

Switzerland

Country Commodity Report

Q2 2023



Switzerland

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Switzerland's economy held up better than expected in Q1 2023, driven by exports and inventories, with inflation easing to 1.7%, the lowest since January 2022. However, high interest rates continue to impact the construction industry, coupled with low investor confidence and rising construction cost inflation, leading to a projected moderate shrinkage this year. The industry also faces a significant labour shortage, and a study by the Competence Centre for Demographics predicts that 16.6% of construction jobs will remain unfilled by 2040 if no action is taken, with a particular shortage expected in bricklaying jobs.

The supply chain is gradually normalising and price inflation in commodities has been slowly declining from the highs of 2022. The construction industry is expected to rebound next year supported by investments in transport and renewable energy sectors. The Life Sciences sector which represents one of the largest export industries of Switzerland has continued to exhibit resilience amid global disruptions.



Brian McClinton
Senior Director – Europe



Key Indicators

GDP

Increased by 0.9% on an annual basis in Q1 2023



- On a QoQ basis GDP grew by 0.6% in Q1 2023
- Domestic demand proved robust
- Along with rising goods exports, manufacturing also registered a slight increase
- The IMF expects a growth of 0.8% in 2023 and 1.8% in 2024

CPI

Stood at 1.7% in June 2023 on a YoY basis



- On a monthly basis, the inflation rate according to the CPI increased by 0.1% from May to June, partly due to rising prices for some fresh food
- In contrast, prices for air transport decreased as well as for petrol and diesel





Construction output

Expected to shrink by 1.7% in real terms in 2023



- This is due to subdued investor confidence and elevated interest rates
- Industry will be supported by investments in the infrastructure and renewable energy sectors

Commodities Pricing Snapshot

	Price % change			Remarks
	YoY Q2 '22 - Q2 '23 (e)	QoQ Q1 - Q2 '23 (e) Q2 (e) – Q3 '23 (f)		
 Copper	↓ -18%	↓ -8%	↓ -4%	Prices continued to decline, but likely to become volatile
 Steel rebar (raw)	↓ -38%	↓ -8%	↓ -8%	Prices continue to decline, and likely to decrease further in Q3 2023
 Cement	↑ 26%	↑ 7%	↓ -1%	Prices continued to increase but likely to edge downward
 Lumber	↓ -4%	↓ -5%	↔ -1%	Prices are on a declining trend and are likely to decrease further

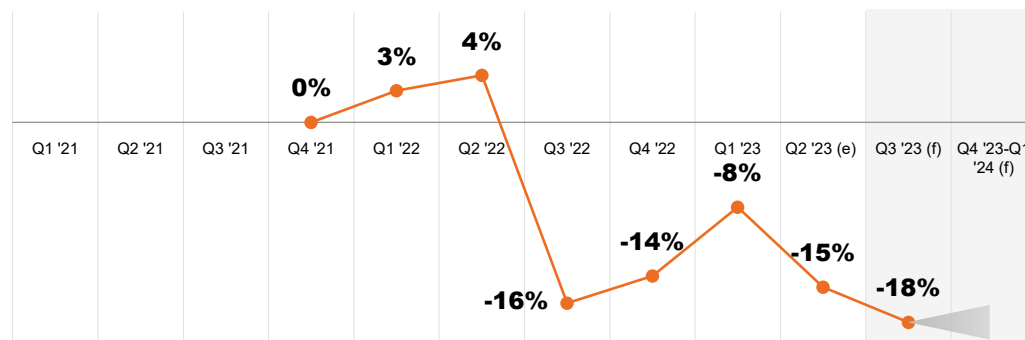
Switzerland – Commodity Price Trends



Copper

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Low	Low	Low	
Price (CHF/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CHF7,613	CHF7,327	↓ -7.8%	↓ -3.8%

