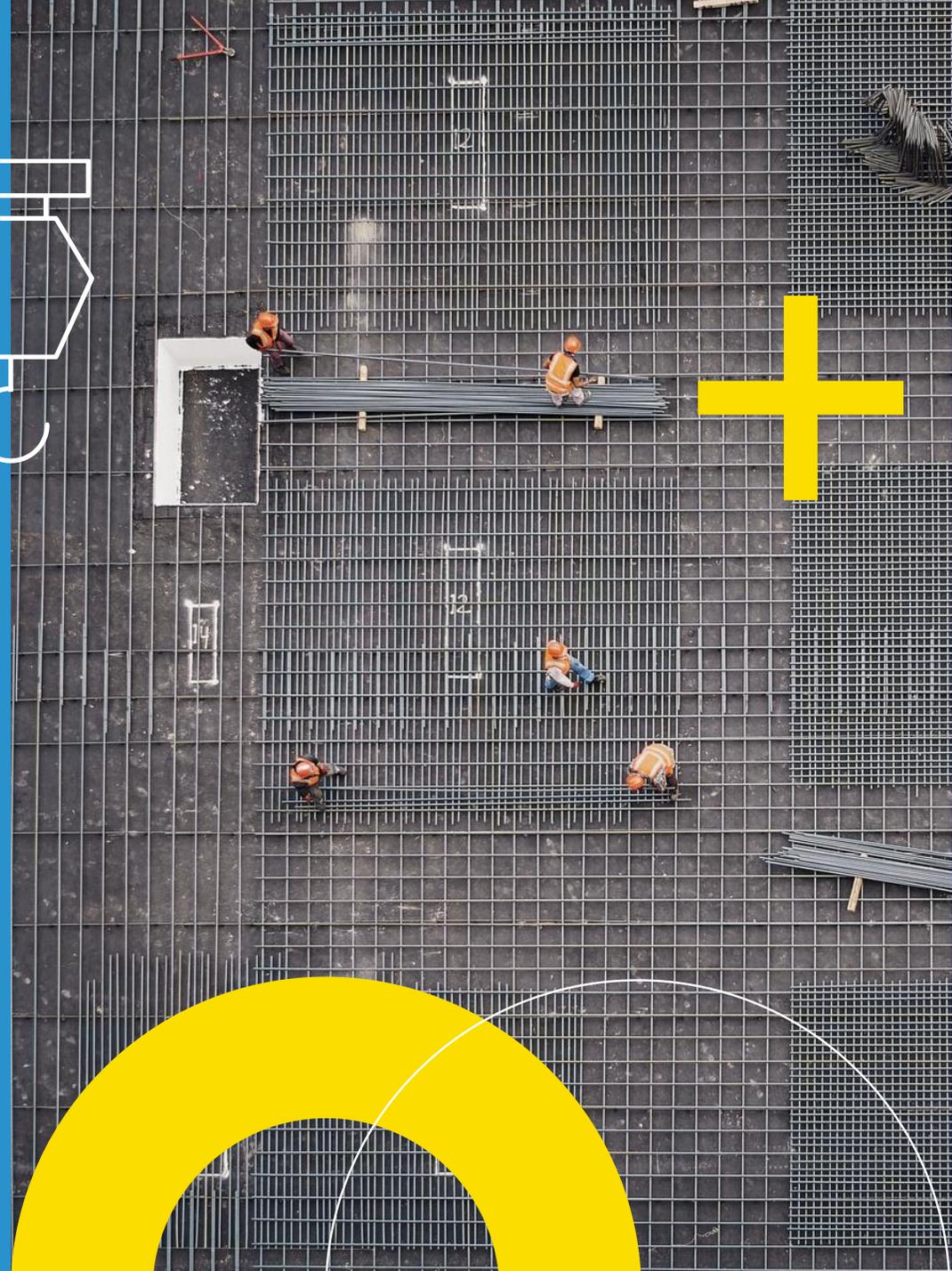
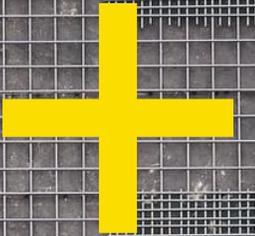


Covid-19



# Market Watch: Overseas Construction Industry Bulletin

7<sup>th</sup> April 2020





# Introduction



**As a result of the COVID-19 Global Pandemic, Enterprise Ireland construction companies are experiencing unprecedented market disruption both domestically and across international markets.**

The following report provides a high-level sector summary from the Enterprise Ireland network of overseas construction advisors offering an insight into the impacts on their markets.

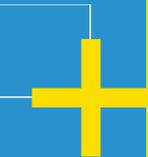
Key priorities in this first edition include the movement of labour and materials, restrictions on access to sites, market supports and the projected implications of shutdown where this has occurred.



