



Switzerland

Country Insights and Commodity Report

Q1 2022



Switzerland

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With real GDP down 2.5% in 2020, Switzerland rebounded in 2021 with 3.7% growth as COVID measures eased. The IMF has projected a slight deceleration of growth this year at 3%, although the current Russia-Ukraine conflict and its impact may lead to a downward revision on that front.

The construction industry also recovered well in 2021, returning to 2.2% growth in real terms, with a more moderate 1.2% expected for 2022. Projects that focus on regional connectivity will help to drive the growth, as well as a focus on renewables and energy targets. As is the case elsewhere, material price escalation is a key threat to further growth, along with the supply chain bottlenecks, both of which have been seen again in the wake of the Russia-Ukraine conflict.

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

Lumber prices were highly volatile in 2021, picking up sharply in the middle of the year from historic lows early on, as relatively cheaper imports became scarce amid a surge in global demand. The president of Holzindustrie Schweiz, which is the organisation for Swiss sawmills and wood-based material producers, expects demand for Swiss wood to remain high, which is partly owing to increased awareness of sustainability.



Concrete and aggregates

Construction output in Switzerland has been relatively stable compared to other major markets in Europe, but cement prices have been pushed up supply-side factors stemming mainly from the increase in energy costs.



Concrete blocks and bricks

Although the production of bricks from local clay supplies and relatively short delivery routes have helped to prevent major supply bottlenecks, higher energy costs have contributed to a jump in brick production costs.



Steel (rebar and structural)

Steel prices rose throughout 2021, with producers passing on the impact of increases in raw materials and energy prices. Supply chain disruptions and the uncertainty caused by the Russia-Ukraine conflict will have a significant impact on manufacturers' operations in the coming quarters.



Copper

Reflecting its reliance on imports, copper prices in Switzerland jumped in March in line with global trends that in part reflected uncertainty over supply chains amid 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.

Switzerland - Commodity Report



Materials	Q4 2021	Q3 Q4 2022 (f)		Q4 - Q1 (e) 2022
	CHF	CHF	2021-22 (f) % change	% change
Copper (CHF/MT)	8,941.9	9,710	8.6% ↑	3% ↑
Steel rebar (CHF/MT)	1,139.7	1,417	24.3% ↑	11% ↑
Steel flat (CHF/MT)	919.7	1,125	22.3% ↑	12% ↑
Lumber (CHF/M3)	87.3	92.5	5.9% ↑	3% ↑
Asphalt (CHF/MT)	96.1	111	15.2% ↑	8% ↑
Limestone (CHF/MT)	35.9	36.4	1.3% ↑	0% ↑
Cement (CHF/MT)	170.2	186	9.4% ↑	7% ↑
Concrete (CHF/M3)	131.7	147	11.3% ↑	9% ↑
Welded mesh (CHF/unit)	93.1	107	14.4% ↑	4% ↑
Bricks (CHF/'000 unit)	805	1,024	27.2% ↑	21% ↑
Plasterboard (CHF/unit)	4.7	5.3	12.3% ↑	10% ↑
Diesel (CHF/litre)	1.83	2.24	22.6% ↑	8% ↑

Q3 Q4 2022 (f): Forecasted average
2021-22 % change: % change from Q4 2021 to Q3 Q4 2022 average

