



# Spain

## Country Insights and Commodity Report

### Q1 2022



# Spain

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On the back of increased exports, more gross capital formation, and a higher level of household and government spending, Spain recorded 5.7% growth in 2021, although the Omicron variant, inflationary pressures and surging energy prices did constrain further growth. Inflation and energy prices will continue to impact in 2022, with the outbreak of the Russia-Ukraine conflict having a significant bearing.

2021 marked a second consecutive year of contraction for the Spanish construction industry, at a rate of 4.1% in real terms. While it is expected to recover in 2022, with EU financial support and various Central Bank measures to stimulate activity, material prices, supply chain bottlenecks and soaring energy prices are causing significant pressure to the industry in the near term.

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As material costs will continue to represent a challenge for the construction industry for the foreseeable future, Linesight will publish quarterly updates to track commodities and provide insights about future projections on movements.

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### Lumber

A recovery in demand from the construction sector will add to pressures on lumber prices that will stem from regional supply disruptions amid the EU ban on imports from Russia.



### Concrete and aggregates

Cement production in Spain has been disrupted in recent months with producers temporarily shutting down plants because of the surge in energy costs. According to the general director of Oficemen, Spain's Cement Association, the cement industry is facing an "energy emergency situation". This has come at a time of increasing demand, with consumption rising by 16% in the 12 months to February 2022.



### Concrete blocks and bricks

After two years of weakness, buildings construction is set to recover, supported by an increase in residential sales, low interest rates and the government's focus on developing affordable housing, urban reconstruction, and rehabilitation projects. The consequent increase in demand for blocks and bricks will add to upward pressure on prices stemming from rising production costs amid soaring energy prices.



### Steel (rebar and structural)

Steel producers in Spain were already being challenged by the impact of high energy prices in late 2021, when they indicated further increases for rebar were forthcoming. The situation has since been exacerbated by the Russia-Ukraine conflict, which has added further upward pressure on energy costs and greatly disrupted supplies. Producers have been warning of a collapse in the market, particularly for rebar, as the surge in prices has made the metal too expensive.



### Copper

Soaring electricity prices will be a key factor in keeping prices at relatively high levels. Atalaya Mining has reported that prices in Q1 2022 were four times higher than in 2021. Copper production by Atalaya Mining in Q1 2022 was down by 19.5% year on year in Q1 202, mainly attributable to the temporary plant shutdown following the transport sector strike and lower copper grades processed.





# Spain - Commodity Report



Materials	Q4 2021	Q3 Q4 2022 (f)		Q4 - Q1 (e) 2022
	€	€	2021-22 (f) % change	% change
<b>Copper</b> (€/MT)	8,443	9,438	11.8% ↑	5% ↑
<b>Steel rebar</b> (€/MT)	458	763	66.8% ↑	57% ↑
<b>Steel flat</b> (€/MT)	760	944	24.3% ↑	17% ↑
<b>Lumber</b> (€/M3)	121.5	140.4	15.6% ↑	11% ↑
<b>Asphalt</b> (€/MT)	79	100	26.9% ↑	20% ↑
<b>Limestone</b> (€/MT)	50.8	53.5	5.4% ↑	4% ↑
<b>Cement</b> (€/MT)	123	139	12.6% ↑	7% ↑
<b>Concrete</b> (€/M3)	121	137	12.6% ↑	7% ↑
<b>Welded mesh</b> (€/unit)	67	88	30.4% ↑	23% ↑
<b>Bricks</b> (€/000 unit)	728	822	12.9% ↑	9% ↑
<b>Plasterboard</b> (€/unit)	3.39	3.62	6.7% ↑	5% ↑
<b>Diesel</b> (€/litre)	1.37	1.64	20.2% ↑	13% ↑

