

## **GROWTH AND ECONOMIC DEVELOPMENT IN VIETNAM UNDER THE IMPACT OF COVID-19**

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### **ABSTRACT**

The Covid-19 pandemic, which took place from the end of 2019 up to now, has a comprehensive and profound impact on all countries in the world, is still complicated. The global economy fell into a serious recession and Vietnam's economy was also significantly affected by the Covid-19 pandemic. By synthesizing data and statistics, the paper analyzes the impact of the Covid-19 pandemic on economic growth and sustainable development in Vietnam.

**Keywords: covid-19 pandemic, economics growth, sustainable development.**

### **INTRODUCTION**

Originating in Wuhan (China) at the end of 2019, up to now, Covid-19 epidemic has broken out in 215 countries. According to World Health Organization (WHO, 2 March 2021), the number of people with COVID-19 in the world is 113,820,168 confirmed cases, of which 2,527,891 deaths in 215 countries and territories. In the ASEAN region, Indonesia has overtaken the Philippines as the leading country in the region in terms of total cases and fatalities. In Vietnam, the number of infected cases is 2,472 and 35 deaths. Every day, the world has hundreds of thousands of new cases, thousands of people dying and showing no signs of slowing down, or even spreading rapidly in some countries after the relaxation of social gap measures.

Vietnam is a country with large economic openness, extensive international integration, and is also affected by the Covid-19 epidemic. Although the government had initially successfully controlled the epidemic, Covid-19 has significantly affected socio-economic fields, disrupting the supply chain of production and goods circulation. A number of

industries such as export, import, aviation, tourism, accommodation, catering, healthcare, education, labor, and employment are directly affected. Many businesses go bankrupt, dissolve, suspend operations, downsize, etc. The paper synthesizes information and focuses on analyzing the impact of the Covid-19 pandemic on economic growth and sustainable development in Vietnam, thereby proposing some suggestions for maintaining economic growth in Vietnam.

### **RESEARCH METHOD**

For empirically based paper, research method gathered from exchange learning and expert judgment to examine how the covid-19 epidemic has effected socioeconomics in Vietnam. The main topic under this paper concern how the covid-19 epidemic got involved in growth and economic development and how these processes led to the emergence and dissemination of beneficial initiatives for building economics policies in Vietnam.

## **FINDING AND DISCUSSION**

### **1. Economic Growth during Covid-19 in the World**

The Covid-19 pandemic has affected all countries in the world, pushing the world and many countries into a double economic and medical crisis. Economically, most countries fell into serious recession, and global economic and trade declined sharply. The world economy, trade, investment, tourism, production and business activities were delayed. According to IMF and World Bank (10/2020), the world economy will decline in 2020 (from 4.4% to 5.2%). UNCTAD indicated that the global FDI will decline by about 40% compared to 2019 and continue to decline by 5-10% in 2021. Also, WTO (10/2020) forecasts world trade to decline by 9.2% in 2020. Global inflation in 2020 is forecast to be low (1.8-2%) due to weak demand and lower oil prices. strong and stay low (MPI, 2020).

In the three largest economies in the world, the EU is forecast to decrease 7.5%, the US to decrease 5.9%, and China to increase 1.2% of GDP. In order to prevent the economic shock caused by the Covid-19 epidemic, all countries have launched timely support packages. Specifically, the US Government committed to spend more than 3,000 billion USD to rescue the economy. On October 1, 2020, the US House of Representatives approved the Covid-19 bailout package worth 2,200 billion USD (GSOa, 2020). The Chinese government, at the meeting of the National People's Congress (May 28, 2020) pledged to spend 4 trillion yuan (559 billion USD) on the economic stimulus package, no less than the stimulus package of Europe, accounting for 826 billion USD (GSOB, 2020). If the situation remains difficult, the possibility of increasing the size of the bailout packages is inevitable.

### **2. Economic Growth during Covid-19 in Vietnam**

Vietnam is one of the few countries that have well controlled the Covid-19 epidemic, but it is still severely affected by the economy, showing clear signs of recovery after 9 months, after the Covid-19 epidemic has been checked on March and July 2020. In the first quarter of 2020, the growth rate reached 3.82%, the second quarter decreased to 0.39%, the third quarter increased again to 2.62%, bringing the growth rate of 9 months of 2020 to 2.12%. Although the economic growth is still a positive number, this is the lowest increase compared to the same period of the years in the period of 2011-2020 and is one of the few countries with positive growth.

