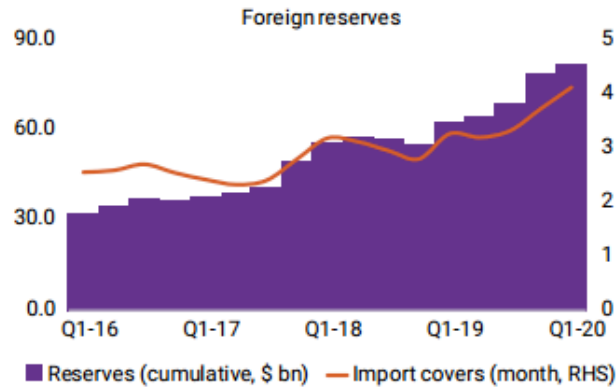
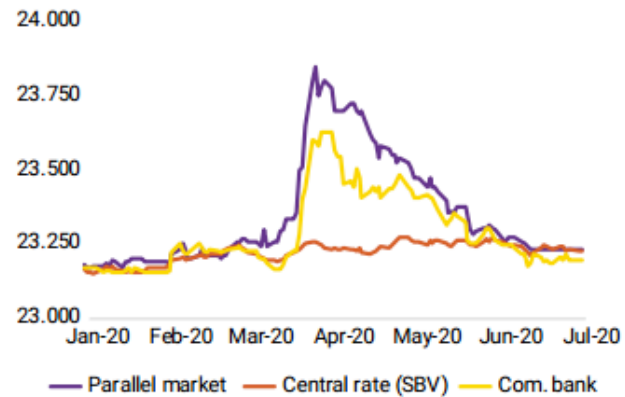


Figure 8. ...while the exchange has remained stable in recent months (Dong per US\$)



Source: World Bank

Economic impacts: External sector

Figure 9. Most export categories declined except for computers and rice (% y/y)

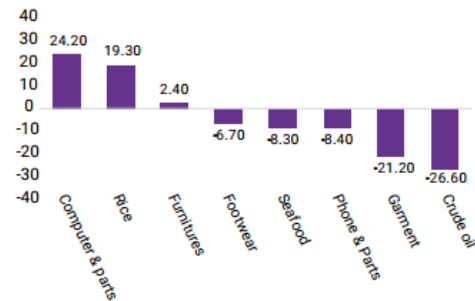


Figure 10. ...while foreign demand weakened, with the exception of China and the U.S. (% y/y)

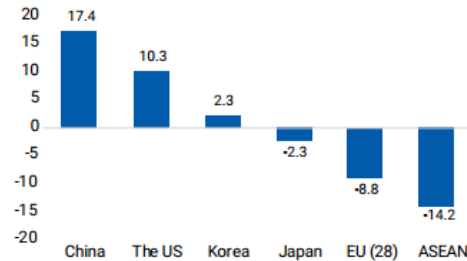


Figure 11. Imports contracted (% y/y)

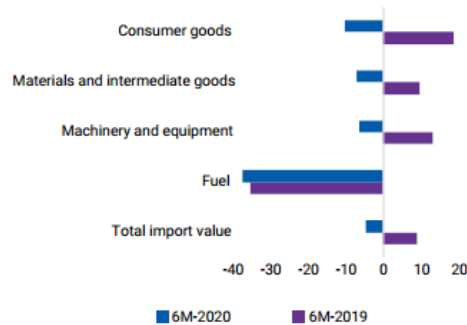
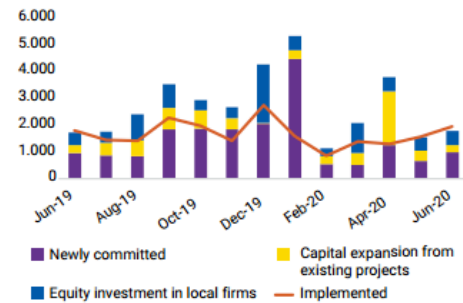


Figure 12. FDI inflows (U.S. million, commitment)



Source: GSO, SBV, and Vietnam Customs office.

Source: World Bank

Social impacts

- Income loss not too serious so far, thanks to Vietnam's early containment of the virus

Box 1. The pulse of the COVID-19 crisis as indicated by households in Vietnam

1. While most households have been affected by the COVID crisis, the negative impact has been decreasing over time
 - o About 75% of households experienced a reduction in income at one point in time since February
 - o Only 17% of respondents were affected negatively by a shock over the past month.
2. Higher income loss for family businesses than for wage workers
 - o About 32% of family businesses have reported lower income in June compared to February
 - o Only 13% of heads of households who are wage earners had a lower income in June than in February.
3. But this impact is likely to be temporary
 - o Only 2.3% of heads of households who worked in February were not working in June
 - o Among those still employed in wage jobs, 92% were working normally and with full normal payment by June
 - o Only 4.3% of family businesses had closed temporarily or permanently.

Source: World Bank & GSO

- Uncertainties due to new outbreaks
- Widening inequality (e.g. income, education), poverty reduction affected
- Social problems: increasing unemployment, crime rates

Conclusion

- Vietnam's economy rather resilient thanks to early containment of the first wave
- Uncertainty remains due to second wave of infections and complex situation in other countries
- Social impacts not too serious but worrying, may worsen if second wave not contained
- Informal economy may help
- Looking forward: Slowed GDP growth; fiscal imbalance; mounting bad debts; constrained exports, investment and tourism, but still in better shape than most other countries