



Spain

Country Commodity Report

Q2 2023



Spain

Q2 2023

Spain's economy is showing positive signs, with better than anticipated economic growth and a slowdown in inflation. However, interest rates are still elevated which is impacting the construction industry. On a quarterly basis the business confidence index for the construction industry for Q3 2023 increased by 3%. The increase is attributed to easing price pressures, improvements in supply chain and encouraging developments in tech intensive sectors.

Furthermore, Spain is experiencing a surge in foreign direct investments, witnessing an all-time high during 2022. The majority of these investments are in greenfield projects, which is driving growth in the construction industry, having reached its second highest recorded turnover level of in excess of €34bn. Prices of metals like steel and copper are normalising, while the prices of cement remain stubbornly high. The industry is also facing labour output challenges, however growth in the labour cost index moderated in Q1 2023. There is a growing momentum in the retrofitting sector, especially with the implementation of building energy regulations.



Damien Gallogly
Senior Director - Europe



Key Indicators

GDP

Rose by 4.2% in Q1 2023 on YoY terms



- Grew by 0.6% on a QoQ basis exceeding market expectations
- Rebound in investment activity and strong performance of the external sector contributed towards the growth

CPI

Stood at 1.9% in June 2023 on a YoY basis



- Slowest increase in inflation since March 2021
- First country among the Euro Zone's large economies to have inflation fall below 2% which is ECB's target rate for the euro area as a whole

Construction output

Expected to grow by 1.7% in real terms in 2023



- Slowdown in growth is attributed to weakness in residential sector and high interest rates
- The industrial sector is expected to grow at 3% in real terms, supported by investments in semi-conductor & EV manufacturing plants

Commodities Pricing Snapshot

	Price % change			Remarks
	YoY Q2 '22 - Q2 '23 (e)	QoQ Q1 - Q2 '23 (e) Q2 (e) - Q3 '23 (f)		
Copper	↓ -13%	↓ -6%	↓ -1%	Prices have been volatile, however are likely to stabilise in Q3 2023
Steel rebar (raw)	↓ -14%	↓ -5%	↓ -7%	Prices continue to decline, and likely to decrease further
Cement	↑ 12%	↑ 2%	↑ 1%	Prices continue to increase and likely to remain elevated in Q3 2023
Lumber	↑ 5%	↓ -1%	↓ -1%	Prices have started to drop back from the highs recorded in early 2023

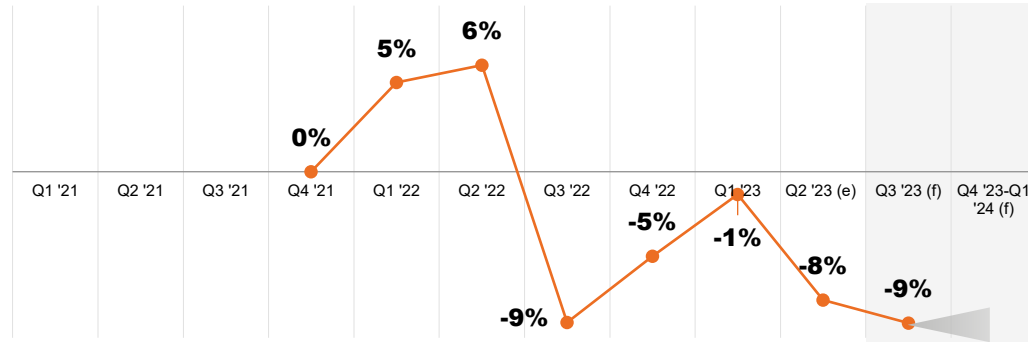
Spain – Commodity Price Trends



Copper

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Low		●●●● Moderate	●●●● Moderate
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€7,791	€7,674	↓ -6.4%	↓ -1.5%

