



Switzerland

Country Commodity Report

Q4 2022



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According to a recent update by SECO, Swiss GDP grew by 0.2% in Q3 2022, following a slight increase of 0.1% in Q2 2022. The growth of the economy in Q3 2022 is largely driven by domestic consumption supported by service sector growth. Amid high energy prices, the inflation rate is anticipated to remain at 2.9% in 2022, followed by a drop to 2.2% in 2023, and the economy is expected to be dampened by current global macro-economic factors, growing at a below average rate of 1% in 2023.

The Swiss construction industry is expected to contract by 3.6% in 2022, because of surging energy prices, high inflation and interest rates, and labour shortages. The industry's contraction is expected to continue in 2023, with the industry shrinking at 1.5%, but it is expected to recover in the period 2024-26, with an average annual growth rate of 1.7%. The government's planned investments in transportation and renewable energy sectors are likely to provide the industry with much needed impetus.



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Lumber

Lumber suppliers have reported relatively strong inventories and some sawmills have been cutting production in response to lower demand. Demand in the residential construction sector has waned in recent months due to higher interest rates and falling real incomes. However, energy price hikes have caused a spike in demand for firewood and increased competition in hardwood plantations.



Cement and aggregates

Switzerland is relatively self-sufficient with regard to cement production, and its rich limestone deposits has enabled cement supply to remain relatively buoyant. However, cost-push pressures stemming from the energy crisis have put upward pressure on prices. The demand for cement is slowing, with Q4 2022 cement orders down by 6% from the previous year and rising interest rates have caused many firms in the construction industry to scale back operations.



Concrete blocks and bricks

Price increases have been in large part due to the energy crisis, with suppliers in 2022 noting extremely high gas prices, resulting in many kilns shutting down. The supply of core inputs such as clay has remained more predictable; domestic supply from local clay deposits has been unimpeded by external shocks. However, high energy costs remain a key factor in imposing a tight squeeze on margins.



Steel (rebar and structural)

Switzerland is heavily dependent on steel imports and exposed to fluctuations in global supply. Energy costs are still very much elevated, but demand has weakened. The decarbonisation effort will contribute to higher production costs further ahead.



Copper

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. Copper prices have been volatile. Supply shocks in Chile and Peru, have limited supply and inventories have fallen moderately. In addition, further upward pressure from the re-opening of the Chinese economy and the energy transition will keep prices elevated in the short to medium term. However, the global economic downturn due to monetary tightening in major economies will limit price increases.

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Materials	Q1 2023 (f)	Q1 2022 – Q1 2023 (f)		Q3 – Q4 2022 (e)
	CHF	CHF	2022-23 % change	% change
Copper (CHF/MT)	7,876	8,942	-11.9% ↓	2.4% ↑ ●
Steel rebar (CHF/MT)	944	1,140	-17.2% ↓	-8.8% ↓ ●
Steel flat (CHF/MT)	821	920	-10.7% ↓	-11.1% ↓ ●
Stainless steel (CHF/MT)	3,743	NA	NA	NA
Lumber (CHF/M3)	95.7	87.3	9.6% ↑	0.7% ↑ ■
Asphalt (CHF/MT)	120.1	96.1	25.0% ↑	0.3% ↑ ■
Limestone (CHF/MT)	41.9	35.9	16.7% ↑	1.1% ↑ ●
Cement (CHF/MT)	200	170	17.5% ↑	1.1% ↑ ●
Concrete (CHF/M3)	154	132	17.3% ↑	1.8% ↑ ●
Welded mesh (CHF/unit)	101	93	8.0% ↑	-8.1% ↓ ●
Bricks (CHF/'000 unit)	1,040	805	29.2% ↑	2.0% ↑ ●
Plasterboard (CHF/unit)	6.4	4.7	36.5% ↑	1.2% ↑ ●
Diesel (CHF/litre)	2.0	1.8	10.1% ↑	-5.5% ↓ ●

(f) Forecast (e) Estimated

- Q3 to Q4 2022 % change greater than estimation in our Q3 report
- Q3 to Q4 2022 % change less than estimation in our Q3 report

