



# Switzerland

## Country Insights and Commodity Report

**Q1 2023**      

# Switzerland

## Q1 2023

Switzerland experienced a growth rate of 2.1% in 2022, but the economic outlook for 2023 appears to be challenging with GDP growth predicted to decline to 0.8% due to weaker global growth, tighter monetary policy, and the recent banking crisis in the country. Additionally, inflation levels have surpassed the Swiss National Bank's price stability range, with figures for March at a rate of 2.9%.

The Swiss construction industry is predicted to slow in 2023 and decrease by 1.6% in real terms due to inflation, rising interest rates, and labour shortages. The KOF Business Tendency Surveys indicate that construction prices will likely continue to rise amid labour shortages. While the industry has shown nominal growth in investment and output over the last three years, real values reveal a decline in both for consecutive quarters when considering the increase in construction service costs. Nonetheless, the industry is likely to rebound at an average annual growth rate of 1.7% from 2024 to 2026, led by investments in renewable energy and transportation sectors. Lifesciences sector represented more than 39% of Swiss exports in 2022 and is expected to continue to grow.



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### Lumber

The energy price hike has led to an increase in demand for firewood, but strong inventories and reduced production in response to lower winter demand has contributed to weaker prices. Moreover, rising interest rates and falling real incomes are expected to impact housing construction, and weigh on lumber prices in the short term.



### Cement and aggregates

Prices of cement and aggregates have continued to increase amid cost-push pressures stemming from the energy crisis. However, inflationary pressure is expected to be more subdued in the months ahead given the contraction in the construction sector and the subsequent slowing of demand for cement.



### Concrete blocks and bricks

Facing a surge in energy costs, brick manufacturers have been cutting production and shutting down kilns. Brick prices have therefore been on an upward trend despite signs of weaker demand in the construction industry. Prices are expected to remain high in the short-term owing primarily to high cost of energy, which will impose a tight squeeze on profit margins.



### Steel (rebar and structural)

Given its heavy dependence on steel imports, local prices are greatly exposed to fluctuations in global prices. With energy costs still high, prices have remained elevated despite weaker demand. The decarbonization effort will contribute to higher production costs further ahead.



### Copper

China's reopening following the ending of zero-COVID policies along with supply disruptions in Chile and Peru, the two largest copper producing countries globally, contributed to renewed upward pressure on copper prices in early 2023. Switzerland is heavily dependent on imported copper, with the majority of copper imports sourced from Zambia which is then re-exported by Swiss-based traders.



# Switzerland – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2022 (e)
	CHF	CHF	2022-23 % change	% change
<b>Copper</b> (CHF/MT)	8,341	9,321	-10.5% ↓	7.2% ↑ ●
<b>Steel rebar</b> (CHF/MT)	840	1,221	-31.2% ↓	-11.2% ↓ ●
<b>Steel flat</b> (CHF/MT)	794	1,258	-36.9% ↓	-1.7% ↓ ●
<b>Stainless steel</b> (CHF/MT)	3,743	NA	NA	1.1% ↑ ●
<b>Lumber</b> (CHF/M3)	96.7	95.0	1.8% ↑	0.3% ↑ ■
<b>Asphalt</b> (CHF/MT)	120	117	2.4% ↑	1.1% ↑ ●
<b>Limestone</b> (CHF/MT)	43.9	40.0	9.8% ↑	4.3% ↑ ●
<b>Cement</b> (CHF/MT)	207	189	9.9% ↑	4.3% ↑ ●
<b>Concrete</b> (CHF/M3)	163	147	11.3% ↑	5.8% ↑ ●
<b>Welded mesh</b> (CHF/unit)	93.5	125	-25.0% ↓	-10.1% ↓ ●
<b>Bricks</b> (CHF/000 unit)	1,073	994	7.9% ↑	3.3% ↑ ●
<b>Plasterboard</b> (CHF/unit)	6.46	6.08	6.4% ↑	3.0% ↑ ●
<b>Diesel</b> (CHF/litre)	2.04	2.29	-10.9% ↓	-8.7% ↓ ■

(f) Forecast (e) Estimated

- Q4 2022 to Q1 2023 % change greater than estimation in our Q4 2022 report
- Q4 2022 to Q1 2022 % change less than estimation in our Q4 2022 report

