



Confederation of International Contractors' Associations (CICA)

Strategic Watch: COVID-19 Overview by country and region (situation at July 22, 2020)

Based on FIEC's COVID-19 Construction Observatory, FIIC's, CIAN's, 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>

LATEST UPDATE WEEK 30

Country/Region	General Measures
WORLD	
	<p>According to the <u>International Monetary Fund</u>, global output is projected to decline by 4.9% this year. In April, <u>IMF projections of global output in 2020 was brought down substantially to -3.0% from 3.3%</u>. In the June report, the projection was further revised downward by 1.9% to -4.9%. The markdown since April reflects a deeper contraction during necessary lockdowns than previously anticipated. Inflation has edged down further. A tepid recovery is expected for next year, and potential scarring through bankruptcies and persistent unemployment weigh on the outlook. Poverty and inequality are set to worsen. Besides, remaining uncertainties around the G-20 Debt Service Suspension Initiative should be clarified. A second major global wave of the disease could lead to further disruptions in economic activity. Other risks include stretched asset valuations, volatile commodity prices, rising protectionism, and political instability (18 July).</p> <p>Recovery The recovery will start in 2021, and the IMF's projection of global output in 2021 is 5.4%. This may sound good, but it is 0.4% lower than the April forecast of 5.8%, and combined with the sharp contraction in 2020, it implies a cumulative loss to the global economy over two years (2020–21) of over USD 12 trillion from this crisis.</p> <p>Unemployment The new OECD Employment Outlook found that unemployment is projected to reach nearly 10% in OECD countries by the end of 2020, up from 5.3% at year-end 2019. It could go as high as 12% should a second pandemic wave hit (17 July).</p>
EUROPE	
European Union	Based on <u>updated IMF projections</u> released last month, real GDP in the European Union is now expected to contract by 9.3% in 2020 and then grow by 5.7% in 2021, returning to its 2019 level only in 2022 (24 June).
Measures for Construction	
UK	Two months after the prime minister sent the UK construction industry back to work and ended its lockdown, it looks like <u>recovery may take longer than initially thought according to Arcadis</u> . The risk of disruption remains, with delayed project starts and completions, and increased fixed costs threatening to weaken the industry. As a result, Arcadis has downgraded its tender price forecast for 2020 to minus 4% in London and minus 3% in



	<p>the regions, with the risk of further deflation into 2021. Now that most construction sites are operational, productivity has recovered better than expected, ranging from between 70-90% depending on the sector and the stage of the project. This has contributed to the lowering of prices, edging the balance of the industry closer towards deflation and offsetting some of the initial inflationary pressures from extended programmes and different ways of working (21 July).</p> <p><u>Scottish local authorities are being given funding to support the rapid deployment of infrastructure that prioritizes buses.</u> The Scottish government is providing £10m for the initiative. At the same time, it has improved the grant thresholds for operators wanting to take advantage of the £8.8m Bus Emissions Abatement Retrofit scheme, which targets mid-life vehicles. The new infrastructure fund will help areas of Scotland with the highest concentration of congestion to implement temporary measures, including bus lanes or gates, which make bus journeys quicker and more reliable. Cabinet secretary for transport, infrastructure and connectivity Michael Matheson said that the bus sector is responding to not only increased operating costs during Covid-19, but also increasing congestion as restrictions are eased which will negatively impact on bus journey times (17 July).</p>	
ASIA		
	General Measures	
Whole region	As for Asia, in 2021 the <u>IMF projects a pick-up of 6.6%, with China growing at 8.2%</u> . This too has been revised downward from the IMF's April forecast (by 1%), leaving the level of Asia's real GDP 5% lower in 2021 compared to pre-crisis projections. The IMF expects output losses in Asia from the pandemic to be persistent (10 July).	
	General Measures	Measures for Construction
Japan	The numbers of the infection cases are going up and down because of occurring clusters, but it is said that Japan is in a more or less stable situation.	<p>Contract Conditions Pandemic/epidemic is not listed as an exceptional case of force majeure, at least in JICA General Contract Conditions. Project owners are not sure to admit (1) extensions of times and (2) extra-costs to cope with the change of policies done by the project owner and the government.</p> <p>As of July 2020, construction sites in Japan can basically be continued as long as they keep avoiding "the 3Cs (Closed spaces, Crowded places, and Close-contact setting)".</p>
LATIN AMERICA		
	Measures for construction	
Chile	The creation of 600,000 direct and indirect jobs over a three-year period (240,000 in 2020 and 360,000 in 2021 and 2022) is the central objective of the "Employment and Reactivation Plan" designed for the construction industry. The plan was presented by the president of the Chilean Chamber of Construction (CChC) and constitutes a contribution by the union to the urgent challenge of creating jobs and boosting the economy as long as health conditions allow. The proposal also poses two other priority objectives: to satisfy social demands associated with housing, urban equipment and basic infrastructure, and to address urgent problems, such as the water crisis affecting the country. All of this is to be achieved by promoting investment	