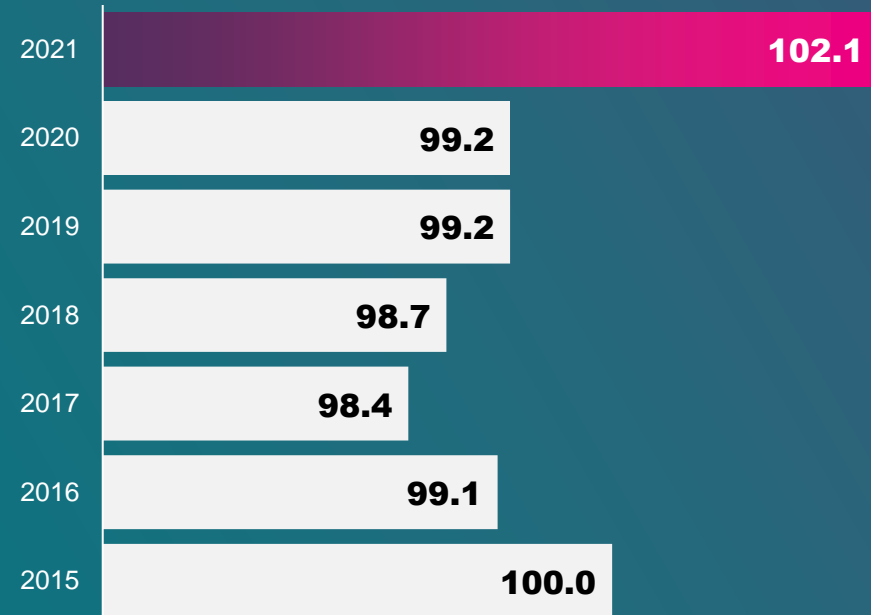
Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+2.5% ↑	High	Copper prices soared in early March in the immediate aftermath of the outbreak of the Russia-Ukraine conflict, and although prices have eased back from those highs, prices are expected to remain elevated given the uncertain outlook and supply chain disruptions. However, possible weakness in demand in China stemming from new COVID-19 lockdowns could help to alleviate copper price pressures.
 Steel prices - Steel rebar - Flat steel	+9% ↑ +6% ↑	High	Switzerland has adopted all the European Union sanctions against Russia, and given the importance of Russia for iron and steel supplies, domestic steel prices will remain high in 2022.
 Cement Concrete	+2% ↑ +2% ↑	Low	The country has a rich deposits of limestone and marl, hence cement manufacturers can source their required raw materials domestically. However, the rising energy and fuel cost is expected to push up the price for the construction materials in 2022.
 Asphalt	+3.5% ↑	High	Rising demand for construction materials due to the rise in infrastructure construction output will contribute to upward pressure on asphalt prices. Asphalt prices will remain high owing to higher production costs given the impact on oil prices of the Russia-Ukraine conflict.
 Limestone	+1% ↑	Low	As referenced above, Switzerland benefits from rich deposits of limestone, so domestic supply is available. However, the rising energy and fuel cost is expected to push up the price for the construction materials generally in 2022.
 Lumber	+2.5% ↑	Moderate	The increase in lumber prices has been welcomed by the forestry industry, which had been suffering from a downturn in prices for a number of years prior to 2020. Demand for Swiss wood is expected to remain high, which will keep prices elevated in 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 output price index (Base - Oct 2015)



