



# The Impact of COVID-19 on Global Construction

Updated: 7th May 2020





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## A SHORT NOTE FROM GROUP CEO, GERARD CAMPBELL

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In a matter of weeks, the novel coronavirus, COVID-19, has moved from an impending threat for the majority of the world to a global pandemic, having an unprecedented impact on both public health and the economy. The situation is rapidly evolving, with governments, businesses, communities and citizens taking increasingly diverse measures in an effort to curb the virus and its implications.

As is the case for many industries at present, it is a challenging time for construction, and so we at Linesight have produced this white paper to provide our review and impact analysis of the current conditions. Given the rapid pace of change prevalent with this pandemic, it is important to note that this is the second update of the paper, based on information available as of 7th May 2020.

Originating in the city of Wuhan in Central China, and first formally identified there in December 2019, the virus was initially categorised as a 'Public Health Emergency of International Concern' on 30th January 2020 by the World Health Organization (WHO), before being upgraded to pandemic status on 11th March 2020.

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## COVID-19 IN BRIEF

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# An overview of global fiscal contingency measures

Given the rate at which the situation continues to evolve and the stage that we are at globally with this pandemic, it is too early to fully gauge the true, long-term economic impact and the effect on the construction industry. However, a number of radical monetary and fiscal stimuli packages have been announced by governments around the world in an effort to cushion the blow. In addition, a number of measures relating to construction are being taken to control the further spread of the virus, as summarised below.

## Europe:

Eurozone - fiscal measures worth 2% of GDP on average for 2020, coupled with liquidity facilities of 13% of GDP

ECB - €750bn government bond acquisition programme

UK - +£400bn stimulus measures across multiple packages

Ireland - €3bn additional funding for the health service, a new Microfinance Ireland COVID-19 loan, and a national income support scheme

Italy - €25bn rescue plan and guarantees for €400bn of loans and investments

Denmark - more than DKK400bn in aid packages

Germany - aid package worth €750bn

Netherlands - 2 policy packages, with second valued at €10-20bn over 3 months

Israel - US\$22.3bn economic programme

## APAC:

Singapore - US\$3.6bn third stimulus package, bringing total to US\$41.7bn

Taiwan - US\$34.7bn package

India - US\$22.6bn stimulus plan

Australia - +AU\$300bn spending plan

China - US\$173bn injected into economy and US\$56bn in liquidity freed up

Japan - US\$990bn stimulus package

## Americas:

US - US\$2tn stimulus package – the largest emergency aid package in US history, and US\$484bn COVID-19 bill

Canada - C\$52bn financial package

Mexico - no significant package

Brazil - US\$30bn package

Argentina - US\$11.1bn stimulus package

## MENA:

UAE - US\$70bn stimulus package

Saudi Arabia - US\$32bn package to bolster economy and health sector

Bahrain - US\$11.3bn stimulus package



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# Impact on global construction

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- While it seems fairly certain that we will have a global recession as a knock-on consequence of this pandemic, we are not expecting construction or its associated labour force to contract to the levels seen during the last global downturn.
- We expect projects that are underway will continue to completion when the restrictions are eased, but that the pipeline will see a temporary slowdown before recovering.
- Labour supply is anticipated to converge with demand in the short-term. However, as projects begin to come back on-stream, we expect a significant uplift in demand once again.
- Given China's fundamental role in the global supply chain, and the significant shutdowns and limitations placed on Chinese manufacturing in an effort to control the virus there earlier in the year (resulting in reduced output), the impact on material supply and prices is expected to be considerable. Coupled with mobility issues, we will see delays globally and prices will fluctuate for the foreseeable future in line with supply and demand.
- Funding will be one of the key challenges for the construction industry.
- A number of sectors are feeling the acute impacts of this pandemic, such as hospitality, while others, such as life sciences are performing well, given their potential to support the containment and response efforts.
- Ultimately, both the global economy and the construction industry are facing uncertain conditions. As is the very nature of this virus, the situation can rapidly change in a very short time period, meaning that it is very difficult to make projections and forecasts for the near-future at the present time.





