



# Spain Country Commodity Report Q3 2022



# Spain

## Q3 2022

The International Monetary Fund (IMF) has forecast 4.8% growth for 2022 in its latest release, before a slowdown to 1.2% for 2023. Given that Spain experienced the largest contraction amongst the major economies in 2020, output is not expected to converge on pre-pandemic levels until 2024. The consumer price index in September saw a 8.9% year-on-year increase in prices, according to Spain's National Statistics Institute. It has softened from July's peak, but remains elevated largely due to energy price volatility.

Construction output is expected to post modest growth of 1.7% in 2022, following the contractions seen in 2020 and 2021. The impact of energy costs and material prices have been particularly influential, although growth will be driven by the resumption of some key energy and infrastructure projects, as well as low base effects. Supply chain disruption and elevated material costs will remain downside risks, as is the case for much of the world given the current geopolitical climate.



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### Lumber

High inflation and rising interest rates will put a brake on the recovery of Spain's construction industry. High production and transportation costs, combined with disruptions in regional trade, however, will keep building materials such as lumber at relatively high levels.



### Cement and aggregates

Demand weakness has been reflected in the drop in cement consumption this year. According to Oficemen, Spain's Cement Association, consumption was down by around 7% in July-August. Despite soaring production costs, with weak buyer demand, price inflation has been contained. The outlook is gloomy for producers; with high production costs, its export potential is limited, given that competitors in key markets outside of Europe have not faced the same level of energy price inflation.



### Concrete blocks and bricks

Demand from the residential sector has weakened, with the recovery in building activity being stymied by rising interest rates. Brick producers, however, are having to contend with soaring energy costs and are struggling to pass this on to buyers.



### Steel (rebar and structural)

As in other markets in the region, Spanish steel producers have sought to push up prices to reflect their higher costs stemming from rising energy prices. However, buyers are refusing to place orders at such levels, resulting in a market stand-off. In September, ArcelorMittal was reportedly negotiating with unions over plans to furlough workers so as to limit its production plants for any period of time up to the end of 2023. At the end of September, the company initiated the shutdown of blast furnace A at its Gijón mill.



### Copper

Copper prices will continue to slide amid the weakened outlook for global demand, but demand for the metal will be sustained amid the expansion in investment in renewable energy facilities and electric vehicle production.

# Spain – Commodity Report



Materials	Q4 2022 (f)	Q4 2021 - Q4 2022 (f)		Q2 2022 - Q3 2022 (e)
	€	€	2021-22* % change	% change
<b>Copper</b> (€/MT)	7,651	8,443	-9.39% ↓	-14.6% ↓ ●
<b>Steel rebar</b> (€/MT)	835	458	82.55% ↑	-0.5% ↓ ■
<b>Steel flat</b> (€/MT)	948	760	24.81% ↑	-8.3% ↓ ●
<b>Lumber</b> (€/M3)	145	121	19.01% ↑	1.4% ↑ ●
<b>Asphalt</b> (€/MT)	98	79	23.33% ↑	-0.8% ↓ ■
<b>Limestone</b> (€/MT)	57	51	12.38% ↑	4.0% ↑ ●
<b>Cement</b> (€/MT)	141	123	14.27% ↑	0.0% ↔ ■
<b>Concrete</b> (€/M3)	135	121	11.48% ↑	0.0% ↔ ■
<b>Welded mesh</b> (€/unit (a))	98	67	45.48% ↑	4.5% ↑ ●
<b>Bricks</b> (€/’000 unit)	846	728	16.23% ↑	0.0% ↔ ■
<b>Plasterboard</b> (€/unit (b))	4	3	16.06% ↑	0.0% ↔ ■
<b>Diesel</b> (€/litre)	1.83	1.37	34.26% ↑	-0.6% ↓ ■

(a) 100x100x6cm  
(b) 125x60x1.3cm (LxWxT)

● Q2 to Q3 2022 % change greater than estimation in our Q2 report  
■ Q2 to Q3 2022 % change less than estimation in our Q2 report

Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	-0.3% ↓		Moderate
 <b>Steel prices</b> - Steel rebar - Flat steel	-1.0% ↓ -1.5% ↓		Moderate
 <b>Lumber</b>	+1.0% ↑		Moderate
 <b>Asphalt</b>	-1.0% ↓		Moderate
 <b>Limestone</b>	+1.0% ↑		Low

Copper prices dropped by more than 10% in Q3, reflecting weak global demand and the economic slowdown in China. With rising interest rates, investment growth will be constrained, and copper prices are expected to fall further. However, copper's important role in the green transition suggests that copper prices will strengthen over the medium to long term.

Reflecting increased energy costs, steel prices have remained high in recent quarters, but steel mills have been unable to push up prices as much as they had targeted owing to weakening demand. With the prospect of continued weakness on the demand side, prices are expected to fall further in the coming quarters, with producers slowing production.

Lumber prices have edged upwards, with weak demand being offset by the impact of supply chain disruptions and high logistics and transportation costs. The decline in demand in the residential sector due to rising interest rates will keep the price of lumber in check.

With international crude oil prices stabilising at levels below the mid-2022 highs, upward pressure on asphalt prices has been contained in recent months. However, in the wake of the recent OPEC+ decision to cut oil production, and with infrastructure spending set to pick up, prices will remain close to current highs.

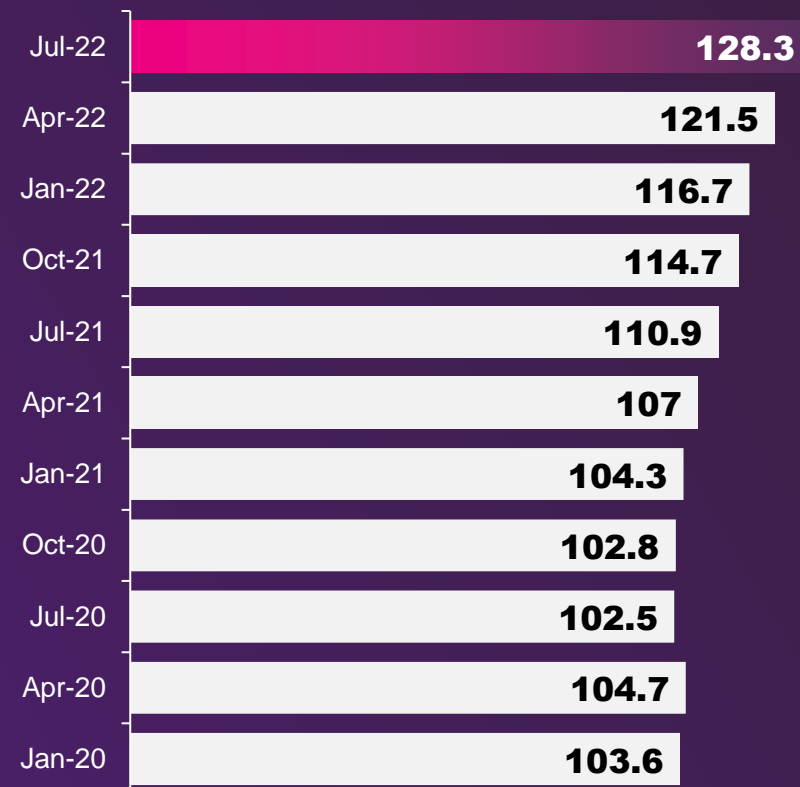
Although overall construction growth has remained weak, production costs have risen, keeping limestone prices at high levels. Producer prices for the quarrying of stone in general were up by 9% year-on-year in August 2022.










