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**Vietnam’s Exit Strategy: Balancing Medical and Economic Health**

### **Executive Summary**

* Governments around the world now face the difficult duty of balancing the **medical** health of their citizens and the **economic** health of their countries as they decide how quickly to re-open their economies.
* Some countries (Austria, Norway, Denmark, and Czech) are starting to relax their public health restrictions after having been “locked down” for about one month, while others have extended their lockdowns but started contemplating re-opening measures.
* We have summarized the criteria that countries around the world are considering in deciding when to re-open their economies, and the “Rolling Re-Entry” timetables and measures those countries have announced or are considering.

### **A Faustian Bargain**

The COVID-19 outbreak has forced governments around the world – including Vietnam’s policy makers – to choose between protecting the **medical** health of their countries’ citizens and the **economic** health of their countries.

Most governments have been prioritizing medical health over economic health since the COVID-19 outbreak emerged, but last week some countries in Europe started re-opening their economies, and President Donald Trump proposed guidelines to start re-opening the US economy. The leaders making these decisions understand that re-opening their economies could cause the number of COVID-19 cases in their countries to increase, but they are afraid that keeping their countries “locked down” will cause even more suffering to their citizens than the virus would.

Governments are sometimes forced to allow regrettable things happen to *some* of their citizens in order to bring greater benefits to *all* of society. Economists call this difficult choice a “Faustian Bargain”. For example, the number of people who are likely to die in automobile accidents in the US this year is nearly as high as the latest estimate of the number of people expected to die of COVID-19, but the US government could **prevent** almost all of that country’s automobile deaths by imposing a nation-wide 40km speed limit.

Speed limits in the US are much higher than 40km because government leaders made the “Faustian Bargain” to allow some people to suffer from traffic accidents in exchange for the greater good to society from people and products moving around faster and more efficiently.

In Vietnam, the number of deaths from traffic accidents will almost certainly be much higher than the number of COVID-19 deaths because Vietnam has one of the highest traffic accident death rates in the world and it has one of the lowest COVID-19 case rates in the world. The fact that Government leaders have not imposed an unrealistically low speed limit on the country’s citizens means that Vietnam’s leaders have **already made the Faustian bargain** of allowing some of the country’s citizens to suffer from traffic accidents in exchange for the greater benefits to society.

Now the country’s leaders now have the difficult duty of balancing between the economic costs of Vietnam’s continued lockdown versus the potential medical costs of re-opening the economy.

### **The Cost of Lock Downs**

Governments around the world are comparing the costs to their societies from “locking down” their economies, versus the cost that their countries would **suffer** due to the higher number of COVID-19 cases that **could** result from loosening up the strict social distancing rules that require people to stay at home. Different governments are making different decisions, depending on the circumstances that their countries face, and depending on the criteria each government uses to evaluate the social costs of locking down their economies.

For example, at the prestigious University of Chicago, scientists and economists have estimated the expected cost to society of loosening up the COVID-19 public health restrictions by forecasting the additional number of deaths that loosening social distancing would cause and then assigning a USD8–10 million value to each loss of life that could have been prevented by maintaining stricter public health measures.

The approach, which was highlighted in an article in last week’s *Wall Street Journal*, compared the total cost of additional COVID-19 deaths with the total cost of shutting down parts of the US economy. The University of Chicago team concluded that the US economy should continue to stay shut because the social costs of lifting social distancing restrictions are bigger than the social costs stemming from shutting down major parts of the economy.

However, Norway’s COVID-19 task force released an analysis on April 7ᵗʰ that came to the opposite conclusion. The Norwegian team considered a broader range of factors to evaluate the social cost of a protracted lockdown and concluded that Norway’s economy should start re-opening immediately. The country began loosening its social distancing measures last week.

Finally, it is very important to note that the assumptions of how many people in each country could die from COVID-19 if social distancing measures are relaxed were based on COVID-19 death rates that are now being shown to be too high. That means governments around the world may have been over-estimating the potential medical costs to society from loosening up public health restrictions.

Last week, new research from Stanford Medical School suggests that the number of people who get COVID-19 and then die from the disease is probably much lower than previously thought. Additional research from the Stanford team that will be published later this week will probably also conclude that COVID-19’s mortality rate in the US is similar to the flu (0.1% – 0.2%), although COVID-19 seems to spread much more easily than the flu.

Furthermore, Vietnam’s COVID-19 mortality rate is likely to be even lower than in the US given Vietnam’s young, healthy population and the government’s highly effective public health measures (public health measures impede the spread of the virus, but wearing face masks also lessens the severity of a COVID-19 infection because it reduces the initial “viral load” at the time of exposure to the virus).

### **The Cost of Vietnam’s Lockdown**

The social cost for Vietnam to partly shutting down its economy is higher than the cost in rich, developed countries and is inescapable. For example, in the US, the lockdowns have created a surge in unemployment (22 million people in the US have lost their jobs over the last three weeks), but the US government is wealthy enough that it can afford to spend a huge amount of money in order to support businesses and people who lost their jobs.

