

## IMPACT OF COVID – 19 ON ECONOMIC DEVELOPMENT OF DA NANG CITY

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**Abstract.** This study points out that the outbreak of Covid – 19 has brought upon unprecedented challenges and profoundly affected the economic development of Da Nang, the key city in the central region of Vietnam, due to the long-term implementation of isolation and social distancing. The city's economic growth rate has been negative since the separation of Quang Nam - Da Nang province. Indicators measuring economic development like GRDP, income per capita are declined. At the same time, there is an increase in the unemployment rate and underemployment of workers. Many key economic activities of the city are deeply affected, especially tourism, retail, investment and import-export activities.

**Keywords:** Da Nang, impact of Covid – 19, economic development.

### 1. Introduction

The Covid – 19 pandemic, also known as the coronavirus pandemic, is a global coronavirus disease 2019 pandemic caused by coronavirus 2 that causes severe acute respiratory syndrome (SARS-CoV-2). In December 2019, the unique virus was discovered in Wuhan, China; and because a lockdown in Wuhan and other towns in Hubei province failed to stop the outbreak, and the virus spread to other regions of mainland China and the rest of the world. On January 30, 2020, the World Health Organization (WHO) declared a Public Health Emergency of International Concern, and on March 11, 2020, it declared a pandemic. As of 2 September 2021, more than 218 million cases and 4.54 million deaths were confirmed, making it one of the deadliest pandemics in history [1]. Social distancing, wearing face masks in public, ventilation and air filtration, hand washing, covering one's mouth when sneezing or coughing, sanitizing surfaces, and monitoring and self-isolation for persons exposed or sick are all recommended preventive methods [1].

Da Nang is a class-1 municipality and the country's third-largest city by population. It is one of Vietnam's most important port cities, located on the coast of the East Sea near the mouth of the Han River. It is administered by the central government as one of the country's five direct-controlled municipalities. Da Nang is the largest city in Central Vietnam and serves as the region's commercial and educational hub. It features a well-sheltered, easily accessible port, and it serves as a transportation hub thanks to its placement on National Route 1A and the North-South Railway [2]. In the year 2020, Da Nang had to deal with two outbreaks of the Covid – 19 pandemic, the second of which originated in the city and had a devastating influence on all aspects of life and socio-economic activity due to the city's lockdown to prevent the spread of

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Covid – 19. This study focuses on analyzing the effects of Covid 19 on the city's economic development through general indicators measuring economic development in 2020 such as economic growth, gross regional domestic product (GRDP), unemployment rate and the results of the city's outstanding economic activities.

## **2. Content**

### **2.1. Overview of the situation of Covid - 19 in Vietnam and Da Nang city in 2020**

China announced the identification of a cluster of pneumonia cases in Wuhan on December 31, 2019. The Covid – 19 pandemic in Vietnam is part of a worldwide coronavirus disease pandemic. On January 23, 2020, the virus was proven to have spread to Vietnam after two Chinese people in Ho Chi Minh City tested positive for the infection. Until February and March, when local transmission began to emerge, most cases were imported. Clusters of instances were eventually discovered in Vinh Phuc, and Hai Duong Provinces, and three of the country's largest towns, with the first death occurring on July 31, 2020. To combat the spread of Covid – 19, Vietnam has banned all foreigners from entering the country beginning March 22, 2020, and will continue to do so until further notice. Diplomats, officials, foreign investors, experts, and qualified personnel will be exempted from the law. The government declared a tighter quarantine program in January 2021 to “defend the country” for the Lunar New Year in 2021. Only exceptional diplomats recognized by the Ministry of Foreign Affairs would be excused from being separated for at least 14 days for the unvaccinated and seven days for the fully vaccinated at the government's quarantine facilities [3].

Vietnam's greatest outbreak to date began in April 2021, with over 83,000 infections in two of the country's largest cities (Ho Chi Minh City and Hanoi) and about a third of the country's population was under some kind of lockdown by late July. Vietnam has officially reported 302,101 confirmed cases, 115,059 recoveries, and 6,770 deaths through of August 19, 2021. A total of 24.9 million tests have been completed. With 159,674 confirmed cases and 5,452 deaths, Ho Chi Minh City is the worst impacted city, but the Vietnam Ministry of Health estimates that the true number of cases is 4 to 5 times higher [3].

