Confederation of International Contractors' Associations (CICA)
Strategic Watch: COVID-19 Overview by country and region (situation at March 17, 2021)
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 11

Country/Region	Facts & Measures for Construction
WORLD	
World	The IMF recently projected global GDP growth at 5.5% in 2021 and 4.2% in 2022. But it is going to be a long and uncertain ascent. Most of the world is facing a slow rollout of vaccines even as new virus mutations are spreading — and the prospects for recovery are diverging dangerously across countries and regions. **FIDIC** FIDIC is monitoring the impact of the Covid-19 pandemic on consulting engineering firms. Information was gathered in a survey in February 2021 among 54 senior leaders in 21 countries representing firms ranging in size from less than 10 to over 10,000 employees *(This sample is by no means statistically balanced with respect to firm size or geography. The generalizations made in the observations are based on aggregated information without attempting to account for exceptions)*. **Business Volume** Comparing current business volume with pre-Covid volume, only six respondents report an increase (averaging 9%), whereas 27 report a decrease (averaging 21%) and 21 report no change. Of those reporting an increase, three are in Canada, and one each in Italy, South Korea and Spain. Several firms in Japan and South Korea note a decrease in overseas work that is offset by an increase in domestic work. It is notable that business volume has declined for almost all firms that depend solely on the private sector for their business and several respondents comment that government infrastructure stimulus programs are the reason they are able to maintain stable business volumes. Many firms, even those with increased revenues, are viewing the future with caution, fearing that declining national tax revenues and ballooning deficits will eventually dampen enthusiasm for stimulus programme funding. Firms that report a decrease in business volume are employing a variety of measures including reduced hours, temporary and permanent layoffs, early retirements, not replacing departing employees, reducing part-timers, accelerating delivery dates and transferring work between business units, thereby achieving some cross-training while bearing the expense of lower productivity. Some countries, such as Malaysia and South Africa, are particularly hard hit, having to reduce fees and reduce salaries due to increased price competition. In New Zealand, firms with strong financial reserves are funding their shortfall by using the spare time for staff training, confident that business will recover.

Even firms that report an increase in business volume are cautious about hiring and instead are increasing staff hours, increasing outsourcing to freelancers and deferring project delivery dates when possible. The overall result is that, while the consulting engineering sector has been less impacted by Covid than most sectors of the economy, job prospects for new engineering graduates are relatively poor and likely to continue so.

Business profitability

When comparing current profitability with pre-Covid, 12 respondents report an improvement averaging 12%, 23 report a decline averaging 34%, and the remainder report no change.

Business-related best practices

The practices that firms found to be successful were:

- Train managers in remote recruitment, interview and on-boarding techniques;
- Daily project team meetings;
- Invest in leading-edge online equipment, technology and training for all staff;
- Provide staff working from home with the best technical equipment, software, connectivity and technical support;
- Continue emphasis on the wellbeing of staff, even as the Covid pandemic declines;
- Use an established work-from-home policy as a recruitment tool, especially for parents of young families;
- Increase emphasis on technical mentoring of staff;
- Increase attention to maintaining client relationships;
- Revise travel policies and strategies;
- Provide online access for clients to project files;
- Upgrade proposals to incorporate online communications, tools, technology and strategies in the project methodology;
- Build Covid best practices into project safety programmes;
- Embrace online technologies such as Agile Management and Wikinomics;
- Continuously refine Covid-related business practices to make them more efficient than pre-Covid practices so that they can be adopted permanently;
- Retain a high level of corporate equity as a rainy-day fund for future pandemics and other unforeseen crises;
- Centralize quality control documentation and automate identification of non-conformances.