**Q3 Q4 2022 (f):** Forecasted average  
**2021-22 % change:** % change from Q4 2021 to Q3 Q4 2022 average

Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	+3% ↑	High	Copper prices spiked in early March, and given high energy costs, the risk of further disruption to supplies, and the expectation that demand will continue to rise amid investments in renewable energy technologies and EV production, copper prices will remain high.
 <b>Steel prices</b> - Steel rebar - Flat steel	+3% ↑ +3% ↑	High	High energy prices are severely impacting steel manufacturers in Spain, which have been cutting back on their operations as power prices hit record highs as a result of the Russia-Ukraine conflict. Reflecting this disruption and high production costs, steel prices are expected to remain elevated in 2022
 <b>Cement Concrete</b>	+2% ↑ +2% ↑	Moderate	Spanish cement consumption is growing due to the rising demand from the residential sector. Recently, Spain's cement industry reacted to rising energy prices with the temporary closure of several cement plants due to high electricity prices. This will ensure concrete and cement prices remain high.
 <b>Asphalt</b>	+2.5% ↑	Low	With international crude oil prices rising in the wake of the Russia-Ukraine conflict, the upward trend in asphalt prices recorded last year will extend in 2022. However, the increasing use of recycled material will help to contain price inflation.
 <b>Limestone</b>	+1% ↑	Low	Owing to balanced demand and domestic supply of raw material in the market, limestone prices will be relatively stable, but higher energy costs will keep prices at around current high levels.
 <b>Lumber</b>	+1% ↑	Moderate	Spain has been struggling with shortages of timber since 2021, amid the expansion in demand at a time of disruptions in supply. The EU ban in Russian imports will disrupt supplies across the region, adding to pressures on prices.

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 - Commodity Report









## Construction cost index (Base - Jan 2015)



## Knoema World Data Atlas

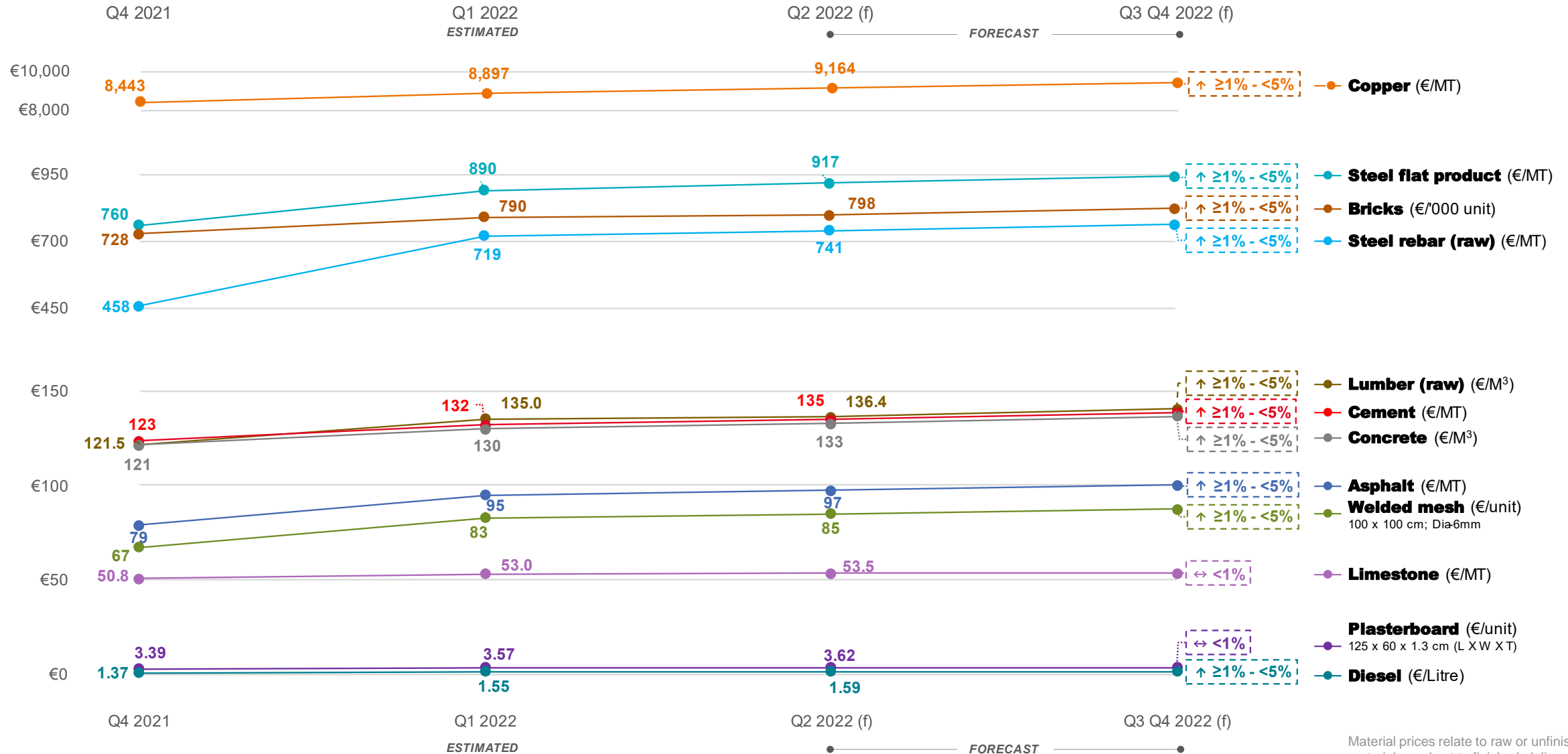
Index of economic freedom **81.9 out of 100**

Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 <b>Welded mesh</b>	+2.5% ↑	 Due to the expected increase the price of steel, price of wired mesh will also continue on an upwards trend in 2022
 <b>Bricks</b> <b>Plasterboard</b>	+1% ↑ +1.5% ↑	 Improving building construction activity in 2022 will contribute to a pick up in materials demand, which comes at a time of sharp rises in production costs. Brick and plasterboard prices are therefore set to continue to face inflationary pressures.
 <b>Diesel</b>	+3% ↑	 Diesel prices soared in March, reflecting the jump in global oil prices and concerns over disruptions in supply from Russia. In mid-March prices were around 25% higher than the previous record peak price set in 2012.

\* 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.

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# Spain - Construction Materials Pricing (2021-2022)



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



**5.8%**

GDP growth in 2022 (f) and 5.74% in 2021



**1.65%** inflation rate in 2022 (f) and **2.24%** for 2021



**19.84M** people employed in 2022 (f) and 19.57M in 2021



**14.77%** unemployment rate in 2022 (f) and 15.37% in 2021



**104.4** Consumer Price Index in 2022 (f) and 103.96 in 2021

## Weather conditions



**1°C to 33°C**

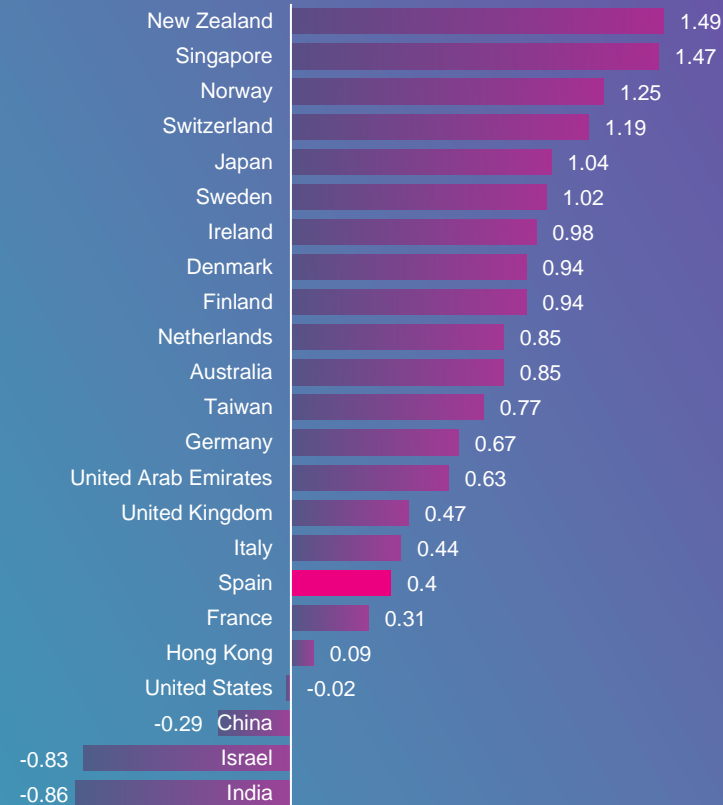
typical temperature range throughout the year



