



CONSEJO GENERAL
DE LA ARQUITECTURA TÉCNICA
DE ESPAÑA



Q1 2022. Spain Construction Monitor

Momentum appears to soften over the quarter

- Workloads still rising in the private residential sector, but activity appears to have stalled across infrastructure
- Outlook for profit margins deteriorates amid escalating input cost pressures
- 97% of respondents cite material costs as an impediment to the market, while labour shortages remain prominent

The results of the Q1 2022 RICS-CGATE Spain Construction Monitor suggest momentum slowed through the early part of the year, with impediments such as rising material costs and shortages in labour beginning to weigh more heavily on market conditions. Indeed, a record 97% of respondents across Spain reported that high material costs were holding back activity, up from a share of 86% previously.

Construction Activity Index eases noticeably

During Q1, the headline Construction Activity Index (CAI) eased into relatively neutral territory at +2, from a figure of +15 posted last quarter. As such, this marks a five-quarter low for the series. Comparing this to the regional level data, the CAI also moderated across Europe in aggregate, posting a reading of +18 relative to a value of +29 returned previously. That said, whereas the European average for this indicator is still consistent with a pick-up in activity, albeit at a more moderate pace, the latest returns for Spain point to an altogether flatter picture.

Falling infrastructure workloads weigh on headline activity

Disaggregating the data by sector shows infrastructure activity continuing to lag in Spain, with a net balance of -14% of contributors citing a fall in workloads over the Q1 period (down from a reading of -9% in Q4). Having said that, some areas of infrastructure are seeing a rise in output, with energy in particular bucking the headline trend according to a net balance of +46% of survey participants. By way of contrast, the transport sector remains challenging amid strike action seen recently, and therefore exhibits the most negative reading for current workloads across all categories tracked.

At the other end of the scale, workloads reportedly

Chart 1 Construction Activity Index



picked up once gain across the private residential sector, albeit the net balance of +33% was a little more moderate than +45% seen last time. For the private non-residential sector, a net balance of +36% of contributors cited an increase in workloads during Q1, an increase on a figure of +22% in Q4.

Twelve month expectations point to a mixed outlook

Despite the near term improvement across the private non-residential sphere, respondents do not anticipate this trend continuing over the year ahead, with twelve-month expectations for the sector now pointing to a flat outlook (net balance of -2% compared with +20%

previously). Meanwhile, respondents now foresee a slight drop in output across the infrastructure sector over the course of the next twelve months, with the latest net balance slipping to -12% from +14% last time (shown in Chart 2 overleaf). Conversely, workloads are expected to continue to rise when it comes to the private residential sector, although the Q1 net balance of +34% does represent a less positive return than +49% and +67% seen in Q4 and Q3 respectively.

Turning to employment trends across the construction industry in Spain, the Q1 survey data suggests headcounts were kept more or less unchanged at the aggregate level. Going forward, twelve-month expectations are now in broadly neutral territory (net balance +4% compared to +8% in Q4) which is indicative of a broadly stable employment picture remaining in place.

Material cost pressures continue to escalate, creating a significant headwind for the sector

Exacerbated by recent geopolitical events, material cost inflation continues to place considerable pressure on market activity. During Q1, 97% of survey participants reported that material costs were holding back activity, increasing from an already elevated share of 86% beforehand. Unfortunately, there seems little prospect of any respite in these pressures over the near term, with year-ahead projections for material costs rising sharply in the latest results. Shown in Chart 4, respondents now envisage overall material costs increasing by 11% over the next twelve months, up from an estimate of 9% in the previous survey returns. Aside from the cost and availability of materials, labour shortages are also seen as problematic. A respective 80% and 78% of respondents highlighted a shortfall in overall labour and skills to be weighing on market activity in the Q1 survey. In addition, over 50% of contributors single out financial constraints to be an impediment, with all of these factors combining to slow momentum across the construction industry.

Finally, looking at forecasts for tender prices, respondents in aggregate project a 5% increase over the next twelve months (up from 4% projected last quarter). At the same time, an almost 11% rise in total construction costs is envisaged by contributors, with forecasts being raised sharply from closer to 9% last quarter. On the back of this, survey participants now expect profit margins to come under more strain than previously anticipated over the coming twelve months, with the latest net balance falling to -32% compared to -13% last time.