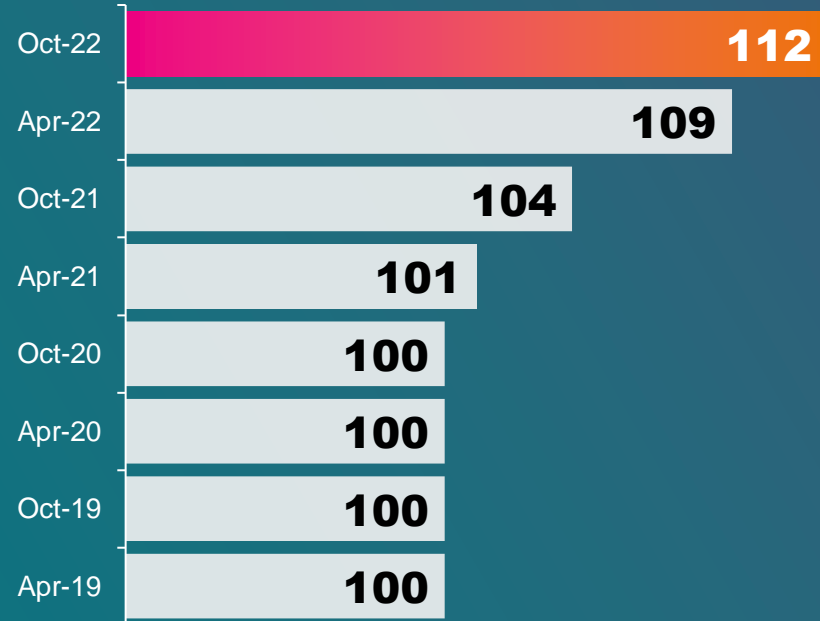
Welded mesh: 150 x 300cm, dia.-5mm Plasterboard: 200 x 60 x 1.25cm (L x W x T)


Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	+1.0% ↑	Low	Copper prices increased by 7.2% quarter-on-quarter in Q1 2023, due to increase in demand following the re-opening of the Chinese economy, coupled with supply disruptions from Peru. Prices will remain high in the coming quarters, but concerns over the global economic outlook may dampen demand.
 <b>Steel prices</b> - Steel rebar - Flat steel	+0.8% ↑ +1.0% ↑	Low	Steel rebar prices continued to decline in early 2023, but steel flat product prices held up relatively well, with demand in the latter being stronger. Although demand in general will weaken amid the drop in construction output, further price declines will be contained by enduring high energy costs.
 <b>Stainless steel</b>	-0.1% ↓	Low	Stainless steel prices are expected to remain relatively high given the importance of alloying materials such as nickel and chromium, prices for which remain high.
 <b>Lumber</b>	-1.0% ↓	Low	Lumber prices have been fairly stable in recent quarters. High interest rates are expected to further weigh on housing demand and construction activities in the short-term, thereby leading to a decline in lumber prices in the coming quarter.
 <b>Asphalt</b>	-1.0% ↓	Low	Asphalt prices have remained elevated owing to high input costs. Although set to ease back, prices will be held up by demand stemming from the government's focus on developing transport infrastructure, including road tunnel projects.
 <b>Limestone</b>	+1.0% ↑	Low	Limestone prices are estimated to have increased by 4.3% quarter-on-quarter in Q1 2023, owing to rising production costs amid elevated energy prices. However, owing to weakening demand in the construction industry, prices will level off in the coming quarters.