**John Hunt**

Lead MA

Overseas Construction



# Overseas Construction

## GLOBAL SECTOR OUTLOOK

In their recent Construction Sector Impact Assessment, analysts MarketLine have projected a significant impact on the global economy. The speed of recovery will largely be determined by the length of the outbreak, the length of site closures and the effectiveness of central supports. What is clear beyond the short term, is that public and private clients across many sectors will have fewer schemes 'shovel ready' and lower levels of investment capital available for new projects.

*"Given the severe disruption across major economies worldwide following the outbreak, and with lockdowns in place resulting in construction sites grinding to a halt, MarketLine now predicts that global construction output growth in 2020 will be just 0.5%, a sharp downward revision compared to the previous forecast of 3.1% (in the Q4 2019 update)"*

*"Generally, the impact on the industry in the short term will be reflected in the halting of projects in execution, in terms of shutdowns and lack of materials and other issues relating to supply chain disruptions, as well as severe delays in progress on projects at pre-construction stages, given likely delays in the processing of building permits, tendering, and contract awards."*

Source: Marketline Coronavirus Executive Briefing, 30<sup>th</sup> March, 2020



# Overseas Construction

## U.K. – John Hunt

The closure of all non-critical domestic sites from 28th March in Ireland has contrasted strongly with the UK Government's [open letter](#) of support on 31<sup>st</sup>.

- The Secretary of State for Business confirmed that Construction Sites should remain open on the basis that site roles 'absolutely cannot be done from home' and must strictly operate in line with new safe site operating procedures.
- Despite the Government's proactive support for keeping sites open, an estimated 26% of UK construction sites (Glenigan) are thought to have been closed. Sites in Scotland and London are the locations hardest hit, as well as construction sites with large workforces that have not been able to establish safe working conditions or where workforces have depended heavily on public transport systems.
- Government, Industry Groups and Professional Associations across the UK have been working together to provide clear, consistent guidance to industry on whether sites are open or closed. Daily updates are being provided by this coalition led by the [Construction Leadership Council](#). HM Govt. are also offering a range of financial supports that are open to applications from UK subsidiaries of [Irish owned companies](#). To further support the future viability of industry, the UK Government has also announced a supplier relief policy that will run until June 30th (PPC 02/2020) to support prompt payment and pre-payment where necessary throughout the supply chain tiers.
- The availability of transport between Ireland and Great Britain is subject to change. Flights and ferry services continue to operate although some flight operators have announced that services will be further reduced in the coming days. Citizens from both islands have been advised to closely monitor public announcements regarding the scheduling of flight and ferry services, and to be prepared to adjust their travel plans accordingly.



# Overseas Construction

## France – Alix Derigny

France has officially been in lockdown since midday March 17th. While public transport is currently still functioning, national and international train, bus and flight services have been significantly reduced.

- Construction Sites have been impacted across France. The French contractors' association Federation Française du Bâtiment requested a 10-day stop on March 17th and on March 27th, the Prime Minister announced the renewal of the containment until Wednesday, April 15th.
- The State and local authorities have recognised the Coronavirus as a case of “force majeure” and consequently, late payment penalties will not be applied for public contracts.
- According to INSEE economic report published on Thursday 26th March, the construction sector is suffering the most from the Covid-19 crisis. French economic activity is at 65% of normal while construction has lost 89% of activity since the beginning of the health crisis. Overall, a month of containment would, according to INSEE, lead to a 3-point drop in GDP over the year 2020. The output of the French construction industry has fallen by around 90% in the first month of the Covid-19 outbreak, according to research by Insee, the National Institute of Statistics and Economic Studies, on March 26th.
- The construction wholesalers were widely closed after March 16th, are now partially reopening but only to provide a drive and delivery service for professionals.



# Overseas Construction

## Spain – Mark MacQuillan

After publishing the Royal Decree 463/2020 (Real Decreto 463/2020) in the Spanish Official Gazette, a State of Alarm has existed in Spain since Saturday 14th March.

- Further, all non-essential business in Spain was shut from Monday 30th March until 9th April, forcing the closure of most construction sites across the country. An estimated 11% of sites remain unaffected by the move as they are deemed essential.
- SEOPAN, the main construction industry association, has warned that each month of total shutdown of activity would cost 1% of Spain's annual GDP and would affect about 1.27 million workers. Latest unemployment figures show there was a reduction of 17.08% in the number of people employed in the industry (not including those who received an ERTE/temporary layoff).
- Extensive travel restrictions have been brought in around Spain. Aside from those staying at home with the stated exceptions, Morocco closed its borders with the Spanish enclaves of Ceuta and Melilla on the 13th March. Land borders with France and Portugal have been closed, except for returning Spanish nationals or those with Spanish residency being allowed to cross into Spain. This does not affect the borders with Gibraltar and Andorra.
- From 22nd March only Spanish nationals or those with Spanish residency, or residency in an EU or Schengen-affiliated countries will be allowed transit through Spanish airports and ports. These measures will stay in place for the next 30 days. The Irish Government has advised against all non-essential travel to Spain. Several countries have announced restrictions on travellers coming from, or who have recently travelled to, Spain.