Price change comparison against Q4 2021



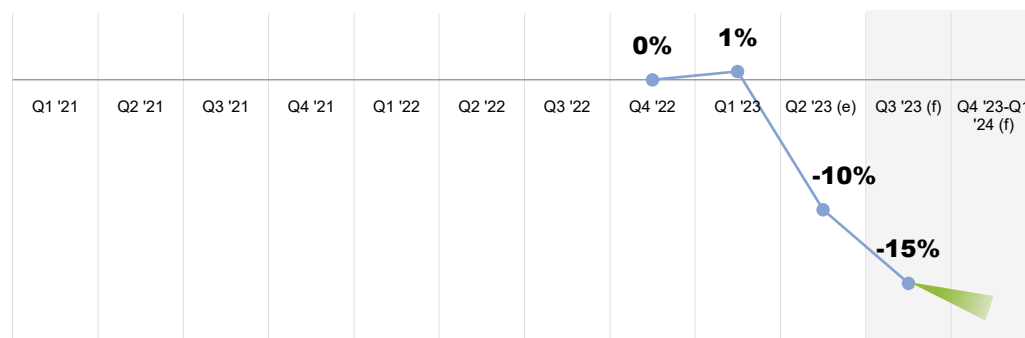
- Prices continued to decline in Q2 2023 on a quarterly average basis, dropping by 7.8% QoQ
- This is a reflection of stunted global demand amid rising interest rates
- However, there continues to be some volatility in global copper prices
- This will continue in the short term due to weakening Chinese demand, which may be offset by concerns over copper inventories



Stainless Steel

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Low	Low	Low	
Price (CHF/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CHF3,343	CHF3,138	↓ -10.3%	↓ -6.1%

Price change comparison against Q4 2022



- Decreasing raw material costs have contributed to the decline in stainless steel prices in recent months, with prices down by 15% in June compared to December last year
- With global nickel supplies rising, there will be a further drop in prices, contributing to a continuation in the downward trend in stainless steel prices

Switzerland – Commodity Price Trends

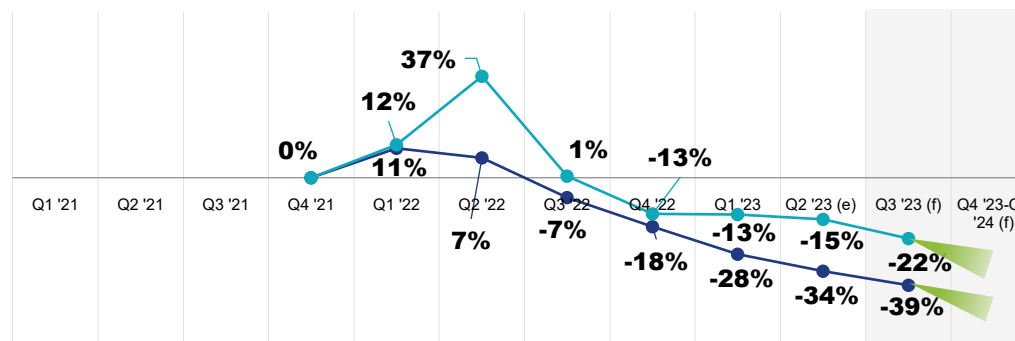


Steel – rebar and flat

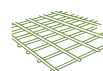
Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
●●●● Low	●●●● Low	●●●● Low	

Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
Steel rebar (raw) (CHF/mt)			
CHF756	CHF698	↓ -8.4%	↓ -7.7%
Steel flat product (CHF/mt)			
CHF782	CHF718	↓ -8.2%	↓ -8.2%

Price change comparison against Q4 2021



- Steel prices have fallen sharply in recent months, reflecting improved supply, declining production costs, and weak demand
- On a quarterly average basis, steel rebar was down by 8.4% in Q2 2023, while steel flat was down by 2.1%
- Steel mills have struggled in their attempts to push prices up and prices are expected to continue on a downward trend in the coming quarters
- However, the decarbonisation effort will contribute to higher production costs

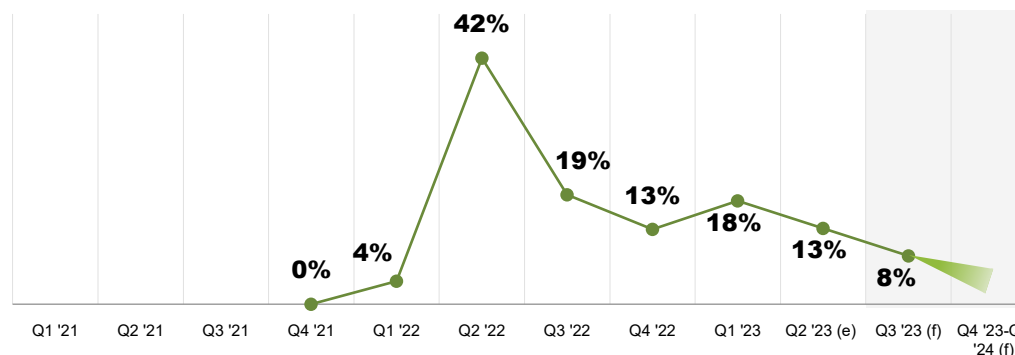


Welded mesh

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
●●●● Low	●●●● Low	●●●● Low	

Price (CHF/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CHF105.2	CHF100.8	↓ -4.0%	↓ -4.2%

