



Since March 25, 2020

Confederation of International Contractors' Associations (CICA)

Strategic Watch: COVID-19 Overview by country and region (situation at April 21, 2021)

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

Argentina

Country/Region	General measures	Measures for construction
ARGENTINA		
Lockdown	<p>Compulsory social isolation was extended until June 7, 2020 in Buenos Aires. Health-wise, Argentina was in a rather favorable situation when compared to its neighbor countries as health measures have been put in place very early on, from March 20 (cf. MEDEF) (28 May).</p> <p><u>In late October, confinement measures were lifted.</u> Nationwide containment measures have been replaced by region-specific restrictions and schools have been allowed to reopen on a case by case basis (cf. OECD) (December 2020).</p>	<p>The <u>construction sector was practically stopped at least until 31/03</u>. Only essential works have been carried out such as expansion and improvement of hospitals. Construction activity has been very limited (around 20% still operational) due to the breakdown of the supply chain, local restrictions on the transport of inputs, difficulties in organizing work teams and very serious debt owed by the State to its contractors prior to the pandemic.</p> <p>The <u>Construction Workers Union of the Republic of Argentina (UOCRA) launched a health protocol</u> designed for Argentina's construction industry. The protocol was put up with the help of the Argentine Chamber of Construction and includes protection and prevention practices against Covid-19 issued by the World Health Organization and the country's Ministry of Health (16 April).</p> <p>The UOCRA Foundation also manufactured 3D-printed facial protection masks which were donated to hospitals in Buenos Aires.</p>
Economic outlook	<p><u>GDP was expected to decline by about 10% (latest: 11.2%) in 2020.</u> Growth was revised down as the longer quarantine in the Buenos Aires metropolitan area, a sharply weaker external demand and worse commodity prices should more than offset the fiscal support package, which remains constrained by limited financing options. Uncertainties related to the debt restructuring process continue to weigh on confidence (26 June).</p>	<p><u>Argentina's construction industry is estimated to have dropped by -31.5% in 2020, and contract further by 5% in 2021, before recovering to 2.1% in the remaining part of the forecast period (2022-2025) according to GlobalData.</u> Although the industry has been gradually recovering in recent months, as the government continues to push forward its reopening plan to kickstart the economy – and news of the rollout of vaccines present optimism to the short-</p>