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



## Building cost index 2020-2022

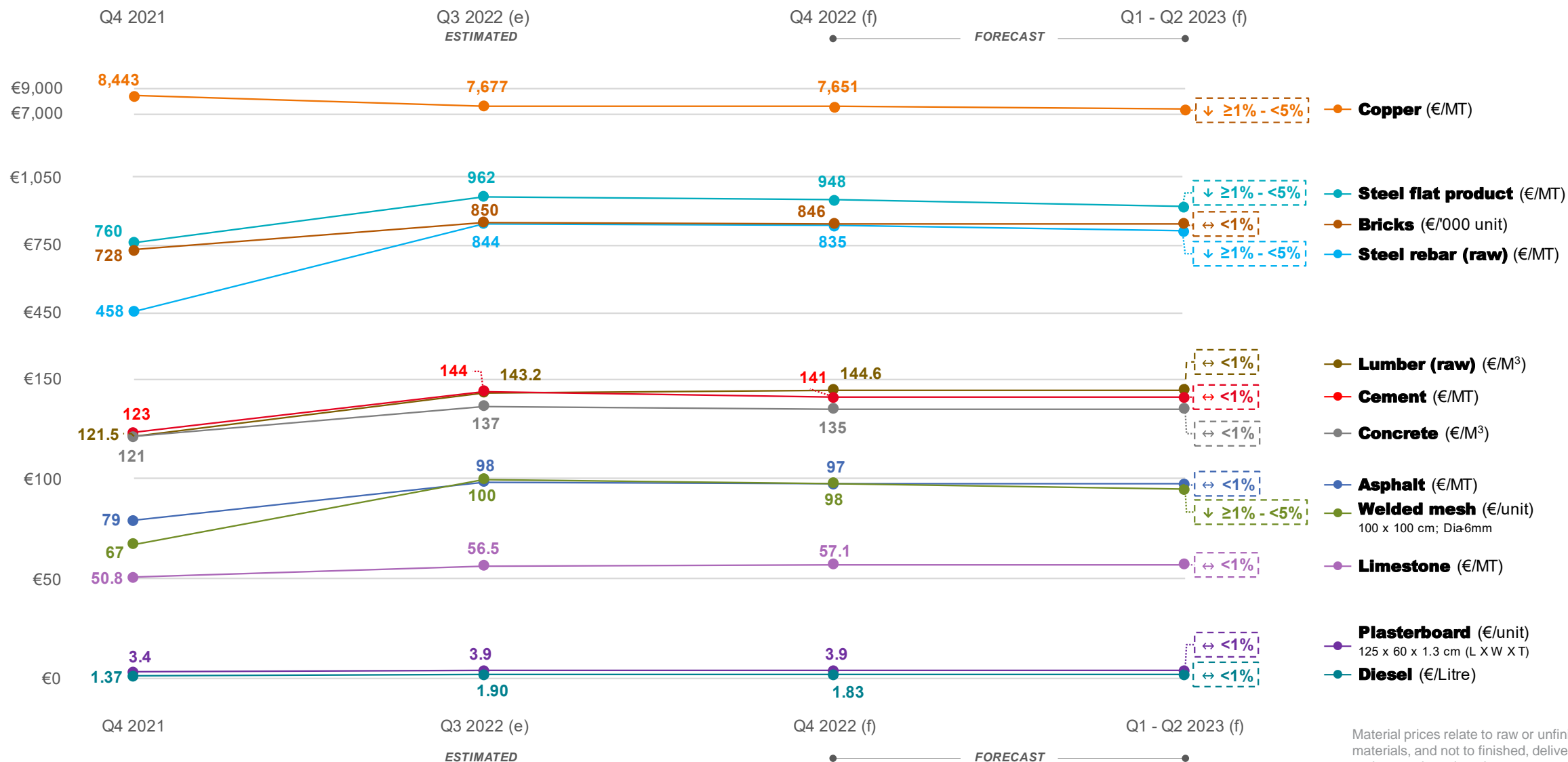


Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Cement Concrete</b>	-2.0% ↓ -1.0% ↓	 Moderate	Despite further rises in production costs (which were up by around 16% year-on-year in Q3 2022) owing mainly to rising energy prices, cement and concrete prices have remained stable at a high level. Price inflation is being contained by weakness on the demand side, with consumption levels declining amid slowing construction output growth.
 <b>Welded mesh</b>	-2.0% ↓	 Low	Welded mesh prices rose in Q3 2022, reflecting higher steel prices in earlier quarters, but weaker demand and falling steel prices will reverse this trend in the coming quarters.
 <b>Bricks</b>	-0.5% ↓	 Low	Despite soaring production costs (brick producer prices were up by 50% year-on-year in Q3 2022), prices have stabilised at a high level, owing to weaker demand from the housing sector.
 <b>Plasterboard</b>	+0.5% ↑	 Low	As has been the case for bricks and other key building materials, despite high production costs, prices have steadied at an elevated level, with producers unable to pass on higher costs because of limited demand from buyers.
