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

WORLD

Country/Region	General measures	Measures for construction
WORLD		
Economic outlook	According to the OECD, **global GDP growth is now projected to be 5.6% this year**, an upward revision of more than 1 percentage point from the December 2020 OECD Economic Outlook. World output is expected to reach pre-pandemic levels by mid-2021 but much will depend on the race between vaccines and emerging variants of the virus. Download the OECD's interactive map on the recovery: OECD Economic Outlook **Scenarios** The global vaccine rollout remains uneven, with restrictions remaining in some countries and sectors. The outlook for growth would improve (upside scenario) if the production and distribution of doses accelerates and if the latter is better coordinated around the world and gets ahead of virus mutations. This would allow containment measures to be relaxed more rapidly and global output to approach pre-pandemic projections for activity. But consumer spending and business confidence would be hit (downside scenario) if vaccination programmes are not fast enough to cut infection rates or if new variants become more widespread and require changes to current vaccines (cf. OECD).	**Global growth forecast for construction** According to GlobalData's latest reports, there are signs that the global construction industry is poised for a recovery despite the historic collapse in construction activity during Q2 2020. In many major markets, construction output levels bounced back in Q3 2020 as sites were reopened and operations resumed. Although a renewed spike in (or continued high levels of) Covid-19 infections has resulted in new restrictions in the latter part of 2020, the construction industry in general has been permitted to continue. With the distribution of vaccines, the risk of a repeat of the severe disruption that occurred in 2020 has diminished. Reflecting this, GlobalData expects that global construction output will expand by 4.5% in 2021, following the estimated contraction of 2.9% recorded in 2020 (December 2020). **Case by case analysis of growth forecasts for construction companies** The ENR Top 250 International Contractors survey results describe the current trends in the international construction market. The ENR Top 250 Global Contractors list ranks contractors based on total worldwide contracting revenue, regardless of project locations. The latest Top 250 International Contractors reported US$473.07 billion in contracting revenue in 2019 from projects outside their home countries, down 2.9%, from US$487.29 billion in 2018. ENR reports that the already uncertain environment of 2019 has been worsened since Covid-

Near-term outlook

Global growth is projected at −4.4% in 2020, a less severe contraction than forecast in the June 2020 World Economic Outlook (WEO) Update. The revision reflects better than anticipated second quarter GDP outturns, mostly in advanced economies, where activity began to improve sooner than expected after lockdowns were scaled back in May and June, as well as indicators of a stronger recovery in the third quarter.

Medium-term outlook

After the rebound in 2021, global growth is expected to gradually slow down to about 3.8% (4.2% according to February 2021 projection) into the medium term (2022). This implies only limited progress toward catching up to the path of economic activity for 2020-25 projected before the pandemic for both advanced and emerging markets and developing economies.

By 2022, global GDP is still expected to be 4.4% below pre-pandemic projections — with the gap in emerging markets and developing economies (EMDEs) nearly twice as large as in advanced economies — as output remains dampened by lingering risk aversion on the demand side and the effects of diminished physical and human capital accumulation on labor productivity (cf. IMF's Global Economic prospects) (January 2021).

It is also expected that the pandemic will reverse the progress made since the 1990s in reducing global poverty and will increase inequalities. The subdued outlook for medium-term growth comes with a significant projected increase in the stock of sovereign debt. Downward revisions to potential output also imply a smaller tax base over the medium term than previously envisaged, compounding difficulties in servicing debt obligations. The baseline projection assumes that social distancing will continue into 2021 but will subsequently fade over time as vaccine coverage expands and 19 hit. Many contractors already have felt the impact of the pandemic on their business as shown in the examples below (cf. ENR) (20 August).

Examples from European contractors

Sales and profits of leading European contractors have been hit to varying degrees. Some expect recovery in the short to medium term while they review risk-sharing provisions in future contracts.

