



Switzerland Country Commodity Report Q3 2022



Switzerland

Q3 2022

Economic growth for Switzerland for 2022 is forecast to come in at 2%, with the government revising its forecast from the June forecast of 2.6%, followed by a sluggish 1.1% in 2023 – both downward revisions on previous expectations. The outlook is being dampened by the current energy crisis and inflation. However, it is worth noting that consumer price inflation slowed to 3.3% as of September, but still surpassed the Swiss National Bank's target of 0-2% for the eighth consecutive month. Economists had expected the year-on-year rate to hold steady at August's 3.5% - a 29-year high. The index fell 0.2% month-on-month, given falling prices for items such as fuel, heating oil and hotels, while other items maintained increases.

Modest growth is expected for the Swiss construction industry this year of 1.3% in real terms, as the government focuses on energy and transport infrastructure. Similar to much of the world, there is a keen focus on renewables and this will provide a boost to the industry. However, challenges will be presented by the energy market, elevated material costs (albeit less volatile than previously) and inflation, hampering investor sentiment and industry performance for the near future.



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Lumber

Long-term demand for domestically produced lumber is expected to remain relatively strong, owing partly to increased awareness of sustainability, according to the president of Holzindustrie Schweiz, which is the organisation for Swiss sawmills and wood-based material producers. However, prices are largely influenced by the global lumber market, which is expected to remain volatile over the medium term due to mounting economic challenges weighing on growth prospects and demand for housing.



Cement and aggregates

Owing to an abundance of limestone deposits in the country, Switzerland has the potential to be highly self-sufficient in its cement usage. However, pushback by environmentalists on plans to expand its limestone quarries to access the deposits puts the country at risk of being increasingly reliant on imported limestone. Cement prices are expected to remain elevated in the short to medium term, owing to elevated production costs, despite a fall in demand due to slowing construction activity.



Concrete blocks and bricks

Brick prices in Switzerland have been partially shielded from supply chain disruptions and high transportation costs in recent quarters due to high domestic production with inputs sourced from local clay deposits, which has helped keep lead times and transport routes

short. High energy prices will keep production costs elevated, but weakening demand will put some downward pressure on prices over the coming quarters.



Steel (rebar and structural)

As a net importer of steel, Switzerland is highly exposed to supply shortages and price fluctuations in the global market. Demand is expected to weaken in the short term amid rising interest rates and recession fears, which will put downward pressure on prices. However, due to sustained upward pressure on production costs, prices are likely to remain volatile over the next year, potentially exposing Swiss steel buyers to another spike in prices once demand rebounds.



Copper

Copper prices in Switzerland have fallen since the middle of 2022 in line with the global market, reflecting the country's reliance on imported copper. Switzerland imports much of its copper from Zambia, with much of this re-exported by Swiss-based traders. Global copper prices are expected to remain volatile over the medium term, low in the short term amid growing recession fears, but to strengthen over the longer term, reflecting investment in the green energy transition.

Switzerland – Commodity Report



Materials	Q4 2022 (f)	Q4 2021 - Q4 2022 (f)		Q2 2022 - Q3 2022 (e)
	CHF	CHF	2021-22* % change	% change
Copper (CHF/MT)	7,339	8,942	-17.92% ↓	-19.7% ↓ ●
Steel rebar (CHF/MT)	1,044	1,140	-8.42% ↓	-12.8% ↓ ●
Steel flat (CHF/MT)	942	920	2.4% ↑	-23.6% ↓ ●
Lumber (CHF/M3)	97	87	10.71% ↑	2.8% ↑ ●
Asphalt (CHF/MT)	120	96	24.56% ↑	3.3% ↑ ●
Limestone (CHF/MT)	41	36	13.19% ↑	2.6% ↑ ●
Cement (CHF/MT)	191	170	12.45% ↑	2.6% ↑ ●
Concrete (CHF/M3)	148	132	12.5% ↑	2.1% ↑ ●
Welded mesh (CHF/unit (a))	109	93	17.49% ↑	-11.4% ↓ ●
Bricks (CHF/'000 unit)	1,020	805	26.65% ↑	1.5% ↑ ●
Plasterboard (CHF/unit (b))	6	5	32.20% ↑	3.3% ↑ ●
Diesel (CHF/litre)	2.29	1.83	25.50% ↑	2.3% ↑ ●

(a) 150x300cm, dia.-5mm
(b) 200x60x1.25cm (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