Price change comparison against Q4 2021

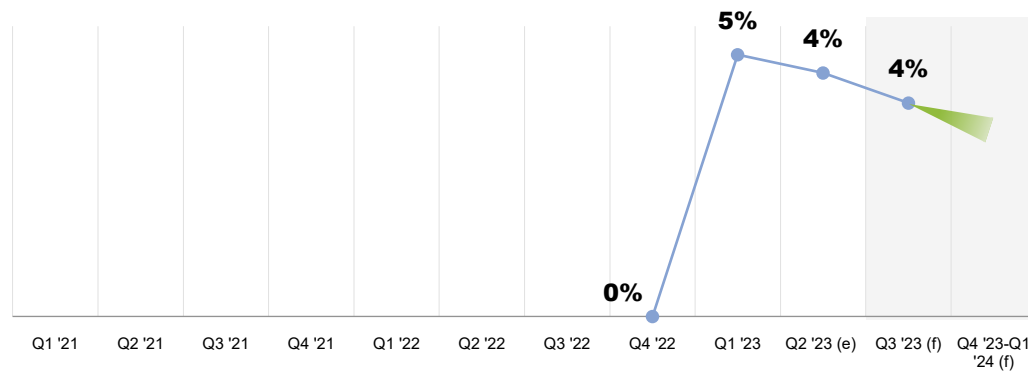


- Copper prices have been volatile, and on a quarterly average basis they dropped by 6.4% QoQ in Q2 2023, as waning demand for industrial metals from China led to a decline in copper prices
- Prices will remain close to current levels on a quarterly average basis, with concerns over weak demand stemming from rising interest rates being offset by short term concerns over global inventories

Stainless Steel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Moderate		●●●● Low	●●●● Low
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€3,816	€3,797	↓ -0.3%	↓ -0.5%

Price change comparison against Q4 2022



- Stainless steel prices fell marginally by 0.3% QoQ in Q2 2023, as the prices of major raw materials, such as nickel, have weakened
- With weakening demand, production levels have also dropped
- This downward trend in prices will continue in the coming quarters, with global nickel prices projected to decline given that the top producer, Indonesia, is ramping up stock levels and production costs are falling

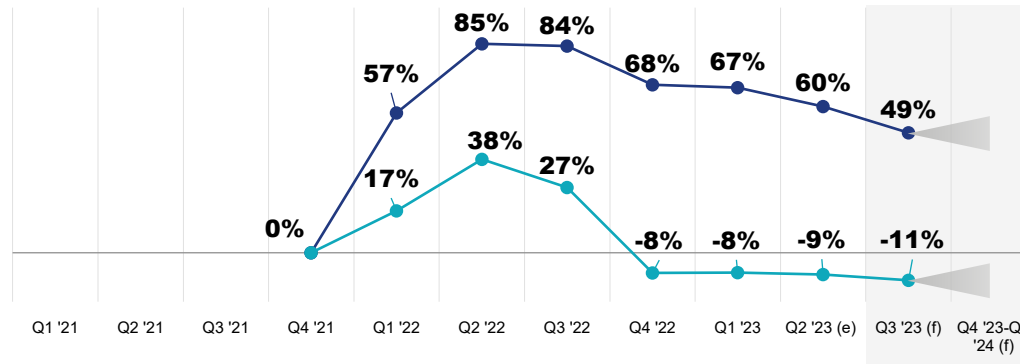
Spain – Commodity Price Trends



Steel – rebar and flat

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Low	Moderate	Moderate	
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
Steel rebar (raw) (€/mt)			
€731	€682	↓ -4.6%	↓ -6.7%
Steel flat product (€/mt)			
€692	€675	↓ -0.8%	↓ -2.5%