With a population of roughly 100 million people, a lengthy land border, and significant economic ties with China, Vietnam's main trading partner, the country was first thought to be heavily struck by the pandemic. However, instead of a large-scale outbreak, in 2020, Vietnam was one of the countries with the fewest cases and deaths per million people. Vietnam was mentioned in the international press as having one of the best-organized epidemic control programs in the world, with Taiwan and South Korea. A well-developed public health system, a resolute central government, and a proactive containment policy based on comprehensive testing, tracing, and quarantining have all been credited with this success. Despite the fact that the pandemic has severely damaged Vietnam's economy, the country's GDP growth rate remained one of the highest in the Asia-Pacific region in 2020, at 2.91 percent. [4]

Vietnam was placed on high alert in late July 2020 after the authorities reported dozens of community infections in or around Da Nang, the first since April. The government decided to evacuate 80,000 people from Da Nang on July 27. Domestic airlines operate around 100 flights daily from Da Nang to 11 locations across the country, according to the government. The process is expected to take four days. On the same day, the Da Nang Municipal People's Committee announced restrictions applicable for 15 days, starting from 28 July. More than one million people in six districts in quarantine area include: Hai Chau, Thanh Khe, Son Tra, Ngu Hanh Son, Cam Le, and Lien Chieu District were requested to stay at home and only go out in case of extreme necessity such as buying food, medicine, seeking essential goods and services, and medical emergencies. All educational and non-essential services in the city were closed.

Face masks were mandated in public and people were ordered to frequently wash their hands with soap or alcoholic sanitisers. Gatherings of more than two people in public are disallowed and maintenance of a minimum distance of 2 meters is required. All types of public transport were halted and personal vehicles were heavily restricted. The Da Nang Department of Health was asked to promptly organize epidemiological investigation, contact-tracing in areas related to the confirmed cases, and massive testing to early detect infection sources and high-risk cases. The authorities also decided to lockdown four hospitals: Da Nang C Hospital, Da Nang Hospital, Da Nang Orthopedic and Rehabilitation Hospital, and Hoan My Hospital where the patients visited just before they were confirmed positive for Covid – 19 [5].

After the midnight of 28 July 2020, Da Nang International Airport was temporarily closed. All public vehicles such as tourist buses, taxis, public buses in the area of Da Nang must stop operating, except for government vehicles, emergency vehicles and any vehicles transporting necessities. Any car traveling through Da Nang could not stop to pick up passengers in the city. Vietnam Railways were instructed to suspend the operation of passenger trains to and from Da Nang station. North–South trains were still operating normally on the route but did not stop when entering the city area. Passenger boats and ferry services originating from Da Nang were also prohibited. Aircraft, ships and vehicles transporting cargo were not affected by this regulation. On 12 August 2020, Da Nang decided to continue social distancing for another two weeks when the number of cases in the community still showed no signs of stopping. The local government also issued “shopping coupons” for residents, each family will be given five coupons to use within 15 days, in order to prevent large gatherings at markets [5].

## 2.2. Impact of Covid 19 on Economic Development of Da Nang City

### 2.2.1. Economic growth and Gross Regional Domestic Product

The economy of Da Nang city experienced numerous obstacles in 2020, as the Covid – 19 epidemic severely impacted important economic sectors that contributed significantly to the city's economic growth. This occurrence occurred in a number of different cities around the country as well. Many locations have experienced the lowest growth rate to date, while others have seen the GRDP scale drop and have experienced negative growth.