Price change comparison against Q4 2021



- Welded mesh prices declined by 4% QoQ in Q2 2023, reflecting easing supply-side pressures and low demand
- The downward trend in prices is forecast to continue into Q3 2023, owing to the continued slowdown in demand and adequate supply

* 150 x 300 cm; diameter 5mm

Price direction for Q4 '23 – Q1 '24 (f)



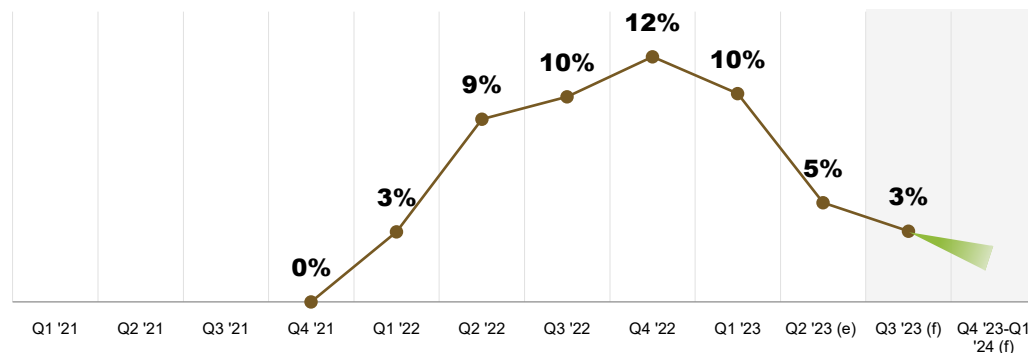
Switzerland – Commodity Price Trends



Lumber (raw)

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
●●●● Low	●●●● Low	●●●● Low	
Price (CHF/m³)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CHF91.5	CHF90.3	↓ -4.8%	↓ -1.3%

Price change comparison against Q4 2021



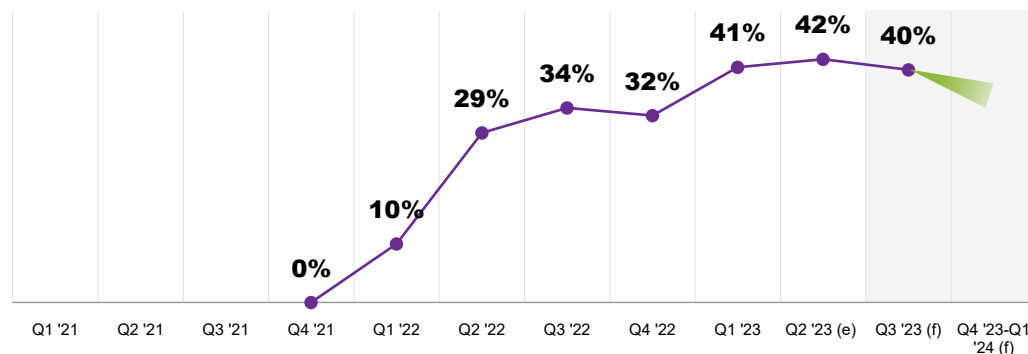
- Lumber prices have continued to fall from the highs of late 2022, dropping by 5% QoQ in Q2 2023, with lower costs being passed on to buyers
- Prices will see further reductions in the coming quarters, as rising interest rates impact on new investment in the residential construction sector
- However, an increased focus on sustainable construction methods will provide support on the demand side for the material



Plasterboard

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
●●●● Low	●●●● Low	●●●● Low	
Price (CHF/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CHF6.67	CHF6.58	↑ 1.0%	↓ -1.3%

Price change comparison against Q4 2021



- Despite weak demand from the buildings construction industry, plasterboard prices have remained high, edging up 1% QoQ in Q2 2023
- Prices have been elevated in recent quarters owing to high production costs last year
- With weakening demand for new housing and commercial buildings, plasterboard prices will fall back in the coming quarters