Price change comparison against Q4 2021

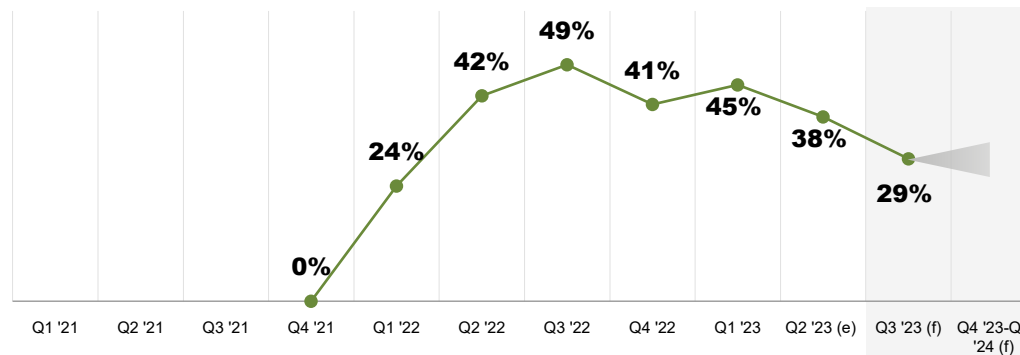


- On a quarterly average basis, steel rebar and steel-flat prices in Spain have continued to drop back from the highs of mid-2022
- The pace of decline has accelerated recently, with rebar MoM decreases of 6% in June and 5% in May 2023
- Steel-rebar and steel-flat product prices are expected to fall even further in Q3 2023, reflecting global trends owing to weaker demand and the risk of excess steel supply from China

Welded mesh

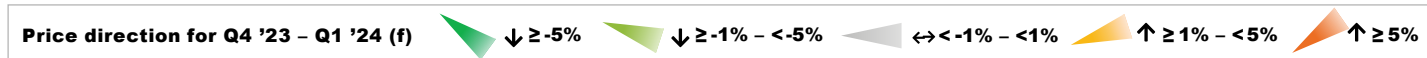
Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Low	Moderate	Moderate	
Price (€/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€93	€87	-4.6%	-6.3%

Price change comparison against Q4 2021



- Prices of welded mesh are estimated to have fallen by 4.6% QoQ in Q2 2023, reflecting weaker prices for steel rebar
- However, prices were still relatively high, up by 38% compared to Q4 2021
- Prices are expected to continue on a downward trend in Q3 2023, amid weakening demand from the construction industry in the short term, but construction output levels are likely to pick up over the coming year

* 100 x 100 cm; diameter 6mm



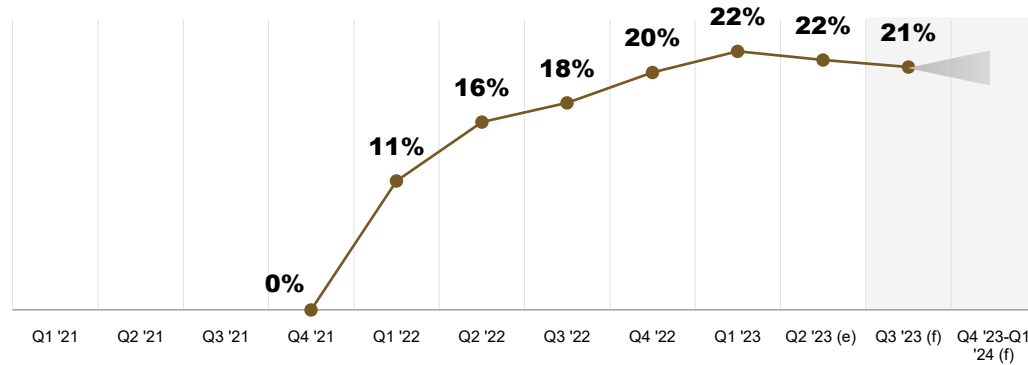
Spain – Commodity Price Trends



Lumber (raw)

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (€/m³)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€148	€147	↓ -0.6%	↓ -0.5%