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## Managing during the crisis and preparing for after

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As an industry, we have shown resilience in the face of adversity previously – particularly just over a decade ago, as we navigated through the severe global downturn. At Linesight, we champion a measured, proportionate and sensible approach during times of crisis, and we are supporting our clients with some key initiatives to help them work through their own challenges and project complexities at this time. We are recommending that clients have the following in place at a minimum:



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### Maintain project workflow

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Where possible and safe to do so, keep project workflow as close to normal as you can, of course within governmental guidelines and in line with health and safety best practice.



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### Business Continuity Plan

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You should have a BCP in place, to help guide your organisation through these challenging times. It helps to clarify the processes and procedures that you intend to employ to navigate through the pandemic and out the other side successfully.



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### Project diary

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It is vital to keep detailed records during this pandemic, to monitor, understand and manage the situation as best as possible, and to be equipped with the necessary information in the event of claims. Linesight recommends the use of a project diary for this purpose, and has made a template available to our clients to assist in this regard.



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### Open communication and collaboration

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At Linesight, we place huge emphasis on open communication and collaboration, and it is fundamental now more than ever – stay connected to your team, your industry peers, your clients and your supply chain, boost morale and alleviate panic.

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# An overview of legal considerations

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These challenging and extraordinary times demand a different and more collaborative approach for the construction industry. All parties need to remain mindful of how decisions affect not just one's own staff and business, but also financiers and other businesses in the supply chain. While the below is an overview, Linesight has prepared a more detailed checklist and advisory document for our clients on key issues, which you can view by [clicking here](#).

- **Review each current and scheduled project**, and assess the potential impact of COVID-19.
- Seek **legal advice** regarding mandatory site closure or exemptions.
- **Review all contractual obligations and liabilities** in order to identify the relevant contractual provisions relating to your rights, obligations and liabilities surrounding, and during, the suspension of the works.
- **Understand contractual options** which may be open to employers.
- If construction works are being carried out under a **Letter of Intent**, seek legal advice in respect of your entitlements obligations and liabilities and those of the contractor under the letter of intent.
- Understand if the impact of COVID-19 virus constitutes a **'force majeure'**.
- Determine whether **Contract Notices** will need to be served, when and by whom.
- Review and seek legal advice in respect of **collateral warranties, performance bonds, parent company guarantees and availability of product warranties**.
- Review your obligations under any **building control acts** to ensure compliance by all with same.
- Seek legal advice as regards the necessity and nature of any **engagement with future purchasers or tenants** of the property being constructed.
- Consider and discuss **programme recovery strategies**.
- Seek legal advice as regards the necessity and nature of any potential **engagement with funders**.
- Review the effect of **government announcements** and plans for the immediate and longer-term future of your business, and prepare accordingly.
- **Monitor the latest guidance, news and directions** from your health authorities, World Health Organization (WHO), the government and national construction industry body.
- Ensure that **contractual obligations** have been complied with by the **contractor** and **supply chain**.
- Ensure compliance with duty of care obligations under the **Occupiers Liability legislation**.
- **Liaise and collaborate with the contractor** to make sure the site is not easily accessible, that hazards have been removed and the site is protected against fire risks.
- Prepare **direct payment legal agreements** if you are considering interim cashflow arrangements.
- Seek legal advice on **data privacy obligations** with employee/client/visitor records if preparing a COVID-19 Test Positive Register.
- If you are negotiating new contracts, consider **cancelling or postponing negotiations** and/or the contract and/or the proposed commencement dates.
- Ensure that you remain **compliant with employment law** while your employees are working remotely.
- If you are involved in **ongoing litigation or disputes** on existing construction contracts, consider instructing your legal advisors to **collaborate with the other party and their lawyers** in order to seek to agree the continuity or possible postponement of those proceedings.
- **Protect your position** in the event of future disputes and maintain detailed records.
- Ensure that your **employees report any potential dispute risk** to key personnel in your project team and onward to your legal advisors.



# The Impact of COVID-19 on Regional Construction





# AMERICAS

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## An overview from our Executive Vice President - Americas, Steven Cooke

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Since President Trump declared a national emergency, non-essential services have been shut down, borders have been closed and the U.S. has become the epicentre for the virus, with New York City continuing to face an unprecedented number of cases.

The impact of this virus on the economy is already being felt, with the Bureau of Economic Analysis reporting a decline of 4.5% in Q1, and job losses estimated to stand around 30m to date. Of those losses, 2.5m relate to construction. As the world begins to grapple with the repercussions of the virus, including substantial loss of life, there are still many unknowns.