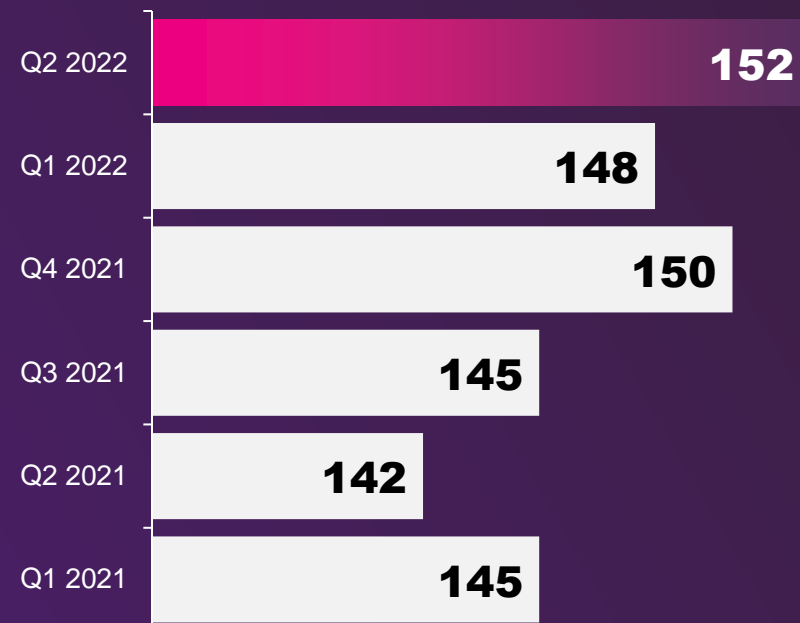
Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	-2.0% ↓	 Low	Copper prices stand around 20% below levels reached in Q2 2022 as a result of the Russia-Ukraine conflict. Prices have declined owing to growing fears of a slowdown in the global economy. Although underlying demand remains strong due to increasing investments in electric vehicle manufacturing, copper prices are expected to decline further over the coming quarters.
 Steel prices - Steel rebar - Flat steel	-2.0% ↓ -2.0% ↓	 Moderate	Steel prices faced significant upward pressure in Q2 2022, due primarily to surging energy costs following the onset of the Russia-Ukraine conflict. Although production costs are still high, weakening demand in the construction and manufacturing sector will continue to contribute to the easing of steel prices in the coming months. However, looking ahead, demand will be strengthened by the government's efforts to improve regional connectivity through the development of rail and road transport infrastructure.
 Lumber	-1.0% ↓	 Moderate	Lumber prices have stabilised recently, owing to weakening demand in the construction industry. However, renewed pressure on prices from elevated production and transportation costs will keep prices high over the coming quarters. Downward pressure from the demand side is expected to cause prices to fall in the early part of 2023.
 Asphalt	-1.0% ↓	 Low	Despite weakening demand amid growing fears of a recession, asphalt prices have remained elevated in recent months. Declining crude oil prices from mid-2022 highs have helped to ease upward pressure on asphalt prices, but the decision by OPEC+ in early October 2022 to cut oil production by two million barrels per day is likely to increase volatility in crude oil prices.
 Limestone	-1.0% ↓	 Low	Although production costs remain high due to elevated energy costs, weakening demand in the construction industry will offset supply-side pressures and keep limestone prices stable over the coming quarters.

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.