- **Vinci (France):** the virus started affecting Vinci's sites in Asia in early March and then in Europe, reaching Africa and the Americas in April followed by jobsites in the Middle East according to Vinci's CEO. Depressed oil prices also delayed some of Vinci's projects, including two 160,000-cu-m cryogenic liquid natural gas storage tanks in Russia's arctic Yamal peninsula, where foundation work had already started. Vinci's sales fell around 17%, to US$6.8 billion in the first half of 2020. Revenue in France, accounting for nearly half the total, dropped by over 27%. Business outside France was more resilient, with sales dipping by around 5%. Vinci's CEO advises authorities now to focus investment on smaller projects as they are quick to release, and they serve the local community.
- **Skanska (Sweden):** started feeling pandemic impacts this year on contracts mainly in the U.K., U.S. and Central and Eastern Europe. However, Nordic countries are pretty much unchanged as Nordic profit margins in the first half of 2020 remained similar to last year at 2.9%, while falling to 0.2% from 1% in the rest of Europe. Profits rose by 0.5% to 1.7% in the U.S., where the impact has been mainly in the building business according to the CEO.
- **Strabag (Austria):** according to the CEO, for Strabag was another record year with a stable order intake. His team had forecast a 2% sales dip for 2020 but revised that to a 10% tumble after including the pandemic's impacts.
- **Acciona (Spain):** lockdowns in various countries plus new anti-virus measures contributed to a nearly 90% drop in net profit, to US$26 million during the first half of 2020. Sales at the firm dropped by US$622 million during that period to US$3.5 billion, mostly due to the pandemic.

therapies improve. Local transmission is assumed to be brought to low levels everywhere by the end of 2022.

The medium-term projections also assume that economies will experience scarring from the depth of the recession and the need for structural change, entailing persistent effects on potential output. These effects include adjustment costs and productivity impacts for surviving firms as they upgrade workplace safety, the amplification of the shock via firm bankruptcies, costly resource reallocation across sectors, and discouraged workers' exit from the workforce.
It has to be noted that the uncertainty surrounding the baseline projection is unusually large as the forecast relies on public health and economic factors that are difficult to predict (cf. IMF Economic Outlook) (October 2020).

The Managing Director of the IMF estimated that it could take until 2023 for the global economy to return to its pre-coronavirus levels. 170 countries have entered negative economic growth since March (15 May 2020).

Global trade and growth forecast
A report by the WTO Secretariat indicates that, as of July 2020, 80 countries and customs territories had adopted export prohibitions or restrictions as a result of the Covid-19 pandemic. The report draws attention to the current lack of transparency at the multilateral level and the long-term risks posed by export restrictions for global supply chains and public welfare.
Global trade is projected to contract by 9.5% in 2020 — comparable to the decline during the 2009 global recession but affecting a markedly larger share of economies — before growing by an average of 5.1% in 2021-22 (cf. IMF's Global Economic prospects) (January 2021).

Among corporate protection measures, Acciona halved the shareholder dividend paid last month and is reviewing asset sales.

- **Abertis Infraestructuras SA (Spain):** lockdowns in Spain and elsewhere also cut revenue for the Madrid-based toll-road operator. This hit the bottom line of its controlling shareholder, Germany's Hochtief AG. After contributing US$61 million to Hochtief's first-half profit last year, Abertis had a US$21 million loss this time.
- **Hochtief (Germany):** Hochtief's operating net profit of US$289 million in the first half of 2020 matched the same period last year. And while sales in the second quarter fell 8% below last year, the first half output remained virtually unchanged at US$14 billion. The group's resilience allegedly stems from its diversification strategy by geography and activities.
- **Webuild (Italy):** shutdowns were generally short-lived for Webuild SpA (formerly Salini Impregilo) according to the CEO. Nevertheless, sales in this year's first half were 18.3% below 2019, while margins on earnings before interest, taxes and amortization fell from 8.8% to 5%. Webuild's acquisition of Italian contractor Astaldi SpA, plus government stimulus measures, should neutralize pandemic effects according to a company representative.
- **Balfour Beatty (UK):** reported a six-month pretax loss of US$34 million, down from an US$82-million profit during the same period in 2019, largely due to pandemic.

Example from non-European international contractors

- **China Communications Construction Co. Ltd. (CCCC) (China):** according to the company, CCCC worked successfully through the crisis. The company launched an emergency response process while carrying out epidemic prevention and control programs to promote the resumption of work and production. As a result, the value of contracts signed by the company in the first half of the year gained a year-on-year increase of 3.8%, according to a CCCC spokesperson.
- **Larsen & Toubro Ltd. (India):** the Middle East market has been severely hindered by the virus and the resulting plunge in oil prices. According to

Global export and import volumes: According to the International Monetary Fund (IMF), global export and import volumes are expected to contract by around 8% in 2020. This reflects the decline in global demand along with the impact of restrictions on transport to contain the spread of the virus (cf. GlobalData) (December 2020).