Less successful initiatives were:

- Construction site inspection work via remote imagery; there is no substitute for having eyes on site;
- Maintaining the trust of clients in spite of a reduced workforce; in retrospect, it would have been better to suffer the cost of maintaining underutilised staff;
- Imposing the same project practices template on everyone; project managers must be given freedom to use their judgment;

	• Imposing a too rigid schedule for work-from-home versus work-from-office; some people need the office more than others, and some projects need in-person collaboration more than others; • Some senior staff simply cannot adapt well to online technology and need more support than others; • For projects that require public consultation, or consultation with unsophisticated stakeholders, group meeting online technology is not satisfactory; online consultations must be held with smaller groups or socially distanced with individuals. This requires more effort and time, and therefore higher fees; • Too much emphasis on openness and meetings; there needs to be time to carry out the work too; • Some home internet connections are not adequate for large file transfers (cf. FIDIC) (12 March 2021).
EUROPE	
Whole region	Construction activity in the eurozone continued to fall in February 2021. The decline in new orders quickened and employment levels fell, albeit at marginal pace according to the IHS Markit Eurozone Construction PMI survey. Eurozone construction firms reported a sustained downturn in activity during February. Meanwhile, incoming business fell at the fastest pace since November 2020 as appetite for new construction projects remained subdued. With activity and sales falling further, firms across the bloc reduced employment levels once again, extending the current period of job shedding to 12 months. That said, the pace of decline was only marginal and the softest in the current sequence. Moreover, eurozone constructors were increasingly optimistic about the year-ahead outlook for activity, as confidence rose to its highest level since February 2021. Positive sentiment was underpinned by hopes that the pandemic would recede further and induce a wider recovery in both private and public sector construction. By country, France and Germany continued to report further declines in construction activity, with the latter signaling the steepest fall since May 2020. Meanwhile, Italian firms registered the strongest rate of activity growth since October 2018. The downturn was broad-based across the three monitored subsectors, with **the sharpest decline recorded in civil engineering activity**, followed by **commercial construction**. Work undertaken on housing by eurozone construction firms decreased further in February 2021. The decline marked the twelfth consecutive monthly fall in activity although the pace of contraction eased slightly from that seen in January 2021 (4 March 2021).
ASIA	
Whole region	Asian economies are performing better than expected. The IMF's latest World Economic Outlook Update, upgraded the growth estimate for 2020 by 0.7 percentage point from its previous forecast in October, to a contraction of 1.5% — in regional terms, a better outcome than other parts of the world. This is largely driven by stronger-than-expected performance among advanced economies in the region, as well as some large emerging market economies such as China, India, Malaysia, and Thailand.

	Growth outturns in the fourth quarter and higher-frequency economic indicators for industrial, trade, and retail activity point to a strengthening recovery. Output is projected to grow by 7.3% in 2021 and 5.3% in 2022 but, even if such a reality materializes, output losses from the pandemic will be significant, nonetheless. The aggregate figures mask an enormous range of output losses across economies, from close to zero in China, Japan, and Taiwan to more than 20 percentage points in the Philippines and even 30 points in East Timor. The divergence is especially sobering for the Pacific islands and other low-income countries in the region, where lives and livelihoods will depend on additional international support. **Overview of Covid-19 pandemic management in Asia** • **Effectiveness of containment measures and the human toll of the disease**: The early implementation of stringent containment measures—such as in **Australia and Vietnam** — proved crucial in flattening the pandemic curve, ensured that medical systems were not overwhelmed, laying the foundation for the recovery. Meanwhile, the rollback of containment measures only after the stabilization of outbreaks and establishment of strong testing and tracing regimes — for example, in **China and Korea** — were key to boost confidence and pave the way for a stronger rebound in economic activity and better health outcomes. • **The magnitude and effectiveness of policy support**: Extensive monetary and fiscal support — **Japan and New Zealand** — has helped to mitigate the economic effects of containment measures and facilitated the resumption of activity. Fiscal measures targeted at the most vulnerable households (for example, consumption coupons in **Korea** and cash transfers to casual workers in **Australia**) also helped support incomes while affected workers remained at home during lockdowns, reducing the number of infections and laying the ground for higher medium-term growth. • **Countries' economic structure, including the dependence on tourism and contact-intensive service sectors**: Containment has hurt all sectors, but tourism has been affected the most. Given the employment composition in the tourism sector, informal and migrant workers, particularly women and youth, have suffered disproportionately from diminished opportunities and lack of access to social safety nets. These effects have been particularly important for the **Pacific islands** and other countries heavily reliant on tourism, such as **Cambodia, the Philippines, and Thailand**. • **Other structural factors such as informality have exacerbated the economic cost of lockdowns and weighed on the recovery**: In the **Philippines**, the high concentration of economic activity in the Manila metropolitan area, weak transportation infrastructure, low capacity in the health sector, poverty, and a high share of informality, have together significantly complicated enforcement of containment measures and the ability to provide targeted support to the most vulnerable (cf. IMF) (February 23, 2021).
Azerbaijan	A report from research and analysis company GlobalData indicates that the construction industry in Azerbaijan will grow by 9.1% over the course of 2021. While the industry's output was said to have shrunk by 15.2% in real terms in 2020, GlobalData's report reveals that investments in the infrastructure and oil and gas sectors will drive a significant rebound. According to GlobalData, the country's government is expected to invest AZN24.7 billion (€12.1 billion) in its oil and gas industry over the next four years. While the Azerbaijani government is due to pump AZN6.7 billion (€3.2 billion) into the sector this year, it has also established plans to drive