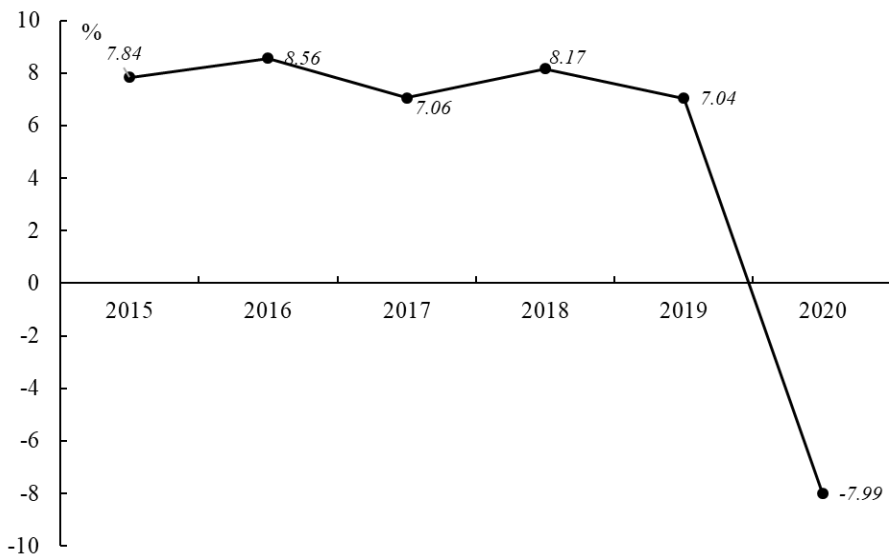


Figure 1. Da Nang's economic growth rate in the period 2015 – 2020 (%)

Source: Authors' elaboration from data of Statistical Yearbook

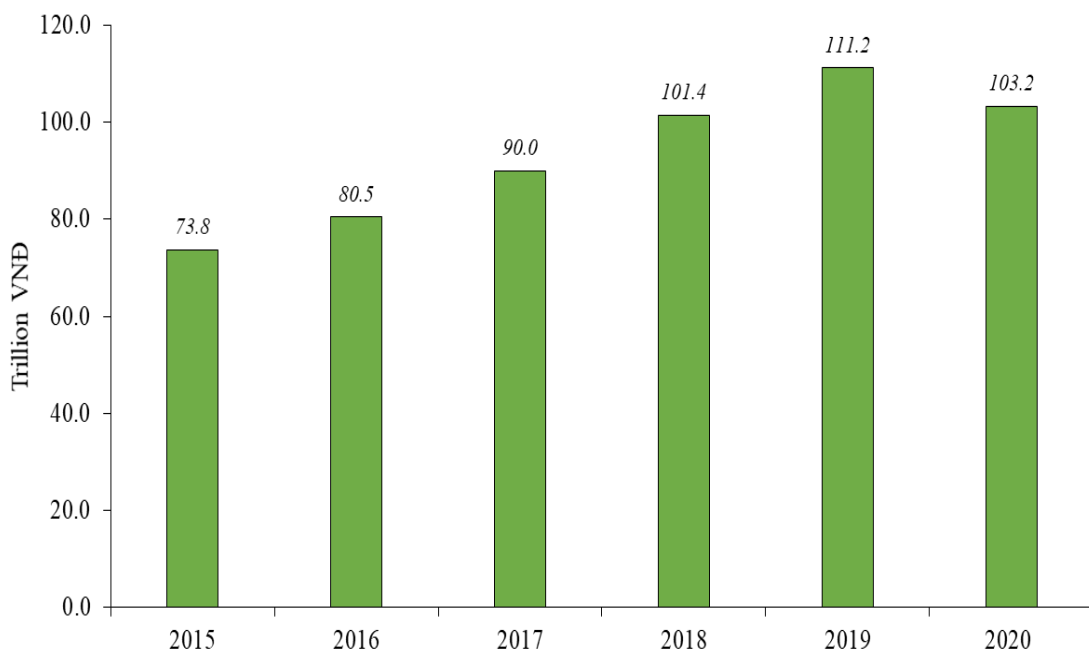
For the first time, Da Nang's economy grew negatively since becoming a central city with a decrease of 3.61% over the same period last year.

Before Covid-19, Da Nang was the most dynamic economic city in the central coastal region, with an annual economic growth rate of 6 - 8 percent. As the whole country's economy is under great pressure due to the impact of the epidemic, and as a tourist-service city, Da Nang's economy is also heavily affected.

