Confederation of International Contractors' Associations (CICA)
Strategic Watch: COVID-19 Overview by country and region (situation at April 21, 2021)
Based on FIEC's COVID-19 Construction Observatory, FIIC's, CIAN's and MEDEFI's and IFAWPCA's data
For more information go to the CICA Website: http://www.cica.net/cica-covid-19-overview/ and Dropbox: https://www.dropbox.com/home/Observatory%20COVID-19

China

Country/Region	General measures	Measures for construction
CHINA		
Lockdown	China had imposed quarantines and limited travel across the country to contain the disease. As early as autumn 2020, almost all activities had restarted and exceeded pre-pandemic levels in seasonally adjusted terms. However, China has implemented strict sanitary and non-sanitary measures to regain control of the outbreak. Even though clusters of Covid-19 cases have reappeared sporadically in various parts of the country, and are likely to continue doing so, the proven tracing, testing and isolation system prevents them from posing a major risk to economic activities according to the OECD (cf. OECD) (December 2020).	In March 2020, China had resumed construction on just under 90% of 'key projects' according to an official with the National Development and Reform Commission (NDRC) although this figure does not include the Hubei Province. All major railway projects have resumed operation, with 97% of major highway and waterway projects and 87% of airport projects also resuming construction (25 March). Safety requirements have been implemented on construction worksites (use of masks, fever checks, tracking of the workers' journey). Tenders can be completed remotely, and operating licenses have been extended. **Contractual issues** The China Council for the Promotion of International Trade (CCPIT), a quasi-governmental entity, has issued 5,637 Force Majeure certificates to exempt Chinese companies from their contractual obligations. Though not formally defined, 'Force Majeure Certificates' can be said to be certificates issued by trade councils or commercial chambers of different countries, to certify a particular event as a Force Majeure event (4 May 2020). **Belt and Road Initiative** Construction activity has been suffering, as a majority of long-distance travel between workers' homes and construction sites is limited.

		The spread of the coronavirus across Asia was putting the brakes on China's ambitious Belt and Road Initiative, with dozens of infrastructure projects slowed or halted entirely due to limitations on supplies and travel. With the growing impacts, managers of road, bridge, hydroelectric and communications projects across Asia had to make do with limited staff and material resources. China's Belt and Road infrastructure projects in Africa appeared to be less affected by personnel and travel issues, but still have faced delays and limited availability of construction equipment and materials. Among the projects affected in Southeast Asia there are: • A 140km high-speed rail link between Jakarta and Bandung in Java. Work came to a halt after Indonesia decided in March to restrict foreigners from entering the country, preventing Chinese labourers reaching the line's construction sites; • Thailand has rescheduled its deadlines for a high-speed railway planned to connect with the line presently being built in Laos (cf. GCR) (11 May). However, data published by China's State Council-affiliated Public Assets Administration and Supervision Commission show that none of the key projects of the BRI have been interrupted as a result of the pandemic (25 January 2021).
Economic outlook	China reported record year-over-year growth of 18.3% in the first three months of 2021. But the more telling figure might be the economy's 0.6% expansion compared with the quarter before–a historically sluggish pace that suggests momentum is slowing, one year into China's coronavirus recovery. Authorities lifted the lockdown of Wuhan, the original center of the coronavirus, on April 8 last year and the export sector resumed strongly. **The result was full-year GDP growth of 2.3%, making China the only major economy in the world to expand in a pandemic-scarred 2020.** Now, though, signs of waning momentum are starting to appear. That latest quarter-on-quarter GDP figure marks the slowest growth rate in the past decade, with the exception of the coronavirus-hit first quarter of 2020, according to Capital Economics.	With its virus outbreaks under control, China's engineering and construction sector has rebounded and is once again busy and growing. The country's major government-linked engineering and construction companies, such as China State Engineering Corp. and China Railway, posted significant year-on-year revenue has increased in 2020's second quarter, reports Fitch, the credit ratings agency. Profitability is also back to pre-pandemic levels according to Fitch Ratings (cf. ENR) (2 November). According to Fitch Solutions, the effects on Chinese construction of the coronavirus lockdown in the first quarter of the year are to be countered by public sector investment in infrastructure. Although the sector's output fell more than 17% between January and March, it is likely to make up ground and to record a year-on-year increase of 1.8%.

Representatives from Capital Economics point to softening numbers in the industrial, construction and services sectors. The domestic economic recovery would not be solid yet (cf. Hellenic Shipping News) (April 2021).

Growth is forecast to pick up to 7.9% in 2021, above previous projections due to the release of pent-up demand, and moderate to 5.2%in 2022 as deleveraging efforts resume. Even as GDP returns to its pre-pandemic level in 2021, it is still expected to be about 2% below its pre-pandemic projections by 2022 (cf. IMF) (January 2021). Investment, in particular debt- and stimulus-fueled infrastructure investment, has boosted growth in 2020. Real estate investment has also remained strong.

Exports have boomed on the back of pent-up demand for masks and other Covid-19-related materials and equipment as well as teleworking-related goods. Consumption, however, is still to recover from the hit caused by the Covid-19 outbreak (cf. OECD) (December 2020).

Growth decelerated to an estimated 2% in 2020 — the slowest pace since 1976 but above previous projections, helped by effective control of the pandemic and public investment-led stimulus (cf. IMF) (January 2021).

- **May 2020**

According to MEDEF, the Chinese economy would be operating at 87.5% of its normal capacity with a recovery rate above 99% in the provinces, except in Hubei (84%) (28 May).

