

# Chairman's Note

Private and Confidential  
For SIIA Corporate Members and Advisors  
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## A Perspective on the Pandemic in Vietnam: Da Nang

A number of us regard Vietnam as the brightest opportunity in the region and its early handling of the Pandemic reaffirmed this confidence. However, the country is currently facing an outbreak that, now exceeding 10,000 cases, is its worst. Predictions for Vietnam's GDP growth this year remain at more than 6 per cent but the current outbreak could lead to a downgrade in expectations. As of 20 June, only 0.13 per cent of the population is fully vaccinated and 2.23 per cent has received the first dose.

We have begun a closer assessment the situation, beyond what is available in the international media, although this is not easy, given travel limitations, and will take some time. In the interim and subject to more detailed evaluation, I thought to personally share some preliminary and general perspectives about the situation. This is especially in relation to Da Nang but has possible reflections on the North and the South too. Please note that this information is provided on a confidential basis to you, as our member and friend.

1. **North and South:** Local Vietnam press reports the largest sources of infections found so far are in the North; in industrial park clusters in Bac Giang and Bac Ninh provinces. This is followed by Ho Chi Minh City in the South, where a number of cases since 26 May are linked to a Christian congregation cluster in Go Vap District. Several restrictions have been implemented to reduce gatherings and pause business operations. These measures have subsequently put a damper on domestic travel.
2. **Contextualizing Da Nang:** The reported cases are not as high in Da Nang, in the middle of the country. But the economic impacts are palpable, especially in the context of the high rate of growth and physical development there over recent years. In part this is because of the importance of the services and tourism-travel sector to Da Nang, which have been hard hit. In part, the situation also shows the priorities of the central government, and their limits in spending and generating sizeable internal demand.
3. **Dependence on Services and Tourism.** Over 60 per cent of businesses in Da Nang are registered as services and as such, the restrictions on movement and businesses have had outsized impacts. According to one source more than 200,000 may be unemployed – including those who are on leave without pay and freelancers who cannot find new contract work. This is a high proportion given the small population of about one million people. A sticky issue is the limited number of labour contracts and the losses of jobs in the tourism industry, which has often depended on part-time and freelance staff.
4. **Double Hit:** A major outbreak in Da Nang towards end July 2020 has resulted into prolonged restrictions on travel of almost a year. There was only revival in Sept 2020 and during the public holidays in April-May 2021 when domestic tourism re-started. But this was only a fleeting uptick as the city again closed from May because of the current wave. This shows in the economic estimates. While Vietnam overall posted positive GDP growth in the past year, Danang has experienced a significant contraction that some believe may be as high as 9 per cent. Reports from those there describe empty streets and half constructed buildings on which work has slowed or stopped. Revenues for many businesses have dipped to pre-2016 levels. Although gross regional domestic

product (GRDP) climbed up 5 per cent in the first of this year from a low base last year, growth targets will be highly dependent on how the current outbreak is managed.

5. **Restrictions eased but rebound slow.** On 9 June, restaurants, cafes, and beaches in Danang were allowed to reopen with staff and owner having to take COVID-19 tests. This was followed by a retraction on 20 June to shut down again beaches and dine-in restaurants. Not only are the fluctuating measures affecting business but the pickup for the hotel industry is very slow because of the limited inbound travel from other provinces that are having to handle their own outbreaks. Our contacts have told us that several hotels run by smaller companies are being put up for sale and many SMEs in the tourism space will likely shut down for good.
6. **Central Government Priorities:** The Vietnam government has widely been acknowledged for its excellent handling of the COVID-19 pandemic. But the situation shows up its limits and its priorities. Subsidies and unemployment support have been provided but these generally are set at a low level and last for three to six months; they cannot shield those who have lost better-paying jobs. Given the “double hit” Da Nang has suffered, the financial support is insufficient. There is some suggestion that the Central government is prioritising efforts to protect its industrial manufacturing sector and exports, rather than the services and tourism sectors on which Da Nang is more dependent. One indication of this is how Vietnam has organized its vaccination programme. Overall, vaccination in Vietnam has been hampered by very limited supplies. As of early June 2021, the country of about 98 million people has so far received 3 million doses. Within this, the priority groups are frontline workers, the military, and police, with the manufacturing sector seen as a next step. Businesses as a whole, and especially private companies, are low priority. Moreover, while Da Nang is seen as important, the Central Officials posted to govern here are often risk averse and, while continuing with existing plans, have not been bold to respond to the current challenges.

In our work, especially as knowledge partner to Singapore’s Emerging Stronger Taskforce (EST) we have emphasized the importance of regional engagement with special emphasis on Vietnam, and we remain positive about the prospects. We will provide a more detailed analysis shortly. In the meantime, I hope that you may find this of interest, and would be happy to hear your views.

Yours sincerely,



Simon Tay  
Chairman