Although China has seen fewer cases, relative to per capita, and is emerging from its COVID-19 restrictions, there is no exact timeline as to when the U.S. will begin to recover from the virus, nor the economic losses.





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## Impact on U.S. construction

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For construction, responses and closures have varied by state, with most allowing essential construction to continue. However, with the rapid infection rate of the virus, these measures are being re-evaluated by the day. Between February and March, total U.S. construction starts declined by 5% to a seasonally adjusted annual rate of US\$746.9bn, although we expect data over the coming couple of weeks to be the first real indicator of the impact.

In California, regulations vary between cities, with the Bay Area halting any construction that does not directly impact COVID-19 relief efforts. Projects that are still underway must increase their hygiene practices and promote physical distancing among workers. On March 16th, California Governor Gavin Newsom released a mandate on 16 essential critical infrastructure types. As the global epicentre for the virus, New York quickly halted all non-essential construction earlier in March. Infrastructure, hospitals, affordable housing and emergency repairs fall under the New York mandate of essential construction projects.

Supply chains have also been disrupted, as China faced extensive factory shutdowns. In the U.S., similar to other countries around the world, builders rely on Chinese markets for building supplies. Due to the restrictions on work, many supplies will be delayed until the pandemic is over, which will result in shortages. An increase in the price of materials is also expected, and while the U.S. has closed down borders for travel, these measures do not extend to the transportation of supplies.

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## Industry snapshot

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### Construction activity

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- Varying by state, but essential works continuing for most part.
- Infrastructure deemed essential for now, plus hospitals, affordable housing and emergency repairs.



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### Supply chain

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- Disruptions continue, as a result of China's widespread shutdown earlier in the year.
- Supplies likely to be delayed, leading to shortages and fluctuating material prices.



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### Pipeline

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- Looking relatively stable for now, with some sectors affected more than others (e.g. hospitality and retail).

# A timeline of key U.S. measures

First U.S. case of COVID-19 is reported, with the patient located in Washington.

20th Jan

*Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020*, signed into law and approved to provide US\$8.3bn to fight the pandemic.

6th March

The Federal Housing Finance Agency ordered loan providers to grant forbearance of up to 12 months on mortgage payments from people who lost income as a result of the pandemic.

19th March

U.S. President signed a historic US\$2tn stimulus package – the largest emergency aid package in U.S. history.

27th March

Approx. 95% of Americans are under lockdown, with 42 states having issued stay-at-home orders.

7th April

More than 5,200 projects reopened in NYC, offering a glimpse of new post-COVID routines.

29th April

31st Jan

U.S. Health and Human Services secretary declares a national public health emergency.

13th March

U.S. President declared a national emergency.

23rd March

NYC reaches 21,000 confirmed cases, making it the epicentre of the outbreak in the U.S.

3rd April

U.S. President announced that the Federal Government will use funds from the CARES Act to pay hospitals for treatment of uninsured infected patients.

24th April

U.S. President signs a US\$484bn coronavirus bill that includes additional funds for the small-business loan programme, as well as for hospitals and testing.





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## Sectors in focus

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### Hospitality

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Due to the new travel bans imposed across the U.S. and the world, hospitality has been one of the hardest hit industries by the pandemic. Forecasting has shown that the outbreak could cost the U.S. travel sector 4.6 million jobs by the end of April. Due to the lack of demand for hotels, many are being repurposed for hospitals, homeless shelters or physical isolation spaces for frontline workers. Bans on non-essential construction across the U.S. have put a halt to many hotel construction projects.

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### Data centres

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Data centres across the globe have been deemed an essential industry, though regulations are tightening on how the facilities are run. Overall, there has been an increase in demand for data, as companies are required to work from home and states are encouraging social distancing measures. Virginia, the largest data centre market in the U.S., has also established a taskforce to ensure the facilities remain running throughout the pandemic. Demand for cloud services has increased, as news about the pandemic suggests that it may last longer than expected. As construction for data centres is not deemed essential in most states, many large-scale projects have had to suspend construction temporarily. In other markets, construction has remained open, although there are concerns about the impact on supply chains and materials.

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### Life sciences

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Unlike other industries, many of the construction projects for the life sciences industry have remained a priority during the pandemic. Between pharmaceutical companies working on a cure and the fact that the sector also provides other life-saving medicines, the life sciences industry is almost unanimously deemed essential across the country. This crisis has highlighted the U.S. dependency on China for the production and supply of active pharmaceutical ingredients (APIs), which will likely trigger more construction of API facilities in-region.