- **April 2020**

As of April 21, the economy would have operated at 82.8% of its normal capacity: 83% for large companies and 82.6% for SMEs. Per capita disposable income fell by 3.9% in the first quarter of 2020 to

Indeed, construction is set to be the main beneficiary of government attempts to pump demand into the economy. The construction recovery is also suggested by a rise in demand for cement and site machinery. In May 2020 for example, the 25 largest makers of excavators recorded sales up 60% year-on-year, according to the China Construction Machinery Association. The increased investment in infrastructure has been boosted by spending at the province and city level. In May, bonds worth US$150bn were issued by local governments, surpassing the previous record of US$101bn issued in January (cf. GCR) (12 June).

Example: Chinese leading construction companies

China's leading infrastructure construction companies achieved double-digit growth in the value of their new contracts, despite the coronavirus pandemic that interrupted the flow of people and goods. This was mainly due to the government's stimulus measures in the construction of domestic infrastructure, which has been a means of supporting economic growth.

For example, the **China Railway Engineering Corporation (CRECG)** recorded an increase in the value of its new contracts by 20.4% on an annual basis to 2,600 billion yuan (€330 billion), with domestic contracts up by 21.2%. In particular, the value of its newly signed rail contracts grew by 14.2% year-on-year, while highway contracts increased by 32.6%. Hu Qimu, a researcher at the Sinosteel Economic Research Institute, believes that China's focus on new infrastructure, but also on building infrastructure for emerging sectors such as 5G and telecommunications, has broadened the scope of infrastructure investment, bringing more opportunities for building traditional infrastructure.

According to a statement from the Shanghai Stock Exchange, **the China Railway Construction Corporation (CRCC)** also recorded a 28.32% increase in the value of its newly signed engineering contracts in 2020 on an annual basis, with a 33.6% increase in the value of its domestic contracts.

China State Construction (CSCEC) notes that its new contracts increased by 11.5% year-on-year.

	RMB 8,560 (USD 1,210). Government revenue declined in the first quarter of 2020 (-14.3%), but Government expenditure also fell by 5.7%. Concerning the Central Bank policy: The one-year and five-year Loan Prime Rate (LPR) rates were lowered to 3.85% and 4.65% respectively (21 April). According to MEDEF, corporate profits in the industrial sector declined by 36.7% in Q1 2020. Profits of state-owned companies contracted by 45.5% in Q1 2020, compared to 29.5% for private companies. The impacts on sector benefits are as follows in Q1 2020: oil and gas industry (-187.9%), metal materials, machinery and equipment (-84.3%), automotive (-80.2%) and chemicals (-56.5%) (29 April). **Exports** Sectors which are particularly dependent on exports are likely to continue to suffer as international demand is falling rapidly. Research firm TS Lombard expects China's exports to fall 40% in the second quarter of 2020. • **Increase in April 2020** Chinese exports increased by 3.5% in April year-on-year (+US$300bn) despite lower sales to the EU (-6.6%) and the US (-15.9%). Imports fell by 14.2% to US$155 billion. China posted a trade surplus of US$45 billion for April. The government assures that foreign companies will benefit indiscriminately from economic support measures (e.g. access to government financing, tax reductions, access to public markets, etc.) (14 May). • **Decrease in January and February 2020** Chinese exports fell by 17.2% in January/February while imports fell by 4% putting the trade balance in deficit by US$7.1bn. Euler Hermes estimates that China will lose US$108bn in merchandise	Apart from the major support for domestic projects, the progress of infrastructure projects carried out by Chinese companies abroad has been better than expected and a number of companies have recorded an increase in the value of their new overseas orders despite the pandemic. For example, CRECG benefited from a 6.8% increase in new contracts signed abroad on an annual basis, reaching 136 billion yuan, while the volume of new contracts signed abroad increased by 4.3% (cf. French.China.org.cn) (13 January 2021).

	export revenues, US$72bn in tourism revenues and US$10bn in transportation services, or a total of US$ 190bn in foreign revenues (cf. La Chine hors les murs). The State Council announced an extension until 2023 of tax benefits for credit institutions lending to VSEs, to self-entrepreneurs and private farms.	
Employment	The lack of recovery in employment and failing household incomes means that prospects for a full consumption recovery are not bright (cf. OECD) (December 2020).	
Recovery	The Chinese central bank announced a decrease in the required reserve ratio for business loan renewals, releasing CNY 550 bn (€70.6 bn) to support the economy. Besides, Chinese stock exchanges have implemented a series of measures to limit the volatility of commodity prices (oil, gold, rubber, palm oil, eggs, etc.). For example, the Shanghai International Energy Exchange has increased the margin call on its crude oil futures contracts to 11% (24 March). The economy has shown signs of recovery, however, supported by government investment in infrastructure. The construction industry's recovery in China has thus been rapid (14 July).	According to MEDEFI, China has been preparing a CNY 2,800 billion (US$ 394 billion) stimulus package to support investment in infrastructure and accelerate the deployment of 5G (19 March). Although it was the epicenter of the Covid-19 pandemic, China has shown signs of recovery in the last months, supported by investment in infrastructure. According to GlobalData, investments in real estate development have also grown, increasing by 7% year-over-year in April. This is significant, following marginal growth of 1.1% in March and a 16.3% contraction during the first two months of 2020. The Ministry of Finance has increased the quota of special purpose bonds by US$140 billion to boost infrastructure (21 April).