



# Spain

## Country Insights and Commodity Report

**Q1 2023**



# Spain

## Q1 2023

Spain's GDP grew by 5.5% in 2022 and the economy is expected to grow at a rate 1.5% in 2023, according to the most recent update from the IMF. Growth has slowed due to persistent inflation and higher interest rates. However, Spanish business confidence has reached its highest level since the third quarter of 2019, with the INE reporting a 2.7% quarter-on-quarter increase in the second quarter of this year, indicating continued economic recovery from last year's energy crisis. Inflationary pressures are also easing, with March inflation falling to 3.3%, the lowest annual rate since August 2021.

After growing by 4% in 2022, Spain's construction industry is expected to contract by 0.3% in real terms in 2023, due to high construction costs, rising interest rates, labour shortages, and supply chain constraints. However, investments in the industrial and renewable energy sectors are expected to drive growth, and the construction industry is expected to grow at a 3% annual rate between 2024 and 2027. Growth in the industrial sector will be largely supported by the construction of semi-conductor and battery manufacturing plants.



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### Lumber

Lumber prices will stabilise in the medium term as domestic demand declines and residential construction weakens owing to high interest rates.



### Cement and aggregates

Prices of cement and concrete continue to be impacted by high production costs being passed on to buyers. Although buildings construction growth will slow, the implementation of EU-funded public works projects will provide support on the demand side.



### Concrete blocks and bricks

Brick prices are expected to remain high in the short-term owing to elevated production costs, but weaker demand side growth will contain further price pressure.



### Steel (rebar and structural)

Steel prices have been pushed up by higher production costs as well as a boost to demand in the region stemming from material shortages resulting from disruption in Turkey following the recent earthquake.



### Copper

Having jumped in early 2023, copper prices will be volatile in the coming quarters given the prospect for higher demand in China but concerns over supply-side constraints and weakening global economic growth. There will be sustained demand from the expansion in investment in renewable energy facilities and electric vehicle production.

# Spain – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	€	€	2022-23 % change	% change
<b>Copper</b> (€/MT)	8,411	8,984	-6.4% ↓	3.9% ↑ ●
<b>Steel rebar</b> (€/MT)	774	848	-8.7% ↓	-0.7% ↓ ■
<b>Steel flat</b> (€/MT)	707	1,049	-32.6% ↓	0.5% ↑ ■
<b>Stainless steel</b> (€/MT)	3,885	NA	NA	4.5% ↑ ●
<b>Lumber</b> (€/M3)	149	141	5.8% ↑	1.5% ↑ ●
<b>Asphalt</b> (€/MT)	92.3	99.3	-7.1% ↓	-5.0% ↓ ●
<b>Limestone</b> (€/MT)	66.6	54.3	22.5% ↑	8.3% ↑ ●
<b>Cement</b> (€/MT)	157	144	9.4% ↑	8.3% ↑ ●
<b>Concrete</b> (€/M3)	148	137	8.1% ↑	5.7% ↑ ●
<b>Welded mesh</b> (€/unit)	97.4	95.5	2.1% ↑	2.9% ↑ ●
<b>Bricks</b> (€/000 unit)	941	850	10.7% ↑	10.2% ↑ ●
<b>Plasterboard</b> (€/unit)	4.67	3.92	19.4% ↑	6.4% ↑ ●
<b>Diesel</b> (€/litre)	1.57	1.91	-18.1% ↓	-11.4% ↓ ●

(f) Forecast (e) Estimated

- Q4 2022 to Q1 2023 % change greater than estimation in our Q4 2022 report
- Q4 2022 to Q1 2022 % change less than estimation in our Q4 2022 report