Price change comparison against Q4 2021



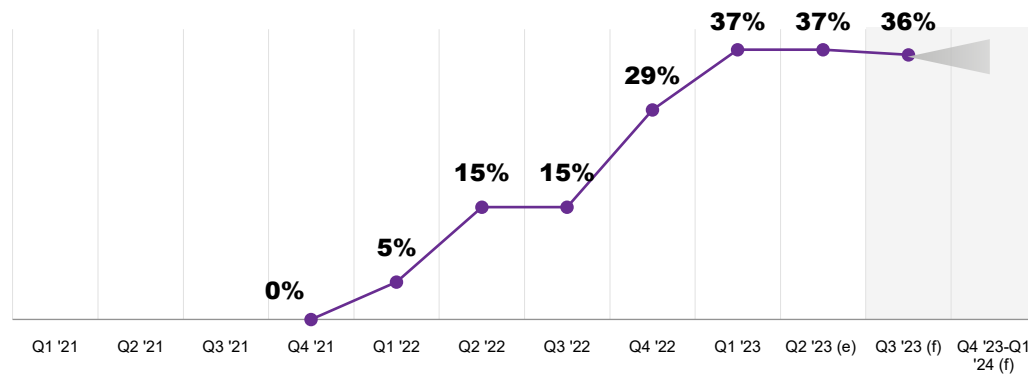
- Lumber prices in Spain have started to drop back from the highs recorded in early 2023
- On a quarterly average basis, prices were down by 0.6% in Q2 2023
- Prices are forecast to fall marginally by 0.5% QoQ in Q3 2023, but residential construction will hold up relatively well, preventing a sharper drop in lumber prices in the coming quarters



Plasterboard

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price (€/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€4.65	€4.63	↔ 0.0%	↓ -0.5%

Price change comparison against Q4 2021



- Having risen sharply in 2022, plasterboard prices have remained stable at an elevated level in the past two quarters, when compared to Q4 2021, prices were 37.2% higher in Q2 2023
- Demand in residential construction has eased, and this will keep prices close to current levels in the coming quarters

* 125 x 60 x 1.3 cm (L x W x T)