# Overseas Construction

## The Nordics – Karin Angus

Sweden continues to remain the most open country in the Nordics, if not Europe, with borders only closed for non-EU citizens.

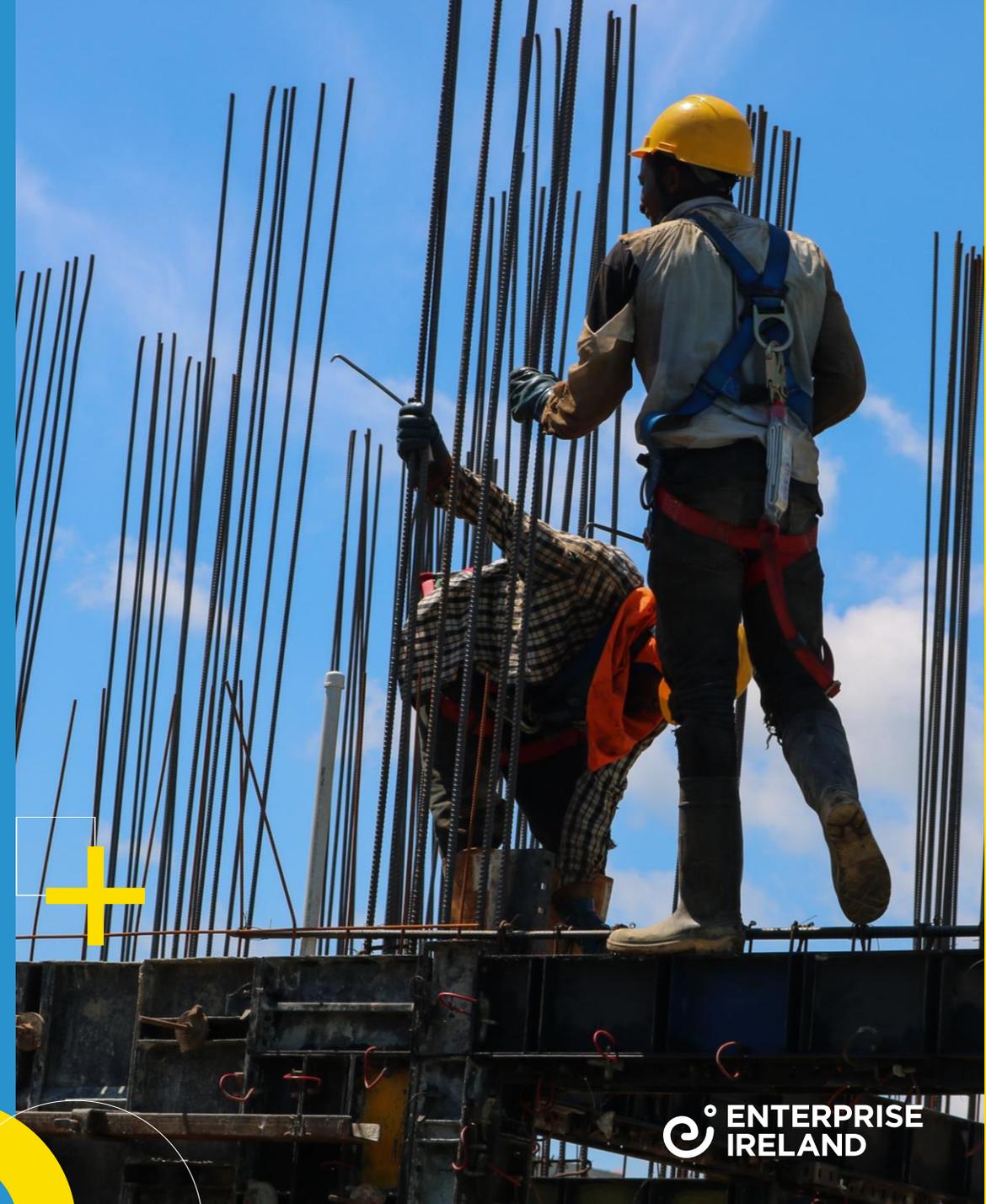
- All other Nordic countries have closed their borders. Although it is not guaranteed that people can travel from southern Sweden to Copenhagen airport. Denmark has closed its borders until 13th April to everyone who doesn't have a valid purpose to enter.
- Finland closed its borders on 19th March, Finnair suspended its flights to Dublin from 20th March.
- All non-Norwegians and non-permanent residents in Norway will be placed in quarantine upon arrival and will be asked to make arrangements to leave as soon as possible. Visitors from Ireland currently in Norway will be allowed to leave, although direct flights to Dublin will be limited.
- While Irish companies are facing increasing challenges with staffing and travel restrictions, it appears that projects in the main are continuing to be operational for the time being. Staff continue to be concerned about the speed of implementation for any new travel restrictions.
- Sweden, Denmark and Norway's Governments have issued several substantial support packages to companies as a result of the Corona crisis.