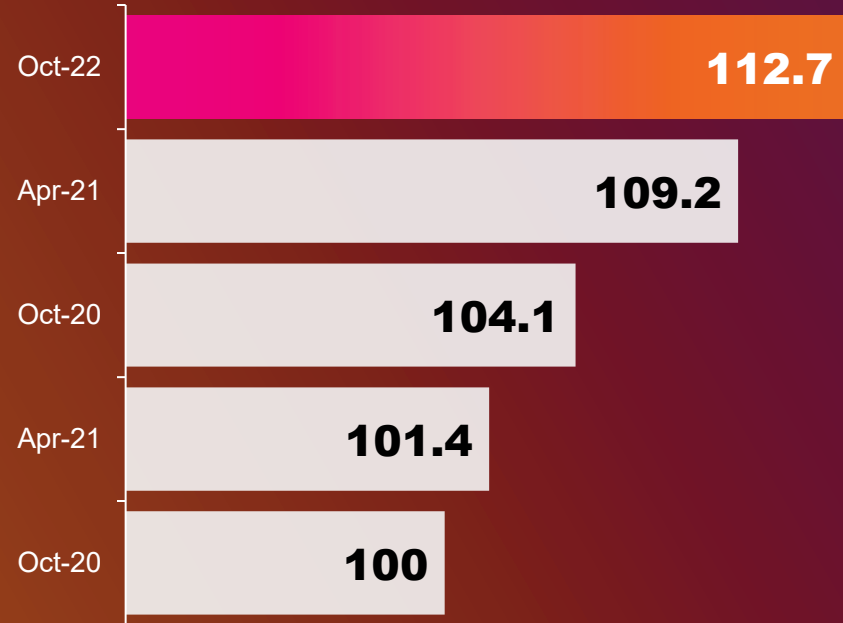
Welded mesh: 150 x 300cm, dia.-5mm Plasterboard: 200 x 60 x 1.25cm (L x W x T)

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+2.7% ↑	Low	Copper prices picked up in late Q4 2022, reflecting pressures stemming from lower inventory and supply concerns from Peru and anticipated demand from China, following the reopening of its economy. With interest rate hikes and a slowdown in the global economy, copper price inflation will be contained, but demand from investment in renewable energy projects and electric vehicle manufacturing will pick up.
 Steel prices - Steel rebar - Flat steel	-2.2% ↓ -0.1% ↓	Low	Steel prices continued to fall in late 2022 from the highs reached in the first half of the year. Steel prices are expected to decline further, given a weakening in demand. However, Swiss Steel expects the energy price to remain at a high level, which will continue to squeeze margins and prevent a much sharper drop in prices in the coming quarters.
 Stainless steel	+1.0% ↑	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.
 Lumber	-1.0% ↓	Low	Lumber prices have edged downwards, and this trend is expected to continue reflecting the slowdown in domestic demand. Residential construction in particular has been in decline, and although interest rates are still quite low, they are set to rise, and this will dampen investment growth.
 Asphalt	-1.0% ↑	Low	Asphalt prices remained high in Q4 2022, but upward pressure has diminished, and prices will fall back from recent highs in the coming quarters.
 Limestone	+1.0% ↑	Low	Although production costs remain high due to elevated energy costs, weakening demand in the construction industry is expected to contain price increases.