# Switzerland – Commodity Report



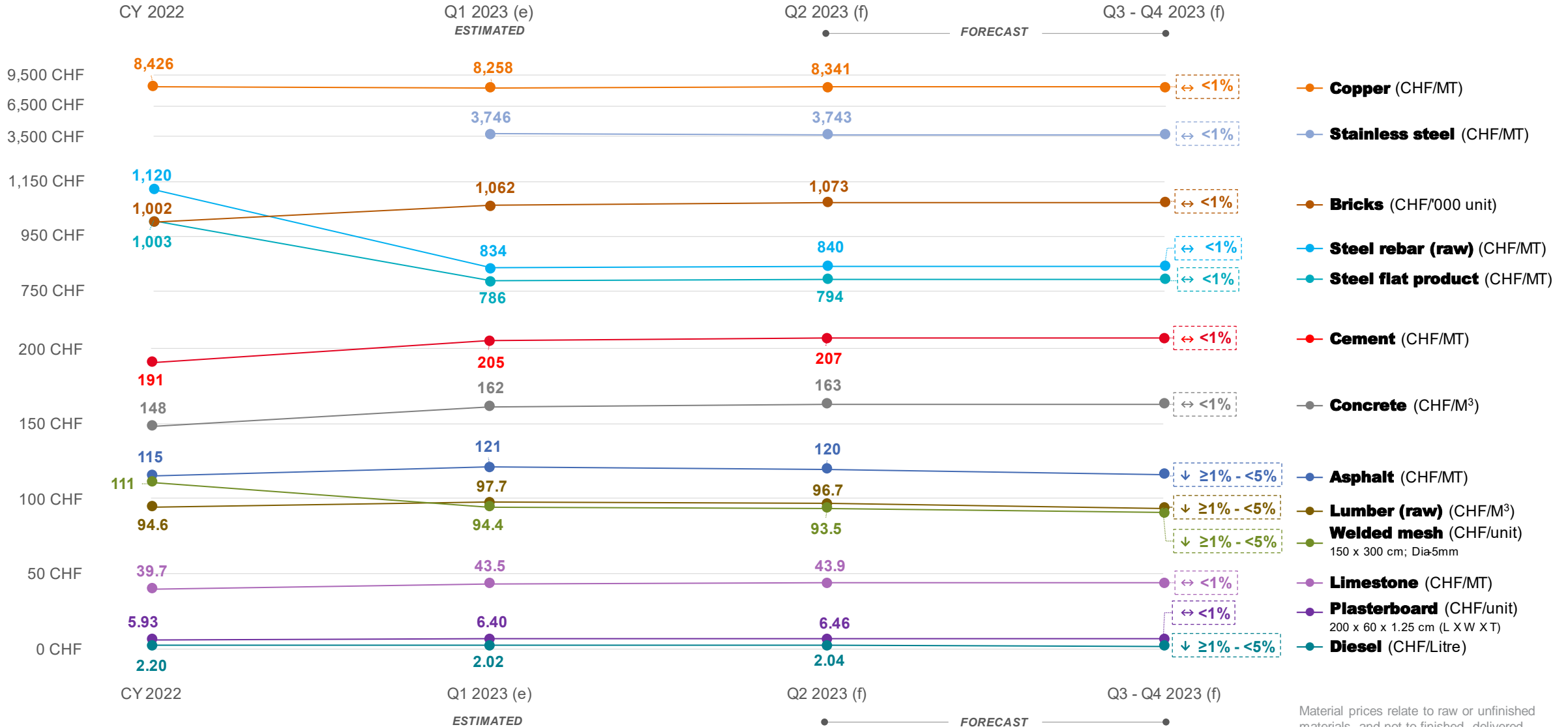
## Swiss Construction Price Index (Apr 2019 - Oct 2022) (2020 = 100)



Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 <b>Cement Concrete</b>	+1.0% ↑ +1.0% ↑	 Moderate With increasing cost of production, cement and concrete prices rose sharply in early 2023, with manufacturers passing on these higher costs to buyers. However, falling cement orders amid subdued demand will keep the prices of cement and concrete in check in the short-term.
 <b>Welded mesh</b>	-1.0% ↓	 Low Welded mesh prices have dropped in line with trends in the price for steel reinforcement bars. The downward trend in prices is forecast to continue into Q2 2023, owing to the slowdown in demand.
 <b>Bricks</b>	+1.0% ↑	 Low Brick prices increased further in Q1 2023 owing primarily to the high cost of energy. Although brick prices are expected to remain high in the coming quarters, weakening demand in the construction industry will likely contain further inflationary pressures.
 <b>Plasterboard</b>	+1.0% ↑	 Low Plasterboard prices are estimated to have increased by 3% quarter-on-quarter in Q1 2023, owing to high production costs. With demand easing, prices are expected to flatten in the coming months.
 <b>Diesel</b>	+1.0% ↑	 Low Diesel prices in Switzerland were on a downward trend in Q1 2023, with prices dropping below CHF2/liter in March 2023. With the gloomy economic outlook, and more refineries coming onstream in Europe, North America, and Asia, diesel prices are expected to further fall in Q2 2023. However, global crude oil prices will be volatile given potential for further OPEC+ production cuts.

\* 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. 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 – Construction Materials Pricing (2022-2023)