# Overseas Construction

## Russia, Central & Eastern Europe – Evan Lynch, Ladislav Muller, Adam Jaszczur

- In Poland, industry continues at 80% of capacity although a mixed picture exists in terms of verticals. Although very strong logistics/warehousing and food processing sectors are in place, automotive and aerospace have stopped completely and residential is to slow down from record levels. Road/railway infrastructure tenders have been put on hold and government funding might be difficult due to other priorities resulting from the epidemic.
- Construction sites also remain open in the Czech Republic with all site operatives instructed to wear face masks and respect 1.5m distancing. The CEEC have projected a 10.1% fall in output this year and 3.1% in 2021.
- Workforce site capacity in Poland and Czech Republic closures are in place.
- Russia was relatively unaffected by the virus, but went into lock down on 30 March for 1 month with all non-essential businesses closed. As of 27 March, Russia has grounded all flights and its aerial borders have been shut indefinitely.
- A package for Polish micro companies and employees has been approved but will have minimal impact for construction companies. No economic stimulus packages or supports for businesses have been announced by the Russian government yet.



# Overseas Construction

## Netherlands and Belgium – Richard Engelkes

- At this moment there is a limited lock-down in The Netherlands and Belgium with discussions within the Belgian and Dutch parliament ongoing regarding a full lock-down. In NL international travel is still possible with the exception of inbound from third countries, Spain and Italy. In Belgium borders are closed and cross border travel is only possible with a permit.
- In The Netherlands, the gathering of people or attending large events has not been allowed since March 23rd and this situation will continue until June.
- Construction sites are open and health rules apply to the sites. Minimum distance is 1.5 meters. Installation works for residential housing is at risk because of the health risk. I don't expect this to be an issue with large sites like datacenters.
- Flights are limited by the capacity of the airlines (Ryanair, Aer Lingus, KLM). Schiphol Airport and Zaventem Airport are open, but have limited amount of staff due to the reduction in the amount of flights. The general advice is to avoid all non-essential travel.
- Governments in The Netherlands and Belgium have prepared stimulus packages for business.



# Overseas Construction

## Germany, Austria, Switzerland – Vincenz Wagner

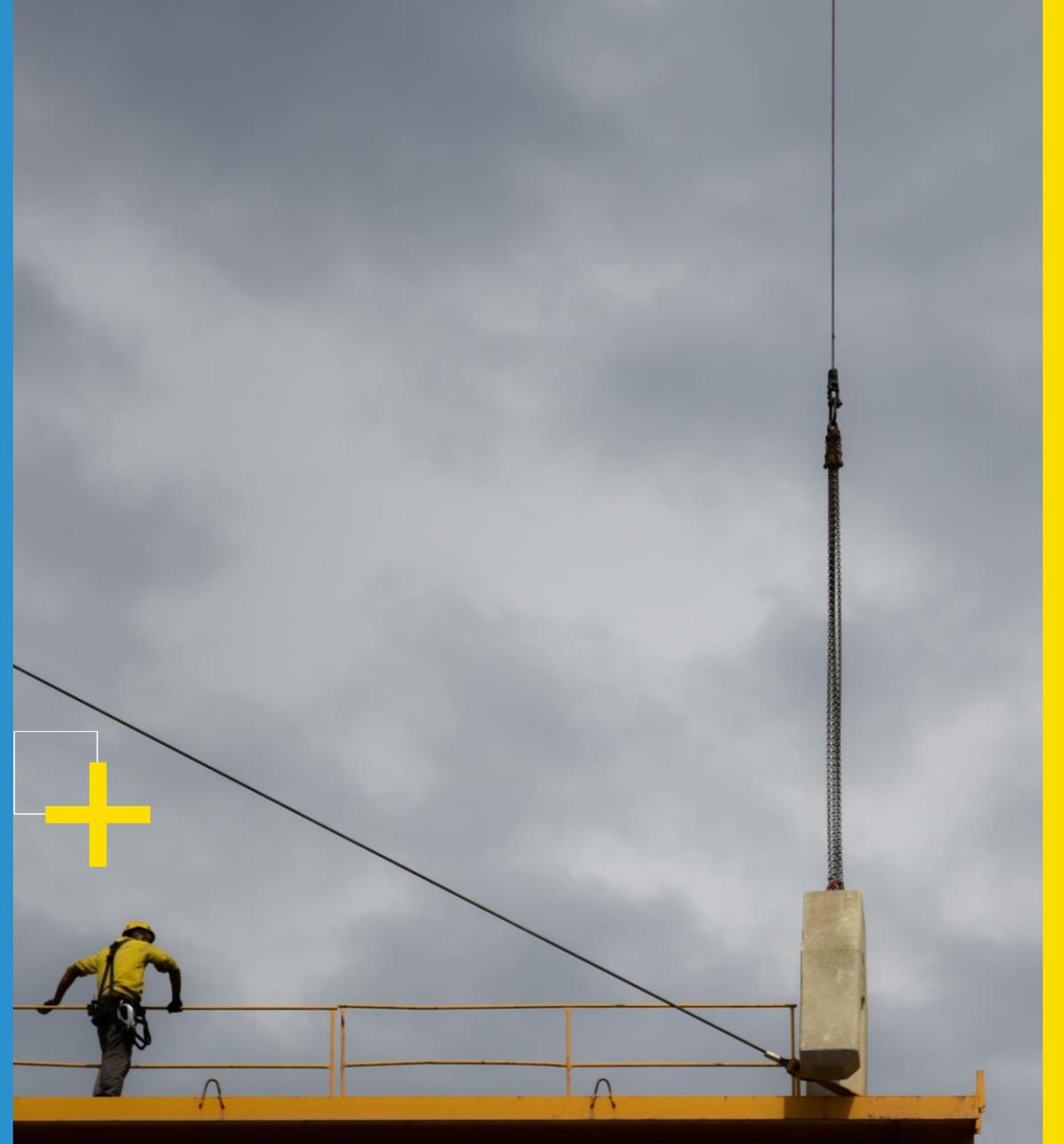
- Both Switzerland and Germany now find themselves in near shutdown mode and meetings of more than TWO people are prohibited. Only doctor's offices, pharmacies, a limited number of supermarkets providing base supplies, banks, petrol stations and DIYs are allowed to open.
- In the federal system, each Bundesland sets its own particular rules, the federal government can only make recommendations – unless they declare a national pandemic – in which instance police and the military would patrol the streets. Two villages are in that situation already due to the high number of infections there. Fines are 120 to 300 EUR and potentially two to five years imprisonment in severe cases.
- Travel into and out of Germany is not yet restricted for EU citizens, in some cases proof of purpose is required. Many airlines have severely reduced their scheduled flights but border controls will remain the same regardless of port of entry.
- Austria acts along those lines but there will be delays associated with re-entering the country and some restrictions will be imposed.
- Generally, construction sites are remaining open.