Knoema World Data Atlas

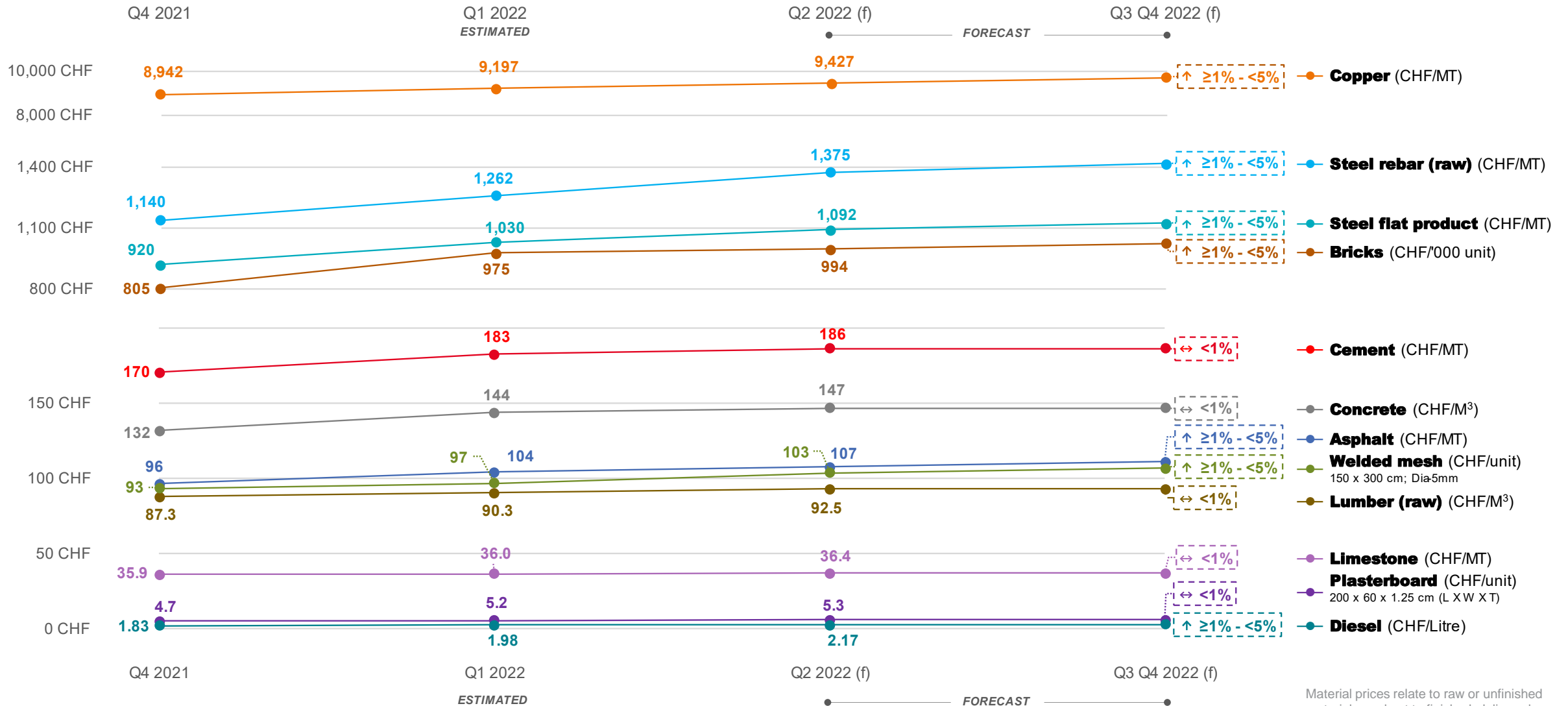
Index of economic freedom **81.9 out of 100**

Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Welded mesh	+7% ↑	 High Due to the expected increase in the price of steel, the price of mesh will also continue on an upward trend in 2022.
 Bricks	+2% ↑	 Low Due to the rising demand from residential and commercial construction, the prices are expected to remain elevated in the near future.
 Plasterboard	+2% ↑	 Low As with other key building materials, the price of plasterboard is expected to remain at high levels given ongoing recovery in building construction.
 Diesel	+10% ↑	 High Without any clear resolution in the short term to the Russia-Ukraine conflict, crude oil prices will remain high, and given Switzerland's reliance on imports for its oil needs and a large share of its diesel, it is likely that prices will remain elevated in 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 - Macroeconomic overview