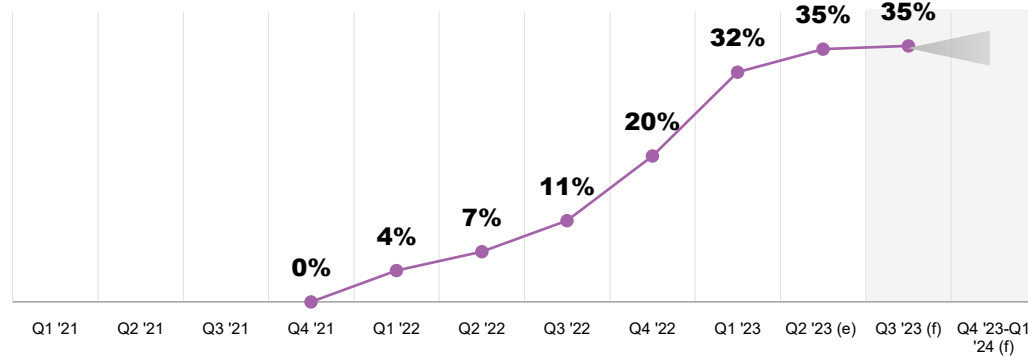
Spain – Commodity Price Trends



Limestone

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€68.5	€68.7	↑ 2.4%	↑ 0.3%

Price change comparison against Q4 2021

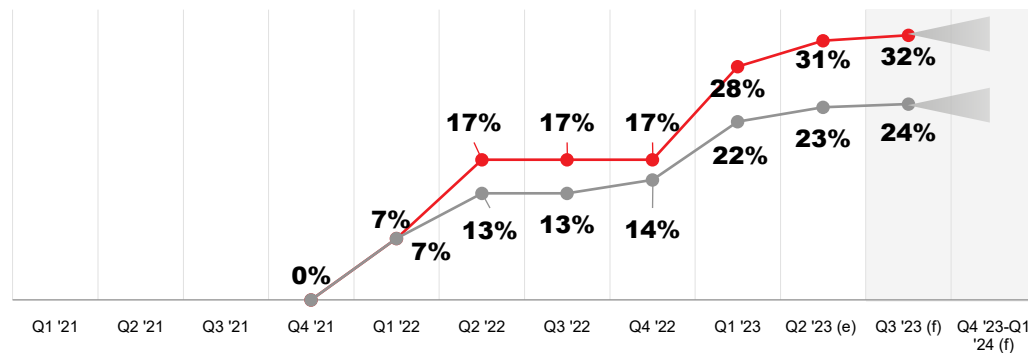


- Limestone prices in Spain are estimated to have increased by 2.4% QoQ in Q2 2023, with high production cost expected to have kept upward pressure on prices
- Prices will remain at historical highs, with pricing nearly 35% higher than in Q4 2021
- Softer demand from the construction industry is however expected to keep the prices of limestone in check in the short term

Cement and Concrete

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€161	€162	↑ 2.4%	↑ 0.5%
● Cement (€/mt) €161 €162 ↑ 2.4% ↑ 0.5%			
● Concrete (€/m³) €149 €150 ↑ 1.4% ↑ 0.3%			

Price change comparison against Q4 2021



- Concrete prices increased by 1.4% QoQ in Q2 2023, continuing an upward trend of recent quarters
- Prices were 23% higher in Q2 2023 than in Q1 2022
- Cement prices have also continued to rise, edging up by 2.4% QoQ in Q2 2023, owing to the ongoing expansion in buildings construction
- Prices are forecast to remain elevated, despite a more challenging economic environment

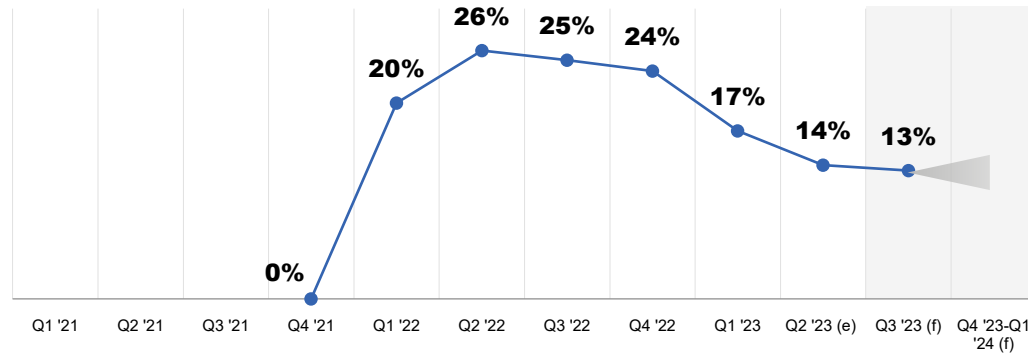
Spain – Commodity Price Trends



Asphalt

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€90	€89	↓ -3.0%	↓ -0.5%

Price change comparison against Q4 2021



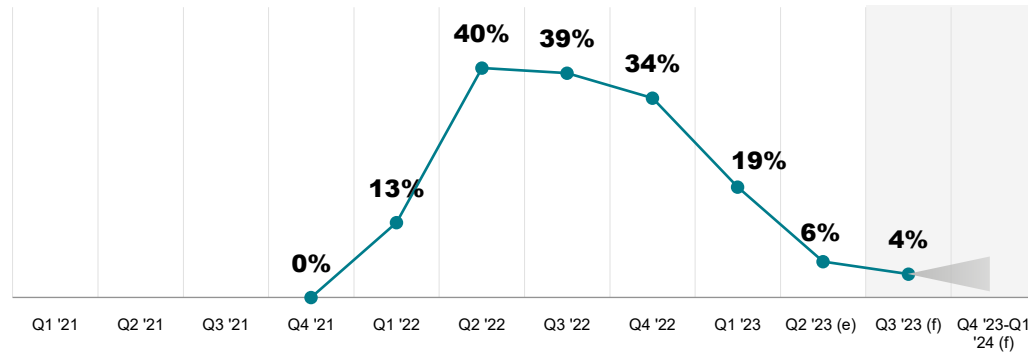
- Asphalt prices are estimated to have declined by 3% QoQ in Q2 2023, reflecting an easing in input costs
- Stable demand from road construction is expected to keep the asphalt prices at its current level in the short term
- In the 2023 Budget, the government approved a budget of €12.3bn for the Ministry of Transport, Mobility, and Urban Agenda, with €2.3 billion allocated for roads projects



