Confederation of International Contractors' Associations (CICA)
Strategic Watch: COVID-19 Overview by country and region (situation at October 7, 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 41

Country/Region	Measures for Construction
MONDE	
	The global construction industry is well into its COVID-19 recovery, spending-wise, from a low point in the first half of 2020 as the pandemic shut down construction sites and economies contracted sharply. While the industry is recovering, developed and developing countries are doing so at different rates (cf. ENR) (30 September).
EUROPE	
Netherlands	Construction company Royal BAM Group has announced a major restructuring programme in order to mitigate lower revenue caused by Covid-19 and selective tendering. In a press release BAM said that it expects this programme to result in cost savings of €100 million (US$117 million) annually and that the majority of savings will come from headcount reductions. The executive committee at Royal BAM group announced in July plans to wind up its BAM International subsidiary, the company that operates outside of BAM's European home markets after an expected loss of between €130 million (US$152 million) and €150 million (US$176 million) in its half-year results. Subject to the outcome of the discussions with works councils and trades unions, BAM expects to implement the programme in the next six months, leading to significant savings already in 2021 (cf. Construction Europe) (1 October).
United Kingdom	An increase in house-building activity underpinned a strong overall rise in UK construction activity in September, the latest monthly survey of purchasing managers suggests. September 2020 saw the sharpest rise in new business since before the pandemic-induced lockdown, the survey found, with firms increasing their purchasing activity at the quickest pace for nearly five years. Optimism appears at its highest since before the virus hit. Housebuilders registered a sharp expansion in activity for the fourth month running. Work undertaken on commercial projects also rose strongly, increasing at quickest pace for over two years. But civil engineering activity fell for the second month running and at the sharpest rate since May. New orders (housebuilding) rose for the fourth time in as many months. On the employment front, staff numbers continued to fall in September, but the rate of workforce contraction eased to its slowest for seven months. Cost burdens continued to rise. Finally, confidence towards the 12-month business outlook was the strongest since February. Optimism was supported by expectations of a sustained rise in new work (5 October).

	General Facts & Measures
Central, Eastern, and Southeastern Europe	The European Bank for Reconstruction and Development (EBRD) has wound back forecasts for the emerging economies where it invests, after measures to contain the impact of the coronavirus which lasted for longer than previously anticipated. The EBRD is now forecasting an overall contraction across its economies of 3.9% this year, and a return to growth next year of 3.6%. In comparison, the previous forecasts published in May had projected a 2020 decline of 3.5% and a stronger recovery of 4.8% in 2021. Output in the EBRD regions contracted sharply in the second quarter of 2020 by around 8.2% year on year. In many economies the contraction was larger than declines seen during the global financial crisis. The speed of recovery is expected to be similar to the one observed in the aftermath of that crisis, with pre-pandemic levels of GDP returning towards the end of 2021. EBRD economies have seen pressure on supply and demand because of domestic measures to contain the pandemic, while external shocks have included low commodity prices, shrinking exports, a collapse in tourism and drops in remittances. The Bank's latest set of forecasts are subject to a high level of uncertainty and are dependent to some extent on the accuracy of early estimates of growth in the first half of 2020. Exports from EBRD regions were down by over 14% in the first half of 2020, compared with the same period of 2019. International as well as domestic tourism fell sharply, with international tourist arrivals to the EBRD regions down by some 65% in the first six months, compared with the same period a year earlier. • **Eastern Europe and the Caucasus:** Remittances fell by 29% year on year in the second quarter of 2020, relative to the same period of 2019, similar to the decline seen during the global financial crisis. GDP in the region is expected to fall by 4.5% in 2020, recovering somewhat to 2.5% growth in 2021; • **Central Asia:** Economies are likely to contract by 3.3% on average in 2020, with the **Kyrgyz Republic and Mongolia** most severely affected. Assuming a partial recovery in tourism and some improvements in the external environment, the region could see growth of around 3.2% in 2021; • **Central Europe and the Baltic states:** Output is expected to drop by 4.4 % in 2020, with a recovery of 3.5% seen in 2021. That forecast assumes a gradual normalization of activity, some recovery in external demand and a boost from European Union funds; • **Western Balkans:** Output is projected to fall by 5.1% in 2020 due to a collapse in tourism, in **Albania and Montenegro**, disruptions in global supply chains and lower industrial output, declines in foreign direct investment inflows and remittances. GDP growth could recover to 3.4% in 2021; • **Russia:** GDP is expected to shrink by 4.5% in 2020 as a result of the Covid-19 crisis and a drop in oil prices. The introduction of the National Plan for Economic Recovery has helped mitigate some of the negative effects. A rebound of 3.0% is expected in 2021, conditional on some recovery in oil prices; • **Turkey**: The economy is expected to contract by 3.5% in 2020, following a fall in external demand which led to a collapse in exports. Domestic lockdowns and supply chain restrictions hurt the services and manufacturing sectors. GDP growth could pick up to 5.0% in 2021.

