



Spain

Country Commodity Report

Q2 2022



Spain

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Spain's economy posted 0.2% growth in Q1 2022, according to official data released in June, slower than the 2.2% seen in Q4 2021. Year-on-year, Q1 saw 6.3% growth. Given the current geopolitical climate, the Bank of Spain has revised its 2022 growth forecast downwards, from 4.5% to 4.1%. In terms of inflation, the year-on-year rate hit 10.2% in June according to the National Statistics Institute (INE), recording a 37-year high.

Construction industry growth is expected this year circa 5.6%, following two consecutive years of contraction, supported by infrastructure development and EU financial assistance, as well as Central Bank of Spain measures. Inevitably, the current level of energy prices, inflation and supply chain constraints will impact this growth.

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

As construction demand picks up, lumber prices will remain at relatively high levels - an outcome that also reflects the impact of recent regional supply disruptions amid the EU ban on imports from Russia.



Cement and aggregates

Production costs have risen sharply, and supplies have been disrupted by temporary closures of production plants this year, owing to surging energy costs. Oficemen, Spain's Cement Association, has welcomed recent measures to cap the cost of gas, which has been a major factor in driving up costs. Cement consumption growth has not been excessive; according to the association, it was up by 3.7% year-on-year in the first five months of the year.



Concrete blocks and bricks

After two years of weakness, building construction will recover in 2022, increasing demand for blocks and bricks that will add to upward pressure on prices. This stems from rising production costs amid soaring energy prices.



Steel (rebar and structural)

Steel prices soared in the first half of 2022, as production costs jumped. Producers in Spain were already facing challenges posed by high energy prices in late 2021, when they indicated further increases for rebar were forthcoming. The upward pressure on prices so far this year has been exacerbated by the Russia-Ukraine conflict, which has greatly disrupted supplies. Producer prices were up by around 55% year-on-year from January-May 2022.



Copper

Copper prices started to fall in late Q2 2022, following the global trend, as weak demand in China contributed to a decline in prices. However, high electricity costs will be a key factor in keeping domestic copper prices at relatively high levels.







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	Q3 2022 (f)	Q1 2022 - Q2 2022 (e)
Materials	€	% change
Copper (€/MT)	8,607	1.0% ↑ ■
Steel rebar (€/MT)	835	17.9% ↑ ●
Steel flat (€/MT)	1,039	17.9% ↑ ●
Lumber (€/M3)	142	4.0% ↑ ●
Asphalt (€/MT)	97.29	4.5% ↑ ●
Limestone (€/MT)	54.87	2.5% ↑ ●
Cement (€/MT)	141	8.8% ↑ ●
Concrete (€/M3)	135	5.0% ↑ ●
Welded mesh (€/unit)	93.56	15.1% ↑ ●
Bricks (€/’000 unit)	859	7.6% ↑ ●
Plasterboard (€/unit)	3.95	9.8% ↑ ●
Diesel (€/litre)	1.96	23.6% ↑ ●

● Q1 to Q2 2022 % change greater than estimation in our Q1 report
 ■ Q1 to Q2 2022 % change less than estimation in our Q1 report