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## Sectors in focus ctnd.

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### Retail

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Along with hospitality, retail is one of the sectors that is suffering more so than others at the hands of this pandemic. Physical footfall has unsurprisingly fallen dramatically for retailers around the world across most categories, although those fitting into the necessity category, such as grocery stores, are reporting a considerable surge in activity. Meanwhile, as shoppers move online, retailers such as Amazon are reporting a significant uplift in demand, again focused on food and essential items. Ultimately, during economic downturns or periods of uncertainty, a marked reduction in discretionary spending is expected, with credit rating agency, Fitch Ratings, projecting a 40-50% decline in this indicator for U.S. retail in the first half of 2020.

As a sector that was already in a state of flux in recent years as consumer behaviour shifts away from bricks and mortar towards online, COVID-19 has exacerbated the speed of this shift. While this will of course impact upon construction in the sector, it may also lead to an increased requirement for additional logistics facilities in the industrial sector to accommodate the increased demand for online retail.





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## Corporate interiors

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With shelter-in-place orders implemented for the vast majority of states at this stage, and the corporate workforce working from home, it has brought about discussion surrounding workplaces of the future, when this pandemic is over. From questions being raised as to whether the widespread work from home measures will lead to a fundamental change in the way we view the traditional working landscape, to predictions of reduced office density and a change in the way that shared workspaces are designed, the corporate interiors sector is highly likely to be impacted in some capacity. However, it should be noted that one of the key sentiments emanating from the workforce during this global pandemic is the need for social interaction, both on a personal and professional level, so the benefits of a collaborative office environment may in fact be backed up by this enforced remote working period.



# EUROPE

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## An overview from our Managing Director - Europe, Richard Joyce

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With some of the hardest-hit countries located in Europe, there is no doubt that COVID-19 is having a profound effect on the European economy and construction industry, in addition to the public health crisis that it poses.

Unemployment across the region has seen a sharp spike and the Spring 2020 Economic Forecast forecasts a 7.75% contraction across the euro area this year and 6% growth in 2021. The true economic impact on a country-by-country basis and the long-term impact on our industry are difficult to predict and remain to be seen. Industry analysts, GlobalData, have predicted a 1.4% contraction in European construction this year in a report released late last month.

As is the case with all other regions, there is no exact timeline or trajectory for Europe's recovery.





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## Impact on construction in Europe

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As is the case globally, the response has varied between countries, and while non-essential construction had been put on hold for the most part, recommencement across Europe is imminent in the coming weeks, although the timeline, and as a result, the impact, differs from country to country.

For Ireland, while some social housing construction has resumed, 18th May marks the day on which more widespread site recommencements will begin. Other parts of Europe, including Sweden, Denmark, Germany, France and the Netherlands have seen construction resume again in recent days and weeks. As one of the most affected countries, Italy is finally starting to emerge from COVID restrictions, with construction allowed to resume from 4th May. In the UK, while there was no official order for site closures, the impact of the pandemic is being felt, with the IHS Markit/CIPS UK construction purchasing managers' index falling from 39.3 to 8.2 between March and April - the lowest figure since records began in 1997.

Supply chains disruption will be a key concern over the coming weeks and months, with the delays from China, upon which Europe is highly reliant, and the knock-on effects of the earlier reduction in putput taking a toll. This will inevitably also impact upon material prices, as supply and demand are anticipated to fluctuate for the foreseeable future.

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## Industry snapshot

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### Construction activity

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- Varying across the region, but for the most part, work on-site is beginning to resume, albeit on varying scales and timelines.



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### Supply chain

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- Disruptions continue, as a result of China's widespread shutdown earlier in the year.
- Supplies likely to be delayed, leading to shortages and fluctuating material prices.



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### Pipeline

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- Looking relatively stable for now, with some sectors affected more than others (e.g. hospitality and retail).

# A timeline of key measures in Europe

Ireland allocated €3bn to provide additional funding to the health service and offer liquidity assistance to businesses affected by the virus.

9th March

The UK unveiled a £350bn package of loans, tax cuts and grants, with its total package now valued at +£400bn.