# Overseas Construction

## Australia – Kim Gilbert

- The Australian government is trying to flatten the curve with minimal impact on the economy however it remains to be seen how realistic that is. Consequently, the status of the construction sector could change very quickly, but for now all construction sites are still open and work is proceeding as normal.
- The government has made a number of concessions to the construction sector to ensure they can proceed with projects. For example they now have the ability to work 24/7, with careful consideration to safety, fatigue etc. This assists with splitting shifts, splitting break times, reducing social contact, which greatly assists in keeping projects operational and keeping people safe.
- Residential and non-residential construction, as well as infrastructure projects, are considered critical services and are therefore unaffected by the current social distancing restrictions in Australia. Feedback from the large construction firms is that all projects are pushing ahead, in particular, government funded projects have been given priority to be completed.



# Overseas Construction

## Singapore – Ross Curran

The construction sector is still operational in Singapore with social distancing procedures in operation.

- Ongoing social distancing and self isolation measures will cause challenges on-site and further disruption will be linked to the scale of the crisis and the related measures taken. There are labour shortages in Singapore due to migrant workers seeking to return home and supply chain issues and the Building and Construction Agency has advised government authorities to grant time extensions for building projects due to delays in the sector.
- Most construction activity in Malaysia has been suspended. Thailand has announced a nationwide curfew from 3rd of April. Indonesia is following other countries in building temporary modular hospitals to deal with large expected numbers of Coronavirus patients.
- Buyers are closely following developments with regard to the wider economic demand but a recovery in the sector is expected across ASEAN in the second half of 2020.