According to the General Statistics Office (GSO), in the first 6 months of 2020, the total retail sales of consumer goods and services has decreased by 0.8% over the same period in 2019 and if excluding the price factor, it would be stronger decreased, accounting for 5.3%. Meanwhile, the retail sales of goods in the first 6 months of 2020 has increased by 3.4% over the same period in 2019. The essential items for life, in particular, such as food, food, utensils, tools and equipment for household consumption have increased. However, goods such as garments, vehicles, cultural products, education, etc. have heavily influenced by measures of social distancing having slow down.

Also in the first 6 months of 2020, the revenue of accommodation and food services decreased by 18.1% over the same period in 2019. Even worse, the revenue of tourism services fell by 53.2%. Those sectors most severely affected by the Covid-19 epidemic and from the implementation of social distancing.

For investment demand, in the first 6 months of 2020, social investment capital has increased by 3.4% over the same period last year (the lowest increase in the period of 2016-2020). Particularly, the state sector

increased by 7, 4% and the non-state sector increased by 4.6% and the FDI sector decreased by 3.8%. Also, the social investment capital increased by 10.3% over the same period last year, accounting for 3% in the state sector, 16.4% the non-state sector and 9.7% in the FDI sector, respectively. Thus, the investment demand of the two regions: the non-state sector and the FDI sector decreased in the first 6 months of 2020 compared to the same period last year. The FDI sector's investment capital fell the most, from 9.7% growth in the first 6 months of 2019 to negative growth of 3.8% over the same period in 2020.

The only highlight spot was the investment capital of the sector, increasing from 3% in the first 6 months of 2019 to 7.4% if compared to the same period in 2020. This result proved that the State has played an important role to limit the decline in aggregate demand in a time of economic difficulties and declining aggregate demand.

For external demand also decreased, in the first 6 months of 2020, export turnover decreased by 1.1% compared to the same period in 2019, meanwhile, the domestic economic sector had increased by 11.7%. FDI sector, including crude oil, has decreased by 6.7%, making the economy's export turnover increase in 2019 and decrease in 2020. This result indicated that the export turnover of the economy is heavily dependent on the FDI sector and the COVID-19 pandemic has a negative impact on investment and the global value chain is also affecting country's exports. In general, due to the COVID-19 epidemic, the demand of the economy (consumption, investment, export) is reduced, thereby reducing production activities and economic growth.

For the supply factor, the Covid-19 pandemic has disrupted the supply chain of inputs and labor. For example, in the car industry, due to scarce input components along with the implementation of social distancing, domestic automobile manufacturers such as Honda, Nissan,

Toyota, Ford, Hyundai ... have to declare up to the period of the social distancing ends and the supply chain is reconnected, the car manufacturing enterprises would return their operations.

Many enterprises, especially those with expert specialists and foreign workers, are heavily affected by Covid-19 when there is lack of labor supply in short-time. The cost for using labor during this period was also higher when businesses had to invest in more masks, disinfectant water, and applied labor safety measures to avoid virus infection.

From a social perspective, Covid-19 has the effect of increasing the poverty and near poverty rates in terms of income and reducing the temporary income of households and workers. According to a survey by UNDP and UN-WOMEN (2020), "in December 2019, the average poverty rate was 11.3%. This rate increases to 50.7% in April 2020. The proportion of near-poor households increases from 3.8% in December 2019 to 6.5% in April 2020". More importantly, households belonging to ethnic minorities and households with informal workers and immigrant families are more affected by the epidemic. The reports of UNDP and UN WOMEN (2020) also indicated that "the average income of ethnic minority households in April and May, 2020, respectively, is only 25.0% and 35.7% compared to December 2019 level, respectively. Specially, these figures are higher, estimated at 30.3% and 52% for the Kinh and Chinese households, respectively. In April and May 2020, the average income of migrant households is estimated at 25.1% and 43.2% respectively compared to December 2019 levels. These figures are 30.8% and 52.5% respectively for the non-migrant group".

