



Confederation of International Contractors' Associations (CICA)

Strategic Watch: COVID-19 Overview by country and region (situation at July 29, 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 31

Country/Region	Facts/Measures for construction
WORLD	
	The value of M&A in the engineering and construction sector around the world fell to US\$41bn from US\$45bn in the first half of 2019, according to the figures from PwC. A similar trend was noticed for deal volume, with the first half of this year registering 1,017 deals compared to 1,221 deals in 2019. Deal value decreased from US\$33bn in Q1 2020 to US\$8bn in Q2 2020, and total deal value in Q2 2020 was the lowest in the last eight quarters. This could be attributed to US trade sanctions and the Covid-19 pandemic (26 July).
EUROPE	
	General Facts/Measures
European Union	<p>The <u>Heads of State or Government of the European Union</u> reached unanimous agreement on 21 July on the establishment of a temporary budgetary instrument dedicated to recovery, and on the <u>Multiannual Financial Framework (MFF) 2021-2027</u>. The European Recovery Plan will be financed by a common loan from the European Commission on behalf of the EU-27. Its overall package of €750 billion will be made up of €390 billion in grants (compared to the €500 billion initially planned). The share of repayable loans is of €360 billion, instead of the original €250 billion. This budget allocation satisfies the four countries (Netherlands, Denmark, Sweden, Austria), supported by Finland, which were in favour of a drastic reduction in the "grants" component of the European recovery plan. It is now up to the European Parliament to examine the European Council's agreement.</p> <p>Conditionality of the Recovery Fund</p> <p>For the first time in European history, the budget is linked to climate objectives and respect for the rule of law becomes a condition for the granting of funds. Under the agreement, 30% of expenditure, both in the budget and in the recovery plan, will have to go directly to the fight against global warming. Concerning the conditionality linked to respecting the rule of law, a possible suspension of EU funds would have to be approved by a qualified majority of member states (55% of EU countries representing 65% of the total population).</p> <p>Member States shall prepare national recovery and resilience plans setting out the reform and investment agenda of the Member State concerned for the years 2021-23. The plans will be reviewed and adapted as necessary in 2022 to take account of the final allocation of funds for 2023. 9. The recovery and resilience plans shall be assessed by the Commission within two months of the submission. The criteria of consistency with the country-specific recommendations, as well as strengthening the growth potential, job creation and economic and social resilience of the Member State shall need the</p>

	<p>highest score of the assessment. Effective contribution to the green and digital transition shall also be a prerequisite for a positive assessment. The assessment of the recovery and resilience plans shall be approved by the Council, by qualified majority on a Commission proposal. The Netherlands negotiated a control right by Member States to ensure that a beneficiary state of the Facility meets its reform commitments. Member States would have to approve by qualified majority the Commission's analysis of a National Recovery Plan and the national experts meeting in the Economic and Financial Committee will have to give their opinion, "by consensus", on the respect of the indicators set out in a national plan.</p> <p>Multiannual Financial Framework (MFF) The MFF should be considered independently from the "European Recovery Plan". The latest MFF draft provides for a maximum total expenditure for EU-27 for the period 2021-2027 of EUR 1074.3 billion in commitment appropriations, including the integration of the European Development Fund, and EUR 1 061.058 billion in payment appropriations. Special instruments are increased by EUR 5 billion. The EUR 5 billion will be used for a new special 'Brexit' reserve (new special Brexit Adjustment Reserve) to deal with the unforeseen and negative consequences in the Member States resulting from the Brexit.</p> <p>Concerning infrastructure, the MFF foresees 28.4 billion under the European Interconnection Mechanism (EIM), a significant decrease compared to the European Commission's initial proposal of May 2018 amounting €37.4 billion. Under the EIM, €21.4 billion will be devoted to transport (of which €10 billion will be transferred from the Cohesion Fund, i.e. mainly for Central and Eastern European countries), €5.2 billion to energy infrastructure and €1.8 billion to digital infrastructure (21 July).</p>
	<p>Facts/Measures for Construction</p>
<p>UK (Scotland)</p>	<p>Covid-19 has reinforced the need for urgency in introducing a new approach to prioritizing and delivering infrastructure, according to the final report from the Infrastructure Commission for Scotland (ICS). The <u>report presented to the Scottish government by the ICS says that a net-zero-carbon economy remains at heart of the strategy</u>. It sets out three key recommendations:</p> <ul style="list-style-type: none"> • Giving an independent, specialist body the remit to provide strategic, long-term infrastructure advice to Scottish government; • Enshrining the 'place principle' and implementing a 'one public sector' approach to planning and developing sustainable places; • Establishing a construction accord to strengthen the future relationship between the public sector and the construction industry (27 July).
<p>ASIA</p>	
	<p>General Facts/Measures</p>
<p>India</p>	<p>The <u>Asian Development Bank (ADB) has approved a US\$3 million grant to India from its Asia Pacific Disaster Response Fund (APDRF) to further support the government's emergency response to the coronavirus disease (COVID-19) pandemic</u>. The grant is financed by the Government of Japan. On 28 April, ADB approved a US\$1.5 billion COVID-19 Active Response and Expenditure Support (CARES) Program to support India in its immediate pandemic response efforts. The CARES program is funded through the COVID-19 pandemic response option (CPRO) under ADB's Countercyclical Support Facility. CPRO was established as part of ADB's US\$20 billion expanded assistance for developing member countries' pandemic response, which was announced on 13 April (28 July).</p>

