



Switzerland

Country Commodity Report

Q2 2022



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Economic growth for Switzerland is expected to remain muted, as inflationary pressures and supply-side constraints persist, owing to the Russia-Ukraine conflict, as well as labour market challenges. As is the case for most of the world, inflation is a key issue, hitting a 29-year high in June at 3.4% - well above the Swiss National Bank's 0-2% target range. However, this is less severe than what is being seen in other parts of Europe.

The construction industry is expected to continue on a growth trajectory this year, albeit at a more moderate rate of 1.3%. Supply-side shortages, labour market challenges and inflation are key downside risks for the industry, and may hamper growth for the year to some extent.

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

Weakening global demand, due to rising interest rates and a potential slowdown in economic activity, will limit upward pressure on lumber prices, which were highly volatile last year. However, domestic demand for Swiss wood is expected to remain relatively strong, owing partly to increased awareness of sustainability, according to the president of Holzindustrie Schweiz, the organisation for Swiss sawmills and wood-based material producers.



Cement and aggregates

Switzerland is highly self-sufficient in its cement usage, with abundant limestone deposits in the country. However, the federal office of topography has raised concerns over the granting of permits for limestone quarry expansions, which would force the country to increase its reliance on imported cement. Cement prices are expected to decrease marginally, due to weakening demand following a surge in prices attributable to spiking energy costs.



Concrete blocks and bricks

Domestic brick prices have been partially shielded from supply chain disruptions and rising transportation costs due to high domestic production, with inputs sourced from local clay deposits. This has helped keep lead times down and transport routes short. High energy prices will keep production costs elevated, but weakening demand will apply downward pressure over the coming quarters.



Steel (rebar and structural)

Supply chain disruptions and the uncertainty stemming from the Russia-Ukraine conflict have had a significant impact on manufacturers' operations in H1 2022. While disruptions remain on the supply side, weakening demand owing to global recession fears has caused steel prices to fall. Prices are likely to be volatile over the next few quarters.



Copper

Reflecting its reliance on imports, copper prices in Switzerland jumped in March, in line with the global trend, that in part reflected uncertainty over supply chains amid the onset of the Russia-Ukraine conflict. Although Switzerland is recorded as a major importer of raw copper, with a large share of these imports coming from Zambia, much of this is re-exported by Swiss-based traders. Global copper prices have since fallen sharply from their peak in March, but are expected to remain volatile into 2023.

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	Q3 2022 (f)	Q1 2022 - Q2 2022 (e)
Materials	CHF	% change
Copper (CHF/MT)	8,950	1.3% ↑ ■
Steel rebar (CHF/MT)	1,185	-3.2% ↓ ■
Steel flat (CHF/MT)	934	22.1% ↑ ●
Lumber (CHF/M3)	95.95	5.3% ↑ ●
Asphalt (CHF/MT)	115	12.7% ↑ ●
Limestone (CHF/MT)	39.80	11.1% ↑ ●
Cement (CHF/MT)	187	3.3% ↑ ●
Concrete (CHF/M3)	145	1.9% ↑ ■
Welded mesh (CHF/unit)	121	29.0% ↑ ●
Bricks (CHF/'000 unit)	986	2.0% ↑ ●
Plasterboard (CHF/unit)	5.51	6.9% ↑ ●
Diesel (CHF/litre)	2.26	15.7% ↑ ●

● 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 -4.0% ↓	 Moderate	Global demand for copper has decreased, owing to falling economic activity in major copper-consuming locations such as China and the EU, as well as growing fears of a recession, amid rising interest rates. This is expected to put downward pressure on global copper prices over the coming quarters. The strengthening of the Swiss franc, driven by global economic uncertainty, will put further downward pressure on import costs, which will feed into lower domestic copper prices. Over the long term, demand for copper is expected to be strong, as it is a key material in supporting the decarbonisation of carbon-intensive industries.
 Steel prices - Steel rebar - Flat steel -3.0% ↓ -25.7% ↓	 High	Steel prices are expected to be volatile over the next year. In the short term, weakening demand amid a global slowdown in economic activity is expected to outpace upward pressure on prices from the supply side. High energy costs due to sanctions on Russian imports will continue to contribute to higher production and transportation costs, which could cause a spike in steel prices once demand recovers.
 Cement Concrete -0.8% ↓ -1.0% ↓	 Moderate	High energy prices feeding into the production costs of cement and concrete will keep prices elevated. However, further upward pressure will be limited, as demand eases, owing to a low reliance on imports.
 Asphalt -2.0% ↓	 Moderate	High crude oil prices due to sanctions on Russian oil imports will continue to put upward pressure on the price of petroleum-based products, which in turn will keep asphalt prices elevated. However, with OPEC nations increasing production and crude oil prices stabilising globally, coupled with weakening demand, the price of asphalt will fall from recent highs.
 Limestone -0.5% ↓	 Low	Energy costs will continue to impact limestone production over the coming quarters. However, due to abundant deposits in Switzerland, domestic demand is largely satisfied, limiting the influence of supply-side disruptions on prices. Weakening demand will limit upward pressure on prices. Over the long term, concerns surrounding the provision of permits for expanding quarries could lead to greater reliance on imports.

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.