* 200 x 60 x 1.25 cm (L x W x T)

Price direction for Q4 '23 – Q1 '24 (f)



↓ ≥ -5%



↓ ≥ -1% – < -5%



↔ < -1% – < 1%



↑ ≥ 1% – < 5%



↑ ≥ 5%

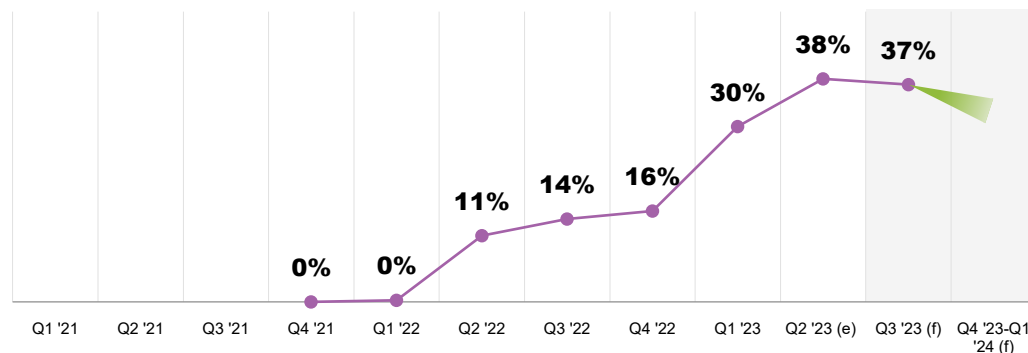
Switzerland – Commodity Price Trends



Limestone




Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (CHF/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CHF49.7	CHF49.3	↑ 6.3%	↓ -0.7%

Price change comparison against Q4 2021



- Limestone prices continued to rise in Q2 2023, picking up by 6.3% QoQ
- Rising production costs contributed to the upward trend over the past year
- Weakening demand in the construction industry will result in prices falling back in the coming quarters

Cement and Concrete

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)
CHF238	CHF235	↑ 6.6%	↓ -1.2%

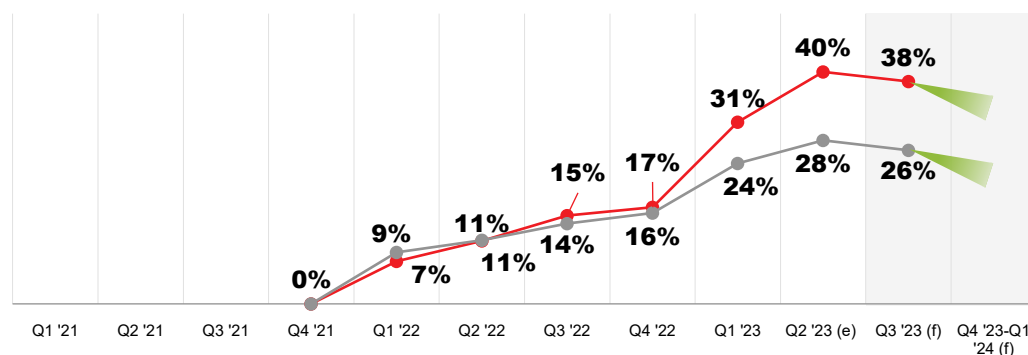
Cement (CHF/mt)

CHF238	CHF235	↑ 6.6%	↓ -1.2%
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Concrete (CHF/m³)

CHF169	CHF167	↑ 3.2%	↓ -1.3%
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Price change comparison against Q4 2021



- Concrete and cement prices continued to rise in Q2 2023, with concrete jumping by 3.2% QoQ, and cement up by 6.6%
- The trends imply that producers are still recovering from the prolonged period of high energy and transportation costs last year
- Demand has been weak, with cement deliveries in Switzerland falling by 9% YoY in the first half of the year
- As the construction industry is set to remain slow in the coming quarters, prices are set to ease back