	and close collaboration between the public and private sectors. In this context, the Chamber’s proposal contemplates a total investment of US\$ 22.6 billion for the three-year period, considering US\$ 10.29 billion in public investment and US\$ 12.31 billion in private investment (16 June).	
Costa Rica	<p>The <u>Costa Rican Chamber of Construction (CCC)</u> sent a letter on July 24 to the President of the Republic, Carlos Alvarado, requesting him to indicate which concrete actions the government will implement to address the imminent deepening of the crisis that is looming for the construction sector.</p> <p>The economic activity of the construction sector shows decreasing rates from December 2018 to April 2020 (last data published), which represents 17 consecutive months of decline. In April 2020, the construction rate decreased 11.4% year-on-year, as a result of a 13.8% reduction in construction for public use and 8.8% in construction for private use. According to the president of the CCC, the indifference towards the situation of the construction sector, is already endangering many jobs, mainly of people with low levels of education, which would increase the serious social problem that the country is already facing (26 June).</p>	
NORTH AMERICA		
	General Measures	Measures for Construction
Canada	Canada will provide more than C\$19 billion (US\$13.99 billion) to help provinces and territories safely restart their economies and boost the resiliency of the country to possible future waves of the virus. The funds will be made available during the next six to eight months to address Canada's priorities agreed to through the Safe Restart Agreement as the country plans to restart its economy (cf. IATR) (21 July).	Transit is one of the priority areas that the federal investment will support through a joint funding source with provinces and territories. The federal government explained municipalities are on the front lines of a safe restart of the economy and will need to put in place appropriate precautions to minimize the spread of COVID-19 and manage public spaces and critical services, like public transit (cf. IATR) (21 July).
USA	<p>With over 3.5 million infections and nearly 140,000 deaths, the United States is continuing to struggle with an effective response to the COVID-19 pandemic.</p> <p>The <u>Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted in March 2020, expanded the unemployment insurance system to provide relief to those who are out of work, but some of those benefits expire on July 31 unless Congress acts before then.</u> The total number of workers collecting unemployment benefits (often called “continuing claims”) stood at 32 million, or roughly one in every five people in the labor force, during the week ending on June 27, 2020. The total includes more than 15 million people who are collecting benefits under pandemic-related expansions of the program (cf. Brookings) (20 July).</p>	<p><u>US President Donald Trump has announced alterations to the National Environmental Protection Act (NEPA)</u> in a move which he said would speed up the review process of major infrastructure projects. As part of the changes to the NEPA, Trump said that the review time frame will be cut down to two years or less and claimed that it would reduce approval time for highways alone by 70%. Infrastructure investment has been a key battleground between President Trump and the Democratic party, with each side making various proposals but seemingly unwilling to work together to get a Bill passed into law. Infrastructure in the US is underfunded. The NEPA was signed into law by President Richard Nixon in 1970. It requires federal agencies to be transparent and consult with the public before embarking on infrastructure projects that could impact the environment. Numerous environmental groups have voiced their opposition to Trump’s plans (cf. Construction Europe) (16 July).</p>