# Overseas Construction

## MENA – Mohammed Afif

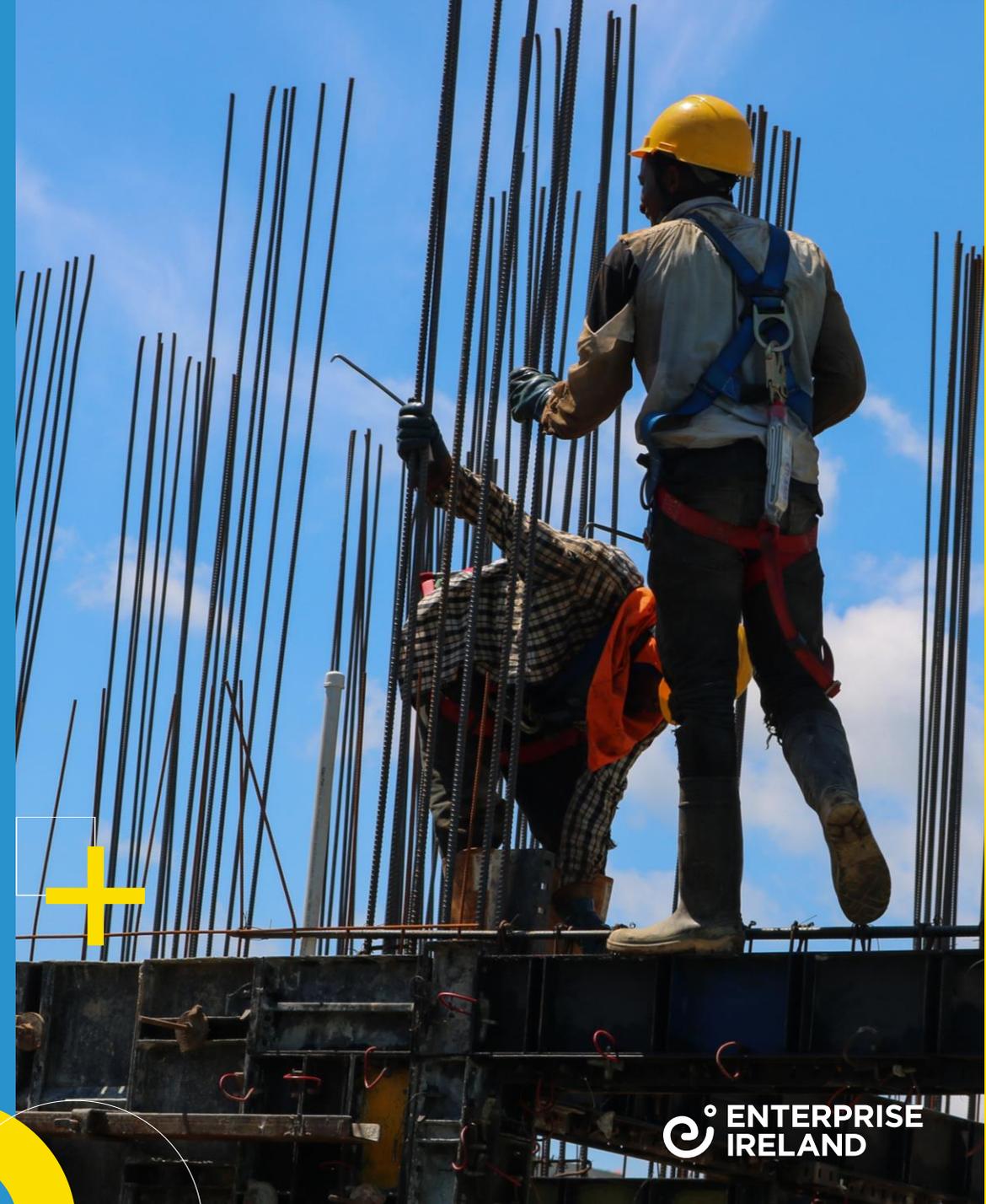
- The government of Saudi Arabia has suspended operations of many government agencies starting 16th March. On 29th March, the government of Saudi Arabia extended the Suspension of Attendance at Workplaces in Government Agencies, the private sector, international and domestic flights, bus, taxi, train activity until further notice.
- The causeway between Saudi Arabia and Bahrain, and land borders between Saudi Arabia and the United Arab Emirates, Kuwait, and Jordan are restricted to commercial traffic only.
- Very limited sites are still working due to the increase of curfew hours (in Saudi Arabia from 3:00pm – 6:00am except Makkah and Medina which are under curfew for 24 hours), and the suspension of movement from/to all regions inside the kingdom. Many companies have begun giving their employees unpaid leave.
- To support the Saudi economy, the government announced an exceptional financial support to the private sector worth around SR 120 billion (\$31.93 billion). The UAE government increased its stimulus to Dh126bn on 22nd March, with additional support packages of Dh16bn. These include new measures to cut the cost of doing business, support small businesses and accelerate major infrastructure projects.
- Manpower is another challenge in two further ways; for managerial positions, people are unable to travel and work at site when required. And for labours, in a labour camp if a case of Covid-19 is identified, the government will lock-down the whole labour camp at least for 14 days.



# Overseas Construction

## China – Johnathan Nie

- There has been a significant impact on the Chinese economy although construction companies are now largely returning to work from the middle of March 2020. 28.79% of the construction companies have already restarted, 51% of the construction companies plan to work, and 18.94% of the construction companies are still on the sidelines.
- It is anticipated that there will be huge demand from the construction sector (construction material, real estate) in the second half of 2020.
- China is the world's largest producer of APIs, some pharma enterprises in China are shut down and it will potentially affect the supply chain security of the global pharmaceutical industry. From the pharma market perspective, there is a possibility of further recovery.



# Overseas Construction

## Japan – Masaya Takasaka

- The sector has not shut down yet, but 70% of construction companies have reported a delay in procurement and construction due to the disrupted supply of goods from China. Construction companies are urged to take increased sanitation measures onsite. Japan's manufactures have also been hit due to decreased demand from abroad, along with confirmed infections in domestic factories.
- Many Japanese construction/engineering companies are suspending external face-to-face meetings. However, construction workers/manufacturing staff are still working onsite with the exception of facilities that have confirmed COVID-19 cases.
- So far, the Government has announced a EUR 13 billion financial aid package for all Japanese companies including large companies & SMEs.
- SMEs affected by COVID-19 can borrow up to EUR 2.5 million at near 0% interest rates. The Government will also provide a EUR 2 billion fund to help overseas operation of Japanese companies. The Government has urged contractors to be flexible and uphold fair business practices with subcontractors.