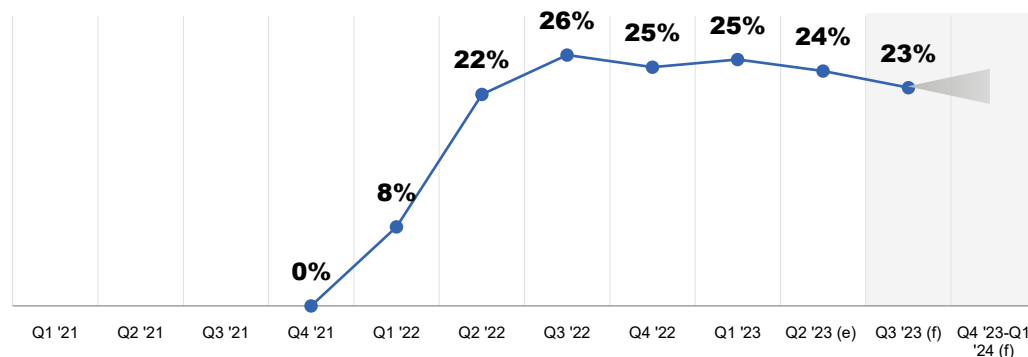
Switzerland – Commodity Price Trends



Asphalt

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
●●●● Low	●●●● Low	●●●● Low	
Price (CHF/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CHF119.3	CHF117.7	↓ -0.9%	↓ -1.4%

Price change comparison against Q4 2021



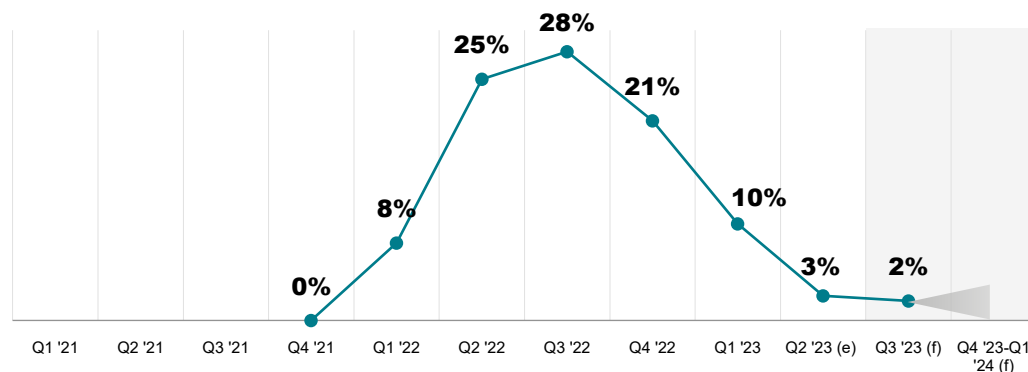
- Although prices have edged downwards over the past quarter, prices are still relatively high, being 24% up on Q4 2021
- Weak road construction activity and falling crude oil prices have helped to contain price pressures
- However, as infrastructure construction momentum starts to pick up, asphalt prices will remain close to current levels
- Crude oil prices could also face some upward pressure amid OPEC+ production cuts



Diesel

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
●●● Moderate	●●●● Low	●●●● Low	
Price (CHF/litre)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CHF1.88	CHF1.87	↓ -6.8%	↓ -0.5%

Price change comparison against Q4 2021



- Diesel prices have continued to fall from the highs of mid-2022
- In Q2 2023, the quarterly average prices was down by 6.8% QoQ, and 18% lower YoY
- The drop in prices reflects a reduction in crude oil, but prices have stabilised in recent weeks, and there could be volatility in the coming quarters as OPEC+ proceeds with planned cuts in oil production

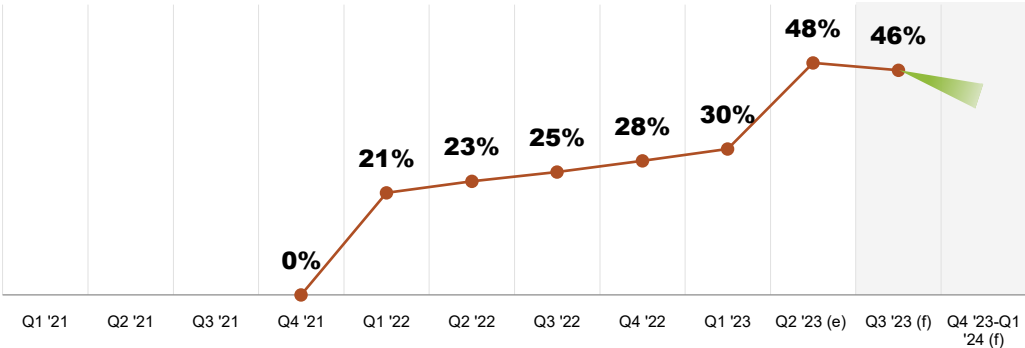
Switzerland – Commodity Price Trends



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 Low
Price (CHF/'000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CHF1,191	CHF1,179	↑ 13.6%	↓ -1.0%

