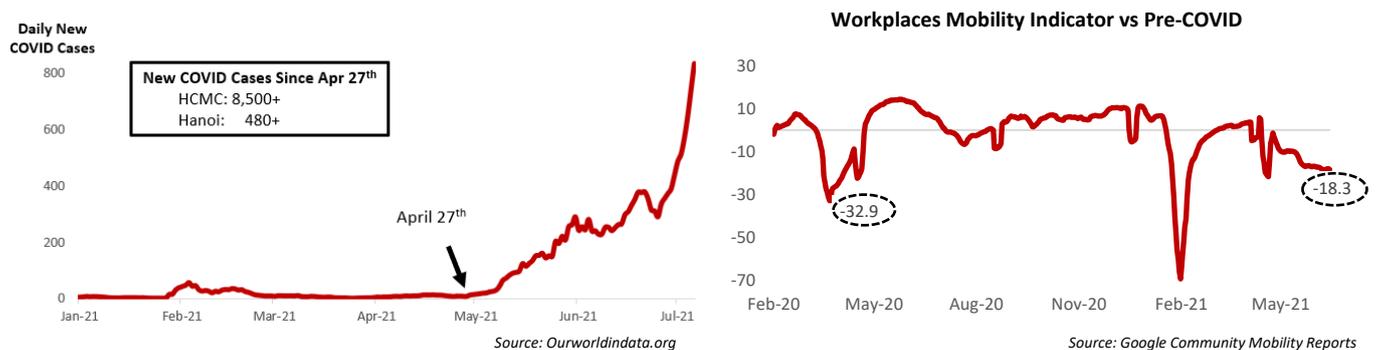


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Stricter Social Distancing Measures Implemented In HCMC, But COVID's Economic Impact Remains Modest in 2021

South East Asia is currently experiencing a wave of new COVID cases, many of which are of the so-called Delta Variant. Vietnam's current outbreak is centered in Ho Chi Minh City, and public health officials imposed modest social distancing restrictions on the city at the end of May. However, the on-going surge in daily new COVID cases in HCMC has prompted stricter social distancing measures in the city for the next two weeks that are discussed below, and that are set to go into effect at midnight, July 9th – although restrictions in the rest of the country, including the capital city of Hanoi, and the country's industrial parks – remain modest, and/or are actually easing.¹

Vietnam's current "4th COVID outbreak" started at the end of April, as can be seen in the chart on the left below, and its economic impact has been fairly modest so far because: 1) people and businesses in Vietnam have now adapted to life with COVID, and 2) the Government's public health measures are much more targeted in 2021 than the blunt, but necessary actions that were enacted when the pandemic first emerged in early 2020. In April 2020, the Government implemented a *nationwide* lockdown, but its social distancing measures have been much more targeted in 2021.



Further to #1 above, manufacturers have become particularly adept at navigating around COVID by taking measures such as providing on-site sleeping facilities for their workers and procuring vaccines for their employees. Consequently, the output of Vietnam's factories actually *increased* (month-on-month) in both May and June, in stark contrast to the immediate 15% *plunge* in production when COVID first emerged last year, when many workers were compelled to stay at home.

In addition, public health officials recognized the progress that manufacturers have made combatting COVID, so the tighter social distancing restrictions in HCMC that will go into effect at midnight, July 9th will essentially exclude factories (Government officials have repeatedly stressed their desire to mitigate both the public health and the economic impact of COVID).

All of that said, it's not just manufacturers that have figured out how to navigate around COVID. Many other businesses in the country have managed to continue operating (with the exception of tourism-related businesses), with white collar workers working from home, grocery stores and restaurants offering delivery services, and a wide range of other services now taking place directly at people's homes.

This resilient economic activity is reflected in the fact that the decline in the Google mobility indicator that tracks people travelling to their workplaces has not declined by nearly as much in the current "4th Wave" outbreak as it did during the first wave of COVID in early 2020, as can be seen in the chart above to the right. Finally, note that Vietnam's total retail sales plunged by nearly 25% in the first two months of the outbreak in March-April 2020, but the country's retail sales only declined by around 5% in the first two months of the current outbreak.

¹ Hanoi had a "light lockdown" from early May, but indoor dining was allowed to resume on June 22nd, and the two northern provinces that were initially at the epicenter of Vietnam's current COVID outbreak (Bac Ninh & Bac Giang) are set to resume normal living conditions from July 10th.