NORTH AMERICA	
	Facts/Measures for Construction
Canada	Canadian leaders are pushing a US$7.5 billion infrastructure plan to boost an array of renewable energy initiatives and jump start job growth amid the country's coronavirus downturn. Prime Minister Justin Trudeau announced that the Canada Infrastructure Bank, criticized for what has been considered a sluggish pace of investment commitments since its 2017 launch, will take the lead on the new initiative. The new investment plan, which targets projects that can be more quickly started, also comes as the government struggles to make progress on its existing US$135 billion, 12-year infrastructure spending program. Leading into the COVID-19 crisis, the amount of money committed to projects around the country under that program that begun in 2016 had consistently lagged projections. The latest initiative of the US$7.5 billion plan, which should spur creation of 60,000 jobs, won generally good reviews from engineering and construction industry leaders. Investment will focus on renewable energy and building efficiency, but concerns are raised over lack of core infrastructure targeted by the plan. The latter does for example not include larger construction investments in ports and transportation. The plan however does include US$1.5 billion for broadband extensions to hook up 750,000 Canadian homes and small businesses to the internet, with another US$1.1 billion for irrigation projects to expand food production and explore export opportunities. In sum, the program largely targets green projects — with US$1.9 billion for renewable generation and storage projects; US$1.5 billion for energy-efficiency building retrofits; and US$1.1 billion for zero-emission buses and charging infrastructure. The US$7.5 billion investment program represents about one-third of the federal seed money controlled by the bank, whose mission is to leverage that commitment to attract larger amounts of private investment capital into public infrastructure projects. The Canadian Construction Association (CCA) calls the new plan a promising step. But it also seeks more "urgency" by the federal government and the infrastructure bank "in tendering the projects and a swift flow of funds"— a criticism that reflects long-standing concern that red tape and excessive regulation holds back Canadian infrastructure spending plans. CCA says the plan does not include money for needed works on roads and bridges, adding that oil and gas regions appear left out of the spending plan (cf. ENR) (4 October).

	General Facts & Measures	**Facts/Measures for Construction**
United States	The US is now the worst-affected country by the pandemic, with more than 7.2 million diagnosed cases and at least 207,789 deaths. California has the most cases of any U.S. state, with more than 822,000 people diagnosed, according to Johns Hopkins data. California is followed by Texas and Florida, with over 776,000 cases and over 709,000 cases, respectively. The House of Democrats passed a US$2.2 trillion relief package on Thursday night, while the White House has offered a US$1.6 trillion bill. Both sides have found common ground on policies including direct payments to Americans, small business loans, and aid to airlines to help	**Download the State by State Coronavirus status updates (cf. ENR)** The House has approved a bill that aims to encourage airport incentive payments to contractors to expedite runway upgrades and other infrastructure. Under the legislation, which the House passed on Oct. 1, incentive payments of up to US$1 million would become an eligible use of federal Airport Improvement Program (AIP) grant funds. The measure, however, does not authorize increased AIP funding, which totaled US$3.35 billion in fiscal year 2020. Under the proposed legislation, it would be up to individual airport authorities to use the incentives. The Airports Council International-North America (ACI-NA) and American