		<p>Unemployment <u>Construction employment rose from May to June in 31 states and the District of Columbia (DC) but slipped in 18 others.</u> Associated General Contractors of America (AGC) has warned the gains may have stalled and that job losses will resume without federal funding.</p> <ul style="list-style-type: none"> • New York added the most construction jobs from May to June (42,000 jobs or 14.2%); • Massachusetts had the largest percentage increase (16.3%, 19,700 construction jobs); • Construction employment declined from May to June in 18 states and was unchanged in Alaska; • Louisiana lost the most construction jobs (-3,900 jobs, -3.1%); • Nevada had the highest percentage loss (-3.5%, -3,500 jobs). <p>Association officials warned that recent flare-ups of coronavirus across most states mean there will soon be more project cancellations, forcing contractors to lay off workers again. They urged Congress and the Trump administration to promptly enact new infrastructure funding measures and backfill gaps that have opened in state and local government budgets, so that public construction does not decline precipitously (20 July).</p>
MIDDLE EAST		
	General Measures	
Whole region	Several countries in the region began reopening in past weeks, and a recent uptick in activity, rising infection numbers may pose risks. A sharp decline in oil prices together with production cuts among oil exporters and disruptions in trade and tourism added further headwinds. <u>As a result, growth in the region is now projected at -4.7% in 2020, 2 percentage points lower than in April 2020 (cf. IMF) (July 2020).</u>	
Israel	Israel announced <u>new restrictions on July 17 in response to a new surge in coronavirus cases</u> , including weekend closures of many businesses and limiting restaurants to takeout and delivery. The government announced the restrictions after Prime Minister Benjamin Netanyahu said “interim steps” were needed to avoid another general lockdown (17 July).	
AFRICA		
West Africa	Prior to the COVID-19 pandemic, the West Africa region was poised to expand by 4% in 2020. Under a conservative baseline scenario, the economy is now projected to contract by -2% in the region (cf. African Development Bank) (22 July).	

MULTILATERAL DEVELOPMENT BANKS & OTHER INTERNATIONAL INSTITUTIONS	
Asian Development Bank (ADB)	<p>The <u>ADB</u> reports that the COVID-19 pandemic has unraveled global financial markets, putting Asia’s financial resilience to the test. As the economic losses associated with the pandemic are set to rise, Asian stocks have plunged and short-term portfolio flows reversed sharply in March 2020, putting local currencies under severe pressure. Amid flight to safety, global demand for the US dollar soared, risking the tightening of local financial conditions in emerging Asian economies which remain heavily exposed to US dollar funding risks. Similar patterns to that of the global financial crisis can be observed. Interbank money markets have come under severe strain due to a spike in US dollar demand during the COVID-19 pandemic. While Asian banks’ exposure to US dollar funding risks rises, currency hedging mechanisms and instruments remain underdeveloped in the region. Emerging Asian economies’ exposures to US dollar funding risks compound their external and financial vulnerabilities as a stronger US dollar increases the debt servicing costs of emerging market borrowers. The region’s currencies have come under downward pressure, alongside tightening US dollar funding conditions. The COVID-19 outbreak put significant downward pressure on regional currencies, albeit at a lower magnitude than during the Asian financial crisis (July 2020).</p>
New Development Bank (NDE)	<p>The <u>NDB</u> approved a COVID-19 Emergency Program Loan of US\$1 billion to Brazil. The resources provided are intended to safeguard the income of about 5 million people in vulnerable situations, including informal, self-employed and unemployed workers. It intends to help vulnerable families to gain increased access to food and health-related goods which are vital for the prevention and containment of COVID-19 (22 July).</p>



[DOWNLOAD FULL OVERVIEW HERE](#)