When economists evaluate the social cost of the lockdown in the US, one of the biggest factors they consider is the fact that people in the US tend to become depressed when they are unemployed, so they may start drinking excessively or taking illegal drugs (note that the annual number of drug overdose deaths in recent years is likely to be similar to the number of people who die from COVID-19 in the US in 2020).

We see three risks (in order of severity) of not re-opening Vietnam’s economy quickly:

1. Lockdowns hit low income people the hardest
2. The longer that the lockdowns last, the harder it will be for many businesses to recover
3. Lockdowns have started to create social unrest in some countries, including in India, Italy, and in some parts of the US

Our biggest concern is that the social distancing measures and travel restrictions meant to combat COVID-19 are likely to impact the lowest income members of society the hardest. These workers are typically not able to work from home, and the Government has limited resources to directly support a large number of unemployed laborers.

Standard Chartered published a report last week that analyzed the ability of various governments in frontier and emerging markets to spend money in order to support their economies during the crisis. According to Standard Chartered, Vietnam and Mexico both have **some room to spend money**, unlike many countries that do not have sufficient fiscal resources. However, since the amount of money that Mexico and Vietnam can afford to spend is limited, both need to carefully choose how to deploy their resources effectively.

Finally, a significant portion of Vietnam’s service sector, which accounts for **40% of the country’s economy**, is comprised of small “mom and pop” businesses that are especially vulnerable to a partial shutdown of Vietnam’s economy. Such businesses cannot easily obtain bank loans that could help them survive for the next few months until the economy picks up again.

### **Countries Are Starting To Re-Open**

Austria, Norway, Denmark, the Czech Republic, and Germany are starting to re-open their economies after having been in various degrees of “lock down” for about one month, beginning from around the middle of March (note that Germany’s lockdown started a bit later than the other countries, and that its re-opening plans are much slower than the other countries mentioned above).

Italy, Spain, France, and the UK have announced extensions to their public health measures, so their citizens will probably end up suffering fairly strict lockdowns of about 1½ to 2 months. Most citizens in these countries are more-or-less required to stay home, with the exception of going to the grocery store, or to the hospital/pharmacist. In Italy and the UK, people are not allowed to be more than a certain distance from their home, while in France and Spain, people are not even allowed to go outside to exercise during most of the day.

In the US, each state has the authority to decide its own lock down policy, which complicates matters because some states like New York have been hit harder by COVID-19 than others that do not have major urban areas. Last week, the federal government issued guidelines for the state and local governments to decide when and how to re-open their economies.

Also, US policy makers in most states are closely watching developments in the state of **Ohio** (which is in the middle of the US) because it was the first state to implement aggressive public health measures. It is also the first state to begin more widespread testing, including random testing of people who are not suspected of having COVID-19 in order to get a better understanding of how widespread and lethal the virus is.

### **When to Re-Open**

Public health officials in most countries around the world have primarily focused on the shape of the **“COVID curve”** in order to guide their decision making. The number of active COVID-19 cases, new cases, and/or the number of daily COVID-19 deaths are the main criteria for those public health officials in deciding when to begin relaxing public health restrictions, and how quickly the country can return to normal life.

Authorities in each country want to see that the number of daily deaths from the virus has clearly peaked, and is in a sustained downtrend before economic activity in their country starts to return to normal. Vietnam’s Government has done an excellent job of “flattening the curve” with its early and aggressive public health measures, and the country has not had any COVID-19 deaths, so it will need to use different factors besides the shape of the “COVID curve” to guide the pace of re-opening the country’s economy.

One factor Vietnamese policy markets could focus on is the continued stability of the country’s active case curve, with the stipulation that the number of new cases does not significantly exceed the daily number of recoveries.

Also, there are two criteria that countries around the world have used to decide how quickly to re-open their economies, **in addition to the COVID curves** of those countries:

1. The ability to track and contain cases in the country, and
2. The capacity of the country’s health care system to test for and treat cases.

Regarding the first criteria, Vietnam’s health officials have demonstrated an outstanding ability to track and contain COVID-19 cases. South Korea’s ability to aggressively track and contain COVID-19 cases enabled that country avoid doing a full, nation-wide lockdown. Korean public health authorities were able to trace the origin of 90% of the country’s COVID-19 cases and most shopping malls, restaurants, and other services were not shut, although schools and churches were closed.

Regarding the second criteria above that countries are using (in addition to a declining COVID curve), most countries around the world are unlikely to have sufficient testing capacity until the end of 2020. One exception is South Korea, which significantly increased its spending on public health after the 2015 MERS outbreak.

Also, health care systems in most frontier and emerging market countries are relatively weak (Vietnam’s is stronger than those in many regions, especially compared to Latin America), but Vietnam benefits from other factors that offset some of this weakness. Vietnam’s population is much younger than most countries, and the country’s hygiene, nutrition, and weather all seem to be contributing to a higher COVID-19 case recovery rate compared to many countries (many of the so-called “co-morbidities” such as obesity, diabetes and asthma that make COVID-19 deadlier are less widespread in Vietnam compared to other countries).

