

Voluntary Report – Voluntary - Public Distribution

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Report Name: COVID-19 in Vietnam

Country: Vietnam

Post: Ho Chi Minh City

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Report Highlights:

Vietnam has garnered international praise for its handling of COVID-19. With only 288 reported cases since the start of the pandemic, Vietnam lifted its maximum social distancing requirements on April 23, allowing the economy to begin its recovery. While COVID-19 has had far-reaching effects on agricultural trade, consumer demand, and prices, Vietnam has been able to dampen the worst effects of the virus.

Current Status

The Government of Vietnam (GVN) has reacted aggressively to COVID-19, drawing international praise for its response. As of May 14, Vietnam, a country of almost 100 million, has reported 288 cases, no deaths, and has not reported any community transmission in the past 29 days.

On April 1, the GVN instituted a 15-day “maximum social distancing” policy, less strict than nationwide lockdowns mandated in other countries, that limited domestic movements, closed non-essential business, and encouraged people to stay at home. On April 23, the GVN lifted this maximum social distancing policy in almost all provinces and cities, including HCMC and Hanoi, allowing many activities and businesses to resume, including hotels, restaurants, public transportation, and tourist attractions. Schools also began to reopen in phases starting on May 4. However, clubs and public gatherings of more than 30 people are still restricted and businesses must abide by certain standards, such as requiring face masks, limiting patrons, and providing hand sanitizer.

Domestic flights have ramped up following the end of the maximum social distancing policy. However, Vietnam has banned entry for all foreigners since March 22, with exceptions for diplomats, foreign experts, and those engaging in special projects deemed beneficial to the economy. All arrivals must serve a 14-day quarantine and be tested for COVID-19.

In light of COVID-19, the Prime Minister revised Vietnam’s GDP target down from 6.8 percent to 5.0 percent, while the International Monetary Fund (IMF) is predicting growth under 3.0 percent. However, in comparison, the IMF is forecasting a global economic contraction and zero growth in Asia. To stimulate the economy, the GVN has approved an over \$3 billion recovery package, which included cash payments to affected households and interest-free loans to businesses for employee salaries.

Import/Export

Table 1: Border Snapshot

	Status	Remarks
Seaports	Operating as normal.	The lack of containers due to global disruptions continues to raise prices and affect shipments.
Airports	Cargo flights operating as normal. Inbound international passenger flights very restricted. Outbound international passenger flights very limited. Domestic flights on reduced schedule.	Total air cargo is significantly reduced due to the lack of passenger flights.
Border Trade	Borders closed to people. Trade of goods taking place with COVID-19 mitigation measures in place.	Border gates had previously been closed causing a backlog of exports, particularly affecting perishable goods including Vietnam fruit exports.

Vietnam has an export-based economy. COVID-19 has disrupted supply chains and consumer demand, both domestically and internationally, negatively affecting many of the country's major export sectors.

Rice

Vietnam is the third largest exporter of rice globally. On March 24, the GVN announced a rice export ban, citing concerns over domestic rice production and supply. On April 10, the GVN subsequently established a 400,000 metric ton (MT) rice export quota for the month of April. After further consultations and input from industry and provincial governments, on April 29, the GVN announced the resumption of rice exports without a quota beginning on May 1, 2020.

Cotton and Textiles

The textile and garment sector remains one of Vietnam's top export industries, significantly contributing to the country's GDP growth and providing jobs to 2.8 million workers. According to Vietnam Customs, export revenue in calendar year (CY) 2019 reached \$37.6 billion, up 7.4 percent over CY18, with exports to the United States and the EU accounting for over 50 percent of the total.

April trade data has begun to show the effects of COVID-19 on the sector. Although many garment manufacturers have switched to producing face masks and medical uniforms in an attempt to maintain operations, Vietnam Customs data shows that Vietnamese textile and garments exports in April dropped 31 percent from the previous month to \$1.6 billion on weak demand from major export markets. Exports in the first four months of 2020 were down 8.8 percent over the same period last year.

According to Vietnam Customs, yarn exports dropped sharply from 152 thousand metric tons (TMT) in March to 95 TMT in April, a decline of 38 percent. Though imports of cotton by volume in the first four months of 2020 increased by almost 3 percent over the same period last year, contacts noted that the deliveries were from previously signed contracts. Vietnamese spinning mill operations fell from 90 percent of total capacity in mid-March to 30 percent in mid-April and have remained at that low level until at least May 8. Therefore, Post expects that COVID-19 will negatively affect U.S. cotton imports in Q2 and Q3 of CY20. Vietnam is the largest importer of U.S. cotton, and the United States had a 55 percent market share in CY19. For more information, please see the [2020 Cotton and Products Annual](#).