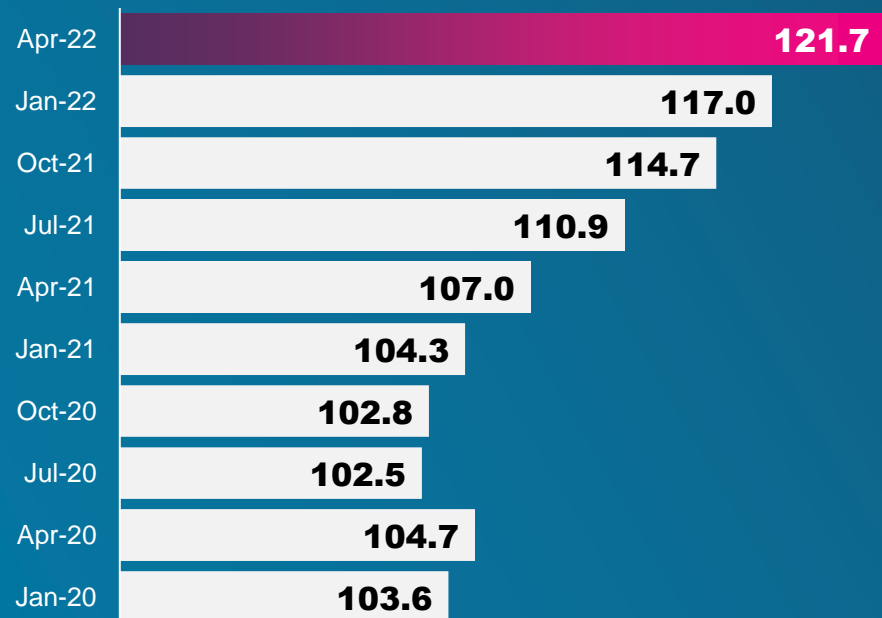
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Copper -4.2% ↓	 Moderate	Copper prices have fallen back from recent highs, with weakened demand in China amidst COVID-19 lockdowns contributing to a drop in global prices. Although prices will remain below recent highs in the coming quarters, a recovery in demand in China and globally, stemming from investments in renewable energy technologies and EV production, will mean that prices will still be relatively high.
 Steel prices - Steel rebar -1.5% ↓ - Flat steel -1.0% ↓	 High	Steel prices have been volatile in recent quarters, but high energy costs and disruptions in supply have resulted in a sharp upward trend in prices. With prices at such highs, demand in the market has been fairly weak, with reports of delayed purchases.
 Cement Concrete -2.0% ↓ -1.0% ↓	 Moderate	Although the recovery of Spain's construction industry has been slower than anticipated, concrete and cement prices have increased as production costs have jumped.
 Asphalt -2.0% ↓	 Moderate	Asphalt prices have been pushed up by the increase in crude oil prices, which jumped in the wake of the outbreak of the Russia-Ukraine conflict. Significant investment on roads under the 2022 budget (the government has allocated €2.3 billion towards roads spending) will prop up demand, but the increasing use of recycled materials will help to contain price inflation, as will an easing of global crude oil prices.
 Limestone +1.0% ↑	 Low	Owing to balanced demand and domestic supply of this raw material in the market, limestone prices will be relatively stable, but higher energy costs will keep prices around current levels. Producer prices for quarrying of stone in general edged upwards in the first half of 2022.