### **Rolling Re-Entry: How Countries are Re-Opening Their Economies**

The countries that have announced their intentions to re-open their economies have all more-or-less followed a similar “time table” approach to the steps that their countries will take. Each country has specified what public health measures can be relaxed immediately, followed by additional steps to be taken at the next stage of loosening (circa three weeks after the initial relaxation of health measures – assuming there is not a severe rebound in infections), and then additional measures at the next stage, about 1½ months after the initial re-opening.

That said, the “Opening Up America Again” guidelines that were released by the US Government last week are slightly different than the “time table” approach being taken in Europe. Those guidelines suggest that state and local governments commence re-opening contingent on a sustained decline in COVID-19 cases for two weeks.

Once cases have declined for two weeks, the state or city following the guidelines can enter “Phase 1” of its re-opening, and will then transition into the “Phase 2” and “Phase 3” stages of re-opening after a further two-week decline in COVID cases at each stage.

Since the Rolling Re-Entry measures that most countries around the world have announced are fairly similar, we have summarized the main social distancing relaxations at each stage in the table below, and highlighted any notable exception to the programs that most countries intend to take in order to re-open their countries (for example, the governments of Germany, Norway and Denmark believe that their country’s schools should be re-opened immediately, while the governments of Austria and Czech Republic intend to re-open their primary schools much later).

### **Stages of Reopening**

| **Stages** | **What Will Be Re-Opened** | **Comments & Exceptions** |
| --- | --- | --- |
| **Stage I** *(immediate – 2 weeks)* | - Schools, small shops (200–800 m²)  - Most workplaces, but still encourage teleworking and require keeping common areas such as canteens closed  - People allowed to go outside – if wearing masks  - Most outdoor shops (e.g., garden stores, car dealers)  - Outdoor parks/zoos/beaches | - Germany/Norway/Denmark open schools, but children with a high-risk family member can (or must) stay at home  - Workplaces only allow a fraction of workers on-site each day, plus enhanced ventilation & cleaning  - Czech Republic allows gatherings of less than 10 people |
| **Stage II** *(3 weeks – 6 weeks)* | - Most stores (large & small), shopping malls, outdoor restaurants  - Indoor restaurants & churches (with strict physical distancing protocols)  - Gyms – with strict physical distancing, and no changing areas/showers  - Haircut (with reduced utilization)  - Gatherings of up to 10 people allowed  - Driving schools | - Large stores are generally required to limit the number of customers in the store at any time  - Outdoor workers (e.g., construction workers) have fewer restrictions  - More countries plan to re-open schools at this stage  - Visits to nursing homes and hospitals continue to be banned |
| **Stage III** *(After 6 weeks)* | - Restaurants, cafes, pubs, theatres, cinemas  - Complete re-opening of workplaces, including common areas where employees are likely to congregate/socialize  - Non-essential travel can resume  - Gatherings of up to 50 people permitted | - Restaurants/churches can relax strict physical distancing protocols  - Norway: will decide on re-opening cafes, restaurants, etc. in Stage III  - Visits to nursing homes & hospitals to resume  - Large public events such as soccer matches unlikely until ~3 months after initial re-opening  - School opening likely in Czech & Austria |

### **Additional Notes**

Note that in addition to the measures outlined in the table above, public health officials have identified some long-term measures that they wish to use in the war against COVID-19, which will unfortunately not be available in most countries (including Vietnam) for several months. These measures include:

* **Mass testing** (including **blood testing** to tell if someone previously had the virus and is already immune to it)
* The **widespread use of smartphone-based apps** for contact tracing
* The implementation of **“immunity passports”** once a vaccine has been developed, in order to regulate who is able to easily travel, who can join mass gatherings such as religious ceremonies, etc.

There are also some public health restrictions that either do not fit neatly into the timetable schemes summarized above, or that even the governments that are starting to re-open their economies have not addressed yet (border openings are the most obvious example). We have listed these in the table below:

### **Re-Opening Best Practices**

* **People are strongly encouraged to wear face masks** in public and to practice good hygiene / hand-washing
* **Some countries require all employees to wear facemasks at work**, while other countries will allow individual companies to decide their own facemask policies
* **Factories are encouraged to maintain 2-meter distances** between workers
* **Young employees are encouraged to go back to work first**
* **Widespread temperature checks are encouraged** – especially in workplaces
* **All forms of public transport (planes/trains/busses)** will be either required or encouraged to operate at 50% capacity
* There have been **no consistent guidelines across companies about travel** within and outside of their countries – and **no plans at all announced about re-opening national borders**
* **Vulnerable people** (i.e., older people or people with “co-morbidity” medical conditions) are encouraged to continue sheltering at home

Finally, in addition to the re-opening measures outlined above, all countries are wary of the possibility that they may suffer a second wave of infections after they start relaxing the current public health measures. For that reason, all countries have specified criteria under which they would re-enter lockdowns and impose even stricter public health measures. In Vietnam’s case, a surge in the number of active cases above 500 might be one such criteria that policy makers could monitor in order to determine if a reversion to stricter health measures is required.

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