One of the driving factors for economic recovery and growth is the promotion of public investment. Although the disbursement of public investment capital has not reached the expected level,

but the disbursement rate in September and 9 months (approximately 59.7% of the plan) both reached the highest level in the period of 2016-2020. Public investment capital is concentrated mainly on key socio-economic infrastructure projects, in order to attract capital from the private sector and foreign investment (FDI), contributing to increasing total investment and maintaining social security in order to the goal of sustainable development. The government has promptly directed the introduction of packages of support, monetary policy, fiscal and social security to support businesses and people during the most difficult episode of Covid-19 shock.

### **3. Suggestions for Sustainable Growth and Development in the Future**

Currently, the Vietnamese economy is balancing under the challenges of the Covid-19 pandemic. However, there is still a great risk, and there is more potential for uncertainty if the epidemic breaks out. The long-lasting global Covid-19 pandemic remains the greatest threat to the prospects of economic growth and sustainable development. In term of macroeconomic indicators of the first 9 months of the year, such as economic growth of 2.12%, inflation rate of 3.2%, trade surplus of nearly 17 billion USD, etc. indicated recovery and development signals.

According to World Bank (WB, 2020), these are the signals in the future that Vietnam's economic recovery is strengthened, making the GDP growth rate may reach 2.5-3.0% in 2020. Economic outlook in the mid-term and long-term is very positive. In addition to joining bilateral and multilateral trade agreements that will help the economy recover, Vietnam is also more likely to benefit from the current shift of supply chains to countries with spending lower fees.

According to the World Economic Outlook Report of the International Monetary Fund (IMF, 2020), in 2020,

Vietnam's economy will rank 4th in Southeast Asia, surpassing Singapore and Malaysia. Vietnam's GDP in 2020 is estimated at 340.6 billion USD, exceeding Singapore with 337.5 billion USD and Malaysia with 336.3 billion USD, respectively.

The ASEAN Post (2020) mentioned that Vietnam's economy will grow positively and may reach 2.9% growth by 2020. Vietnam is in a good position to escape the economic trap of Covid-19 epidemic by 3 reasons as follow.

- Firstly, the government has launched policies to reduce taxes, deferred taxes and free use of land for businesses

- Secondly, the revised Investment Law makes it more convenient for investors by reducing administrative procedures, and facilitating foreign direct investment (FDI). Base the rapid inflow of foreign investment, it is still growing (FDI in September reached 1.65 billion USD, up from 720 million USD in August 2020). Vietnam has the potential to become the fastest growing digital economy in Southeast Asia. Notably, over the past 4 years, nearly 1 billion USD has been invested in e-commerce in Vietnam.

- Thirdly, Vietnam has ratified the EVFTA Agreement. Since July 2020, the EU has removed 85% of tariffs on Vietnamese goods and gradually cut the rest over the next 7 years.

In order to achieve the dual goal of both preventing and combating the Covid-19 epidemic, and at the same time restoring growth, ensuring social security and sustainable development, the Vietnamese government is necessary to implement solutions as follow.

- To maintain a financial support package large and effective enough to remove difficulties for production, business and economic recovery, focusing on businesses due to contribute in GDP growth (accounting for 60% of economy).

- To speed up the disbursement of public investment capital, aim to solving

difficulties for projects that are slow to disburse, especially key projects, large-scale, pervasive spread, create a strategic breakthrough in infrastructure and create a driving force for economic growth.

- To stimulate investment demand in manufacturing enterprises for export to actively source goods when world markets reopen normally.

- To increase the size of the package to support people and businesses facing difficulties due to the Covid-19 epidemic. The financial support package with the scale of 2.6 billion USD mainly supports employees and businesses.

- To carry out the prevention of epidemic spread so as not to recurrence, facilitate the expansion of international relations, especially trade.

## CONCLUSION

Since the first epidemic appeared in Vietnam, the Vietnamese Prime Minister promptly issued conclusions, resolutions and directives with the motto "anti epidemic like anti-enemy", the government has determined dual goal such as: [1] to drastically prevent and effectively fight against epidemics, and [2] to focus on recovering socio-economic development. In particular, disease control is the top and most important priority in order to protect the people's health and stabilize the society.

The outbreak and spread of unknown end of the Covid-19 pandemic have been aggravating the trend of global economic crisis and recession. Vietnam's economy is gradually recovering and developing, with the government's administration in the new normal context, which has initially succeeded. Make the most of the domestic market, while preventing and responding to external uncertainties, maintaining macroeconomic stability, controlling inflation, ensuring social security, livelihoods, and employment, life for the laborers, the poor, the disadvantaged are essential contents in future.

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