Since gross regional domestic product (GRDP) in 2020 was estimated to decrease by roughly 8% against the previous year, Da Nang was one of the 5 localities with negative growth in 2020 (the remaining 4 provinces were: Khanh Hoa, Quang Nam, Quang Ngai, Ba Ria - Vung Tau). This was the first time that Da Nang's economy had experienced negative growth since becoming a city directly under the Central Government (January 1997).

In the negative growth of Da Nang's economy, the service sector decreased by 5.39%; the industry and construction sectors went down by 12.43%; while the only sector of agriculture, forestry and fishing grew at 2.90% [6, p.125-127].

Due to the negative growth of economy, the scale of the whole economy of Da Nang in 2020 was estimated at 103 trillion VND, a decrease of nearly 8 trillion VND against 2019. Of which, the scale of the service sector witnessed the highest decline with 3.1 trillion VND; the sectors of industry and construction decreased 3 trillion VND; the taxes less subsidies on products decreased nearly 2 trillion VND; the agriculture, forestry and fishing sector rose over 192 billion VND (see Fig 2).



**Figure 2. Da Nang's Gross Regional Domestic Product in the period 2015 – 2020 (%)**

*Source: Authors' elaboration from data of Statistical Yearbook*

In 2020, the economy was stagnant meanwhile the population still increased, hence the GRDP per capita declined substantially by 88.3 million VND/person/year at constant prices and decreased by more than 9 million VND/person (convert to USD, GRDP per capita in 2020 reached 3.725 USD/ person, reducing by 446 USD/person as compared to 2019 [6, p.136].

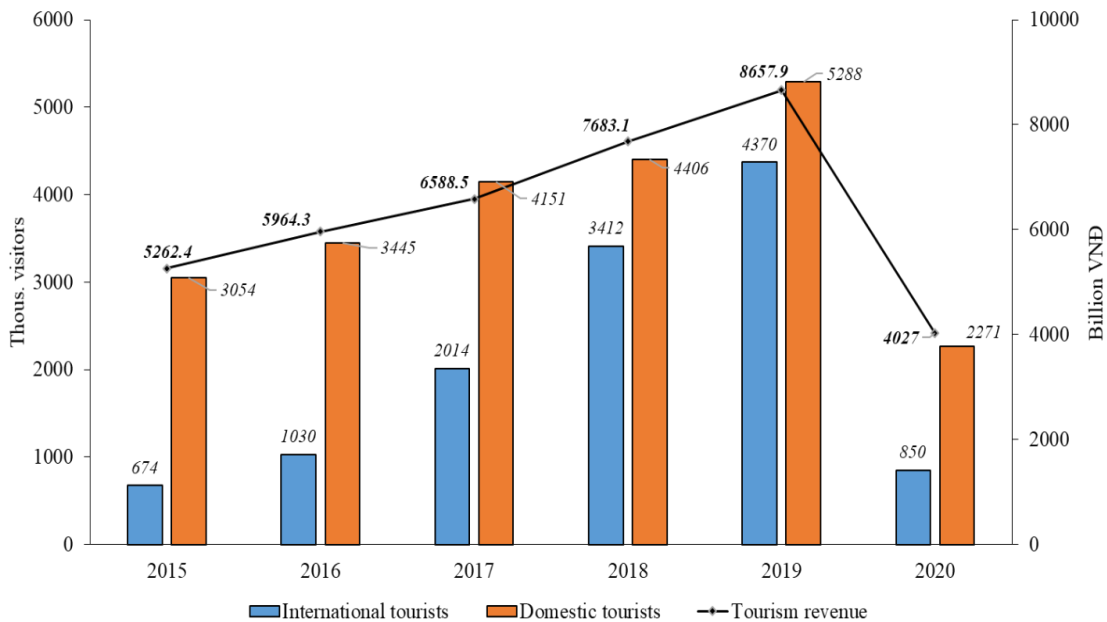
### 2.2.2. Unemployment and underemployment

In 2020, the labor, employment, and income of workers faced numerous challenges. Da Nang was heavily affected by two phases of Covid – 19 epidemics, which had a negative impact on employment restoration and improving workers' incomes due to widespread social distancing. The labor force aged 15 or above working in economic sectors decreased significantly, reached 534.4 thousand persons, a decrease of 51.8 thousand persons compared to that in 2019. The structure of the labor force witnessed a slight change, with the respective shares of 5.3%, 30.4%, and 64.3% for agriculture - forestry - fishing; industry and construction and services. (In 2019, those were 4.9%; 28.8% and 66.3% respectively) [6, p.91-98].