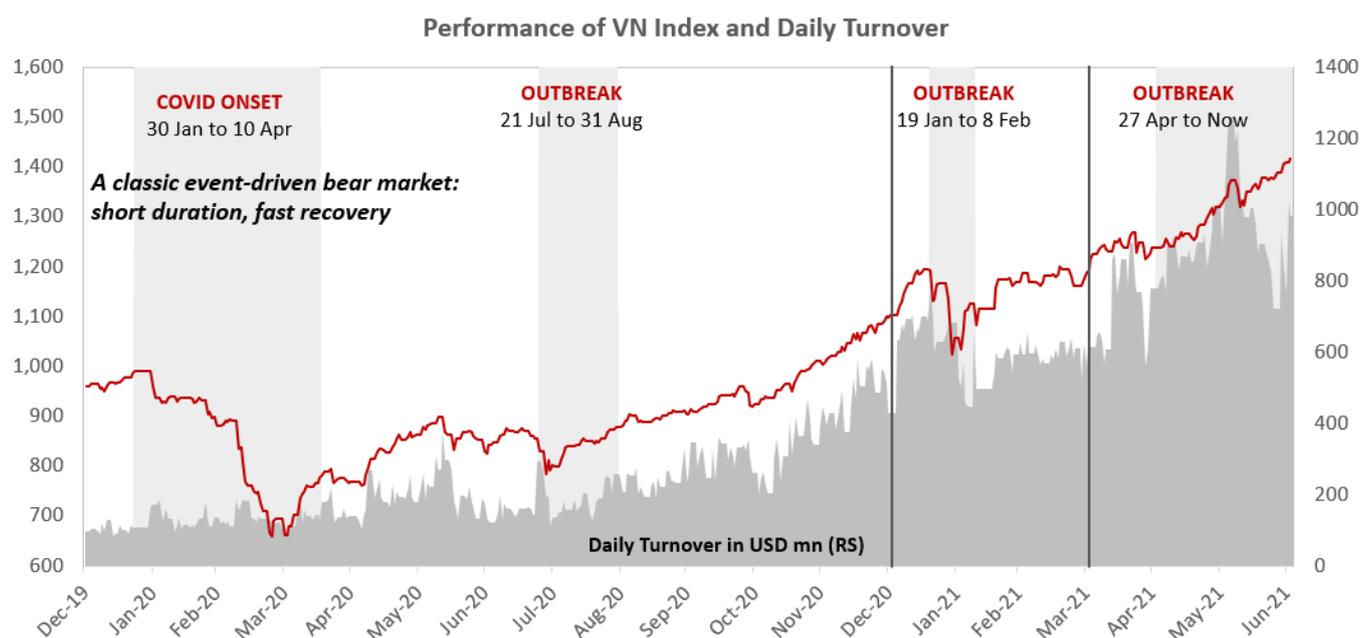
Stricter Measures in HCMC Go Into Effect Tonight

We understand that the measures outlined in the table below will go into effect in HCMC at midnight on July 9th, although the situation is still fluid and we are still awaiting official guidance from the Government. The "starred" items in the table below represent a significant tightening from the current social distancing measures that are in place, which have not overly crimped economic activity, as mentioned above.

Stricter Social Distancing Measures in HCMC	
1)	Only essential services (including banks & other financial services), and manufacturing companies are allowed to operate
★ 2)	Only 30% of employees are allowed to work in an office
3)	Public gatherings are limited to 2 people
4)	Taxis (including ride hailing services), and public transport are <i>not</i> allowed to operate – but motorbike delivery services <i>are</i> permitted
★ 5)	Travelling between HCMC and other provinces is not allowed
6)	Residents of HCMC are required to self-isolate for 7 days after returning to the city
7)	People are required to stay at home as much as possible, and may require special permission/documents to travel to their workplaces

Finally, over the last few days, the Government prepared people and businesses to expect the imposition of tighter social distancing restrictions in HCMC. On Tuesday (July 6th) the VN-Index sold off nearly -4% on concerns about what exactly these new restrictions would entail. However, once the new measures in the table above were clarified, stock market traders realized that the city would be "back to business as usual" (at least by the standards of the recent past), and the VNI surged nearly 3% the next day

This rapid rebound was the latest in a now well-established pattern that Vietnam's stock market continues to shrug off each COVID outbreak, and the market has been rebounding from each of these adverse developments quicker-and-quicker, as can be seen in the chart below.



Source: Bloomberg, VinaCapital

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