Economic indicators



2.99%
GDP growth in 2022 (f) and 3.71% in 2021



2.4% inflation rate YoY in March 2022 (f) and **0.4%** for 2021



5.14M people employed in 2022 (f) and 5.1M in 2021



3% unemployment rate in 2022 (f) and 3.13% in 2021



102.38 Consumer Price Index in 2022 (f) and 101.53 in 2021

Weather conditions

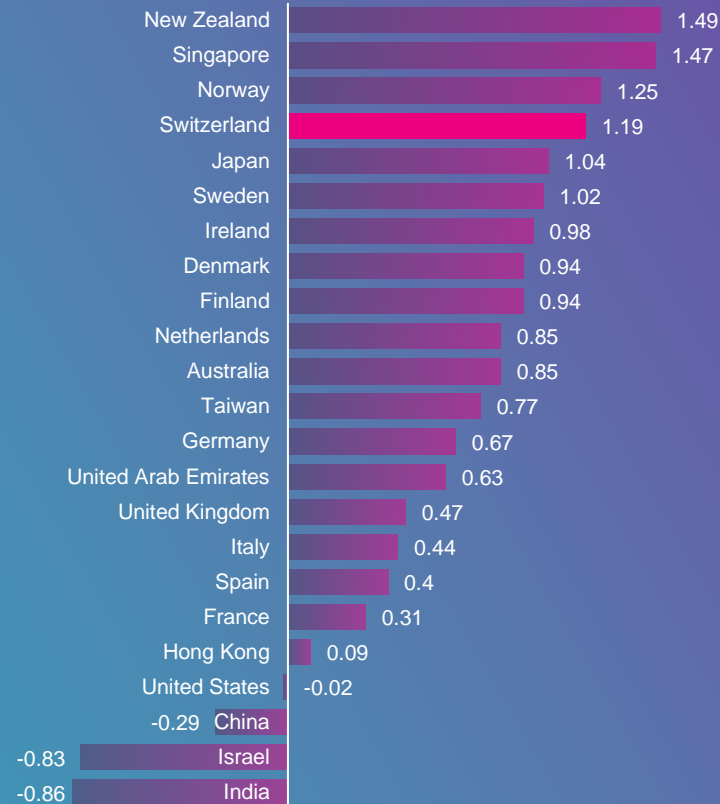


-3°C to 24°C
typical temperature range throughout the year



812mm – 2,387mm
range of average annual rainfall

Political stability



Political stability index (-2.5 weak; 2.5 strong)

The index of Political Stability and Absence of Violence/ Terrorism measures perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