 <b>Diesel</b>	-3.5% ↓	 Moderate	Diesel prices have declined from the high of just over €2 per litre in June this year, and the government's 20 cents per litre subsidy is to remain in place until December 2022. However, the early October announcement of OPEC+ nations to reduce oil output is expected to counter the recent declining crude oil price trend.

\* 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 – Macroeconomic overview



## Economic indicators



**4.8%**

GDP growth in 2022 (f)  
and **5.13%** in 2021



**8.78%**

inflation rate in 2022 (f)  
and **3.09%** for 2021



**19.93M**

people employed in 2022 (f)  
and **19.27M** in 2021



**13.36%**

unemployment rate  
for 2022 (f) and **14.78%** in 2021



**124.01**

Consumer Price Index in  
2022 (f) and **114.00** in  
2021



**41.8%**

change in Producer Price  
Index in Aug 2022 compared  
to Aug 2021

## National holidays



**10 public  
holidays**

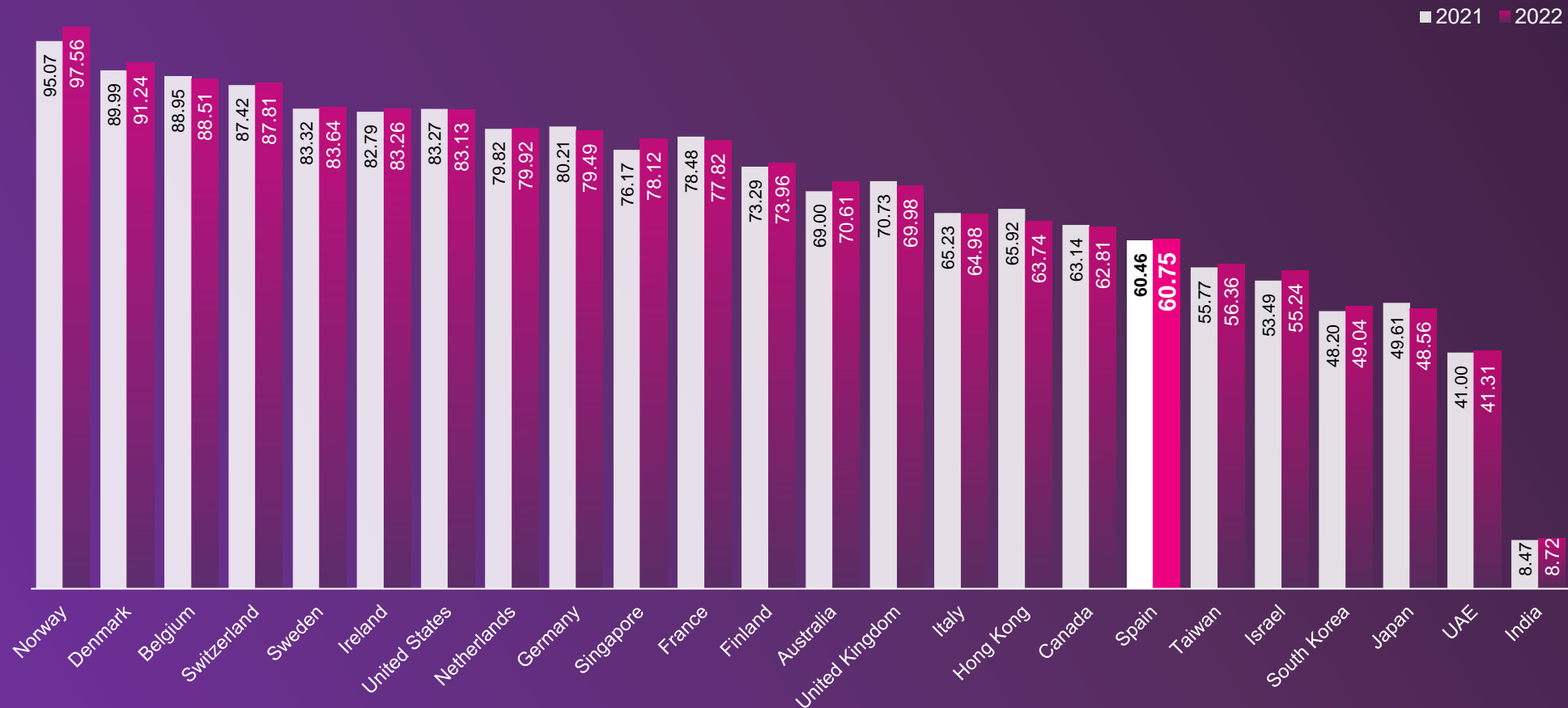
in Spain each year.