Price change comparison against Q4 2021



- Brick prices picked up again in Q2 2023, despite a backdrop of weak demand
- Prices continue to be impacted by supply-side pressures
- A slowdown in residential and commercial construction activities will result in prices falling in the coming quarters, with easing production costs also being a factor driving this trend

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

Switzerland – Industry trends

Sector trends



Data Centres

Switzerland is an attractive Data Centres location due to key advantages such as free cooling, secure power supply, strong connectivity, and a reputation for technical innovation. The market's growth is driven by increased adoption of cloud-based services, AI, IoT, and 5G networks. Projects valued at over €1.2bn are currently under various stages of execution and planning in the country.



Life Sciences

Switzerland's Life Sciences sector is one of the leading hubs in Europe. It is centred around three clusters in Zug/Zurich, Basel, and Lausanne/Geneva. This represents the largest export industry, accounting for 39% of total Swiss exports and contributing CHF109.6bn in 2022.¹ The Swiss biotech industry achieved new revenue records and R&D investments in 2022.



High-tech Industrial

Switzerland has a high degree of industrialisation and a strong manufacturing base, and is known for its advance manufacturing ecosystem. Amid global economic weakness there was a contraction in the overall industrial sector however it is expected to grow at rate of 1.7% from 2024 to 2028, supported by investment in advanced manufacturing. Among the largest high-tech industrial projects currently in the pipeline are the CHF900bn Bulle Watch Production Facility project, and CHF269mn Frauenfeld Solid-State Battery Production Plant project.

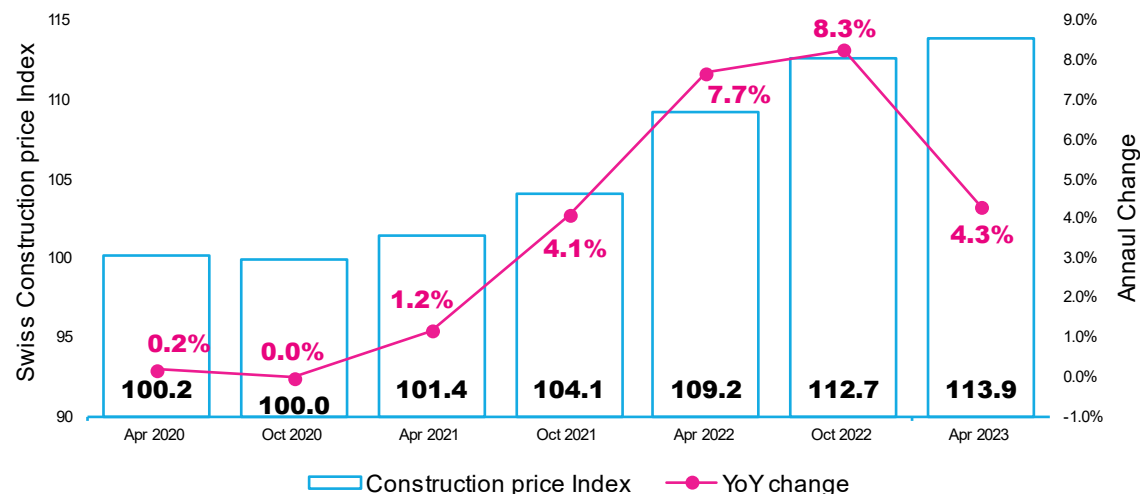


Renewable Energy

Switzerland's government has placed significant emphasis on the renewable energy sector, with the Swiss Parliament increasing the country's renewable energy production target to 35Twh in 2035 from 17Twh in 2017. Additionally, the government aims to install 50GW of new solar power plants nationwide by 2050.



Swiss Construction Price Index*



* Base year 2020=100, Annual change represents the YOY change with respect to the same time period pervious year

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.

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
- Statista
- 1-Science Industries.ch- Swiss Biotech Report 2023

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

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