	growth in other areas. GlobalData reports that the government's plan to strengthen its non-oil sectors through an increase in Foreign Direct Investment (FDI) should also attract investments in the infrastructure and industrial sectors in the short and medium term. The government plans to increase the share of non-oil FDI from 2.6% of GDP in 2017 to 4% by 2025. The country's construction industry was also declining by 6.1% and 8.8% in 2019 and 2018 respectively. In addition to the "dual shock" created by the Covid-19 pandemic and a collapse in oil prices, 2020 also saw the country suffer a violent conflict with Armenia. In September 2020, a longstanding dispute over the Nagorno-Karabakh enclave reignited, resulting an armed battle between the two ex-Soviet nations. While a truce was brokered by Russia after 44 days, the war is reported to have cost several thousand lives. Following the signing of the peace deal between Armenia and Azerbaijan over the disputed territory of Nagorno-Karabakh however, the government is targeting increased investments in the liberated region, according to GlobalData. The 2021 budget is reported to include an allocation of AZN2.2bn (€1.09 bn) for the restoration and reconstruction of the liberated territories. These funds will be used to restore infrastructure in the road, electricity, gas, water, communication, education and healthcare sectors, along with the restoration of cultural and historical monuments (cf. Construction Europe) (03 March 2021).
India	India's annual budget has given a boost to the country's construction industry, with overall infrastructure spending set to increase by over 30% and the establishment of a new Development Finance Institution (DFI) called the National Bank for Financing Infrastructure and Development. The new institution has a starting capital of approximately US$2.7 billion and will be used to help fund large-scale infrastructure projects. The Indian government also announced another 19,500km of road and highways construction projects to be awarded by March 2022, aiming to build road connectivity and boost the economy. With the government focusing on infrastructure to drive the economic growth, the construction industry is expected to rebound by 14.5% in 2021, according to GlobalData. Apart from the planned federal capital expenditure, the government has also committed to provide US$27 billion to the states and autonomous bodies for capital expenditure in their respective areas. Reflecting how seriously the government wants to give the economy a jumpstart to recover from the Covid-19 crisis, capital expenditure will be at a decade-high of 15.9% of the overall budget. Another important step is the launch of a national 'Asset Monetization Pipeline', which will monetize the assets and boost financing for the infrastructural segment through the sale of toll roads, oil and gas pipelines and power transmission lines (cf. Construction Europe) (05 February 2021).
Indonesia	After several years of strong growth, Indonesia's GDP fell 2.1% in 2020. While large, this downturn was smaller than other countries in the Asia-Pacific region, reflecting less stringent containment measures and lower dependence on highly impacted sectors like tourism. In a new Country Focus, the IMF shows that the country would have the firepower to boost its economic recovery.