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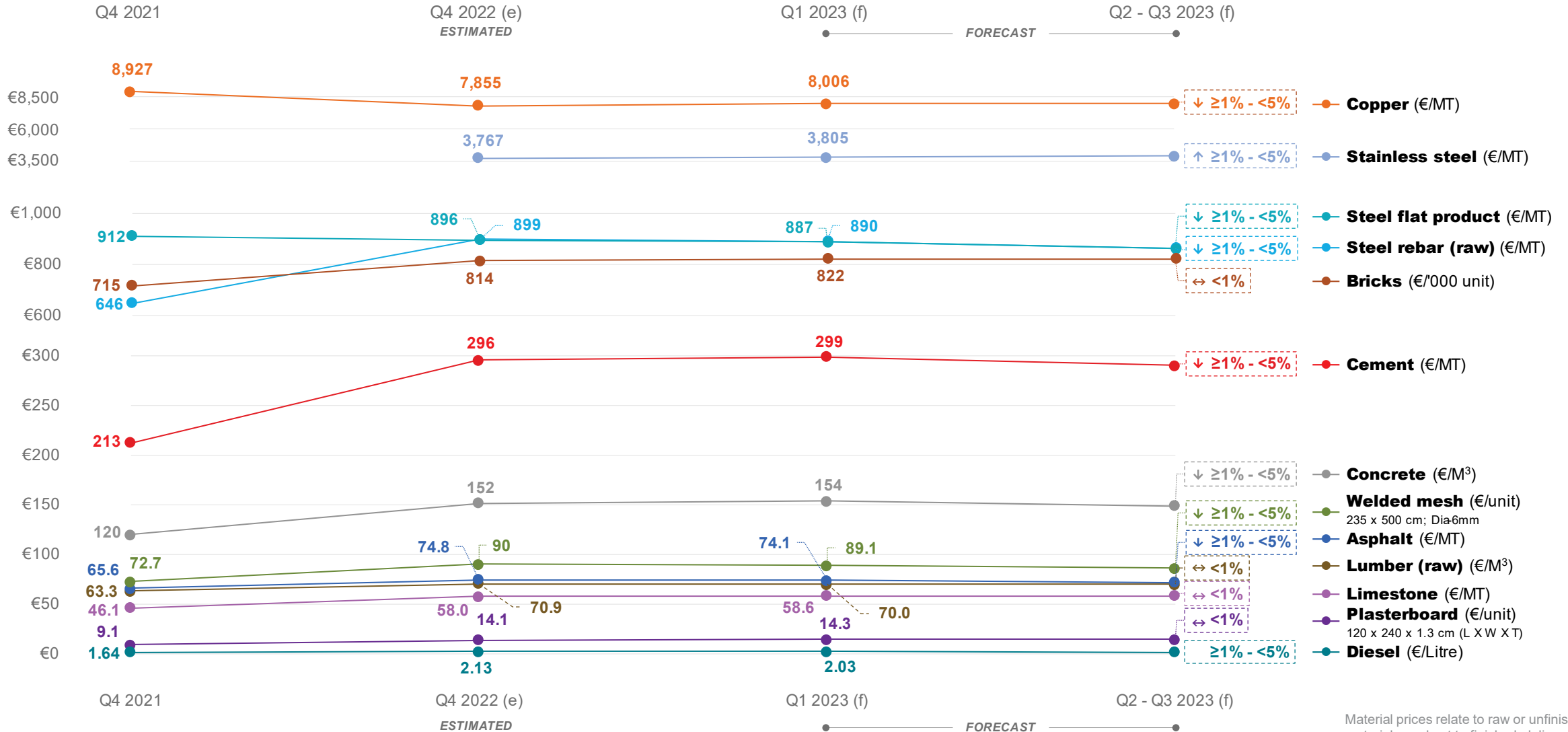
Swiss Construction Price Index (Oct 2020 - Oct 2022)



Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+1.0% ↑ +1.0% ↑	 Moderate Cement and concrete prices increased in the second half of 2022 owing to high electricity prices. Higher production costs have forced cement producers to pass on price increases to customers and with high costs expected to run into Q1 2023, prices are expected to remain high despite weakening demand.
 Welded mesh	-1.0% ↓	 Low The price of welded mesh declined because of the overall drop in the price of steel reinforcement bars. The slowdown in demand and adequate supply is expected to result in a decline in the price of welded mesh over medium term, however, short-run cost increases will hold prices higher over the next couple of months.
 Bricks	+1.0% ↑	 Low Brick prices continued to increase in late 2022, primarily due to the high cost of energy. However, weakened demand amid slowing economic growth in early 2023 will contain further inflationary pressures.
 Plasterboard	+1.0% ↑	 Low Plasterboard prices showed a marginal increase in late 2022 owing to high production costs. With demand easing, prices are expected to flatten in the coming months.
 Diesel	-9.0% ↓	 Low The price of diesel declined in Q4 2022 owing to a drop in international crude oil prices and a slowdown in demand. The outlook for crude oil prices is mixed, given supply constraints stemming from OPEC+ production cuts on one hand, and weaker demand on the other. However, the worsening global economic outlook looks to be the dominant narrative and is likely to push prices down further over the next quarter.

* 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 (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.

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

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