**Confederation of International Contractors' Associations (CICA)**

**Strategic Watch: COVID-19 Overview by country and region (situation at October 28, 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 44

| **Country/Region** | **General Facts/Measures** | **Facts & Measures for Construction** |
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| EUROPE | | |
| | Faced with the resurgence of the Covid-19 pandemic in Europe, the 27 Member States of the European Union are taking new restrictive measures. Among them the declaration of the state of health emergency in Spain and France or partial lockdowns in Ireland, Belgium and Italy.<br><br>According to the latest International Monetary Fund's (IMF) Regional Economic Outlook for Europe a 7% decline in Europe's GDP in 2020 is forecasted. The recovery from this crisis will be uneven and partial. While real GDP is projected to rebound by 4.7% in 2021, it would still be lower by 6.3% for 2021 relative to pre-pandemic projections, implying a GDP loss of almost 3 trillion euros. Much of this loss will not be recouped over the medium term. The average size of announced discretionary fiscal measures for 2020 was 6.2% of GDP for Europe's advanced economies and 3.1% of GDP for its emerging economies. For the EU economies, the IMF estimates that without the policy actions and the strong EU support, economic activity might have been an additional 3-4 percentage points of GDP lower in 2020 (22 October). | The European Construction Industry Federation (FIEC) has forecast an 8.5% fall in EU construction activity in 2020 and warned that the situation could worsen in 2021. In its annual statistics report issued in early October, the association said the final months of 2020 would be critical for the industry as new projects were expected to decline during the Autumn (*The UK is excluded from the report*). Recovery packages would be needed to support households and private companies in their recovery and to increase the share of public investments in construction, which is deemed essential to restore the entire economy's health, thanks to the multiplier effect that construction provides. The report reveals that total investment in construction in the EU27 amounted to €1,324 billion, which represented 9.5% of EU GDP and year-on-year growth of 2.6% (19 October). |
| **Portugal** | Portugal's government predicted that the country's GDP, projected to fall by 8.5% in 2020 – the worst recession in nearly a century – will bounce back with 5.4% growth in 2021.<br>Exports are expected to increase by 10.9% after a 22% drop in 2020, with investment expected to grow 5.3% after this year's 7.4% fall.<br>In 2019, the economy grew 2.2%, helping Portugal to reach its first budget surplus in 45 years, equivalent to 0.1% of GDP (cf. Euractiv) (22 October). | Portugal's prime minister announced €43 billion of public infrastructure investment, including a high-speed rail link between Lisbon and Porto, to be carried out by 2030. Investments will focus on transport and energy with a total of €21.7 billion earmarked for transport projects and €13 billion directed towards clean energy projects largely centered around hydrogen production. The much-anticipated high-speed rail connection is |

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| | | | projected to cost €4.5 billion, with another two billion euros set aside for expansion of deep-water ports in Sines, Leixoes and Lisbon.<br>The plan, already approved by parliament, is due to be implemented from January 1, 2021, financed with €12 billion from the national budget, another €12 billion from European structural funds, €3.3 billion from recovery funds and €14.2 billion from private investment (cf. Euractiv) (22 October). |
| LATIN AMERICA | | | |
| | **General Fact & Measures** | | |
| **Whole region** | COVID-19 has hit Latin America and the Caribbean harder than other parts of the world, both in human and economic terms. With only 8.2% of the world population, the region had 28% of cases and 34% of deaths by end of September. The IMF's new Regional Economic Outlook: Western Hemisphere projects a real GDP contraction of 8.1% in 2020. Unlike in previous recessions, employment contracted more strongly than GDP in the second quarter of 2020, 20% on average for the five largest countries, and up to 40% in Peru.<br><br>Economic activity started to rebound in May. Some countries (Brazil, Costa Rica, Uruguay) experienced less pronounced contractions and by July were back, close to their January trends. Many countries, especially in Central America, were helped by a strong rebound in remittances and exports, together with low oil prices. Other countries, for example Ecuador and Peru, experienced relatively large collapses and activity still remained subdued in July. Dependent on tourism for anywhere between 20 to 90% of GDP and employment, Caribbean countries were the hardest hit.<br><br>The recovery is expected to be protracted. The IMF's forecast for growth is of 3.6% in 2021. Most countries will not go back to pre-pandemic GDP until 2023, and real income per capita until 2025, later than any other region (22 October). | | |
| NORTH AMERICA | | | |
| | **General Facts/Measures for Construction** | | |
| **United States** | **Download the State by State Coronavirus status updates (cf. ENR)**<br><br>The US construction and industrial outlook is challenged as a result of the global pandemic, but there are bright spots including residential construction, as well as a general expectation for some sectors to see improvement as soon as next year. Specifically, total US construction is expected to decline 2% in 2020 and 3% in 2021 as uncertainty persists until the Covid-19 pandemic is brought under more control.<br>• **US residential construction**: has increased back to about where it was in 2019, despite high unemployment. Residential construction is likely to increase by 4% this year, then increase by 2% in 2021 before declining by 1% in 2022;<br>• **US nonresidential construction**: is predicted to decrease 10% in 2020 and decline another 10% in 2021;<br>• **Transportation sector**: with major declines in consumer spending, manufacturing, agriculture, mineral resources, and international trade, the transportation sector is to decline by 9% this year, but to then increase by 4% in 2021 and by 7% in 2022; | | |