	To start, Indonesia's comprehensive response to the pandemic was crucial in preventing a deeper downturn. The National Economic Recovery Program aimed at strengthening health care capacity and providing financial support to vulnerable households and businesses. The central bank supported these efforts by purchasing government bonds in the primary market, an exceptional but appropriate and temporary move that has ensured financial market stability according to the IMF. To support this plan, Indonesia temporarily suspended its pre-pandemic budget deficit ceiling of 3% of GDP until 2023. Considering the relatively low public debt ratio and the ongoing recovery, the envisaged return to it should be gradual and complemented by a well-specified, medium-term fiscal strategy (3 March 2021).
NORTH AMERICA	
Canada	A coalition of construction sector associations have formed the Building for Recovery coalition to urge the Canadian federal and provincial governments to deliver on infrastructure investments. The coalition includes Associated Equipment Distributors (AED), the Canadian Construction Association (CCA), Association of Consulting Engineering Companies – Canada (ACEC – Canada), and the National Trade Contractors Council of Canada (NTCCC). The Building for Recovery coalition was developed to encourage individuals working in and supportive of the construction sector to send a letter to their local representative at both the federal and provincial levels, asking for support to deliver infrastructure investments to help rebuild the Canadian economy in the wake of Covid-19. Despite billions of dollars of existing infrastructure commitments, these investments have been slow to roll out. Infrastructure Canada's website shows that of the nearly 17,000 approved projects, fewer than 900 have received funding according to the President and CEO of ACEC – Canada. While rebuilding Canada's economy from the pandemic's impacts will require a comprehensive stimulus plan, investing in infrastructure has a proven return on investment. According to the Public Policy Forum, for every dollar invested in public infrastructure, governments can expect to see a retum of two to four dollars (cf. ENR) (08 February 2021). **Vaccines** Ontario is rolling out Covid-19 rapid antigen testing at construction sites across the province to quickly determine Covid-19 infection, with building contractor EllisDon piloting the effort in late 2020 at its sites. The firm is now doing 8,000 rapid antigen tests a week at various construction sites across Ontario, including at The Well mixed-use project in Toronto, the province's largest construction project (cf. ENR) (12 March 2021).
United States	**Download the State by State Coronavirus status updates (cf. ENR)** President Joe Biden's US$1.9-trillion coronavirus relief proposal has gone on the books with a short bill signing on March 11, one day after the measure won final congressional approval. The measure has relatively little direct funding for construction or infrastructure projects, but it does provide a major injection of funds to help ailing multiemployer pension plans. Multiemployer plans are common in unionized construction (cf. ENR) (11 March 2021).

	Build Back Better Beside the US$1.9-trillion coronavirus recovery plan, the Biden administration also aims at investing in the nation's ailing bridges, roads and airports and investing billions in new projects like broadband internet through additional founding. Biden and his fellow Democrats hope to expand the definition of infrastructure beyond existing transportation architecture to include items aimed at tackling climate change and its effects, echoing the US$2 trillion, 10-year "Build Back Better" proposal floated during his campaign. That includes investments in electric vehicle charging stations, zero-emission buses and zero-carbon electricity generation by 2035. Democrats have signaled they want to invest billions in creating and refurbishing affordable housing in any package and expand broadband internet access to all Americans, particularly in rural communities (cf. Reuters) (15 March). A year after lockdowns related to the Covid-19 pandemic began, contractors are still experiencing rising materials costs, widespread supply-chain problems and continued project deferrals and cancellations, according to a member survey released March 11 by the Associated General Contractors of America. The survey included 1,489 AGC contractor-members in 25 states. AGC officials have warned that industry will have a hard time recovering unless the president and Congress act promptly. They urged for steps to be taken to eliminate tariffs on key materials, address shipping backups and boost funding for new infrastructure to help the industry recover. One year after the pandemic struck, construction firms are experiencing soaring materials costs, widespread supply-chain problems, and continuing project deferrals and cancellations, according to the new survey. • **Cost rise and delays**: 93% of the survey's respondents reported that the pandemic has driven up their costs. Four out of five are spending more on personal protective equipment, sanitizers and other health-related expenses. More than half say that projects are taking longer than previously. Costs and delayed deliveries of materials, parts and supplies are vexing many contractors. Nearly 85% report those costs have increased over the past year. In addition, nearly three-quarters of the firms are currently experiencing project delays and disruptions, mainly due to shortages of materials, equipment, or parts. Nine out of ten firms that are incurring such delays cite backlogs and shutdowns at domestic producers, such as factories, mills, and fabricators. Half of the firms also blame backlogs or shutdowns at foreign producers. • **Project cancellation**: More than three-quarters of the firms report having projects cancelled or postponed in the past year, including more than one out of five who have reported that a 2021 project has been cancelled or postponed. • **New Projects**: Only a fifth of respondents say they have won new projects or add-ons to existing projects as a result of the pandemic. • **Outlook**: In a sign that the pandemic has had very different effects on construction firms, about one-third of firms say business matches or exceeds year-ago levels, while another third say it will take more than six months to reach that mark, and a fifth say they don't know. Respondents in the northeast are the most pessimistic about the outlook, followed by firms in the south. Firms from the Midwest are split along the same lines as the full survey, while respondents in the west are more optimistic, on balance. Despite these differences in experience to date and the near-term outlook, contractors from all regions, project types, and firm sizes are almost equally bullish about their hiring expectations over the next 12 months. Across nearly all subgroups, roughly three out of five respondents expect to add employees over the coming 12 months. Only 10% to 15% of firms in any category expect to reduce their headcount (cf. The Construction Index) (12 March 2021).