Foreign direct investment (FDI) flows are expected to fall by more than 30% in 2020 even under the most optimistic scenario according to OECD estimates. There are still many unknowns, and the precise effects will depend on the severity and duration of the pandemic as well as the policy measures taken by governments.
According to the United Nations Conference on Trade and Development's (UNCTAD) Global Investment Trends Monitors:

- Global foreign direct investments (FDI) in 2020 collapsed by 42% to an estimated $859 billion, from $1.5 trillion in 2019. More than 30% below the trough after the global financial crisis in 2009.
- The decline was concentrated in developed countries, where FDI flows fell by 69% to an estimated US$229 billion. Flows to Europe dried up completely to -4 billion (including large negative flows in several countries). A sharp decrease was also recorded in the United States (-49%) to US$134 billion.
- FDI to developing economies declined by 12% to an estimated US$616 billion. The share of developing economies in global FDI reached 72% – the highest share on record. China topped the ranking of the world largest FDI recipients.

Looking ahead, the FDI trend is expected to remain weak in 2021. Data on an announcement basis, an indicator of forward trends, provides a mixed picture:

the company's CEO, the instability in crude oil prices has adversely affected investments in the infrastructure space and COVID-19 has severely disrupted progress across projects. The firm will exercise caution in picking future projects. Most Gulf Cooperation Council (GCC) countries are on a "wait-and-watch" mode and having doubts regarding their ability to finance large infrastructure projects, maintain cash flows and stretching timelines to both approve and execute current and new projects.

- **Kuwait's Combined Group Contracting Co. (Kuwait):** Kuwait has restricted the issuing of work visas in reaction to COVID-19. Kuwait has also recently proposed to drastically limit foreign worker stays in the country to help shore up its internal workforce.

Besides, the value of M&A in the engineering and construction sector around the world fell to US$41bn from US$45bn in the first half of 2019, according to the figures from PwC. A similar trend was noticed for deal volume, with the first half of this year registering 1,017 deals compared to 1,221 deals in 2019. Deal value decreased from US$33bn in Q1 2020 to US$8bn in Q2 2020, and total deal value in Q2 2020 was the lowest in the last eight quarters. This could be attributed to US trade sanctions and the Covid-19 pandemic (26 July).

Contractual matters

The International Federation of Consulting Engineers (FIDIC) has published a "FIDIC Covid-19 guidance memorandum to users of FIDIC standard forms of works contract". FIDIC's core purpose of drafting this Guidance Memorandum is to help Parties to a FIDIC contract to consider mutually satisfactory solutions and avoid disputes arising between them.

Also, 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*

- Sharply lower greenfield project announcements (-35% in 2020) suggest a turnaround in industrial sectors is not yet in sight.
- Upticks in the fourth quarter of 2020 dampened earlier declines in newly announced international project finance deals (-2% for the full year). International investment in infrastructure sectors could thus prove stronger, buoyed by economic support packages in developed countries.
- Similarly, the 2020 decline in cross-border M&As (-10%) was cushioned by higher values in the last part of the year. Looking at M&A announcements, strong deal activity in technology and pharmaceutical industries is expected to push M&A-driven FDI flows higher.
- For developing countries, the trends in greenfield and project finance announcements are a major concern. Although overall FDI flows in developing economies appear relatively resilient, greenfield announcements fell by 46% and international project finance by 7%. These investment types are crucial for productive capacity and infrastructure development and thus for sustainable recovery prospects.

OECD Economic Outlook: All G20 countries with the exception of China (+ 2,3%) will have suffered recession in 2020. Although a fragile recovery is expected next year, in many countries output at the end of 2021 will still be below levels at the end of 2019, and well below what was projected prior to the pandemic.

Debt burdens: Debt burdens have increased as corporates have faced a period of sharply reduced sales and sovereigns have financed large stimulus packages. This follows a decade in which global debt had already risen to a record high of 230% of GDP by 2019. High debt levels leave borrowers vulnerable to a sudden change in investor risk appetite. This is especially true for riskier borrowers and EMDEs dependent of capital inflows to finance large

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.

fiscal and external current account deficits. Capital inflows to many EMDEs remain soft, with significant weakness in both foreign direct investment (FDI) and portfolio flows. This, alongside a collapse of export revenues, has led to substantial currency depreciations and rising borrowing costs in some countries, particularly commodity exporters (cf. IMF's Global Economic prospects) (January 2021).

