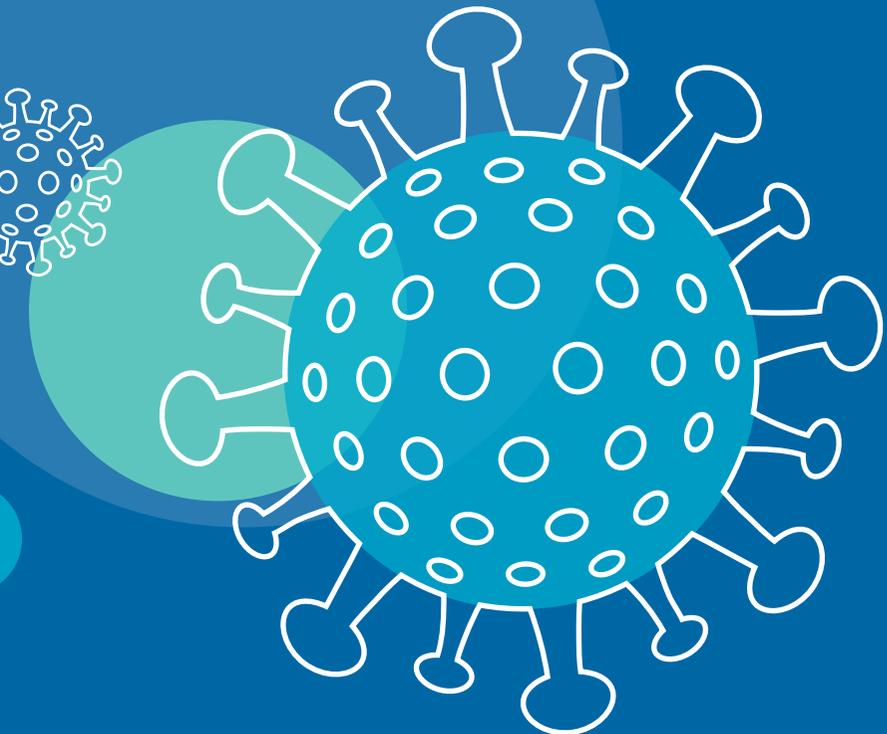




COVID-19

Impact on Supply Chain



Executive summary

For week commencing 4 May 2020

Around 200 countries have now been affected by Covid-19 with nearly 3.5 million cases confirmed worldwide, circa 247,000 deaths and circa 1,125,000 recoveries¹. The number of new contaminations and daily deaths in Europe and in the US continue to decrease.

Several European countries have announced their plans to lift restrictions and have started to implement them. Measures include different regional rules depending on the level of risks, use of masks in public transport, shops or at work, encouragement to continue to work from home and manufacturing and shops reopening. Italy has begun easing the restrictions today after being the first country to impose a national lockdown. The announcement from the UK government is expected this week.

The European Central Bank have recorded a 3.8% reduction of the GDP during Q1 2020 for the Eurozone. Inflation could be capped at 0.4% this year, while unemployment in the Eurozone could raise to 9.4%². Italy's credit rating has been downgraded by the rating agency Fitch to BBB-, its debt representing 156% of the annual GDP. The Bank of England will release its reports on monetary policy and interim financial stability on Thursday, which will set the indicators used to adjust interest rates and scenarios on the economic impact.

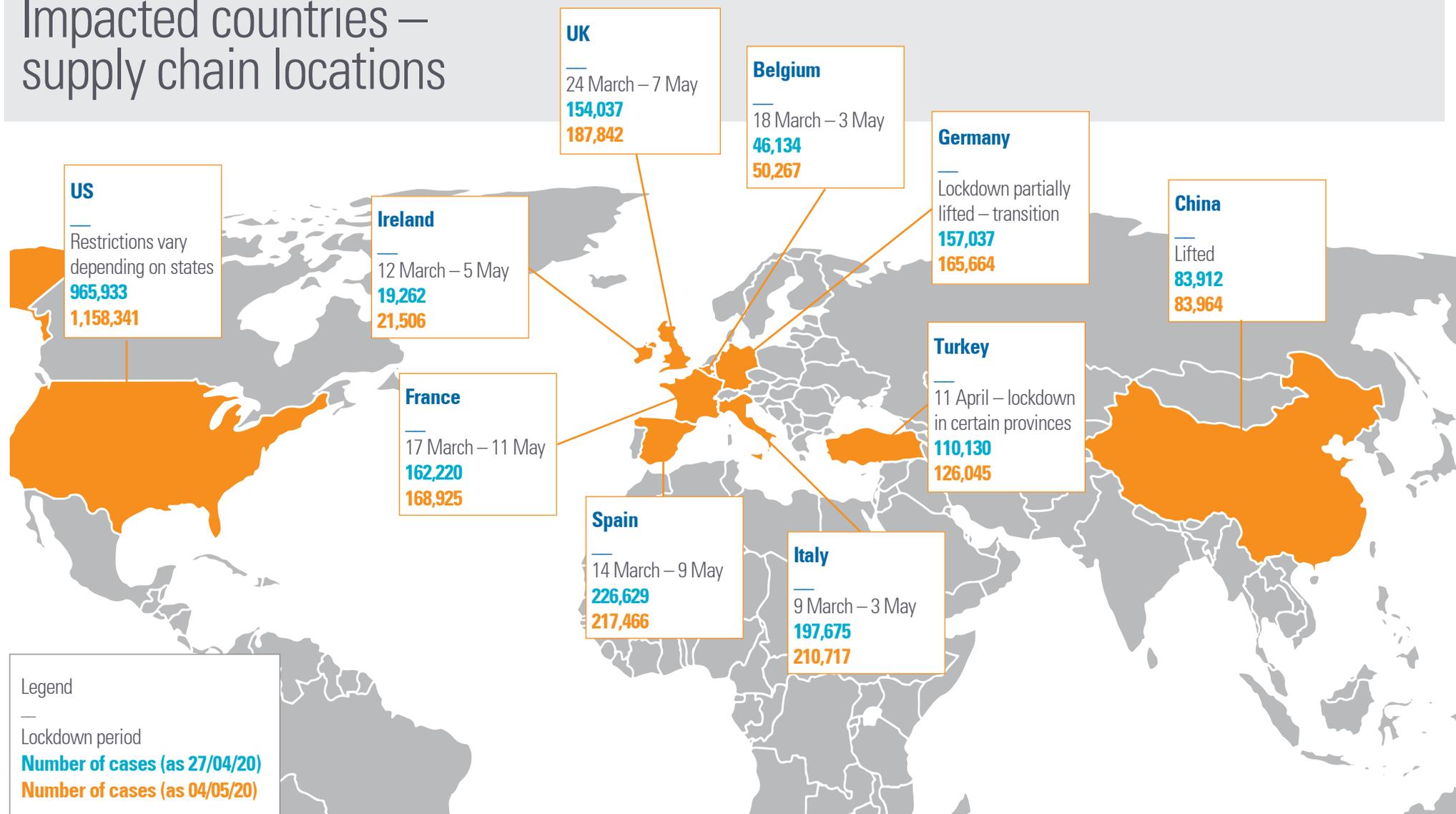
The main supply chain risks remain:

- » Shortages and delays to delivery of materials due to reduce stocks availability
- » Reduced labour resources on site (employees, agency staff or subcontractor staff)
- » Disruption to supply chain logistics and transportation
- » Insolvency in the supply chain

¹ <https://news.sky.com/story/coronavirus-the-infection-numbers-in-real-time-11942138>

² FT Coronavirus Business Update email newsletter – 1 May 2020

Impacted countries – supply chain locations



For more information on the impact of Covid-19 per country, please refer to Financial Times article from 04/05/2020, [here](#).

Impact by markets

Subcontractors

- » Concerns have been raised across the industry regarding the medium to long term impact on subcontractors. SME are particularly at risks of bankruptcy however Government funds have started to be released but this still remains a risk.

PPE and hygiene products

- » PPE and hygiene products have been impacted by the requirement to support the NHS.

Building merchants

- » Our strategic building merchants are operating a reduced capacity and service at between 25% to 75% capacity across UK. Overall market demand mirrors this capacity.
- » Other building merchant branches remain closed other than for NHS emergency material requirements and pricing enquiries. Others look to open branches from 11 May.
- » Key Drylining manufacturers have now re-opened their factories on a reduced capacity and in line with anticipated demand.
- » Drylining and insulation distributors continue to operate at reduced capacities however more branches are opening steadily as demand increases. Distributors are committed to prioritising supply to critical projects and deliver to non-critical sites where capacity and availability of materials allow.
- » Timber material suppliers continue to run at a reduced number of branches open across the UK. Direct contact via phone or email is required with national sales teams or local branches prior to placing orders on a delivery only basis. PEFC or FSC wood specifications sources are available through select building merchants.
- » Aluminium curtain walling, windows and door manufacturers continue to operate and supply materials; some at a reduced capacity. Minimal impacts to projects are expected as manufacturers have good levels of stock (built up for Brexit) and continue to supply operating fabricating subcontractors.

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Labour

- » Our key vendors are requesting access to post Covid-19 lockdown planning including details on which projects are opening and the timelines associated.

FM, Plant & Fleet

Plant – The plant industry continues to operate and support Balfour Beatty.

Waste – New guidance was issued this week from the Environment Agency regarding Regulatory Position Statements on Waste Management in the Construction industry³

Fleet – Trials are on-going for plastic dividers to support distancing in vehicles where possible through multiple sources procured collaboratively through Procurement and Plant & Fleet.

Fuel – Brent Crude Oil continued to drop from last week and is now sitting at \$26 per barrel.

Quarry products and surfacing

- » Our quarry and surfacing supply chain partners are operating between 20% (ready-mix & concrete) and 80% (aggregates & asphalt and contracting) capacity across UK, with geographical variations depending on customer demand.
- » Our supply chain has established a 'Critical Network' of assets that will remain open with the purpose of providing access to materials across UK.
- » Forecasts for return to pre Covid-19 volumes are fluid; currently ranging from Q4 2020 to Q2 2021
- » In support of this activity, it is critical that Balfour Beatty continues to share immediate project needs. This will enable the supply chain to help manage their assets.

M&E

- » M&E wholesalers remain operational and continue to deliver to sites although market demand has reduced. No issues with supply except to Scotland where there are restricted deliveries.

Steel Reinforcement

- » Demand is down c. 80% and new business is down c. 90%. Current market rate for >100 tonnes of Cut & Bent is between £475 & £485 per tonne. This is as a result of normal winter down-turn exacerbated by Covid-19
- » Prefabricated supply chain is fully operational with lead times operating between 15 to 20 working days. Overall demand is down by c. 60%.

³ <https://www.gov.uk/government/publications/social-distancing-when-signing-and-handing-over-waste-transfer-and-consignment-notes-in-person-rps-c8/social-distancing-when-signing-and-handing-over-waste-transfer-and-consignment-notes-in-person-rps-c8>