The unemployment rate of the labor force at the working-age was 9.41% in 2020, the highest in the period 2010-2020. Of which, the urban and rural areas' unemployment rates were 10.09% and 5.42% respectively. The highest unemployment rate belongs to the 15-24 age group (20.5%), focusing on unskilled workers because they could find a proper job during social distancing, the demand for jobs increased. The underemployment rate of the labor force at the working-age was 0.52% in 2019, but gained 3.32% in 2020, with the respective rates for urban and rural areas of 3.28% and 3.52% [6, p.101-104].

### 2.2.3. Tourism and the gross retail sales of goods

Accounting for a large proportion and considered to be the major pillar of the economy, the service sector, especially tourism sector and trade were most affected by the epidemic due to consumers' fear psychology, restricting shopping in public places, limiting travel as well as using food services outside. In 2020, most of the trade and tourism activity groups declined; the scale of added value narrowed significantly compared to that in previous years.



**Figure 3. Number of visitors and tourism revenue of Da Nang in the period 2015 – 2020**

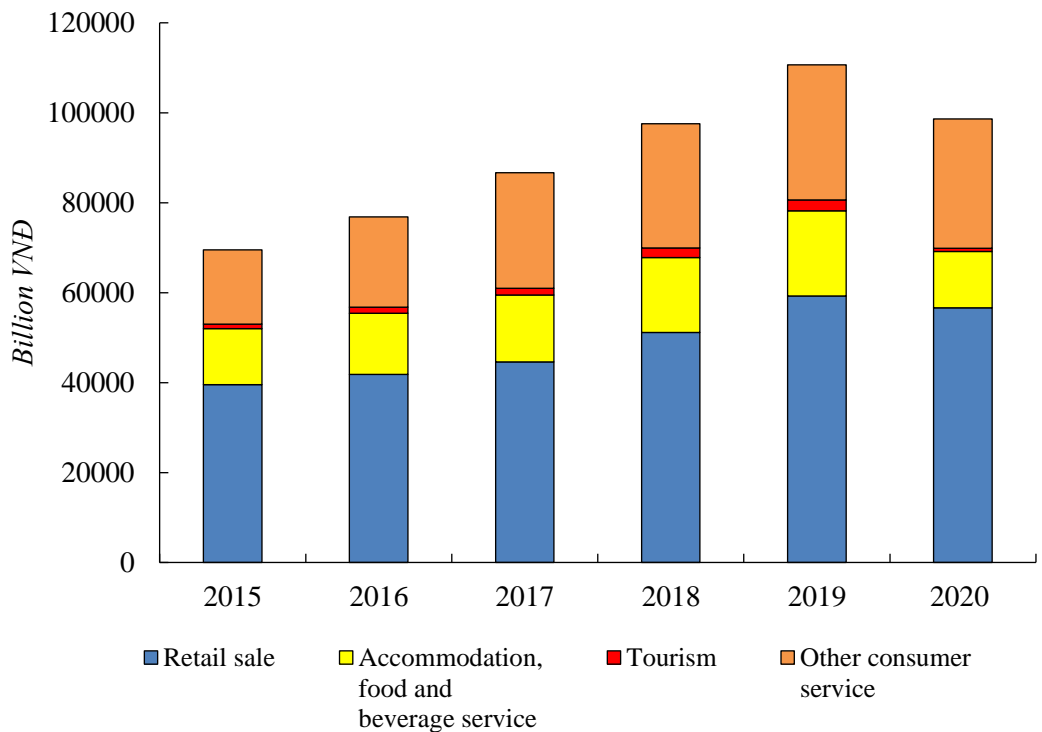
*Source: Authors' elaboration from data of Statistical Yearbook*