Wood Products

Vietnam's wood processing industry has become one of the nation's top export industries over the past ten years, significantly contributing to the country's GDP growth and providing jobs to half a million workers. The industry's export revenue has increased from approximately \$1 billion in 2004 to over \$10 billion in 2019.

COVID-19 has severely reduced Vietnam's export target for furniture and wood products. For CY20, MARD originally projected Vietnam's exports of furniture and wood products at \$12 billion, with expectations of 20 percent growth over CY19. This projection was based on strong demand from Vietnam's largest export markets, including the United States, China, Japan, and the Republic of Korea. The EU, which is already a top export market, was projected to grow further due to the EU-Vietnam Free Trade Agreement, which is expected to come into force in 2020. Instead, Vietnamese industry is facing reduced demand and suspended or canceled orders. While large foreign-invested enterprises may be able to navigate the COVID-19 crisis, many local producers, which are mostly small and medium-sized, are struggling to survive. According to a recent survey of 124 furniture producing members conducted by local trade associations, at least 50 percent of the interviewees have reduced operations, with some temporarily shutting down. If the COVID-19 pandemic in the United States and other large markets is prolonged, a significant number of Vietnamese furniture producers, especially small and medium-sized companies, may face bankruptcy, threatening thousands of domestic jobs.

This slowdown could eventually hit exports of U.S. timber, especially U.S. hardwood, which has seen increasing sales to Vietnam. Vietnam is the sixth largest market for U.S. forest products and the third largest market for U.S. hardwood lumber. U.S. exports of forest products to Vietnam were up 11 percent to \$96 million in Q1/2020 on delivery of contracts signed at the end of 2019. Industry has noted that the Q1 trade data does not reflect impacts of COVID-19, and the impacts will become clearer in Q2 and Q3. For more information on the wood sector, please see the forthcoming Vietnam Wood Processing Industry report.

Consumer Behavior

Due to the lifting of social distancing requirements and a perceived low risk of community transmission, many consumers have begun to resume their everyday activities. Vietnam celebrated national holidays on April 30 and May 1, and local media reported high numbers of travelers, as people returned to their hometowns or visited tourist sites. Outlets have reported rebounding sales prior to the national holidays and supermarket chains kicked off promotion campaigns.

Anecdotally, restaurant traffic in this early reopening stage has been better than expected, which industry attributes to people wanting to leave their homes after a long period of social distancing.

Demand had previously plunged for certain consumer-oriented products, including beef and poultry, as restaurants, hotels, and school and work canteens closed. Industry notes that a large amount of product is currently stuck in cold storage; however, with food service restarting and schools reopening, industry has expressed optimism that they will be able to clear their heavy stocks and eventually place new orders.

E-commerce

While consumers are returning to stores, COVID-19 has changed their shopping behaviors. Fears of physical contact and social distancing measures have offered opportunities for online shopping and delivery services to take market share from traditional retail outlets. All online shopping platform providers in Vietnam, including Tiki, Shopee, Lazada, Sendo, Foody, and Postmart, have been operating at full capacity to capture the growing online market demand. They have expanded their product ranges to include both food and beverage products and essential healthcare products and are offering diverse services to attract consumers, such as free delivery, contactless delivery, and discount programs. A specialized food store chain in Ho Chi Minh City noted that online sales generated by direct online orders or through online platforms have soared from an average \$25,000 per month prior to the pandemic to approximately \$200,000 in March 2020.

Food delivery and non-cash payment services have also developed to meet accelerating online shopping demand. Technology transport providers, including Be, Grab, and GoViet have collaborated with modern retailers and online shopping platforms to develop new applications, allowing consumers to shop for food products, including fresh produce, online and have the products delivered at home. Similarly, non-cash payment transactions via Zalopay, VN Pay QR, Napas, Moca, and Momo have reportedly increased at least 30 percent in recent months.

Domestic Prices

The production and trade disruptions brought about by COVID-19 and African swine fever (ASF) have affected domestic prices for major goods.

Swine

As a result of an ongoing ASF outbreak that started in 2019, Vietnam continues to face very high live hog and pork retail prices, which has contributed to an increase in the country's consumer price index. To reduce prices, the GVN has prioritized pork imports, however, the local preference for "warm" meat over frozen, imported pork has kept imports in the first four months of CY20 below the GVN target of 100,000 MT.

Poultry

The prices of poultry products have slightly increased due to the easing of social distancing requirements. Previously, prices had fallen due to lack of demand. The United States is a major exporter of poultry products to Vietnam, exporting a record \$140 million in CY19.

Siluriformes

According to Vietnam's General Statistics Office, the price of Vietnamese siluriformes fell to their lowest levels in a decade in April, as exports to Vietnam's largest siluriformes markets, including China, the United States, ASEAN, and the EU, dropped off due to reduced demand.

Attachments:

No Attachments.