## **Vietnam has “Flattened the COVID Curve”. What’s Next?**

### **Executive Summary**

* Vietnam’s Government is receiving praise from around the world because Vietnam is one of the only countries that has “flattened the COVID curve”, with the total number of cases remaining fairly flat over time.
* The impact of COVID-19 on Vietnam’s economy is much less than in countries like Thailand and others that were much slower responding to the outbreak than Vietnam.
* The governments of most countries currently “locked down” have started shifting their focus from containing COVID-19 to re-opening their economies; Vietnam’s policy makers will have to do the same.

### **Vietnam has “Flattened the COVID Curve”**

Vietnam’s first case of COVID-19 appeared on 23 January, and since then the active number of cases has been much **flatter** than the “COVID curves” of other countries that took longer to respond to COVID, and/or did not follow all of the public health best-practices that were done in Vietnam. Those actions include a widespread public health campaign on traditional and social media, a highly effective contact tracing and quarantining program, and a reasonable amount of testing for the virus (as of 5 April, Vietnam had tested 0.1% of its population versus 0.2% in the UK).

**Charts:**

* **Left:** *Active COVID Cases in Italy, Spain and Vietnam* *(Vietnam’s curve remains flat; Italy and Spain rise sharply)*
* **Right:** *Active COVID Cases in the US* *(Steep rise over 600,000 cases)*

In addition, Vietnam instituted a system of tracking not only people who were infected (who are designated as “F0” patients), but those who had direct or indirect contact with infected persons and/or suspected COVID cases. Vietnam’s COVID tracking system classifies people as follows: those who are either suspected of having COVID or who had contact with an “F0” are designated as “F1” patients, those who had contact with “F1” patients are designated as “F2” patients, and so on, all the way up to a possible “F5” designation.

Unfortunately, as many as 1% of the people who catch the COVID virus will die of the disease, although the latest research suggests that COVID’s death rate could be much lower. Additionally, Vietnam’s relatively young and healthy population should suffer even less adverse outcomes from the disease.

However, about 5% of infected patients in other countries will require serious medical attention including hospitalization in an ICU unit that entails the use of expensive equipment like ventilators that help people breathe. Again, this rate is likely to be lower for Vietnam.

### **Why “Flattening the Curve” is Saving Lives in Vietnam**

One of the main priorities of every public health official in the world right now is to lessen the sudden, sharp increase in the number of COVID-19 cases seen in the charts above (for US and European countries). Those countries experiencing a surge in new COVID-19 cases are seeing their hospitals inundated. COVID-19 patients cannot receive good treatment if a hospital is already at capacity, while people with *other* health problems, such as heart attacks or cancer, are also unable to receive adequate treatment when doctors and other resources have been diverted to treat COVID-19 cases.

Further to that last point, last week new data was released comparing the number of people who died in several European countries during March 2020 versus March 2019. The number of people who died this year is obviously higher than in 2019, but it seems that a significant proportion of the higher number of deaths in 2020 was due to the fact that people who needed treatment for **non-COVID-19** medical issues were not able to access it.

This phenomenon is an even bigger problem in developing countries like India, the Philippines and Vietnam, all of which have more limited resources than those European countries. The Vietnamese Government’s ability to prevent the country’s hospitals from being overwhelmed is one reason for the widespread praise.

### **COVID’s Impact on Vietnam’s Economy is Severe, But Less than Other Countries**

A poll taken in the US a few days ago asked Americans about their top COVID-related fear. Over half said their biggest worry was about the impact COVID will have on them economically, while only 4% said that their top fear was getting sick with the virus.

If this poll were conducted in Vietnam, the number of Vietnamese people saying that their top COVID-related concern is the economic impact of COVID on their lives – *instead* of the medical impact – would probably be even higher than in the US. However, we believe the Vietnamese Government’s aggressive management of the outbreak would help ease any potential concerns of the country’s citizens.