**630mm**

average annual rainfall

## Political stability



Political stability index (-2.5 weak; 2.5 strong)

The index of Political Stability and Absence of Violence/ Terrorism measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

## National holidays

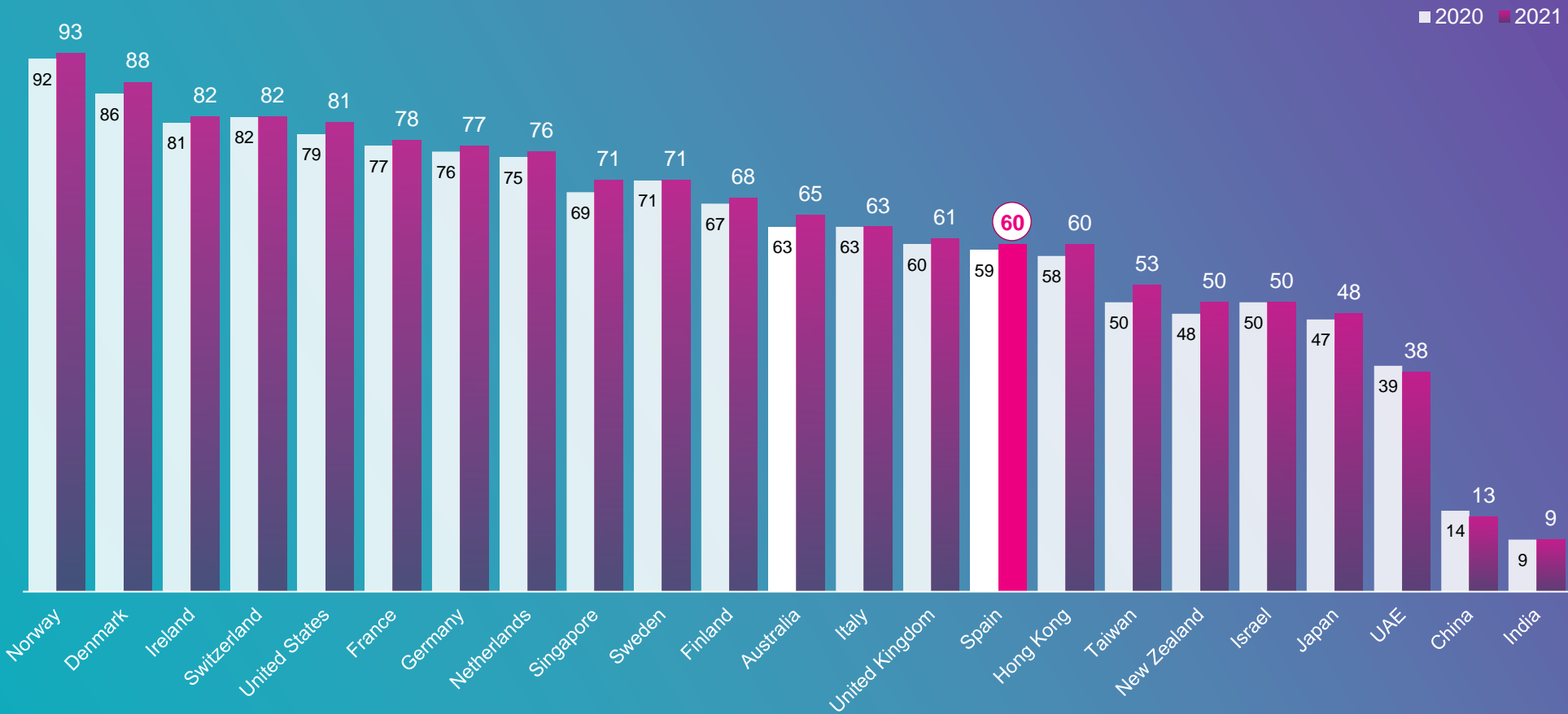


**10** public holidays in Spain each year. Most holidays are taken during December.

# Spain - Macroeconomic overview



## Labour productivity



## Labour costs

**€25,135**

average construction worker gross salary in Spain or an equivalent hourly rate of €12







- An entry level construction worker (1-3 years of experience) earns an average salary of €18,684.
- A senior level construction worker (8+ years of experience) earns an average salary of €30,425.

Labour productivity per hour worked in 2020 international dollars, converted using Purchasing Power Parities



# Spain - Construction overview



Output 2021 and 2022 (f) (in millions)			
Sector	Total 2021	Total 2022 (f)	% change
Commercial 	€17,323.39	€18,199.54	5.1%
Energy and utilities 	€5,967.07	€6,493.17	8.8%
Industrial 	€5,839.01	€6,236.49	6.8%
Infrastructure 	€25,819.68	€28,005.56	8.5%
Institutional 	€11,766.17	€12,318.50	4.7%
Residential 	€66,614.32	€73,079.03	9.7%
<b>Total output</b>	<b>€133,329.54</b>	<b>€144,332.28</b>	<b>8.3%</b>

## Long-lead equipment (LLE) – time risks

Long-lead equipment (LLE) lead times have changed drastically since the start of 2022. Suppliers have seen the implications of material shortages, delays and price hikes throughout the supply chain, which is leading to extended lead times and reduced commitment from suppliers for new projects. The key areas in focus are:

- Demand:** The demand for long-lead equipment in the data centre sector has increased exponentially with the IT boom. More data centre and crypto mining providers are joining the market, and this new demand far outweighs the capacity of the supply chain. Entry onto the production line has become a significant challenge, with suppliers reporting fully booked capacity until Q1 2023. Opportunities exist for the development of Tier 2 and Tier 3 suppliers to Tier 1 status. However, it will take time to develop an extended supply chain.
- Material shortage:** The end of Q1 2022 saw a significant drop in the availability of raw materials used for LLE production. Global factors such as the Russia-Ukraine conflict and the resurgence of COVID-19 has halted production, which is at its lowest levels in recent years. The ethical approach in the supply chain to manoeuvre away from the use of Russian gas and oil has reduced production levels and added longer lead times within the supply chain. The raw material shortages are expected to continue into Q2 2022, whilst there is uncertainty for the security of the supply chain.
- Freight durations and costs:** Heightened by the increase in fuel costs and compounded by the shortage of labour and low supply of shipping containers, freight durations have soared as suppliers look for ways to mitigate these challenges. The demand for freight services has grown across all markets in recent years and the competition amongst industries has had a negative effect on availability and durations. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to increasing fuel costs.

## Construction health & safety practices and culture



The main bodies concerned with occupational safety and health (OSH) within the Ministry of Employment are the National Institute of Safety and Hygiene at Work and the Labour Inspectorate



# 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. A more comprehensive list of sources is included below.

## 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
- Economy.com
- The Global Economy
- Weather Spark
- International Labour Organization
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org
- Fitch Ratings

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