Da Nang is a city with great potential for tourism development and is a major tourist center of the country. Tourism is considered one of the “backbone” economic sectors of Da Nang, and is also one of the fields that are directly and strongly affected by the pandemic. Through the process of outstanding development, learning the modern European city building method, Da Nang gradually rose to become a city with the highest development competitiveness index in the

country, becoming a green city, livable city. In recent years before Covid – 19, tourists, especially international tourists, to Da Nang had continuously increased. Along with the development of the international flight network and the attraction of cruise tourism, the international tourist market to Da Nang continued to grow until 2019. However, it was highly dependent on the two markets of China and Korea, accounting for more than 64% of the total, the next markets were Japan, the US, Thailand, Malaysia respectively [7].

Due to the impact of the Covid – 19 Epidemic, the number of visitors to Da Nang in 2020 decreased sharply. The total number of visitors reached more than 3.1 million, a decrease of nearly 6.5 million compared to that in 2019. In which, foreign visitors decreased deepest, only reached 850 thousand persons, equal to 19.5% of 2019. Total revenue of accommodation and travel services gained 4027 billion VND, down 53.5% compared to that in 2019. Due to travel restrictions, the average number of staying day per tourist in 2020 was higher than that of the previous years with 2.47 days/overnight staying visitor, of which this rate of foreign visitors was 2.33 days and that of domestic visitors was 2.54 days (In 2019, these indicators were 2.13; 2.20 and 2.07 days/visitor respectively). This was a record low number compared to many passing years, especially the number of foreign tours decreased deeply, Da Nang tourists traveling abroad as well as international visitors to Da Nang only concentrated on the first 3 months of 2020 [6, p.478].

The negative impact of the Covid – 19 epidemic affected consumers' psychology, and limited shopping in public places, traveling, and eating outside the home, especially with the second epidemic wave. Da Nang was the outbreak locality and became the epidemic center of the entire country. A series of synchronous and drastic measures were implemented, in which social distancing was followed.



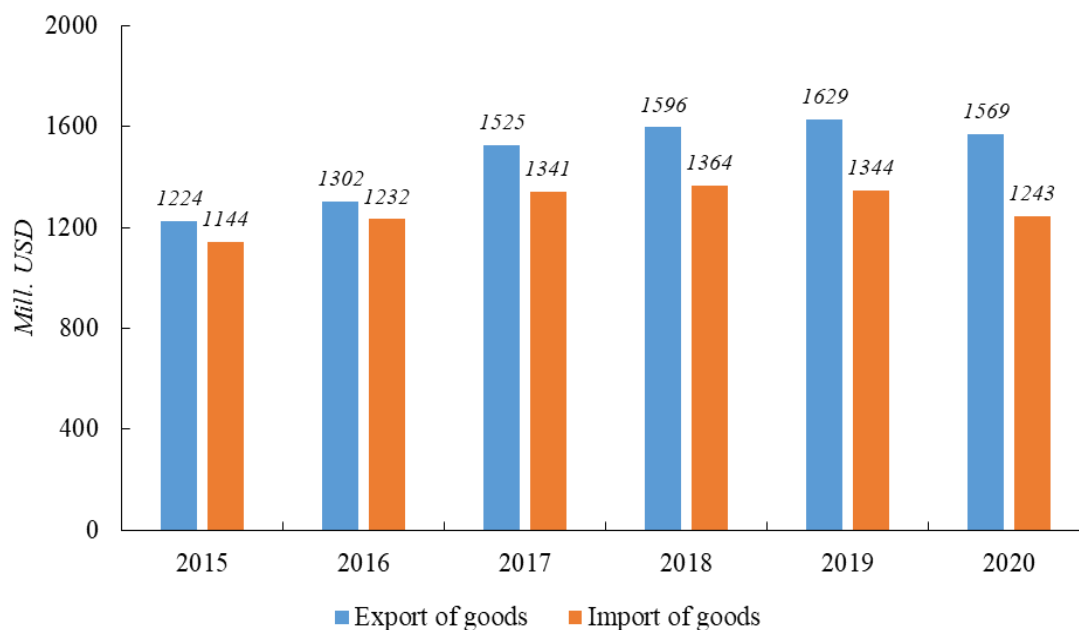
**Figure 4. Retail sales of goods and services at current prices by kinds of economic activity in the period 2015 – 2020**

