



Since March 25, 2020

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 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>

India

Country/Region	General measures	Measures for construction
INDIA		
Lockdown	<p>On 24 March, India's Prime Minister Narendra Modi announced a 21-day lockdown of the country.</p> <p>The Indian Ministry of Railways has announced that the suspension of passenger railway operations will be extended until 14 April.</p> <p>Lockdown in India has been facing the following problems:</p> <ul style="list-style-type: none"> • a huge informal economy, which makes it difficult to control lockdown; • the economy has already been slowing down in 2019 (the Central Bank has already lowered its rates five times), the banking sector is very weak. <p>The Indian Government extended its Covid-19 lockdown by two weeks starting 4 May due to the increasing number of Covid-19 cases in the country. This has given rise to a number of challenges, especially for workers in the informal sector (3 May).</p>	<p>Construction work in India came to a standstill with the nationwide lockdown. A relief package to deal with the impact of the Covid-19 pandemic was announced. Allegedly, state governments have been directed to use the welfare fund among others for building and construction labourers to help those who are facing economic disruption because of the lockdown. The concern for the sector was that most of it has already been facing financial stress, shrinking orders and tight working capital. With the disruption in work, movement of labour and breakdown of the supply chain, recovery might be a major challenge (27 March). Merely power projects were seen as essential service and are allowed to operate.</p> <p>Six states (including Andhra Pradesh, Kerala, Maharashtra, and Tamil Nadu, which account for 30% of construction activity) relied heavily on migrant construction workers from other states. Bottlenecks in the return of migrants has affected building activity in such states (7 May).</p> <p>The Indian Ministry of Finance issued a clarification to all central Government Ministries that any disruption caused in supply chains due to the spread of Coronavirus will be considered as a 'natural calamity' under extent Force Majeure clauses. This was said to give a relief to various institutions and industries working in close partnership with the Government. This has been rated as proactive and forthcoming step from the Government (4 May).</p>

<p>Economic outlook</p>	<p>After experiencing one of the world's tightest lockdowns and recording the deepest GDP contraction among G20 economies in the second quarter of 2020, the Indian economy is recovering, albeit with some hesitancy. Supply chain disruptions have pushed inflation above the target range of the Central Bank. GDP is set to shrink by 10% in fiscal year 2020-21, with household consumption sluggish and investment largely unresponsive to easier monetary conditions. Despite a projected rebound of around 8% and 5% in FY 2021-22 and FY 2022-23, respectively, due to base effects and returning confidence, the GDP loss will be substantial according to the OECD.</p> <p>The government has responded with three stimulus packages, but additional fiscal measures would be needed to mitigate the damage, together with a medium-term consolidation plan (cf. OECD) (December 2020).</p> <p>According to the World Bank, the debt to GDP ratio is expected to rise from 70% in FY 2020 to more than 80% as per market consensus due to the lower revenue generation and higher expenditure. This would limit the government's ability to invest heavily in the infrastructure segment, including the National Infrastructure Pipeline (cf. Construction Europe) (8 July).</p> <p>Global Trade In March, exports fell by 34.6% and imports by 28.7%. However, the fall in oil prices was beneficial as India is a net importer. The rupee has depreciated by around 8% since January (cf. Crédit Agricole) (30 April). According to Mc Kinsey, in the past six weeks, India's economy has functioned at 49 to 57% of its full activity level (7 May).</p>	<p>Prior to the pandemic, the situation in India was expected to improve as a result of government initiatives to improve its liquidity position as well as the National Infrastructure Program. However, current circumstances are causing disruption. While the government tried to unwind lockdown restrictions, major urban economic areas were still largely under strict containment measures because of rising infection rates.</p> <p>According to the World Bank, India's debt to GDP ratio is expected to rise from 70% in FY 2020 to more than 80% due to lower revenue generation and higher expenditure. This could limit the government's ability to invest in infrastructure. In India a large percentage of infrastructure projects are managed and financed by the government rather than private companies or even PPP (public-private-partnerships). With both individual states' revenues – and central government – being hit due to the lockdown it is expected that budgetary allocations for new projects will be cut (cf. Construction Europe) (14 September).</p> <p>The construction industry in India is set to contract by 7.5% in 2020 due to the effects of the Covid-19 crisis coupled with weakness carried over from 2019. According to data and analytics company GlobalData, the Indian construction industry had already been showing signs of weakening before the outbreak of Covid-19.</p> <p>The residential market was struggling due to rising unemployment, a liquidity crunch in the non-bank financial sector, and a decline in new residential projects launched across major cities. The situation was expected to improve in 2020 due to government initiatives such as improving liquidity position and expanded infrastructure investments under the National Infrastructure Program. The pandemic, however, has caused disruption in the economy, worsening unemployment amid the extended lockdown (cf. Construction Europe) (8 July).</p> <p>According to Global Data, the weakness has lied mainly in the real estate sector being compounded by rising unemployment, declining remittances and a liquidity crunch with thousands of SMEs facing closures. (7 May).</p>
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	<p>Support from international financing institutions (IFIs)</p> <p>The ADB approved a US\$1.5 billion loan to the Government of India to help fund its response to the novel coronavirus disease (28 April).</p> <p>The Asian Development Bank (ADB approved an additional US\$3 million grant to India from its Asia Pacific Disaster Response Fund (APDRF)) to further support the government's emergency response to the Covid-19 pandemic. The grant is financed by the Government of Japan (28 July).</p>	<p>The coronavirus pandemic is set to cut investment in construction projects in India by between 13% and 30%, according to a report from accounting company KPMG. Gross value added (GVA) could fall by up to 34%. About US\$780bn of infrastructure projects are underway, most of which have been affected by the Covid-19 outbreak.</p> <p>The sector is expected to be hit by falls in business and consumer confidence, disrupted supply chains and the diversion of government funds towards healthcare management. According to GCR, KPMG also foresees a rise in costs.</p> <p>It is estimated that projects that have not yet begun would likely be delayed by between two and three months. The Indian government could lessen the impact on construction by cutting interest rates and setting up an emergency fund to ensure the survival of projects that are nearing completion (11 May).</p>
Employment	<p>Covid-19 is exacerbating already existing vulnerabilities related to poverty, high informality, environmental degradation and lack of employment opportunities (cf. OECD) (December 2020).</p>	<p>Employment in the sector is expected to fall by up to 25%. India's construction sector employs around 50 million people (cf. KPMG).</p> <p>It was reported that several states (Odisha, Bihar, Madhya Pradesh and New Delhi state), responding to the COVID-19 economic slowdown, have passed laws extending working hours from the currently mandated 8 hours per day to 12 hours per day, and suspending labor laws (cf. BWI) (May 26).</p>
Recovery	<p>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.</p> <p>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.</p>	



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	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).
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Other Overviews

- Download the report from the International Federation of Asian and Western Pacific Contractors' Associations (IFAWPCA): [IFAWPCA COVID-19 Pandemic | Construction Industry Country Reports \(April 2020\)](#)