# Overseas Construction

## U.S.A – Marisa Mannion

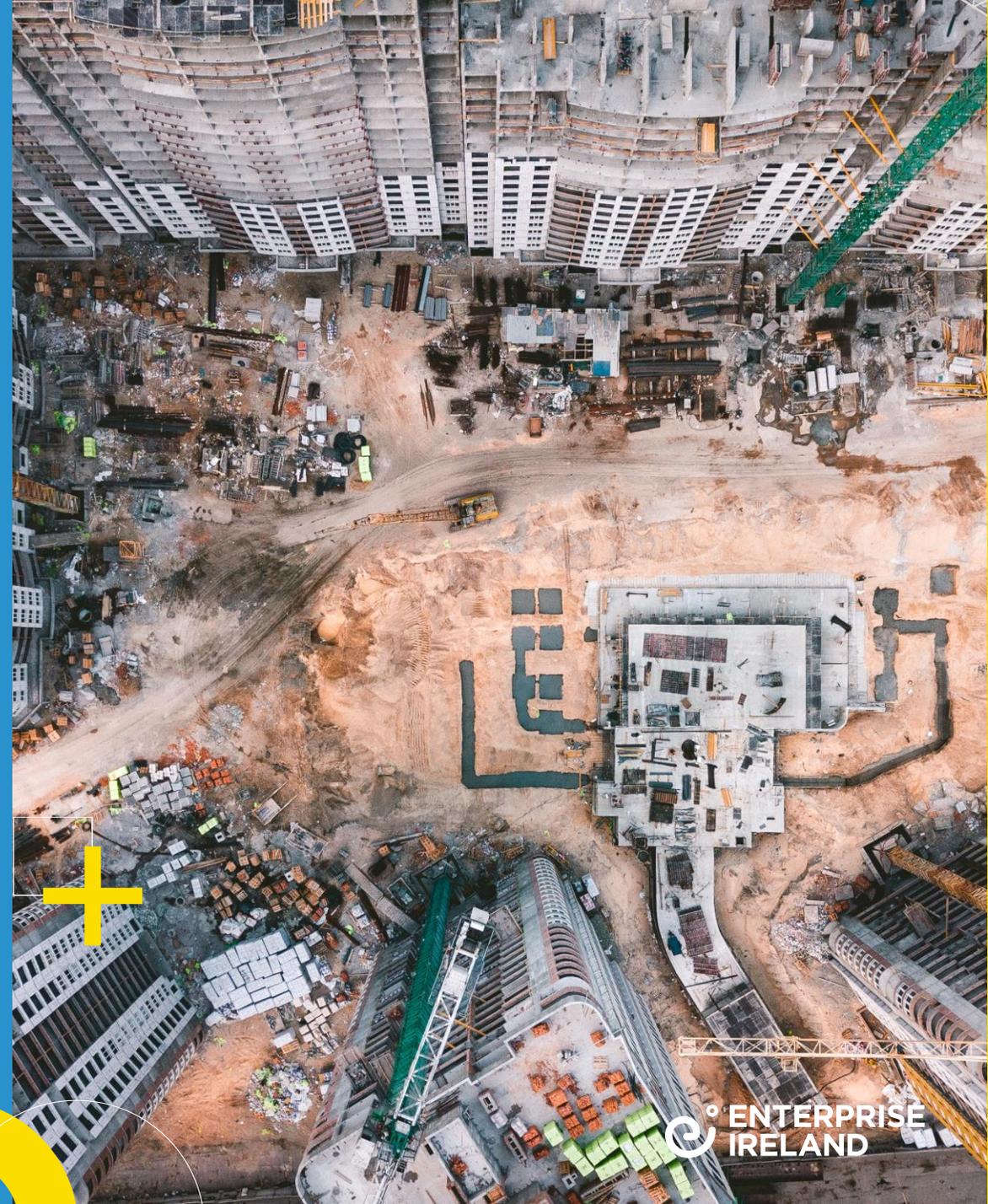
- Each state Governor will enforce final guidelines for states; however, until a top line mandate is issued, counties within each state have the option to put in place local supports and guidelines as they see fit. As of 23rd March the following summarises state “lockdowns”; New York, New Jersey, Illinois, California and Nevada have had the most severe responses.
- Lockdowns do not necessarily pertain to construction activity as states will either deem construction as essential or detail functional for critical infrastructure, etc.
- Challenges are omni-present and companies not involved in “essential” contribution are in survival mode. Even those classified as essential experience reduced staff and shift cycles, supply chain and logistic interruptions and delays. Contractual obligations in the market are, in some cases, contentious.
- \$2.2T Relief package passed issuing homestead relief, funding historical unemployment and offering Small Business protection loans and payroll protection grants.
- For the most part, the referenced states have asked residents to stay at home, work from home, not gather in groups and maintain 6 foot social distancing. Construction is still ongoing; though dependent upon current State guidelines. That extends down to the municipal (town/village) level in cases of public safety. Non-essential businesses are closed.