According to a research paper published by Harvard University economist Robert Barro last month, many countries are likely to suffer a 6–9%pts or greater hit to their GDP growth rates this year, based on the economic impact of severe pandemics in the past, like the Spanish flu. For example, the US economy was set to grow by 2% in 2020, but COVID-19 is likely to reduce US GDP growth by 7%pts this year, so most economists now expect the US economy to shrink by 5% this year. Closer to home, Thailand’s economy was set to grow by 3% in 2020 before the pandemic came to light, but now Thailand’s GDP growth is likely to fall by 8%pts this year. Most economists now expect Thailand’s economy to shrink by 5% in 2020.

In stark contrast, **most economists expect Vietnam’s economy to continue growing** by **3.5–4% in 2020**, and possibly by even more, depending on the effectiveness of the Government’s measures to support growth. The reason that Vietnam’s economy is likely to suffer a 3.5%pts hit from COVID-19 versus the 6–7%pts reductions in GDP growth many of the world’s other countries are likely to suffer stems from the fact that Vietnam’s public health measures have been so effective that the Government did **not completely** shut down the economy.

Many of Vietnam’s factories and farms are still operating, and more retail stores are still open compared to other countries. As a result, a far higher percent of the population is able to continue working and earning wages compared to other countries, although many are now working from home.

Further to that last point, the number of expected job losses in Vietnam announced by local industry associations and others point to an increase in the country’s unemployment rate from about 2% at the beginning of 2020 to nearly 5% by the end of this month. That increase will present a big challenge for the nation’s policy makers, but the unemployment rate in the US is set to reach 20% by the end of April, illustrating how much worse Vietnam’s situation could have been had it not been for the effective public health measures the Government took right from the onset of the epidemic around Tet.

Finally, one more factor should help Vietnam’s economy weather the global COVID-created economic storm: Vietnam manufactures high-end products such as smartphones and digital cameras, but the majority of consumer products that are produced in Vietnam are still low-end goods that are exported to the US & EU and sold to cost-conscious shoppers in discount stores like Walmart in the US, and Carrefour in Europe. The demand for low-end consumer products (such as sports equipment/yoga mats, pet toys, gardening items, low-end kitchen appliances, etc.) usually remains resilient during economic slowdowns. Consumers who were previously accustomed to buying expensive luxury products before the recession then shifted to shopping for more economical products sold in discount stores after the recession hit to reduce their expenses.

**What’s Next?**

Last week, President Trump announced the formation of what he called an *“Opening Up Our Country Task Force”* comprised of medical experts and business leaders. He was encouraged by the fact that the medical experts’ forecast of the total number of COVID-19 deaths in the US fell from 2.2 million in March to 250,000 earlier this month, and to below 60,000 last week. Several European countries have also started planning to re-open their economies based on the fact that the curve of active COVID-19 cases and deaths seems to have peaked, as can be seen in the chart below.

**The Number of Daily COVID Deaths in Italy Has Peaked...** *...so the Government is Preparing to Re-open the Economy* *(Chart with 7-day moving average of daily deaths from 29-Feb to 11-Apr)*

VinaCapital’s next article in this series will outline the steps that governments and businesses in other affected countries are planning (or considering) to re-open their economies. The aim is to help local companies and policy makers “cherry pick” the best ideas from across the globe so that they can determine the best way to re-open Vietnam. A subsequent article will outline the steps that governments around the world are taking to support their economies in order to minimize the impact of COVID-19 on workers.

Finally, most governments are calibrating their “re-opening measures” based on how quickly the number of active COVID-19 cases and/or deaths peaks, and then declines after peaking. The chart above shows the spike in Italy’s active COVID-19 cases followed by the subsequent plunge, which is informing the decisions of Italy’s politicians and public health officials. Since Vietnam’s public health officials have “flattened the curve”, and Vietnam has not recorded any COVID-19-related deaths, we would expect the re-opening of Vietnam to proceed fairly smoothly once the decision has been made to do so.

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