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# Vietnam's Coronavirus Struggle: Managing the Economic Impact

**Despite initial notable steps, until the government can fully contain the outbreak, it will be difficult to achieve economic growth targets set out previously.**

By Thoi Nguyen

Relative to other Asian countries, Vietnam has significant achievements in terms of how the country dealt with the coronavirus outbreak. Nonetheless, COVID-19, the disease caused by the new coronavirus strain, has nonetheless posed a major challenge for the country's economic growth, and is likely to continue to unless it is fully dealt with.

Initially, Vietnam had performed quite well in curing initially infected patients. It even managed to avoid new deaths from the deadly coronavirus until late last month. In the last few months, the Vietnamese government took a number of bold measures: closing schools and universities, fining those who spread  fake news on their social media acounts, and instituting a travel ban on those who have visited the affected areas in the wake of the coronavirus outbreak.

But in a sign of how quickly things can change, on March 2, a Vietnamese woman, after traveling to three countries in Europe before flying back on Vietnam Airlines flight 0054 from London to Hanoi, tested positive for the coronavirus. She became the 17th infection in Vietnam, and the coronavirus also spread to other passengers on the same flight. At the time of writing this article, Vietnam's coronavirus confirmed cases have risen to nearly 60 and are likely to increase still further.

The incident illustrates how, in spite of the Vietnam government's best efforts, the global economic uncertainty on the coronavirus and continued national concerns are likely to cloud its economic outlook into 2020.

The economic toll on Vietnam is already visible. Many airlines have halted and cancelled their flights to the infected destinations. The most affected industries are tourism, transport, electronics, agriculture, and insurance. Many restaurants, shops, cinemas, and entertainment places are also severely affected due to the lack of the demand.

Take tourism, for instance. As it is, in the first two months of 2020, the COVID-19 epidemic caused serious damage to Vietnam's tourism. A survey conducted by the Vietnam Tourism Advisory Council shows that the hotel bookings and occupancy rates from the north to the south in Vietnam were decreasing by between 20 and 50 percent compared to the same period last year. The number of international visitors coming in March 2020 is expected to be reduced by over 60 percent, and domestic tourists may be reduced by 80 percent due to fears of this deadly virus. The tourism workforce was asked to take unpaid and temporary leave. All told, the COVID-19 epidemic will result in an estimated loss of between $5.9 and $7 billion for Vietnam's tourism in the next three months.

The tourism sector is only part of the problem. Vietnam's stock market has been hit hard too, and Vietnam's state-owned enterprises are facing their own challenges as well. Other economic indicators, including the volume of imported goods to Ho Chi Minh City such as machinery, equipment, iron, steel, and petroleum, have all decreased significantly relative to the previous year per statistics from Ho Chi Minh City Customs.

To be sure, Vietnam has taken its fair share of additional steps to counter the coronavirus that instill confidence in the government's ability to respond. For instance, all foreigners and visitors are required declare their health conditions upon arriving the country, and Vietnam suspended the visa waivers program for eight European countries that have a large number of confirmed coronavirus cases. The Vietnam State Bank has emphasized that more economic steps are likely on the way, including reductions in the interest rate in addition to the announcement of a stimulus package by the government and reductions in tax rates and fees by the finance ministry.

But it is unclear whether these steps will be sufficient to quell the coronavirus' impact. While it is understandable that institutions like the State Bank are quickly burning through the options that they have to manage the challenge now, the risk is that if cases continue to rise, the government will have less room to act later. Furthermore, as we have seen with other countries, some steps the Vietnam government is undertaking may create some necessary short-term pain in order for the country to manage the coronavirus, but with little sense of how much this pain will be and how the country will take it.

All this means that the economic impact on Vietnam is likely to be significant and growing. Even ahead of the current situation, the Asian Development Bank's recent report showed that Vietnam would lose 0.41 percent of GDP because of the coronavirus outbreak, which will temporarily cause "decline in domestic consumption in China and other outbreak-affected economies, in tourism and business travel; spillovers of weaker demand to other sectors and economies through trade and production linkages; supply-side disruptions to production and trade." A former Vietnamese government adviser claimed that the coronavirus outbreak will cause Vietnam's economic growth rate to reduce around 1 percentage point from its target, to around 5.9 percent or 6 percent.

The Vietnamese government plans to stick with its target growth rate of 6.8 percent this year. But given Vietnam's current coronavirus challenge, this target makes little sense and is likely unachievable. The economic damage may be difficult to estimate exactly, but it is clear that the economy is likely to shrink further in the coming months and suffer more in line with global realities as well as national developments. Unless the Vietnam government can fully and comprehensively contain the outbreak quickly, the situation for Vietnam is likely to get worse before it gets better.

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