LATIN AMERICA		
	General Facts/Measures	Facts/Measures for construction
	<p>Current <u>calculations from the IMF of the impact of Covid-19 suggest that Latin America's economies are facing a serious depression</u>. This contraction would be even more severe than those experienced during the 1983 debt crisis and the 2009 recession. There are numerous problems for Latin America that Covid-19 is accelerating, among them: slowing global demand, plummeting commodity prices, and currency devaluations (cf. Construction Europe) (17 July).</p>	<p>Many construction projects in Latin America are still proceeding, with most of the countries and regional authorities <u>classifying construction as 'essential'</u> (cf. Construction Europe) (17 July).</p>
Argentina	<p>Argentina was already in a recession before the coronavirus impact, and the one-year outlook is dark. Financial instability in Argentina is mostly the result of deep and prolonged fiscal and external deficits, but the situation is exacerbated by contagion from international financial conditions, where sentiment is turning wary of risks in emerging markets. Covid-19 will deliver a blow to the already ailing economy, especially on private-sector consumption. The risk of further limitations of non-essential services and production is high and the expected decrease in foreign direct investment due to the global crisis will increase the downward pressure on economic activity.</p>	
Brazil	<p><u>Brazil has now overtaken Italy as the country with the third-highest number of fatalities in the world from Covid-19</u>. At the time of this regional report, Brazil's official death toll was approximately 37,000 with more than 690,000 infections – the second highest number in the world behind the US. The country was facing criticism for its recent decision to only report cases and deaths in the past 24 hours, no longer giving a total figure as most countries do. In Rio De Janeiro restrictions on the use of beaches and commerce have been partially relaxed.</p>	<p>Brazilian construction had a 2.4% retraction in the first quarter of 2020, <u>compared to the last quarter of 2019</u>. In comparison with the first quarter of last year, the drop was 1%.</p> <p>Informal and family-based construction carried out by small companies represents approximately 40% of the total sector in Brazil. This segment of the market had an almost complete stoppage, due to the very sharp drop in the level of income and a large increase in unemployment. The largest construction companies kept their construction sites open because the activity was considered essential by the government. However, the work rate has decreased, with layoffs and the suspension of workers who are in high risk groups.</p> <p>The level of construction employment fell sharply in the country. Between March and April, 13.2% of the construction workforce lost their job in</p>



		Brazil. With all this, the Getúlio Vargas Foundation predicts that the GDP of construction in Brazil will fall by 11% in 2020.
Chile	The <u>Bank of Chile recently announced that the Monthly Economic Activity Index (IMACEC) fell by 14.1% in April</u> , compared with the same month a year earlier, signaling that the economic impact of Covid-19 will be much worse during the second quarter of 2020.	It is expected that <u>construction and mining will be badly hit – up until around April these sectors hadn't been as affected as industries such as education, transport, restaurants and hotels</u> . GlobalData expects Chile's construction industry to contract by 4.5% this year, down from the previous projection of -3.0% in April's update, and that with the arrival of the southern hemisphere winter, Chile is bracing for a peak in cases. Especially lockdown restrictions in Santiago have forced many construction projects, especially in the housing market, to be temporarily halted.
Colombia		There are <u>more than 1,900 housing projects that have shut down due to the worldwide health crisis</u> , according to the Colombian Chamber of Construction (Camacol). In February, construction generated 255,000 new jobs in Colombia, consolidating itself as one of the most important sectors within the national labour market. Likewise, the industry had been generating around 1.7 million indirect jobs. The National Association of Financial Institutions has already estimated that this year, the Colombian economy will see, at best, only modest growth due to the economic effects of the crisis. One of the sectors expected to see some of the greatest difficulty is construction, which could have growth of 1.6% in a base scenario and -0.1% in a less optimistic scenario (17 July).
Peru	Peru has <u>the second highest number of infections in Latin America</u> with around 180,000 followed by Chile with 114,000 (17 July).	
NORTH AMERICA		
Facts/Measures for Construction		
USA	<u>Senate Republicans have unveiled their opening proposal to begin negotiations with Democrats on a new coronavirus relief package</u> . The Associated General Contractors of America (AGC) praised several provisions in the proposal, announced on July 27, including protection for employers from coronavirus-related lawsuits, an expanded tax credit for companies that retain workers and another round of funding for a recalibrated Paycheck Protection Program of forgivable federal loans (cf. ENR) (27 July).	

AFRICA	
	General Facts/Measures
West Africa	<p>The <u>IMF 2020 outlook for sub-Saharan Africa is considerably worse than was anticipated in April and subject to much uncertainty</u>. Economic activity this year is now projected to contract by some 3.2%, reflecting a weaker external environment and weaker measures to contain the COVID-19 outbreak. Growth is projected to recover to 3.4% in 2021. The efforts to support the African economy have been constrained by falling revenues and limited fiscal space (24 July).</p> <p>State by State Overview:</p> <ul style="list-style-type: none"> • Burundi: <u>The Executive Board of the International Monetary Fund (IMF) approved a grant under the IMF’s Catastrophe Containment and Relief Trust (CCRT) to cover Burundi’s debt service falling due to the IMF from July 21, 2020 to October 13, 2020, the equivalent of US\$ 7.63 million (SDR 5.48);</u> • Chad: <u>IMF Executive Board Approves an Additional US\$68.49 Million Disbursement for Chad and Notes Cancellation of its Extended Credit Facility (ECF) Arrangement (22 July).</u>



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