Diesel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Low		Low	Low
Price (€/litre)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€1.46	€1.43	↓ -10.8%	↓ -2.0%

Price change comparison against Q4 2021



- Diesel prices in Spain have continued on a downward trend, falling from the highs of mid-2022
- In Q2 2023 prices dropped by 10.8% QoQ, but were still 6.2% above levels in Q4 2021
- Diesel prices are expected to remain volatile in the coming quarters, amid OPEC+ decision to reduce overall production targets from 2024 by a further 1.4 million barrels per day

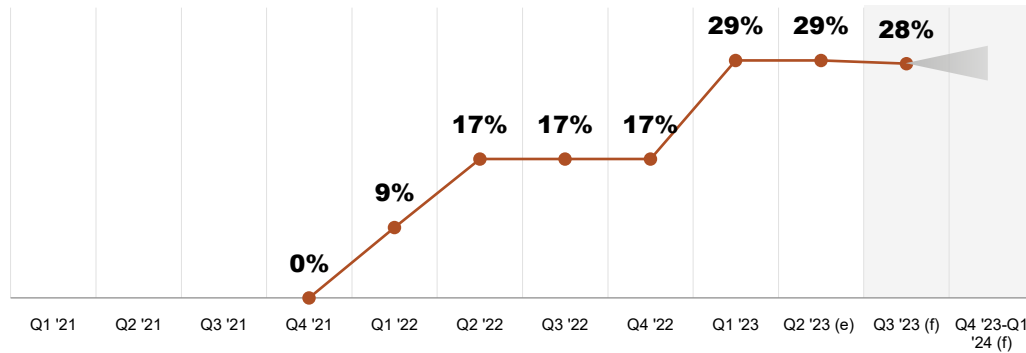
Spain – Commodity Price Trends



Bricks

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
o o o o Moderate		o o o o Moderate	o o o o Moderate
Price (€/000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€937	€934	↔ 0.0%	↓ -0.3%

Price change comparison against Q4 2021



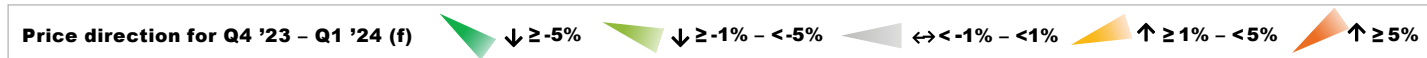
- Brick prices in Spain have stabilised at a high level
- Prices picked up in early 2023, and at this elevated level they are around 28.6% higher than in Q4 2021
- Despite economic challenges, buildings construction is continuing to expand, and this will keep prices of bricks around current levels over the short term

Level of impact rating reflects a combination of factors: price change (compared to recent past beyond the last quarter), the importance of the material, and general state of the supply chain in terms of stability.