Emerging markets and developing economies (EMEDS)
The health and economic crisis triggered by Covid-19 caused EMDE output to shrink an estimated 2.6% in 2020 — the worst rate since at least 1960, the earliest year with available aggregate GDP data. Excluding the recovery in China, the contraction in EMDE output last year is estimated to have been 5%, reflecting recessions in over 80% of EMDEs — a higher share than during the global financial crisis, when activity shrank in about a third of EMDEs.
The economies that suffered the worst declines were those with a heavy reliance on services and tourism (Cabo Verde, Maldives, Montenegro, the Caribbean, the Seychelles), those with large domestic outbreaks (Argentina, India, Mexico, Peru), and those that faced sharp declines in industrial-commodity exports due to the fall in external demand (Ecuador, Oman) (cf. IMF) (January 2021).

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).
Employment and labor productivity	The OECD Employment Outlook found that unemployment is projected to reach nearly 10% in OECD countries by the end of 2020, up from 5.3% at year-end 2019. It could go as high as 12% should a second pandemic wave hit (17 July).	Academic research carried out by Loughborough University at five construction sites with the participation of Balfour Beatty, GKR Scaffolding, Kier, Mace, Morgan Sindall and Skanska UK found that that far from being diminished, productivity may actually have improved in post-Covid-19 working arrangements on construction sites. Although total output on construction sites has been reduced by the constraints imposed by social distancing requirements, output per person appears – in some cases at least – to have gone up. Reasons for this include better task planning, reduced waiting time between tasks, increased space and therefore less 'overlap' of trades, more use of technological solutions, more responsibility for individuals and less time spent in meetings.

		Factors seen as contributing to this improvement included: • Better and more detailed task planning • More space, fewer people, and less overlap of trades in the workplace improves gang/task productivity • Better planning by workers e.g. preparation of workplaces, tools and materials • Less double handling of materials • Fewer people ‘hanging around’ waiting to start work/tasks • More streamlined worker flow due to workers staggering their start times, reducing the need to queue for site access or changing rooms • People chatting less (due to distancing, one-way walkways etc.), less talking on phones • On one site there was a perception that those who had returned to site were the more motivated workers, the ‘team-players’ • Some workers may also have been enthusiastic and energized at returning to work after furlough (27 August).
Recovery	According to the IMF, now would be the right time to boost infrastructure. If done right, infrastructure investment could yield significant dividends. For example, more and better public investment can help repair the economic damage of the pandemic, raise potential output, and speed income convergence with the EU15. At this time of economic slowdown, its benefits could be even larger. The IMF estimates that for each percent of GDP spent on infrastructure, output could rise by ½ to ¾ percent in the short run and by 2 to 2½ percent in the long run (28 September).	

Other Overviews

- The **IMF** World Economic Outlook 2021
- The **World Bank** 2020 Year in Review: The impact of Covid-19 in 12 charts
- The **World Bank** Updated estimates of the impact of Covid-19 on global poverty: Looking back at 2020 and the outlook for 2021
- The **World Bank**: What the pandemic means for government debt, in five charts
- The **OECD** has launched a platform for Covid-19-focused analyses and data.
- **IMF** policy tracker summarizing the key economic responses governments are taking to limit the human and economic impact of the Covid-19 pandemic (03 April). Fiscal measures totaling US$10 trillion have been deployed, while the central banks have injected over US$6 trillion in liquidity.
- **DEVEX** produced an interactive visualization aggregating funding in response to COVID-19.
- **Trade Union Responses to Covid-19**: The Building and Wood Workers' International (BWI) released 4 regional reports from Africa-MENA, Asia-Pacific, Pan-Europe and Latin America and the Caribbean on its affiliates' various responses to the Covid-19 pandemic (15 May).
- Download here a summary of Covid-19 responses from **Export Credit Agencies (ECAs)**, Development Finance Institutions (DFIs) and Multilateral Agencies (MLAs). CC Solution's have compiled a list of all the new tools and product offerings being rolled out by ECAs and DFIs.