Switzerland – Commodity Report



Construction cost index 2021-2022

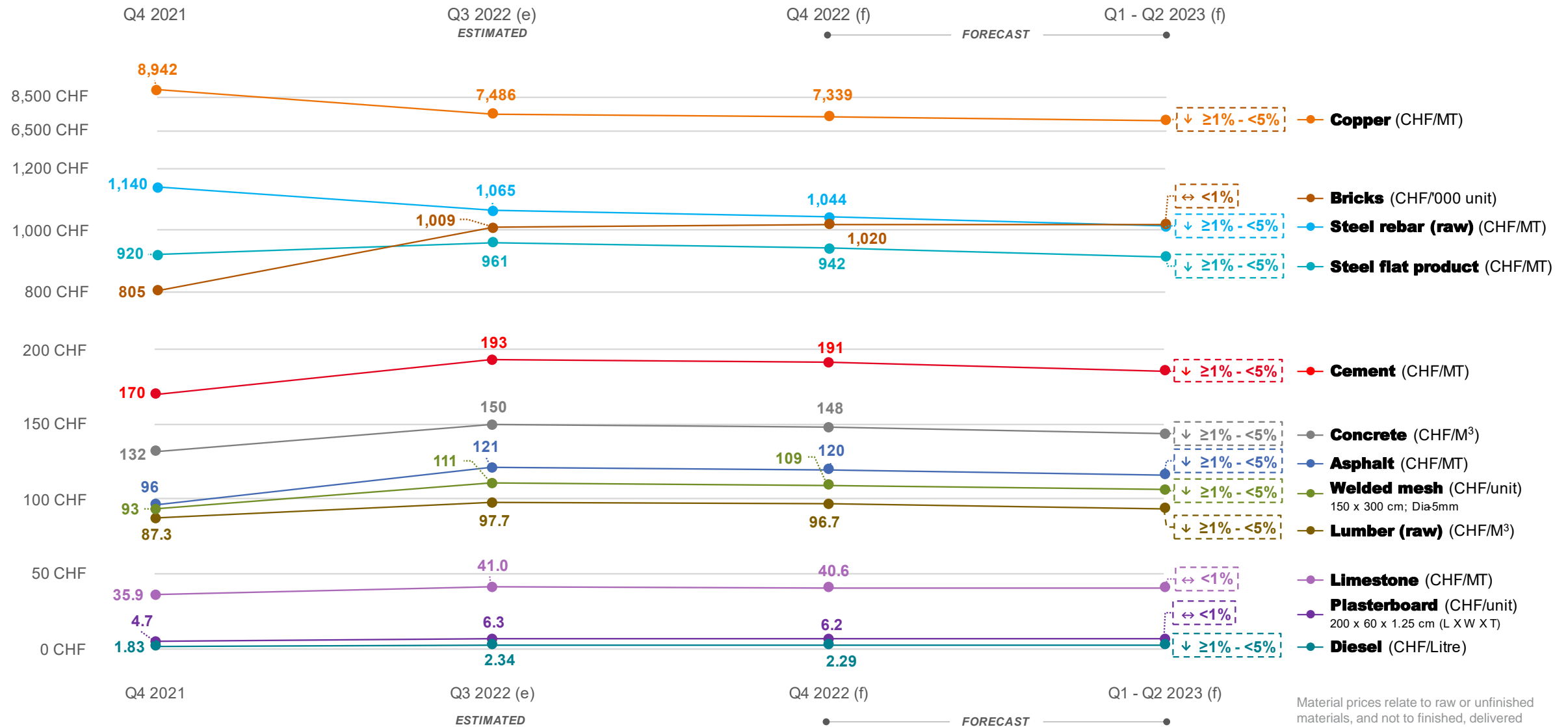


Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	-1.0% ↓ -1.0% ↓	 Moderate Cement and concrete prices have faced upward pressure due to the impact of high energy costs on overall production costs. Weakening demand over the coming quarters will make it difficult for producers to pass on these costs, and prices are expected to slide in early 2023.
 Welded mesh	-1.0% ↓	 Moderate The price of welded mesh rose sharply in Q2 2022 due to rising steel prices. However, prices have since retracted owing to declining demand for steel from the construction and manufacturing industries. Due to high energy costs feeding into production costs, further downward pressure is expected to be limited, and prices are expected to be relatively stable over the coming quarters.
 Bricks	+1.0% ↑	 Low Brick prices have been edging upwards in recent months, owing primarily to the rising cost of energy. However, substantially weakened demand amid slowing economic growth in early 2023 will cause prices to drop back.
 Plasterboard	-1.0% ↓	 Low Following a 17% quarter-on-quarter rise in plasterboard prices in Q2, prices are expected to remain stable over the coming quarters due to sustained supply-side pressure stemming from rising energy costs being offset by weakness on the demand-side.
 Diesel	-2.0% ↓	 Low The price of diesel rose during the first half of the year due to rising crude oil prices. Diesel prices peaked at CHF2.39/litre in July and have since retracted slightly. Over the coming quarters, prices are expected to remain stable at elevated levels. The decision by OPEC+ in early October, however, could cause further volatility in the crude oil market, which in turn could put upward pressure on diesel prices.