Level of Impact					
Price Change Estimate (e) vs Forecast (f)		Material Availability		General State of Supply Chain	
Range	Impact	State	Impact	State	Impact
≥5%	o o o o High	Deficit	o o o o High	Stressed	o o o o High
≥1% – <5%	o o o o Moderate	Balanced	o o o o Moderate	Adequate	o o o o Moderate
<1%	o o o o Low	Surplus	o o o o Low	Easily Available	o o o o Low

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

QoQ Quarter on Quarter
 YoY Year on Year
 MoM Month on Month
 GDP Gross Domestic Product
 CPI Consumer Price Index (wherever not specified)
 e estimated
 f forecasted
 EV Electric Vehicles
 DC Data Centre



Spain – Industry trends



Sector trends



Data Centres

Given its strategic geographical location and improving subsea cable connectivity Spain is becoming an attractive Data Centres location in EMEA region. Madrid remains the top choice for Data Centres companies in Spain, while Barcelona is rapidly emerging as a high-growth destination. There are several projects in the pipeline valued at over €4.4bn, with the majority currently in the planning stages.



Life Sciences

Spain is one of the top countries in clinical testing and a key Life Sciences region in Europe. It has a strong local pharma industry, and its pharma exports grew by 52% in 2022, reaching a value of €2.7bn, becoming the third sector with the highest exports by value in the country. Catalonia, Barcelona and Madrid regions are the key clusters of life science in the country.



High-tech Industrial

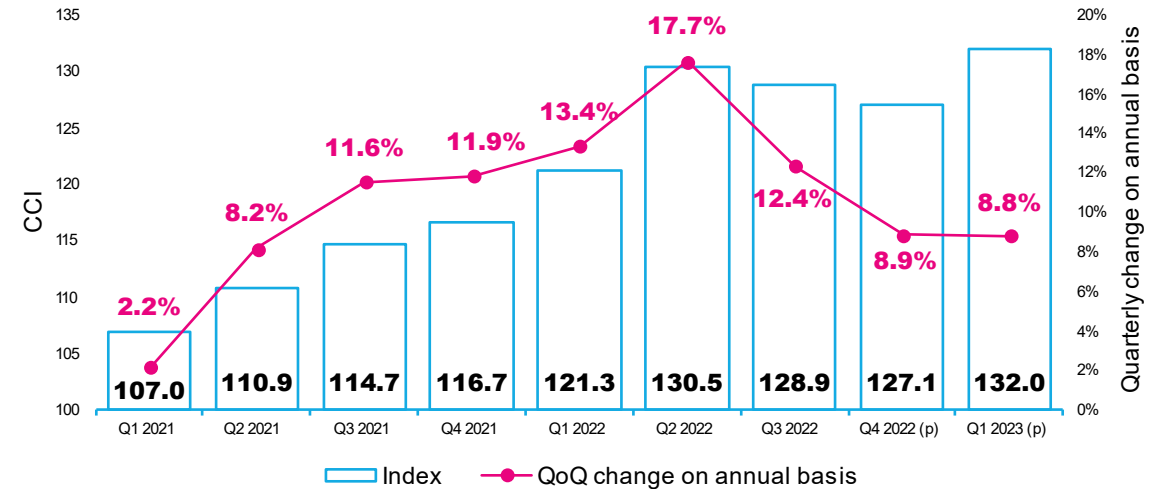
The Spanish government is focusing on attracting significant investments in the semi-conductor and battery manufacturing sectors. Last year the government committed to spend €12.25bn in the semi-conductor and micro-chip industry by 2027, including €9.3bn to fund the building of plants. Additionally, in the battery manufacturing sector they recently announced plans to launch dual tenders in July 2023, allocating €2bn of EU funds for EV and battery production.



Renewable Energy

Spain's Energy and utilities sector is expected to expand by 6% in 2023, and then to average at 2.8% annual growth from 2024-2027. The growth in the sector will be supported by significant investments in renewable energy, particularly wind power projects and green hydrogen projects targeting carbon neutrality by 2050.

Construction Cost Index (CCI)*



*Construction Cost Index (CCI) for residential buildings except residences for communities, unadjusted data

*Base year 2015=100

(p) = projected

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.

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

Disclaimer: The commodity report contains information, data, and analysis related to the construction industry.

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