Chart 2 12-month Expectations for Workloads



Chart 3 Factors Holding Back Activity

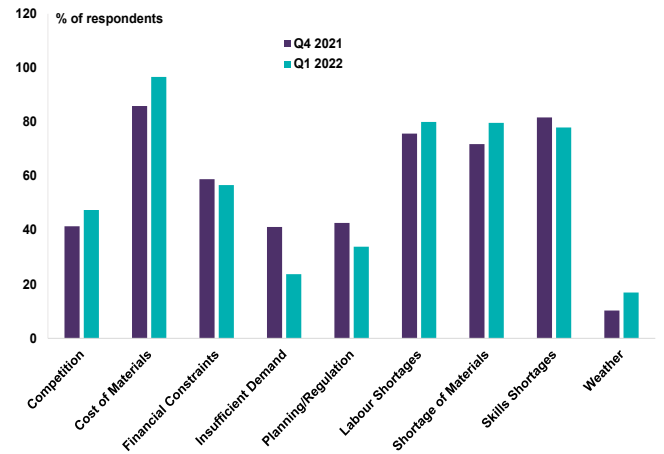
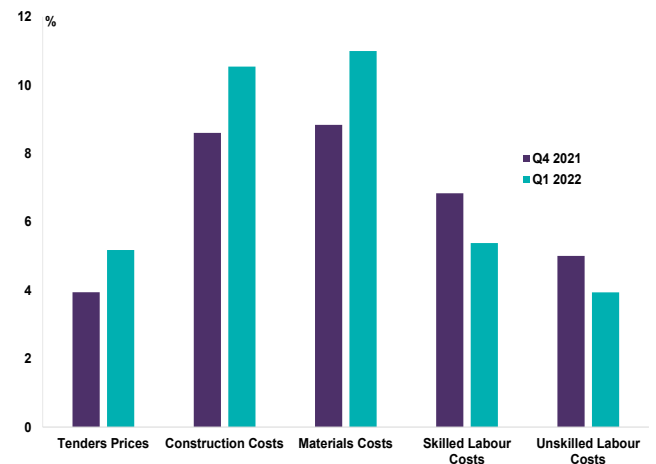


Chart 4 12-month Expectations Tender Prices & Costs



Market comments

Andalucia

Very high raw material prices.

Baleares

Energy costs.

Barcelona

Energy price increase.

Energy costs.

Grants and aid.

Bizkaia

Increase in fuel and energy prices.

Castilla y León

Conflict in the transport sector

Extremadura

High cost in materials, above the possibilities of future and current customers.

Guadalajara

Generalised rise in costs.

Huelva

The increase in the cost of construction materials invalidates the execution for some promoters.

Transport strike. Rise in prices of materials.

Madrid

Logistics and material production affected by Ukraine War.

Fuel and energy costs are driving overhead increases across all work streams.

Strike in transports and also materials and power costs.

There was a strike of transporters that interrupted concrete production.

Transport strike.

The Russia Ukraine War will affect client confidence and the materials supply chain. Fuel and energy prices, strikes and shortages in supplies.

Marbella

Architects selling Project Management and not delivering on that service, rescues needed.

Salamanca

Lack of skilled labour in the sector.

Valencia

Lack of supplies along with delays.

Information

Spain Construction Monitor

The RICS-CGATE Construction Monitor is a quarterly guide to the trends in the construction market. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Survey questionnaires were sent out on 9 March 2022 with responses received until 18 April 2022. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100. A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

RICS-CGATE Construction Activity Index is constructed by taking an unweighted average of current and 12-month expectations of four series: residential workloads, non-residential workloads, infrastructure workloads and profit margins. Global and regional series are weighted using the World Bank's GDP PPP (2017 constant prices) data series. Current responses were weighted using the prior years GDP (e.g. the 2020 responses were weighted using 2019 GDP data). Where responses are not sufficient to form a national-level sample, they are binned together to fill in any gaps in regional coverage.

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