Multilateral Development Banks (MDBs) and other international institutions	
G20	The G20 meeting hold on February 26, 2021 points out, that there is a major risk that as advanced economies and a few emerging markets recover faster while most developing countries will languish for years to come. This would not only worsen the human tragedy of the pandemic, but also the economic suffering of the most vulnerable. • **Per capita income**: It is estimated that, by the end of 2022, cumulative per capita income will be **13%** below pre-crisis projections in advanced economies — compared with **18%** for low-income countries and **22%** for emerging and developing countries excluding China. This projected hit to per capita income will increase by millions the number of extremely poor people in the developing world. • **Income gaps**: The convergence between countries can no longer be taken for granted. Before the crisis, it was forecasted that income gaps between advanced economies and **110** emerging and developing countries would narrow over 2020–22. But it is now estimated that only **52** economies will be catching up during that period, while **58** are set to fall behind. This is partly because of the uneven access to vaccines. Even in the best-case scenario, most developing economies are expected to reach widespread vaccine coverage only by end-2022 or beyond. Some are especially exposed to hard-hit sectors such as tourism and oil exports, and most of them are held back by the limited room in their budgets. • **Fiscal measures**: In 2020, advanced economies on average deployed about **24%** of GDP in fiscal measures, compared with only **6%** in emerging markets and **less than 2%** in low-income countries. Cross-country comparisons also show how more sizable crisis support was often associated with a smaller loss in employment. • **Employment losses**: For G20 economies alone (excluding India and Saudi Arabia due to data limitations), total employment losses are projected at more than **25 million** this year and close to 20 million in 2022, relative to pre-crisis projections (cf. IMF) (26 February 2021).
NDB	On February 26, 2021, the Board of Directors of the New Development Bank approved RMB 7 billion (approx. €1 billion) Emergency Program Loan to the People's Republic of China for Supporting China's Economic Recovery from Covid-19. The Program is to support China's priorities for economic recovery efforts in response to Covid-19, including (i) supporting the restoration of production activities in key sectors adversely affected by the Covid-19 pandemic; and (ii) supporting the measures to reinforce and sustain the achievements of early economic recovery. Following the first emergency loan of RMB 7 billion to China approved and fully disbursed in 2020, the captioned Program is the NDB's second emergency assistance loan to China in response to Covid-19. The Program will be implemented by two implementing agencies, namely the Export-Import Bank of China (EximBank) and the Agricultural Development Bank of China (ADBC). EximBank and ADBC will in turn provide financing for projects in the sectors directly and mostly hit by the Covid-19 pandemic such as trade, logistics, agriculture, health, labor-intensive infrastructure sectors, as well as innovative and high-tech infrastructure promoted by the Chinese Government to sustain recovery and to support sustainable development (02 March 2021).

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