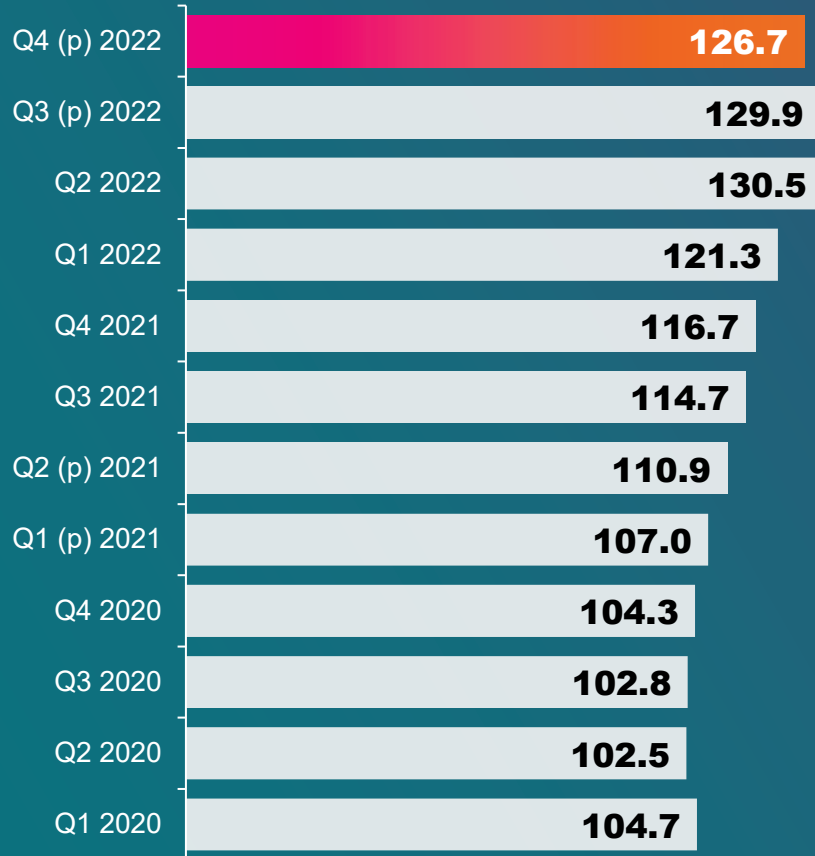
Welded mesh: 100 x 100 x 6cm      Plasterboard: 125 x 60 x 1.3cm (L x W x T)

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	+1.0% ↑	Moderate	Copper prices jumped in Q1 2023 amid expectations of higher demand from China and tightened supply from key source markets. Further price inflation will be contained by the slowing global economy.
 <b>Steel prices</b> - Steel rebar - Flat steel	+1.0% ↑ +1.0% ↑	Moderate	Steel prices will remain elevated in the short term, with local demand stemming from railway infrastructure investment will be a contributing factor. Domestic production has also slowed. It dropped by 16.2% year-on-year in the first two months of 2023. High production costs have squeezed profit margins, and as a result producers have cut output levels.
 <b>Stainless steel</b>	+1.5% ↑	Low	Despite sluggish demand growth, stainless steel prices have been held up by high raw material costs.
 <b>Lumber</b>	+0.5% ↑	Low	Lumber prices will remain flat in the coming months because of the slowdown in demand from the construction industry. Fuel and electricity prices are also expected to fall from recent highs, which will help to contain inflationary pressure.
 <b>Asphalt</b>	-0.5% ↓	Low	Prices will fall further in the short term as a result of weaker raw materials costs. However, demand will continue to be supported by the government's ongoing investment in road improvements.
 <b>Limestone</b>	+0.8% ↑	Low	Sluggish demand in buildings construction due to high interest rates and weaker economic growth will result in weaker demand for limestone. High production costs have been a factor in keeping prices relatively high in recent quarters.