National holidays

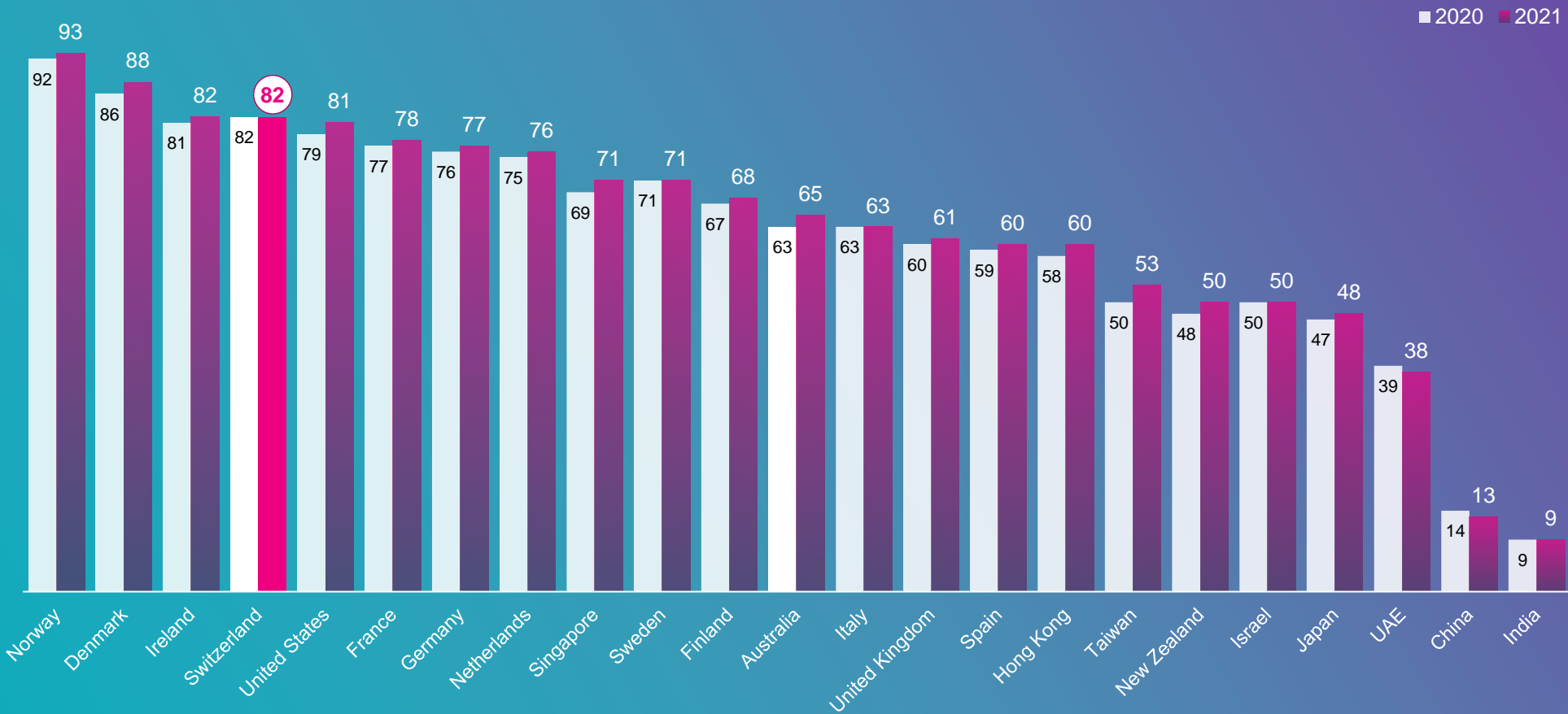


6 public holidays in Switzerland each year – this does not include regional observances. Most holidays are taken during December.

Switzerland - Macroeconomic overview



Labour productivity



Labour productivity per hour worked in 2020 international dollars, converted using Purchasing Power Parities

Labour costs









CHF 69,996

average construction worker gross salary in Switzerland or an equivalent hourly rate of CHF 34

- An entry level construction worker (1-3 years of experience) earns an average salary of CHF 51,979.
- A senior level construction worker (8+ years of experience) earns an average salary of CHF 84,644.

Switzerland - Construction overview



Output 2021 and 2022 (f) (in millions)			
Sector	Total 2021	Total 2022(f)	% change
Commercial 	15,960.38 CHF	16,284.67 CHF	2%
Energy and utilities 	7,887.07 CHF	7,947.94 CHF	0.8%
Industrial 	7,592.83 CHF	7,682.98 CHF	1.2%
Infrastructure 	16,716.29 CHF	16,763.62 CHF	0.3%
Institutional 	6,864.67 CHF	7,046.50 CHF	2.6%
Residential 	26,188.70 CHF	26,427.36 CHF	0.9%
Total output	81,209.86 CHF	82,152.96 CHF	1.2%

Long-lead equipment (LLE) – time risks

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 increased exponentially with the IT boom. More data centre and crypto mining providers are joining the market, and this new demand far outweighs the capacity of the supply chain. Entry onto the production line has become a significant challenge, with suppliers reporting fully booked capacity until Q1 2023. Opportunities exist for the development of Tier 2 and Tier 3 suppliers to Tier 1 status. However, it will take time to develop an extended supply chain.
- Material shortage:** The end of Q1 2022 saw a significant drop in the availability of raw materials used for LLE production. Global factors such as the Russia-Ukraine conflict and the resurgence of COVID-19 has halted production, which is at its lowest levels in recent years. The ethical approach in the supply chain to manoeuvre away from the use of Russian gas and oil has reduced production levels and added longer lead times within the supply chain. The raw material shortages are expected to continue into Q2 2022, whilst there is uncertainty for the security of the supply chain.
- Freight durations and costs:** Heightened by the increase in fuel costs and compounded by the shortage of labour and low supply of shipping containers, freight durations have soared as suppliers look for ways to mitigate these challenges. The demand for freight services has grown across all markets in recent years and the competition amongst industries has had a negative effect on availability and durations. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to increasing fuel costs.

Construction health & safety practices and culture



In Switzerland, there are two main laws governing OSH.



The Labour Law encompasses health protection, work hours, workplace building standards and the protection of personal integrity.



The Accident Insurance Law oversees the prevention of occupational accidents and diseases which are caused by work.

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
- Economy.com
- The Global Economy
- Weather Spark
- European Agency for Safety and Health at Work
- BFS
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

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