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

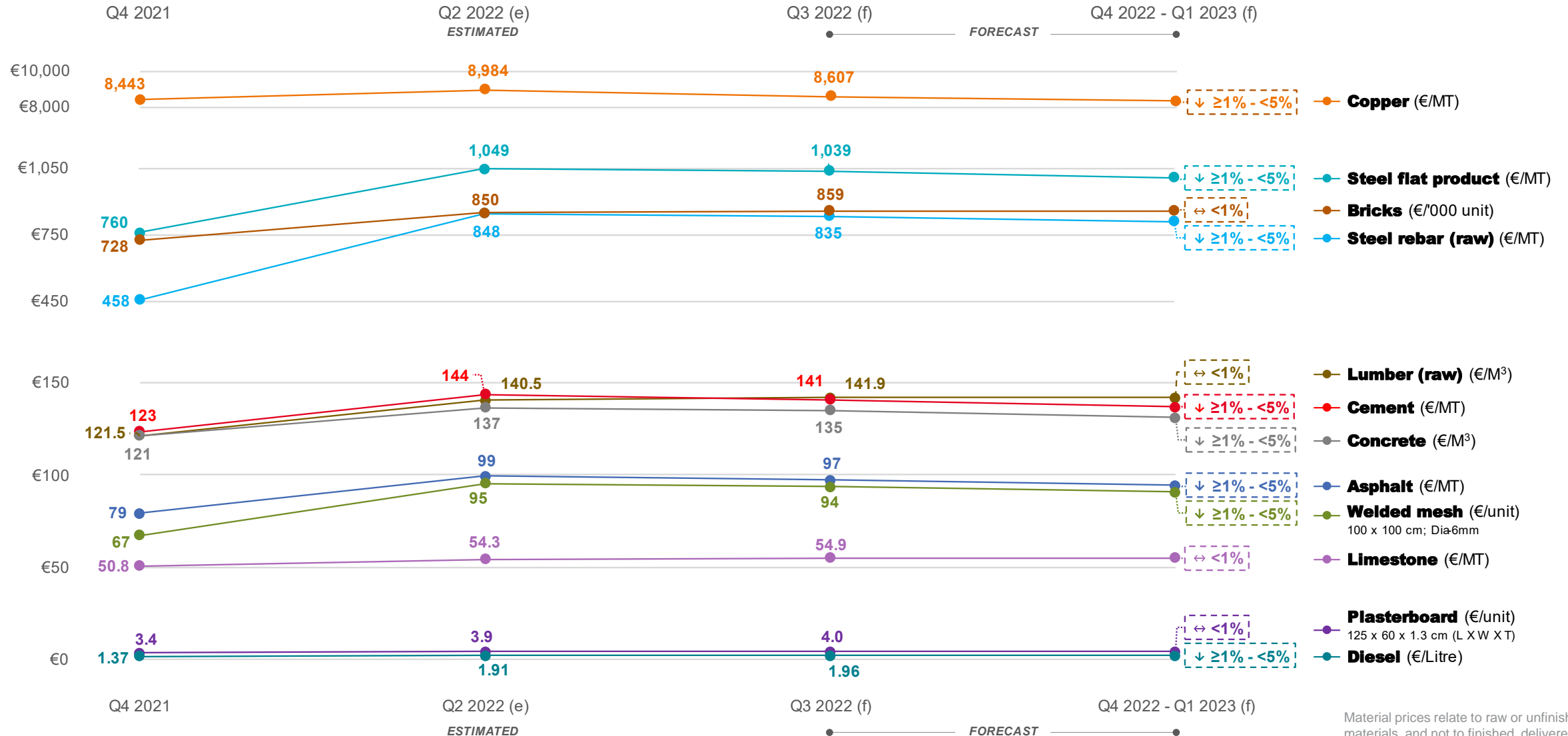
Index of economic freedom **69.9 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	+1.0% ↑	 High	Lumber prices have been edging upwards, reflecting a steady rise in producer prices of saw milling and planing. Spain has been struggling with shortages of timber since 2021, amid the growth in demand at a time of supply disruption. The EU ban on Russian imports has constrained supplies across the region, adding to pressures on prices.
 Welded mesh	-2.0% ↓	 High	Welded mesh prices have risen, reflecting the upward pressure on the price of steel. However, prices will show a downward shift in H2 2022, owing to declining steel prices.
 Bricks	+1.0% ↑	 Moderate	Despite weaker demand than had been expected, there has been a sharp rise in brick production costs in the past quarter, reflecting higher energy costs and the energy-intensive nature of production, and brick prices are expected to remain elevated.
 Plasterboard	+1.0% ↑	 Low	Plasterboard prices have edged upwards in recent quarters. Although still fairly weak, construction output is picking up, and production costs have risen. Prices are expected to remain close to current levels, in part reflecting increased demand supported by the government's focus on developing affordable housing.
 Diesel	+2.4% ↑	 Moderate	Diesel prices continued on a sharp upward trend in Q2 2022, and as in other major markets, surpassed €2 per litre. However, the government has provided some relief, extending a €0.20 per litre discount until December 2022.

* 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.

Spain - Report methodology



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.

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