*Source: Authors' elaboration from data of Statistical Yearbook*

Da Nang retail market is considered to have impressive development thanks to vibrant trade and service activities. Before the pandemic broke out, the total retail sales of local goods and services increased over the years. This has attracted many investors to Da Nang. Currently, most of the big-name retailers are present here such as Big C supermarket system, Mobile World system, Dien May Xanh, Vinmart, Co.opmart... [8]. However, in 2020, due to impact of the pandemic, the gross retail sales of goods and services gained 98.6 trillion VND, a decrease of 10.9% compared to that in 2019. Of which, revenues from retail sales reached 56.6 trillion VND, a decline of 4.4%; revenues from services of accommodation and catering reached 12.5 trillion VND, a decrease of 33.8%; revenues from other services gained 28.8 trillion VND, a decrease of 4.1%; revenues from tourism services only reached 647 billion VND with the highest decrease (-73.3%) [6, p.483].

#### 2.2.4. Import and export activities

The Covid – 19 Epidemic has spread rapidly and affected increasingly seriously many of Vietnam's trading partners such as China, South Korea, Japan, the EU, and the United States, which impacted the country's import and export activities, including Da Nang. In 2020, the city recorded the efforts of import and export activities in the context that the domestic and world economies had been negatively affected by the Covid – 19 epidemic and the disruption of the global trade chain. In 2020, the total import and export turnover of goods reached 2,812 million USD, decreasing by 5.4% compared to that in 2019. Of which, the export turnover reached 1,569 million USD, decreasing by 3.7% and the import turnover reached 1,243 million USD, falling by 7.6% [6, p.125].



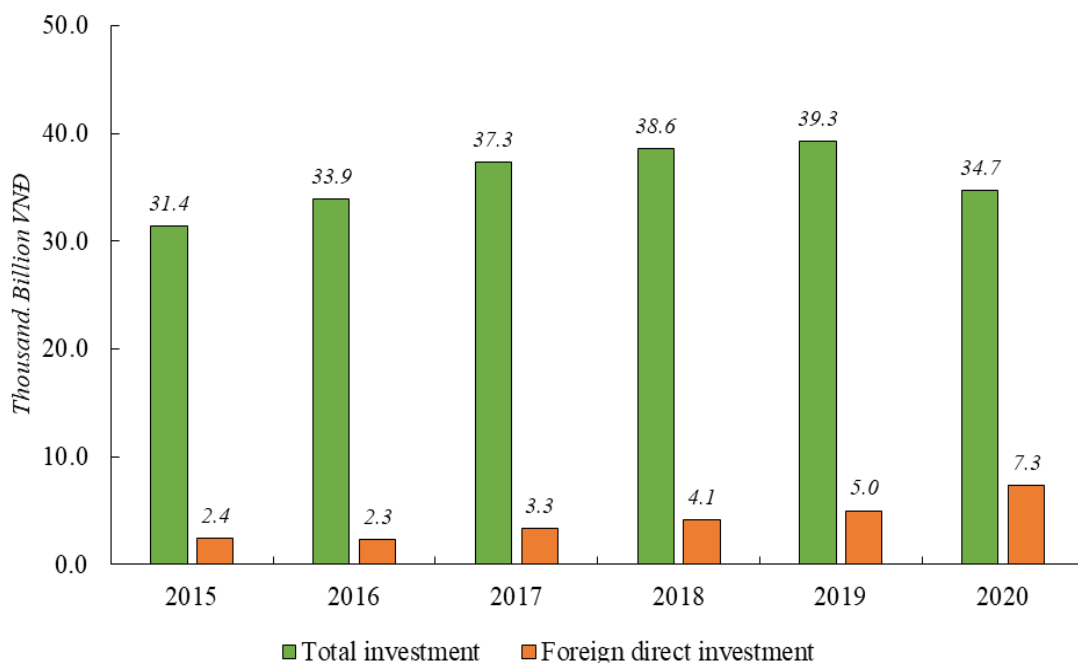
**Figure 5. Export and Import of goods of Da Nang in the period 2015 – 2020**