17th March

The German Parliament suspended constitutionally enshrined debt brake and approved €750bn stimulus package.

24th March

The Irish Government announced an income support scheme for Irish workers and companies affected by the crisis.

31st March

Israel announced a US\$22.3bn economic programme, which includes its previous package.

6th April

Italy adopted new economic measures, including public guarantees for €400bn of loans and investments.

UK expands loan scheme for large businesses, with between £25-50m of finance available, depending on turnover.

21st April

Germany eases restrictions as small businesses open.

11th March

UK Government announced *Coronavirus Business Interruption Loan Scheme* to provide Government-backed loans of up to £5m to small and medium businesses.

21st March

Israeli Government announced an emergency package of more than US\$2.8bn.

26th March

Ireland's Minister for Business announced new *Microfinance Ireland COVID-19 loan*.

1st April

UK announced a total of £65.5bn support across four packages to protect businesses and workers.

18th April

Denmark extended the duration of its aid programmes, and added some new measures to increase spending by about US\$15bn.

2nd May

Following Germany's announcement of the ease of restrictions at the end of May, Ireland announced the extension of its lockdown until 18th May.





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## Sectors in focus

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### Hospitality

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Hospitality has been one of the key casualties amongst all sectors at the hands of this pandemic. The Global Business Travel Association has estimated the cost of the crisis for the sector to fall around the US\$110bn mark, which is based on the cancellation of 8% of forecast travel in 2020, and seems conservative at this stage.

Bans on non-essential construction have brought the sector to a grinding halt, with many projects in the pipeline being shelved for the foreseeable future. However, as a sector that is generally considered dynamic and fast-moving, it is projected that it will bounce back relatively quickly.



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### Residential

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The general consensus is that residential is the sector in which economic volatility is felt the fastest. In the UK, most major contractors in the sector have made the decision to close sites. Glenigan indicated that construction had been halted on sites with capacity for 193,000 homes in England up until the end of March. Ireland has seen the sector come to a halt also, with the number of residential properties available to purchase in the state falling below 20,000 in March for the first time since 2006.



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### Life sciences

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Unlike other industries, many of the construction projects for the life sciences industry have remained a priority during the pandemic, for all regions, including Europe. Between pharmaceutical companies advancing therapies to treat infected patients, developing vaccines to protect from infection and continuing to provide other life-saving medicines, the life sciences industry is almost unanimously deemed essential across the region at this juncture. With this in mind, construction demand within the sector may well buck the contraction trend.



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### Data centres

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The sector is under increasing pressure due to a significant influx of traffic and unprecedented demand for data, as more businesses transition to virtual, online work environments, and we as a society become all the more reliant on digital connectivity to see us through the lockdown period. As demand for cloud services and securing a robust digital infrastructure has increased, data centre facilities are closely reviewing supply chain arrangements, outage mitigation measures and plans in the case of disruption. Generally, data centres have been given exemptions from lockdown measures within this region, and remain open.

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## Sectors in focus ctnd.

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### Retail

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Unsurprisingly, given the reduced movement of citizens on a global basis, retail has been hit particularly hard by COVID-19. With physical stores already facing reduced footfall in recent times, the impact of the pandemic on retailers is significant. Grocery stores and other categories that constitute fundamental necessities are seeing a marked increase in demand, and this is the case for both traditional retailers and e-commerce.

While the shift towards online retail has been happening over the last few years, this pandemic has undoubtedly helped to speed this up. This is evidenced by the UK's largest online retail association, IMRG, finding that web traffic for retailers was up by approximately 10-15% on a daily basis during the final week of March, compared to the previous month. Digital marketing agency, Wolfgang Digital, analysed over €100m in online revenue for February and March, and concluded that there was a 110% increase in online revenue during that period.

We expect the trend noted in our **Ireland Handbook 2020**, relating to the decline in traditional retail construction being offset by increasing online sales leading to a growing requirement for additional logistics facilities to ring true in the longer term.

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### Healthcare

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Healthcare is one of the sectors that is facing a colossal increase in demand in the face of this pandemic. As countries scramble to maximise capacity, developments within other sectors, such as hotels, are being repurposed as isolation units and healthcare facilities. The sector is an exemption to the shutdown of construction across most of Europe, with works continuing in many countries on critical healthcare facilities and construction demand may well increase.