	<p>Argentina's economy is forecast to grow by 4.9% in 2021, which would be the first positive growth rate in four years. A loosening of pandemic mitigation measures and fading uncertainty surrounding the recent debt restructuring are expected to support private consumption and investment. As consumption slows, growth is projected to soften to 1.9% in 2022 (cf. IMF) (January 2021).</p> <p>Argentina is going through its third consecutive year of recession. Argentina's main risks as it emerges from the crisis are hyperinflation (as a result of the growing budget deficit, the monetary issuance of the central bank that finances the part of the deficit, very low interest rates, etc.), the uncertainty associated with the budgetary adjustment rates and exchange rate overvaluation (cf. MEDEF) (28 May).</p> <p>Debt restructuring Publicly supported by the IMF, Argentina reached a debt-restructuring deal with private creditors in August to end its ninth default, and the third in just 18 years. Argentina has pushed debt amortizations to 2025 and beyond and drastically reduced interest payments. Since then, prices of the newly issued government bonds have plummeted.</p> <p>Argentina's public debt in relation to GDP is set to increase this year to around 110%, up from 98% in 2019. The share of the public debt denominated in foreign currency remains broadly unchanged, at about 70%. In the midst of the Covid-19 pandemic, part of the increase in the debt-to-GDP ratio is due to a dramatic fall in GDP, estimated at around 11%.</p> <p>However, Argentina's debt restructuring has an additional problem. By handing-over obligations to the next administration, the political establishment has no strong incentives to adopt policies that ensure fiscal consolidation and long-term sustainability.</p>	<p>term outlook – the level of investment in construction will likely not be enough to pull the industry out of recession in 2021.</p> <p>Lingering macroeconomic imbalances (including weak economic activity, a falling peso, and high levels of unemployment) are expected to continue to hold back private investment in infrastructure projects and other buildings and hinder the recovery of the industry in the coming months. Furthermore, the number of Covid-19 cases is again accelerating across the country, which could lead to a possible retightening of lockdown measures, while the potential of more government market-unfriendly policies – which could have implications in the country's economy and fiscal position ahead of the legislative election in October – pose additional downside risks to the industry's short-term outlook.</p> <p>GlobalData further notes that, although the gradual ease of lockdown measures in many parts of the country has contributed to the slight improvement in activity in the industry in recent months, the continued rise in Covid-19 cases and worsening economic conditions have made it more difficult for construction companies to restart their operations, with many projects facing further delays or being temporarily cancelled due to the heightened uncertainty over the economy and duration of the virus. The latest figures from the National Institute of Statistics and Census (INDEC) indicated that Argentina's construction industry continued to decline sharply in the third quarter of 2020, albeit at a slower rate than in the previous quarter, posting a year on year (YoY) decrease of 27% in Q3 2020, compared -51.9% in Q2 2020 and -19.7% in Q1 2020. On a quarter-on-quarter (Q-o-Q) basis, however, the industry rose by 52.1%, compared to a decline of 39.4% in the previous quarter (cf. GlobalData) (January 2021).</p> <p>The Argentinian Chamber of Construction (CAMARCO) carried out a survey in February 2021 that provides an overview of the construction activity from the perspective of its own actors to investigate the impact of the pandemic in the construction industry and the measures taken by the government. The full study can be downloaded here.</p>
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	<p>The country's fiscal deficit ballooned in 2020 to reach 10% of GDP, according to the government's estimates. With no access to the international capital market, a small domestic capital market and financial system, and a low savings rate, it is unclear how Argentina will navigate the transition towards the moment of reckoning when the newly agreed debt payments start to come due. With weak public finances and an envisaged slow pace of consolidation, Argentina depends heavily on the resumption of economic growth to start reducing its public debt burden. Current policies hamper investment and discourage exports.</p> <p>Having restructured its debt with private creditors, Argentina still has to renegotiate its outstanding US\$44bn debt with the IMF and resolve a default with the Paris Club. Negotiations with the IMF may enhance the possibility to develop a consistent and coherent economic programme that changes the mood of international investors as well as domestic citizens and entrepreneurs. According to OMFIF, this will require structural reforms in areas such as social security, labour markets, and the provision of public services (cf. OMFIF) (7 October).</p>	<p>The results obtained indicate that:</p> <ul style="list-style-type: none"> • Of the works in force as of January 31, 2021, 69% are with normal development, 15% with provisional reception, 7% are delayed and another 7% are paralyzed. The proportion of works in normal progress remains similar to the previous wave; • In January 2021, 58% of the companies submitted budgets or offers for public works and 40% for private works; • Only 23% of the surveyed companies were awarded a private work and 18% were awarded a public work project, a slight decrease compared to the previous month; • In January 2021, only 10% of the companies had suspended personnel under the UOCRA (Argentinean Building Workers Union) agreement, in the case of personnel under law 20.744, only 6% of the companies indicated that they had suspended personnel. Both values are similar to those of the previous month; • Regarding the sector's expectations, 45% of the surveyed company representatives expect activity to increase, 29% expect it to remain the same and only 11% believe that activity will decrease. Expectations of improvement are higher than in the previous month and record 4 consecutive months of increase; • Regarding the measures taken by the government to stimulate construction activity, 30% believe that they are good or very good, 40% regular and 22% bad (cf. CAMARCO) (March 2021).
Employment	<p>According to the OECD, employment has fallen strongly (cf. OECD) (December 2020).</p>	<p>The government's infrastructure plan "Plan Argentina Hace", launched before the outbreak of Covid-19 but which has been reinforced with Covid-19, is designed to create 8700 jobs by investing 20 billion pesos (260 million euros). The plan is mainly intended to provide jobs and will therefore use little technology and equipment (cf. MEDEF) (28 May).</p>
Recovery	<p>Economic support measures Argentina, Brazil, Colombia and Peru have announced temporary expansion of some of their cash transfer and in-kind programs, and additional transfers to reach vulnerable people not covered by</p>	<p>The Argentine Chamber of Construction presented to the government the "Plan for the Reconstruction of the Economy through Private Construction", a proposal for the economic reactivation during the post-pandemic period agreed upon with the Construction Workers Union (UOCRA), the Business Chamber of</p>

	<p>existing programs. Some financial intermediaries are postponing credit payments for the most vulnerable firms and households.</p> <p>To help business and household cash flows, Argentina (and others such as Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Paraguay and Peru) has announced the deferral or temporary reduction of certain tax payments, as well as temporary payment cancellations for selected public utilities or the suspension of social security contributions.</p>	<p>Urban Developers (CEDU), and the Association of Housing Entrepreneurs (AEV). The plan includes three stages, to be implemented between the third quarter of this year and 2021.</p> <ol style="list-style-type: none"> 1. The sector's proposals to be implemented from the third quarter of this year are: <ul style="list-style-type: none"> • Reactivate the works in progress using adhesions to development trusts; • Activate the tax exemption regime of the 2019 Budget Law for homes with a value of less than 140,000 UVAs. 2. As of the fourth quarter, the suggestions are: <ul style="list-style-type: none"> • Creation of a vehicle for investment in construction that would be called Simplified Construction Society having a positive tax effect and that would include incentives for investors and families; • Boosting mortgage credit which, for the policyholder, would be adjusted by the Coefficient of Variation in Salaries (CVS), with a counter-cyclical compensation fund. 3. Finally, between the last quarter of this year and next year the proposals are: <ul style="list-style-type: none"> • A Housing Law that encourages permanent investment in housing for sale, rent or lease and that defers the payment of Income Tax; • Social security contributions to finance the purchase of housing, similar to "Minha casa, minha vida" in Brazil or Infonavit in Mexico; • Mortgage credit incentives (July).
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Other Overviews

The OECD LAC Regional Programme (including **Argentina**, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay), provides an update of the situation, that can be downloaded hereunder (cf. OECD) (20 November):

- Concerning [selected Health measures implemented in response to the Covid-19 crisis in LAC](#)
- Concerning [vaccine strategies in response to the Covid-19 crisis in selected LAC countries](#)
- Concerning [selected Social policy measures implemented in response to the Covid-19 crisis](#)