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Construction output price index



Note: 2015=100

Knoema World Data Atlas

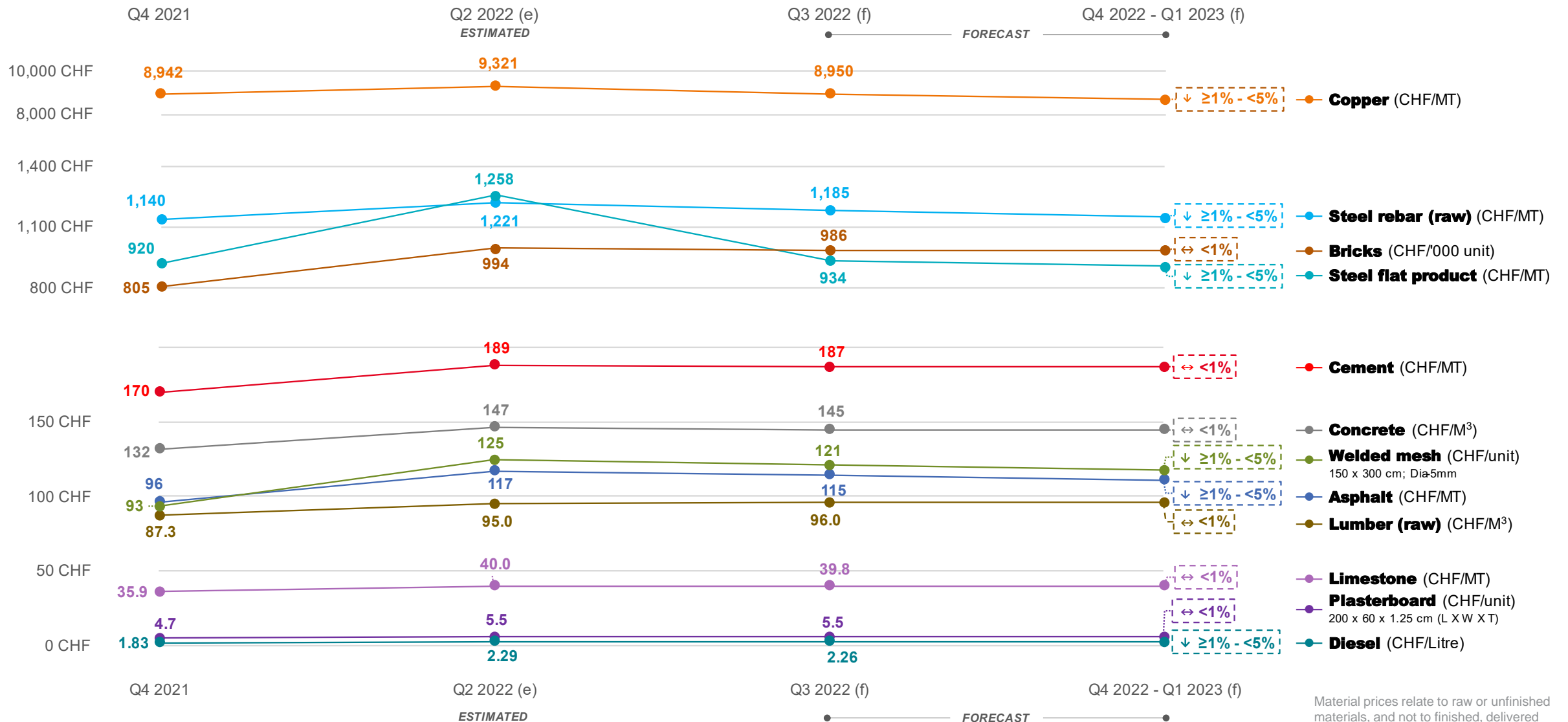
Index of economic freedom 81.9 out of 100

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	+1.0% ↑	 High	The increase in lumber prices in recent quarters had been welcomed by the forestry industry, which had been suffering from a downturn in prices for a number of years prior to the pandemic. High energy costs will continue to feed into production and transportation costs, and keep prices elevated. Furthermore, demand for Swiss wood is expected to remain relatively strong compared to other construction materials.
 Welded mesh	-3.0% ↓	 High	The price of welded mesh is correlated with the price trend of steel rebar, which is expected to fall over the short term. Mesh prices are therefore likely to decrease over the coming quarters.
 Bricks	-0.8% ↓	 Moderate	The easing of fuel and energy prices will moderate the production cost for bricks. Weakening demand and the strong Swiss franc will put downward pressure on prices over the coming quarters.
 Plasterboard	-0.5% ↓	 Low	Stabilising energy prices and weakening demand will contribute to downward pressure on plasterboard prices over the coming quarters.
 Diesel	-1.0% ↓	 Moderate	The price of diesel will remain elevated due to high crude oil prices, but is likely to retract from previous highs over the coming quarters as crude oil prices stabilise. The Swiss parliament's decision to reject tax cuts on fuel could contribute to keeping prices in Switzerland elevated relative to its neighbours over the coming quarters.

* 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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Switzerland - Construction Materials Pricing (2021-2022)



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

Switzerland - 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 – Switzerland

For Switzerland, sources for this report include, but are not limited to:

- IMF
- BFS
- Swiss Federal Statistic Office
- GlobalData's Construction Intelligence Center (CIC)
- Reuters

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