# Spain – Commodity Report



## Construction cost index for residential buildings (Q1 2020 – Q4 2022) (2015=100)

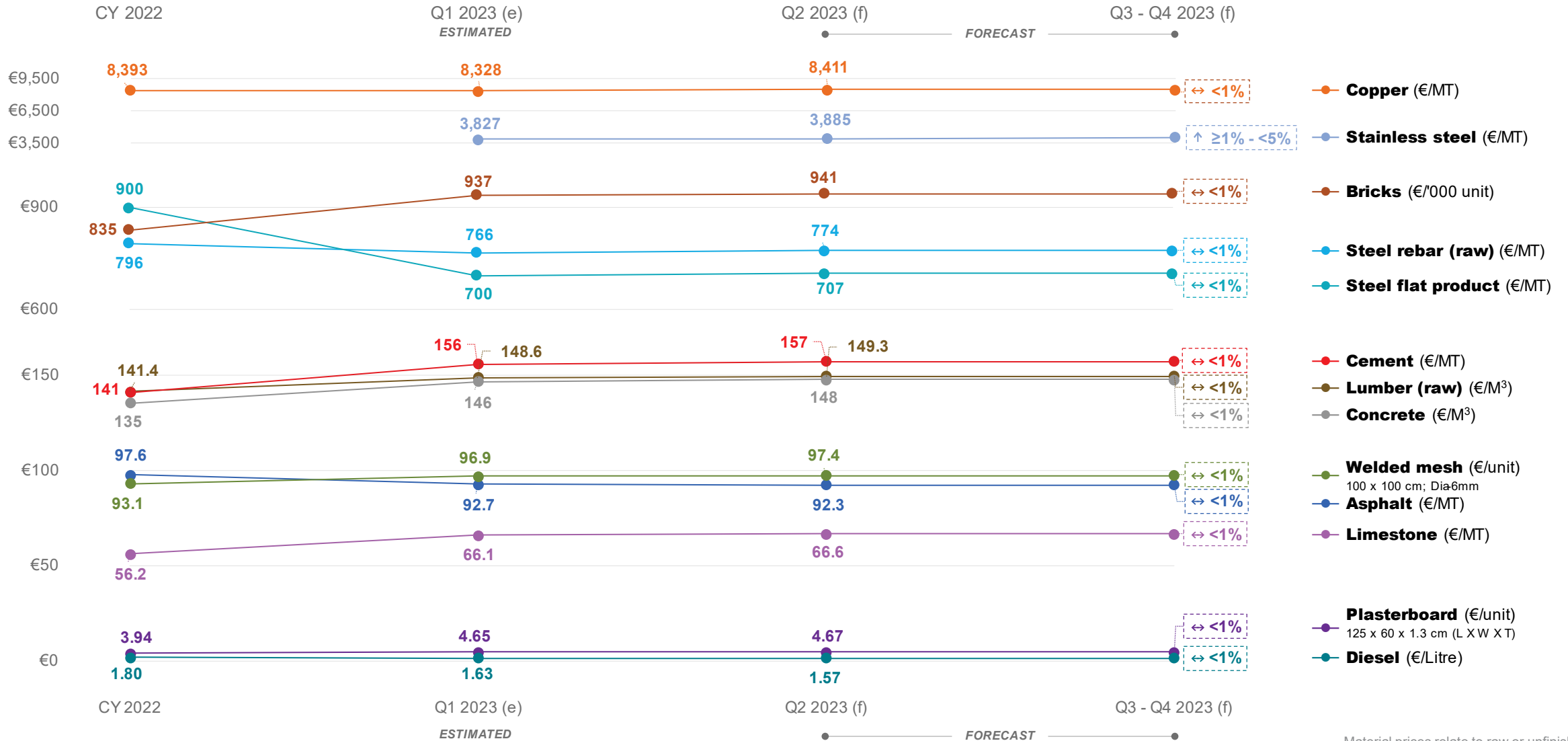


\*(p) - Provisional

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 <b>Cement Concrete</b>	+1.0% ↑ +0.8% ↑	 High Concrete and cement prices have been pushed up by high production costs, and investment in infrastructure and civil works projects will sustain demand.
 <b>Welded mesh</b>	+0.5% ↑	 Moderate Welded mesh prices have edged upwards, but with weaker building construction demand, prices are expected to stabilise in 2023.
 <b>Bricks</b>	+0.5% ↑	 Moderate Brick prices jumped in early 2023, with the main driver being higher production costs being passed on to buyers. Prices are expected to stabilise as domestic demand weakens in the coming quarters.
 <b>Plasterboard</b>	+0.5% ↑	 Moderate Plasterboard prices continued to increase in Q1 2023 with producers passing on higher costs. However, with weaker demand predicted in the buildings construction sector, price pressure will moderate.
 <b>Diesel</b>	-4.0% ↓	 Low Diesel prices have continued to retreat from mid-2022 highs. The diesel price dropped to €1.57 in the final week of March 2023, reaching its lowest point since the Russia-Ukraine conflict began in February last year. On a quarterly average basis, prices will remain around current levels, but with increased volatility in global crude oil prices, diesel prices could also be subject to significant shifts in the coming quarters.

\* Level of impact rating reflects a combination of factors: the price movement and also price level (compared to recent past beyond the last quarter), the importance of the material, and general state of the supply chain in terms of stability. Please note that commodity prices are based on representative materials available in the respective countries, and as these materials may not be standard across all markets, cross-country comparisons on prices can be ineffective. For example, asphalt types can vary between hot, cold or a bitumen price, and standard unit sizes for materials can vary across countries.

# Spain – Construction Materials Pricing (2022-2023)



Material prices relate to raw or unfinished materials, and not to finished, delivered and erected on-site prices.