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

# Switzerland – Macroeconomic overview



## Economic indicators



**0.83%**

GDP growth in 2023 (f)  
and **2.13%** in 2022



**2.45%**

inflation rate in 2023 (f) and  
**2.84%** for 2022



**5.20M**

people employed in 2023 (f)  
and **5.18M** in 2022



**2.33%**

unemployment rate for 2023 (f)  
and **2.17%** in 2022



**106.00**

Consumer Price Index in Mar  
2023 and **103.00** in Mar 2022



**109.25**

Producer Price Index in Mar  
2023 and **108.40** in Mar 2022

## National holidays

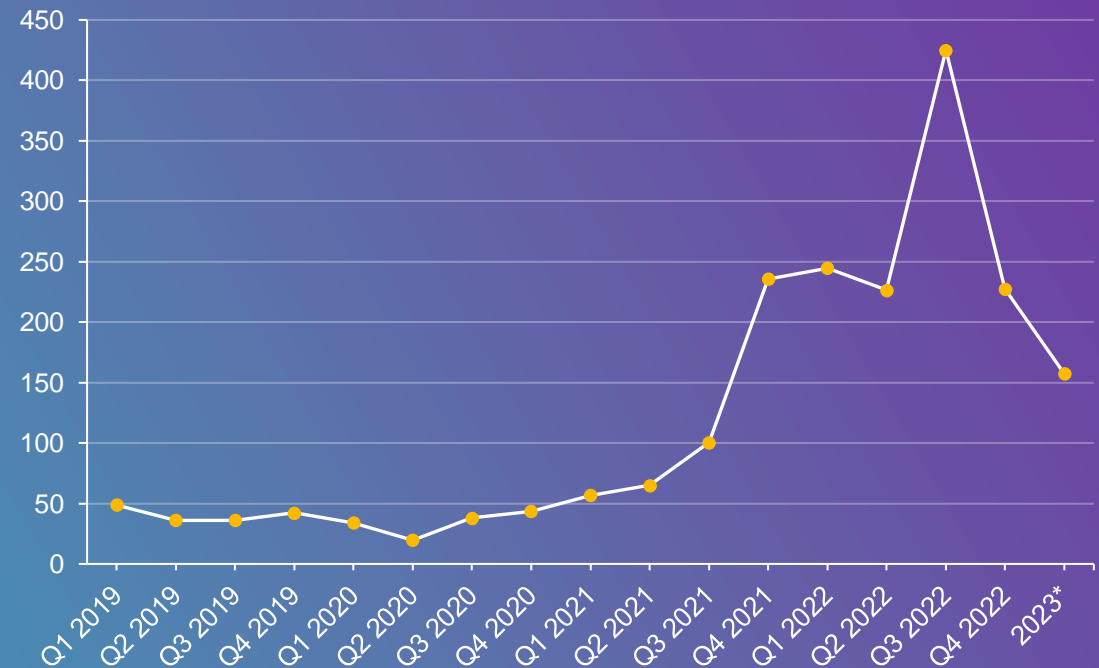


**5 public holidays**

in Switzerland in 2023.

## Energy prices

Average monthly electricity wholesale price in  
Switzerland (€ per MWh)









\* Till Jan 2023

# Switzerland – Construction overview



## Output 2022 and 2023 (in CHF millions)\*

Sector	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	15,929	15,868	16,200
Energy and utilities 	7,440	7,254	7,398
Industrial 	7,594	7,479	7,567
Infrastructure 	16,111	15,683	15,817
Institutional 	6,872	6,817	7,033
Residential 	25,617	25,181	25,605

\*The output is in real terms at constant prices with 2017 as base year

## Long lead equipment (LLE) - Supply Chain Overview

2022 was a turbulent year for the global supply chain with the fallout from the global pandemic combined with the emergence of the Russia-Ukraine conflict, leading to supply chain disruptions across the globe. However, 2023 is showing signs of relief in the market for long lead equipment (LLE). The following are the specifics of the LLE supply chain dynamic:

- Demand:** Demand for LLE has remained exceptionally high across all regions and industry sectors. Organizations have moved to expand their supply chain portfolios and include secondary and tertiary suppliers, whilst most are continuing to invest in inventory management systems to prevent any supply chain disruptions. There is no sign of reduced demand, so the constraints to the supply chain will continue for the remainder of 2023.
- Supply:** The stock levels of raw materials have finally started to stabilise, alleviating some recent pressures on manufacturers and suppliers. However, it is worth noting that most LLE suppliers have reported being at operational capacity, with order books full up to Q3 2024, which may cause some concern for those relying on their products. Nevertheless, there is some hope as Tier 2 and Tier 3 supply chains have started to increase their capacity and support the larger demand within the market, which may help to mitigate any negative impact of capacity restrictions.
- Freight durations and costs:** Freight durations have begun to shorten in early 2023 as the global infrastructure and operations have developed to meet the rising demand and freight companies are shipping much faster than they did during the pandemic. Average freight costs have also reduced to align with pre-pandemic levels suggesting a return to normality within the industry. The benefits have been experienced in early 2023 and further reductions are expected throughout the rest of 2023.



# Switzerland – 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.

## 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)
- OECD
- Economic Research Institute
- Public Holidays
- Statista



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