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| | • **Air traffic**: should see the largest output decline in 2020 at 25%. Despite expectations for 9% growth in 2021 and an 18% increase in 2022, the air transportation industry should not see a return to pre-pandemic levels until 2023 at the earliest;<br>• **Oil and gas market**: has experienced severe disruptions in 2020. Prices might increase in 2021, but there are concerns over Saudi Arabia and Russia pressing more oil into the market. Some theorize that if Joe Biden is elected president, he will push to end plans for more drilling on federal lands, further disrupting the market (cf. Construction Europe) (26 October). |
| MIDDLE EAST & NORTH AFRICA, AFGHANISTAN & PAKISTAN (MENAP) + CAUCASUS & CENTRAL ASIA | |
| | **General Fact & Measures** |
| | The precipitous declines in oil demand and prices underlie the IMF's -6.6% growth projection in 2020 for oil exporters in the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region. The Caucasus and Central Asia (CCA) is also impacted, with a projected contraction of -2.1% in 2020, driven by a significant slowdown among the region's oil importers. While geopolitical tensions are high, countries in the region are encountering falling fiscal revenues, increasing debt, higher unemployment, and rising poverty and inequality. Looking ahead to 2021, while growth should resume in most countries, the outlook will continue to be challenging:<br>• Weak oil demand and large inventories are likely to remain concerns for oil exporters, and while OPEC+ agreements helped stabilize oil prices, these are expected to remain 25% below their 2019 average;<br>• Long-term losses to growth, employment, and incomes are key concerns. It is estimated that five years from now countries could be 12% below the GDP level expected by pre-crisis trends. For countries that depend heavily on the tourism sector, both baseline GDP and employment could go down by 5 percentage points this year, with effects lingering over the next 2-5 years, while poverty could rise by more than 3½% in 2020 if remittances do not rebound;<br>• The pandemic will exacerbate the challenges faced by fragile and conflict-affected states and could increase social unrest. Poor living conditions among refugees and internally displaced persons could also increase the risk of Covid-19 outbreaks;<br>• Rising deficits will boost financing needs in the region by a median increase of 4.3% of GDP;<br>• The crisis has heightened corporate default risk and credit risk for banks in the region, with potential losses that could amount to US$190 billion or 5% of GDP. If unaddressed, these developments may threaten financial stability and constrain the endeavor for greater financial inclusion (22 October). |
| AFRICA | |
| **Sub-Saharan Africa** | In the IMF's latest Regional Economic Outlook, a -3% growth in sub-Saharan Africa's GDP in 2020 is projected, representing the worst outcome on record for the region. The drop will be even larger for economies dependent on tourism and commodity exports. Growth in the region should rebound modestly in 2021 to 3.1%, but for many countries, a return to 2019 levels won't occur until 2022–24. Sub-Saharan Africa faces additional financing needs of US$890 billion through 2023. Private financial flows are expected to fill less than half of that need, while current commitments from international financial institutions and bilateral donors will cover only one-quarter of the need. Under that scenario, the region still faces a projected financing gap of US$290 billion through 2023. |