- New Year's Day (Año Nuevo) (1 January)
- Good Friday (Viernes Santo) (15 April)
- Labor Day (also referred to as Worker's Day) (Día del Trabajo) (1 May)
- Assumption of Mary (Asunción de la Virgen) (15 August)
- Spain's National Day (also referred to as Columbus Day) (12 October)
- All Saints' Day (Fiesta de Todos los Santos) (1 November)
- Spanish Constitution Day (Día de la Constitución) (6 December)
- Immaculate Conception (La Inmaculada Concepción) (8 December)
- Christmas (Navidad) (25 December)
- Christmas holiday (26 December)

# Spain – Macroeconomic overview



## Labour productivity



## Labour costs



**2.1%**







annual change in index figures of labour costs for July 2022 compared to -3.70% in July 2021.

Labour productivity per hour worked in 2021 international dollars, converted using Purchasing Power Parities

# Spain – Construction overview



## Output 2021 and 2022 (in millions)

Sector	Total 2021	Total 2022 (f)	% change
Commercial 	€19,206	€18,658	-2.9%
Energy and utilities 	€6,616	€6,862	3.7%
Industrial 	€6,474	€6,455	-0.3%
Infrastructure 	€28,626	€29,721	3.8%
Institutional 	€13,045	€12,717	-2.5%
Residential 	€73,854	€75,875	2.7%

## Long-lead equipment (LLE) and Supply Chain narrative

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 continued to increase in Q3 2022. More data centre and crypto mining providers are joining the market, and this continued demand far outweighs the capacity of the supply chain. Entry onto the production line remains a significant challenge, with suppliers reporting fully booked capacity until Q2 2024. There has been some growth in the development of Tier 2 and Tier 3 suppliers to support this demand. However, it will take time to build an extended supply chain. There has also been no sign of a decline in demand yet in early Q4 2022.
- Material shortage:** Just as material availability started to improve, the further threat of escalation with the Russia-Ukraine conflict has cast further uncertainties of future material stocks and reserves. The supply chain has continued to seek alternative sources of raw materials, and although this has been with partial success, market lead times remain conservative.
- Freight durations and costs:** Heightened by the increase in fuel costs, and compounded by the instability of labour and container availability, freight durations have been particularly volatile in recent times. Early indications from Q4 2022 suggest some stabilization in shipping durations is returning to the market, but the associated costs remain volatile due to the global fuel crisis. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to these increasing fuel costs.

## Construction Health and Safety practices and culture



**3** industry deaths  
from Jan-July 2022

**9.2** deaths per 100,000  
workers in 2021

# 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
- National Statistics Institute
- International Labour Organization
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org
- Fitch Ratings