	cover payroll and prevent tens of thousands of furloughs. Topics of dispute include unemployment insurance (Democrats have proposed US$600 per week in extra benefits, while the White House has supported US$400 weekly) and relief for states and municipalities (Democrats have offered more than US$400 billion, higher than the US$250 billion proposed by the White House). Speaker Pelosi and Treasury Secretary Steven Mnuchin are continuing to have discussions and negotiations (1 October).	Association of Airport Executives (AAAE) welcomed the House action. They said in a joint statement that the measure would permit airports to incentivize the early completion of critical infrastructure projects. The Associated General Contractors of America also supports the bill. But the airport organizations' more pressing legislative priority is securing additional help from Congress to cushion the severe pandemic-induced financial blows being experienced by the travel industry. The revised coronavirus relief bill that the House approved on Oct. 1 includes US$13.5 billion for airports. ACI-NA reported that the U.S. commercial airports' total debt is about US$100 billion and that airports face US$7.4 billion in debt-service obligations. Negotiations between House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin on a coronavirus relief package are continuing (cf. ENR) (6 October).

MIDDLE EAST

	Facts/Measures for Construction
Egypt	According to the EBRD, Egypt is likely to escape recession in the 2020 calendar year, with projected growth of 2.0% supported partly by large public construction projects and a boom in the telecommunications sector.

PACIFIC

Australia	A total of AU$7.5bn (€4.6bn) of new investment in transport infrastructure has been announced in the latest Australian budget. The extra funding is intended to boost the national economy, deliver safer roads and create thousands of jobs as part of the federal coalition's Covid-19 economic recovery plan. The funding set out on October 6 in the budget builds on a series of infrastructure investments in response to the Covid-19 pandemic. These now total more than AU$11.3bn (€6.8bn) (6 October).

Multilateral Development Banks (MDBs) and other international organizations

World Bank	US lawmakers raise financing concerns about World Bank's fund for low-income countries, the International Development Association (IDA). Rep. Maxine Waters, chairwoman of the House Financial Services Committee, and Sen. Patrick Leahy, vice chairman of the Senate Appropriations Committee, sent a letter last month (September) asking that the office analyzes IDA's financing model, financial viability, and risk management. The question arises whether the IDA would be able to sustainably increase financing volumes to meet the greater needs of countries coming out of the global crisis. By using the money that donors contribute as leverage to issue bonds, IDA has been able — in its last two replenishment rounds — to significantly increase its resources, without significantly increasing its demands on donors. Raising funds in capital markets poses risks for IDA as well as for borrower countries particularly considering the devastating impact of the Covid-19 pandemic on the global economy. The letter does not criticize

	the bank's decision to raise funding for IDA through the capital markets but requests a review to generate more information that can help the U.S. Congress perform its oversight duties and to prepare for the upcoming negotiations over IDA's next replenishment. The lawmakers' concern is that if more countries experience debt distress due to Covid-19 and other financial pressures, they could struggle to repay their IDA loans. Since those repayments are part of IDA's resource base, and if donor contributions stagnate or even decline, they note that the fund could struggle to maintain its level of concessional lending to low-income countries. If IDA does not achieve its financing projections because recipient countries struggle to repay their IDA obligations, then member countries — including the United States — will likely need to increase their contributions in future replenishments simply to sustain lending volumes. The lawmakers added that this kind of increased demand on donors could conflict with the White House's plan to reduce U.S. contributions to replenishments at multilateral development institutions — which it justifies, in part, by pointing to IDA's ability to borrow from the markets instead (October).
IMF	An International Monetary Fund (IMF) report has recommended that governments invest in infrastructure spending as a response to Covid-19. The IMF's most recent *Fiscal Monitor* publication said investment in infrastructure would prepare economies for the transition to the post-Covid-19 world and help create jobs. Increasing public investment by 1% of GDP could strengthen confidence in the recovery and boost GDP by 2.7%, private investment by 10%, and employment by 1.2%. The IMF said public investment can generate, directly, between two and eight jobs for every million dollars spent on traditional infrastructure, and between five and 14 jobs for every million spent on research and development, green electricity, and efficient buildings. The organization added that, because projects take time to implement, countries should ramp up infrastructure maintenance. According to the IMF, even before the pandemic public investment had been weak for more than a decade. Investment would now be urgently required in sectors critical to controlling the pandemic, such as health care, schools, safe buildings, safe transportation, and digital infrastructure. The IMF said low interest rates were a signal that the time was right to invest in quality infrastructure projects (6 October).

DOWNLOAD FULL OVERVIEW HERE