* 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)



Switzerland – Macroeconomic overview



Economic indicators



2.32%

GDP growth in 2022 (f)
and **3.69%** in 2021



2.8%

inflation rate in 2022 (f)
0.58% for 2021



4.58M

people employed
in 2022 (f)
and **4.55M** in 2021



4.96%

unemployment rate
for 2022 (f) and
5.1% in 2021



102.18

Consumer Price Index
in 2022 (f) and **99.4** in
2021



109.57

Producer Price Index in
Aug 2022 and **103.87** in
Aug 2021

National holidays



5 public holidays

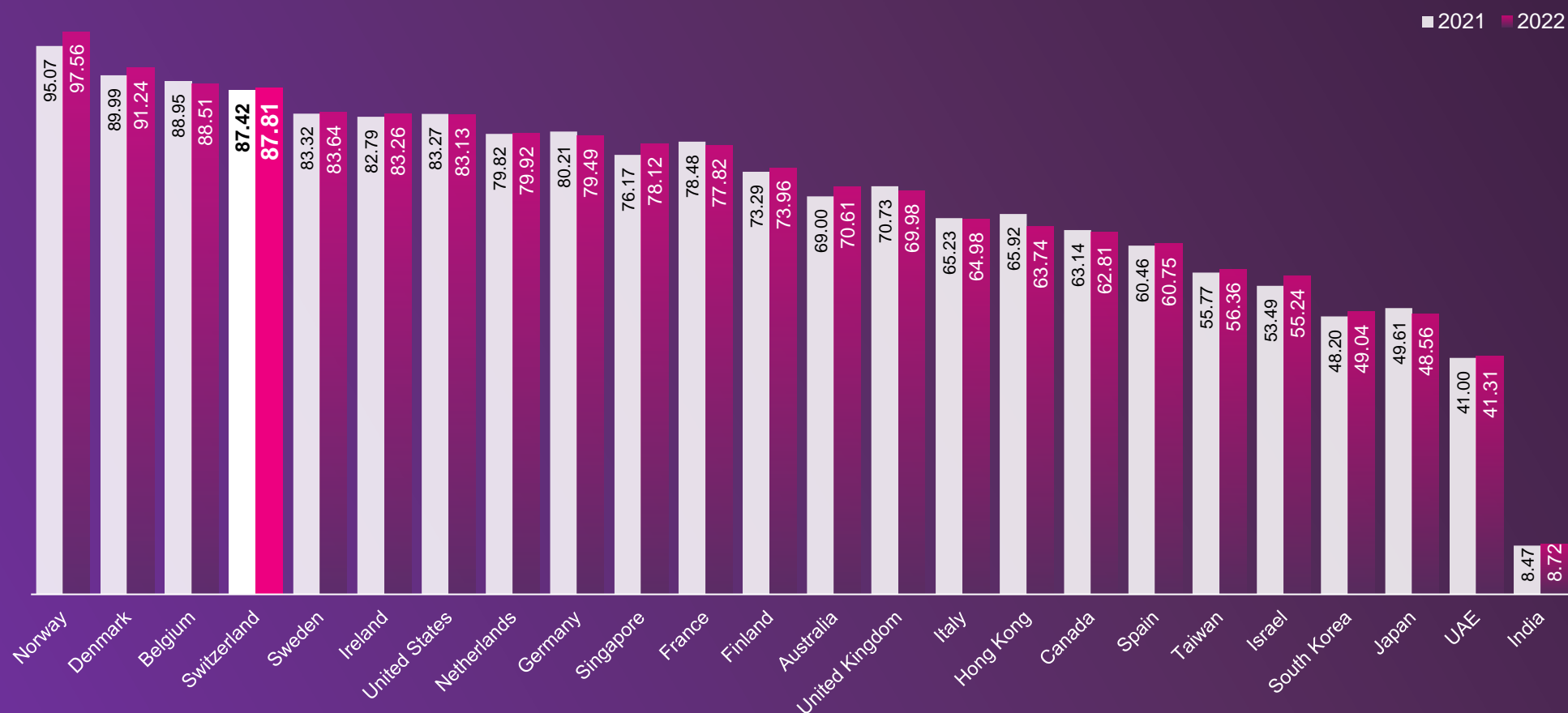
in Switzerland each year – this does not
include regional observances, of which
there are many.

- New Year's Day (1 January)
- Good Friday (15 April)
- Ascension Day (26 May)
- National Day (1 August)
- Christmas Day (25 December)

Switzerland – Macroeconomic overview



Labour productivity



Labour costs

2%









nominal wage growth for July 2022, compared with July 2021.

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

Switzerland – Construction overview



Output 2021 and 2022 (in millions)

Sector	Total 2021	Total 2022 (f)	% change
Commercial 	CHF 16,507	CHF 16,386	-0.7%
Energy and utilities 	CHF 8,103	CHF 7,652	-5.6%
Industrial 	CHF 7,834	CHF 7,804	-0.4%
Infrastructure 	CHF 17,287	CHF 16,527	-4.4%
Institutional 	CHF 7,127	CHF 7,058	-1%
Residential 	CHF 27,210	CHF 26,648	-2.1%

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.

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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