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# Spain – Macroeconomic overview



## Economic indicators



**1.51%**

GDP growth in 2023 (f) and **5.48%** in 2022



**4.30%**

inflation rate in 2023 (f) and **8.32%** for 2022



**20.55M**

people employed in 2023 (f) and **20.39M** in 2022



**12.63%**

unemployment rate for 2023 (f) and **12.92%** in 2022



**111.11**

Consumer Price Index in March 2023 and **107.56** in March 2022



**156.26**

Producer Price Index in Feb 2023 and **144.92** in Feb 2022

## National holidays



**10-14 public holidays**

dependant on different regions

## Energy prices







Electricity prices for non-household consumers , consumption < 20 MWh (€ per kWh)



Note: All taxes and levies included

# Spain – Construction overview



Output 2022 and 2023 (in € millions)*			
Sector	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	15,967	15,927	16,114
Energy and utilities 	5,992	6,116	6,274
Industrial 	5,742	5,808	6,242
Infrastructure 	26,092	26,831	28,238
Institutional 	11,055	10,911	11,198
Residential 	64,773	63,668	65,697

\*The output is in real terms at constant prices with 2017 as base year

## Long lead equipment (LLE) - Supply Chain Overview

2022 was a turbulent year for the global supply chain with the fallout from the global pandemic combined with the emergence of the Russia-Ukraine conflict, leading to supply chain disruptions across the globe. However, 2023 is showing signs of relief in the market for long lead equipment (LLE). The following are the specifics of the LLE supply chain dynamic:

- Demand:** Demand for LLE has remained exceptionally high across all regions and industry sectors. Organizations have moved to expand their supply chain portfolios and include secondary and tertiary suppliers, whilst most are continuing to invest in inventory management systems to prevent any supply chain disruptions. There is no sign of reduced demand, so the constraints to the supply chain will continue for the remainder of 2023.
- Supply:** The stock levels of raw materials have finally started to stabilise, alleviating some recent pressures on manufacturers and suppliers. However, it is worth noting that most LLE suppliers have reported being at operational capacity, with order books full up to Q3 2024, which may cause some concern for those relying on their products. Nevertheless, there is some hope as Tier 2 and Tier 3 supply chains have started to increase their capacity and support the larger demand within the market, which may help to mitigate any negative impact of capacity restrictions.
- Freight durations and costs:** Freight durations have begun to shorten in early 2023 as the global infrastructure and operations have developed to meet the rising demand and freight companies are shipping much faster than they did during the pandemic. Average freight costs have also reduced to align with pre-pandemic levels suggesting a return to normality within the industry. The benefits have been experienced in early 2023 and further reductions are expected throughout the rest of 2023.

## Construction Health and Safety practices and culture



**80,114**

**accidents** produced in the period January - February 2023 with sick leave, of which 560 accidents were serious and 96 accidents were fatal.



**6.16 per 1000 persons**

**Is the accident incidence rate**

Comparing these data with those of the same period of the year previous year, there were 26 more serious accidents and 22 fewer fatal accidents.

# Spain – Report methodology



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Linesight has commissioned independent global research to track construction materials and commodity prices. The approach and methodology for the collection of construction material pricing and other indicators is based on primary and secondary research.

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## Primary and secondary research

Primary research is conducted on a quarterly basis with stakeholders in the value chain, including manufacturers and suppliers/distributors of the target materials, to ascertain market information on prices in recent quarters, and also on projections for changes in the coming quarter and remainder of the year. The market analysis also involves a thorough assessment of secondary sources of data on materials and labour prices, in addition to underlying demand and supply trends that will impact market prices.

Sources include GlobalData's Construction Intelligence Center (CIC), the World Bank, IMF, OECD, as well as country specific national statistics offices, such as the U.S. Bureau of Economic Analysis, Bureau of Labor Statistics, and also industry specific associations and publications.

## Definitions

- Commodity prices are net of taxes for all the countries
- Prices are not customer delivered
- All commodities are raw materials
- Nominal and real data

Nominal data series do not exclude changes in prices and are also referred to as current prices series.

Annual changes in nominal data for construction output will include changes in construction activity, as well as changes in costs for materials and equipment.

Real data series are calculated by keeping prices constant (so, are also referred to as constant price series), and therefore, they reflect changes in activity only. Growth rates in nominal terms can overstate the pace of growth in construction activity if there is high inflation stemming from rising prices for key inputs.

## Sample sources – Spain

For Spain, sources for this report include, but are not limited to:

- IMF
- National Statistics Institute (INE)
- International Labour Organization
- Eurostat
- GlobalData's Construction Intelligence Center (CIC)
- Economic Research Institute
- Public Holidays
- Eurostat



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