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## Commercial

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In light of the abrupt slowdown in economic activity across Europe, investment decisions are being delayed, which is having a significant impact on the commercial sector. While initial thoughts were that the period working from home would serve to support more widespread flexible working measures in the long-run, there is also an argument emerging as to the need for social and collaborative workplace engagement, so it is unlikely to have a major impact on the traditional corporate working landscape. As parts of Asia recover, we can draw indications that the slowdown in commercial will be temporary for Europe also, and sector activity and market sentiment can rebound relatively quickly.



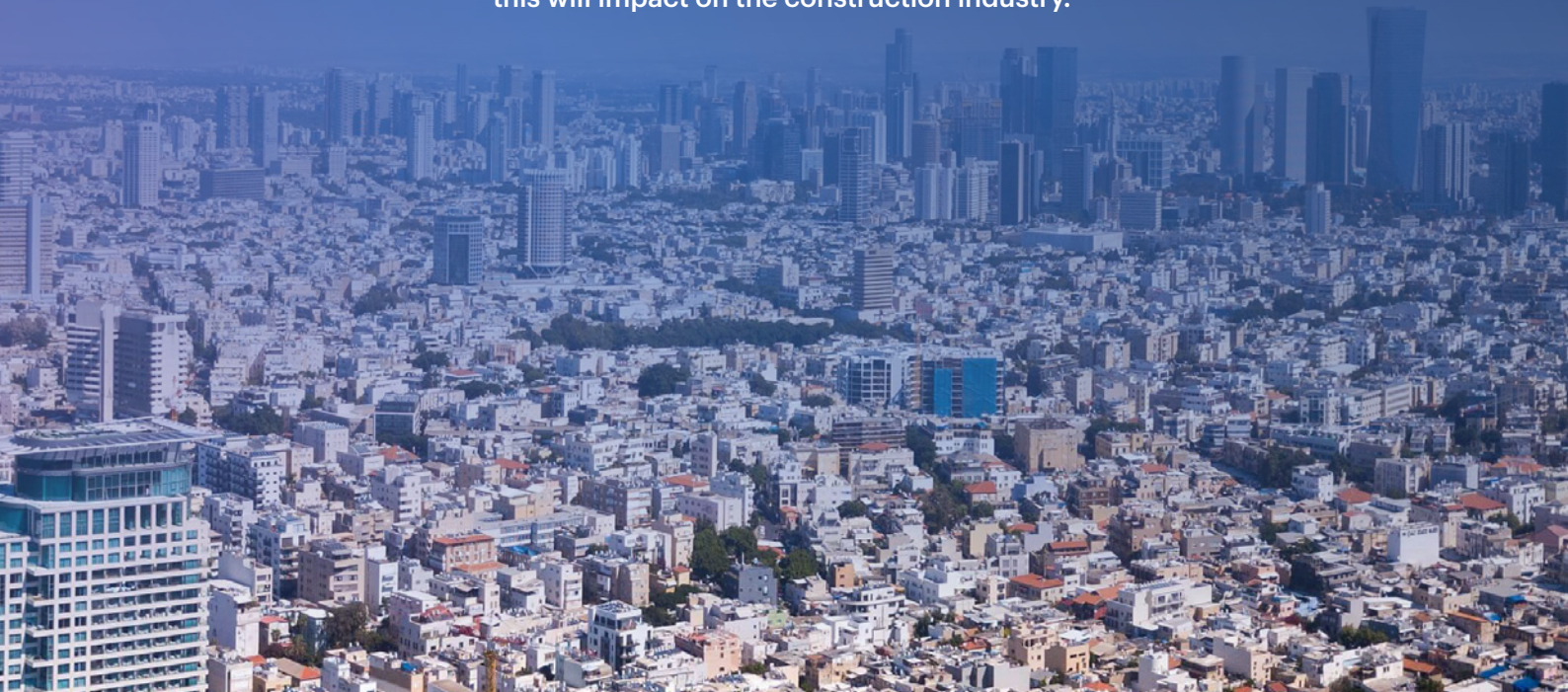
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## High-tech industrial

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Global market intelligence firm, IDC Worldwide expects IT spending to have declined by 2.7% in March, with device spending expected to fall by 8.8% over the course of 2020. This will, of course, impact the high-tech industrial sector in the short term. However, the sector is well-placed and expected to rebound as economic sentiment recovers, with global IT spending for 2021 expected to surpass 2019, at 4.9%.