*Source: Authors' elaboration from data of Statistical Yearbook*

The trade balance of goods in 2020 witnessed a surplus of 326 million USD, the highest level in the last 5 years since 2015. The economic openness calculated on the import-export activities was at 64.6% per GRDP. The economic openness was literally measured by the value of exports and imports/GRDP. In 2016, Da Nang's economic openness reached 70.53%; 2017: 72.46%; 2018: 56.82%; in 2019: 62.47% [6, p.125].

### 2.2.5. Investment

The social investment in 2020 was estimated to decline by 11.7% compared to that in 2019. A number of projects with a large total investment deployed in previous years were in the completion stage, so the investment value tended to decrease gradually. The bright spot of investment activities in 2020 was the attraction of foreign investment (FDI), whereby the foreign direct investment achieved impressive results, an increase of 46.0% compared to that in 2019. In addition, the field of public investment also had remarkable positive changes, although the investment plan wasn't achieved, the investment capital in 2020 increased by nearly 16% compared to that in 2019 [6, p.155].



**Figure 6. Total Investment and Foreign Direct Investment of Da Nang in the period 2015-2020**

*Source: Authors' elaboration from data of Statistical Yearbook*

The total investment in 2020 at current prices was estimated to reach 34,660 billion VND, declining by 11.7% compared to that in 2019. Of which, the state sector's investment attained 8,955 billion VND (accounting for 25.8% of the total investment capital), an increase of 6.8% compared to that in 2019; the non-state sector's investment reached 18,404 billion VND (making up 53.1%), decreasing by 28.9%; the FDI sector's investment gained 7,301 billion VND (accounting for 21.1%), a rise of 46.0%. In 2020, the social investment on GRDP was estimated at 33.6%, the lowest rate between 2015 to 2020 [6, p.163].

In term of attracting investment, due to the impact of the Covid – 19 epidemic, attracting foreign investment to Da Nang city in 2020 was failed to meet expectations, decreasing by 46 projects compared to that in 2019 (87/133 projects). The foreign direct investment in 2020 was estimated at 308 million USD, an increase of 43.9% compared to 2019 (in USD), focusing mainly on large projects licensed in 2019, such as the project of manufacturing aviation components; Xuan Thieu tourist area project; the project of P.A - Tower hotel and apartments. In 2020, facing difficulties by the Covid – 19 Epidemic, this was considered a great achievement of the city government in implementing the investment attraction policy, focusing on quality instead of quantity.



### 3. Conclusions

Due to the long-term adoption of isolation and social separation, the breakout of Covid – 19 has created unprecedented obstacles and dramatically impacted the economic development of Da Nang, an important city in Vietnam's central region. The city's economic growth rate has been negative; Gross Regional Domestic Product (GRDP) and per capita income have decreased; unemployment rate and underemployment of workers are rising. The city's major economic activities have been significantly disrupted, including tourism, retail sales, investment, and import-export activity. Da Nang has come up with many common solutions to both fight the epidemic and develop the economy. In particular, the most important thing is to continue to promote support for businesses, especially small and medium-sized enterprises, and individual business households that are heavily affected by the Covid – 19 Epidemic in finding markets to import raw materials and fuel, materials, spare parts, replacement components, remove difficulties, maintain production and business activities. There are special policies to support the transport and tourism industries. Effectively implement policies on tax exemption, relaxation, tax debt freeze, import and export tax reduction, employment allowance and unemployment insurance for employees.

In addition, continue to handle bottlenecks and bottlenecks in land, administrative procedures, and site clearance; promote the development of high-tech agriculture, organic agriculture; have practical credit policies to support businesses and employees affected by the Covid – 19 epidemic; maintaining production and business stability, minimizing the decline in economic growth, especially in the service sector; there are warnings about natural disasters, risks, and good implementation of social security issues.

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