# Overseas Construction

## Canada – Malachy O’Doherty

- The British Columbia government, in consultation with the Provincial Health Officer, has designated the construction industry an essential service and encouraged it to remain open. Owners and contractors must follow the orders and guidance provided by the PHO to ensure safe operations and reduce the transmission of Covid-19. WorkSafeBC Inspectors will enforce virus transmission prevention at construction sites including social distancing requirements.
- Ontario has deemed projects and services associated with the healthcare sector, including new facilities, expansions, renovations and conversion of spaces that could be repurposed for healthcare spaces as essential. City inspectors have increased the number of site visits to ensure sites are complying with the guidelines. One site was shut down last week in Toronto for failing to comply with set guidelines.
- Calgary has deemed all construction as essential, although a number of projects are being looked at to see if it is still viable to continue working on them. In Quebec construction related to healthcare continues, though all other commercial and residential construction is on hold until April 15th, 2020.
- Unions in many of the provinces, as well as academics have called for construction sites to be closed or the increase of site inspections amid fears for workers. The Canada Construction Association has issued a standardises protocol for all construction sites. Governments in all provinces have increased the number of site visits from inspectors to ensure sites are complying with the regulations.



# Enterprise Ireland – Your Partner Overseas

During this unprecedented period Enterprise Ireland is on hand to support you across our network of 40 overseas offices to help you secure and sustain existing business relationships and to research emerging opportunities.

Please connect with our experienced Market Advisors to discuss further.

## Contact Details

<b>Ireland</b>	–	<a href="mailto:Stephen.Hughes@enterprise-Ireland.com">Stephen.Hughes@enterprise-Ireland.com</a>	<b>Russia</b>	–	<a href="mailto:Evan.Lynch@enterprise-Ireland.com">Evan.Lynch@enterprise-Ireland.com</a>
<b>UK</b>	–	<a href="mailto:John.Hunt@enterprise-Ireland.com">John.Hunt@enterprise-Ireland.com</a>	<b>Poland</b>	–	<a href="mailto:Adam.Jaszczur@enterprise-ireland.com">Adam.Jaszczur@enterprise-ireland.com</a>
<b>France</b>	–	<a href="mailto:Marie-Alix.Derigny@enterprise-ireland.com">Marie-Alix.Derigny@enterprise-ireland.com</a>	<b>Czech Republic</b>	–	<a href="mailto:Ladislav.Muller@enterprise-ireland.com">Ladislav.Muller@enterprise-ireland.com</a>
<b>Spain</b>	–	<a href="mailto:Mark.MacQuillan@enterprise-ireland.com">Mark.MacQuillan@enterprise-ireland.com</a>			
<b>Benelux</b>	–	<a href="mailto:Richard.Engelkes@enterprise-ireland.com">Richard.Engelkes@enterprise-ireland.com</a>			
<b>Nordics / CEE</b>	–	<a href="mailto:Karin.Angus@enterprise-ireland.com">Karin.Angus@enterprise-ireland.com</a>			
<b>Germany</b>	–	<a href="mailto:Samina.Siddiqui@enterprise-ireland.com">Samina.Siddiqui@enterprise-ireland.com</a>			
<b>Switzerland</b>	–	<a href="mailto:Vincenz.Wagner@enterprise-ireland.com">Vincenz.Wagner@enterprise-ireland.com</a>			
<b>Australia</b>	–	<a href="mailto:Kim.Gilbert@enterprise-ireland.com">Kim.Gilbert@enterprise-ireland.com</a>			
<b>MENA</b>	–	<a href="mailto:Mohammad.Afif@enterprise-ireland.com">Mohammad.Afif@enterprise-ireland.com</a>			
<b>Singapore</b>	–	<a href="mailto:Ross.Curran@enterprise-Ireland.com">Ross.Curran@enterprise-Ireland.com</a>			
<b>China</b>	–	<a href="mailto:Jonathan.Nie@enterprise-Ireland.com">Jonathan.Nie@enterprise-Ireland.com</a>			
<b>Japan</b>	–	<a href="mailto:Masaya.Takasaka@enterprise-Ireland.com">Masaya.Takasaka@enterprise-Ireland.com</a>			
<b>USA</b>	–	<a href="mailto:Marisa.Mannion@enterprise-ireland.com">Marisa.Mannion@enterprise-ireland.com</a>			
<b>Canada</b>	–	<a href="mailto:Malachy.O'Doherty@enterprise-Ireland.com">Malachy.O'Doherty@enterprise-Ireland.com</a>			

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