This will, in turn, impact upon the construction of these facilities, as capacity will need to be ramped up to meet demand. In the shorter term, it is likely that semiconductor companies will review their reliance on the Chinese supply chain given the disruption that has been faced since the start of the year, and again, this will impact on the construction industry.





# APAC and MENA

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## An overview from our Managing Director - APAC and MENA, John Butler

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As the region in which the COVID-19 outbreak originated, many parts of Asia are a number of weeks ahead of the rest of the world on the trajectory of the virus. Indeed, as other parts of the world seek to curb the spread of the novel virus, they can look to countries such as China, to review the efficacy of various policy responses in efforts to soften the economic shock.

The pandemic initially caused shutdowns in Asia earlier than we have seen elsewhere in the world, with industry grinding to a halt in February, and COVID-19 has now brought much of the world's economic activity to an abrupt standstill, serving a secondary blow to the export-reliant Asian economy. While sentiment in the region was somewhat bleak, with Purchasing Manager's Indices (PMI) standing at sub-50 levels (indicating economic contraction) and in some cases record-low figures, recovery is being seen across many parts of Asia.

Looking to the Middle East, the economic consequences of the virus are expected to be particularly harsh, as a region that is heavily reliant on tourism and the oil economy, which has seen a simultaneous price plunge.





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## Impact on construction in APAC and MENA

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The Middle East has been tackling lacklustre growth in recent years as it is, and given that one of the key industries in its diversification efforts is hospitality, the impact of the current crisis will undoubtedly be severe. It is worth noting, however, that the outlook for Saudi Arabia remains relatively positive, even for the hospitality sector.

Ultimately, owing to the diversity of the APAC and MENA regions, there will be variance in the severity and duration of the economic impact of this pandemic. We are already seeing China recover, however, with businesses and the economy reopening, which is promising.

Construction in China has been steadily returning to pre-COVID-19 levels. In Singapore, Q1 saw construction suffer a significant blow, with the Ministry of Trade and Industry estimating a 4.3% year-on-year decline in Q1, following 4.3% growth in the previous quarter. Work on-site in Singapore is now suspended across the full spectrum of construction (except for data centres), during what is being referred to as the 'circuit breaker period'. The outbreak in migrant worker dormitories is a key concern for the local industry, with the National Development Minister speaking about the industry needing to "fundamentally change" the way it operates in terms of work culture and practices. While it is too early to gauge the impact on Australia, construction is classified as essential and so work is continuing on-site, although a Ministerial Order issued on 2nd April has allowed for weekend work to facilitate social distancing without a loss of productivity or jobs. New Zealand, meanwhile, has moved from an Alert Level 4 to 3 at the end of last month, allowing construction to resume with strict hygiene measures in place. There is concern in India, where construction work has ground to a halt, and the Purchasing Managers Index (PMI) falling from 49.3 points to 5.4 points in April - the sharpest contraction since record-keeping began in 2005.

Work on construction sites in the Middle East is continuing, although a permit is required from Dubai Municipality and the Permanent Committee for Labour Affairs, and there is a curfew in place in the UAE and most of Saudi Arabia, but not in Bahrain. There are mounting fears about the industry's labour market, given that the last major oil market downturn resulted in a series of policy shifts with regards to the the expat workforce, which is particularly relevant to construction.

Given China's fundamental role in the global supply chain and its reduction in output during the nation's lockdown in February, APAC and MENA are expected to experience extensive disruption in this regard. While China continues its resumption of operations, shortages are expected, as well as an impact on material prices.

# A timeline of key measures in APAC and MENA

Wuhan and 15 other cities in Hubei province in China were placed under strict quarantine with an outbreak of COVID-19.

23rd Jan

The Australian Government announced a AU\$17.6bn economic plan.

12th March

UAE rolled out an US\$27bn stimulus package to support the financial sector.

14th March

Saudi Arabia announced a US\$32bn economic package.

20th March

Australia announced a AU\$66bn spending plan to limit the economic damage from the pandemic.

22nd March

Abu Dhabi banks announce 17 initiatives to tackle the crisis.

25th March

Singapore released a 'landmark' S\$48bn package to tackle the crisis.

26th March

India launched a US\$22.6bn economic stimulus plan that provides cash transfers and food security measures.

30th March

Australia announce a third support package, valued at AU\$130bn.

1st April

The Taiwanese Government introduced a second round of measures, comprising a US\$34.7bn plan.

The UAE doubled its stimulus package to US\$70bn.

5th April

China's Central Bank freed up US\$56bn in liquidity.

6th April

Singapore announced its third stimulus package, bringing the total to US\$41.7bn.

Japan declared a state of emergency and approved a US\$990bn package, equal to 20% of its economic output.

7th April

Japan announces plans to give 100,000 yen to every citizen.

16th April

The Indian Central Bank cuts reverse repo rate by 25 points to discourage banks from parking excess liquidity.

17th April

Saudi Arabia eases curfew hours it imposed on several cities during the month of Ramadan.

21st April

Singapore extends its lockdown to early June, having previously relaxed their restrictions.

22nd April

Bahrain extends COVID-19 measures to Ramadan, and Iftar is limited to small family gatherings.

1st May

While Hubei province announces easing of measures, and Australia announces easing of some restrictions, India extends lockdown to 17th May.



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## Sectors in focus

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### Hospitality

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The severe impact on hospitality is being felt worldwide in light of the widespread lockdowns, and it finds itself one of the hardest hit sectors. Statista puts the resulting job loss in the travel and tourism sector in APAC at an astounding figure of 48.7 million and at 1.8 million for the Middle East. Between the considerable downturn for the sector and the restriction on non-essential construction in many countries in these regions, many projects in the pipeline are being shelved for the foreseeable future. However, as a sector that is generally considered dynamic and fast-moving, it is projected that it will bounce back relatively quickly.



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### Data centres

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The sector is seeing a huge surge in demand, as providers report significant increases in server demand and the digital environment becomes all the more fundamental in our daily lives, both personally and professionally. Demand for cloud services has increased, and although data centre operators believe that they currently have enough capacity to meet increased demand over the coming months, facilities are closely reviewing operations, supply chain arrangements, outage mitigation measures and plans in the case of disruption.

As a result of this increased demand and reliance, construction within this sector is not expected to be hugely impacted in the long run. For example, China is beginning a programme to boost the building of infrastructure, including 5G networks and data centres, as it begins to emerge from the coronavirus crisis. In fact, Shanghai's Municipal Economic Information Commission is soliciting proposals to build new data centres in 2020.



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## Sectors in focus ctnd.

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### Life sciences

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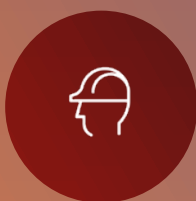
Given its fundamental role in combatting the novel coronavirus, life sciences is a priority sector for all regions, and APAC and MENA are no exceptions. In the race to develop an effective vaccine and advance treatment therapies, construction demand in the sector may well buck the contraction trend being seen in other areas, as pharmaceutical organisations dedicate resources and capacity to tackling this pandemic.

China is a dominant player in the production of active pharmaceutical ingredients (APIs) in common drugs (approximately 90% globally), and there have been fears as a result around the world of potential shortages in the supply chain. India is another big producer of APIs, and in early March, put export limits on 26 of these APIs in fears that China's temporary manufacturing suspension would impact upon it also. This crisis has highlighted the heavy reliance of many countries on China for the production of fundamental medicine, which is likely to be carefully considered by many countries, and to have an impact upon construction within this sector around the world going forward.

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## Impact snapshot

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### Construction activity

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- Varying across such diverse regions, but continuing or resumed for the most part at present (except Singapore).
- Social distancing guidelines being practiced or mandated.
- Measures to allow for social distancing while avoiding loss of jobs and productivity.



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### Supply chain

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- Disrupted as a result of China's widespread shutdown of manufacturing from January.
- Supplies likely to be delayed, leading to shortages and fluctuating material prices.



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### Pipeline

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- Looking relatively stable for now, with some sectors affected more than others (e.g. hospitality and retail).



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## IN SUMMARY

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We are continuing to monitor the situation closely around the world and its impact on the construction industry. This document is being updated on a weekly basis with the latest information with this in mind.

Furthermore, we remain committed to supporting our valued clients, staff and industry peers through this challenging time, offering advice and guidance where we can to navigate through the rapidly-changing circumstances we are facing with COVID-19.

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## KEY CONTACTS

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