

Poland's disappointing construction data signals delayed investment recovery

Today's construction data in Poland doesn't align with the more optimistic outlook painted by yesterday's industry and labour market data. There were no surprises for building construction, but the infrastructure segment's underperformance suggests delays in the investment recovery into late 2025 and 2026, as well as further NBP interest rate cuts



Looking ahead, we expect a slight improvement in infrastructure construction but a deterioration in specialised works and residential construction

Polish construction and assembly production fell by 4.2% year-on-year in April, well below our forecast of -0.6% and the consensus of -0.9%, following a -1.1% decline in March. The deepening of the production decline in April in YoY terms is partly explained by a higher base from April last year, but the more significant factor is the slow start of public investments.

Similarly to March, the data contains mixed signals regarding the beginning of the investment cycle from the EU's Recovery and Resilience Facility (RRF) and structural funds. We do not see consistent systematic growth in either sector (infrastructure construction or specialised works), which could indicate a full rebound in public investments. Instead, there are chaotic fluctuations related to base effects and alternating improvements and deteriorations in these

sectors on a seasonally adjusted month-on-month basis.

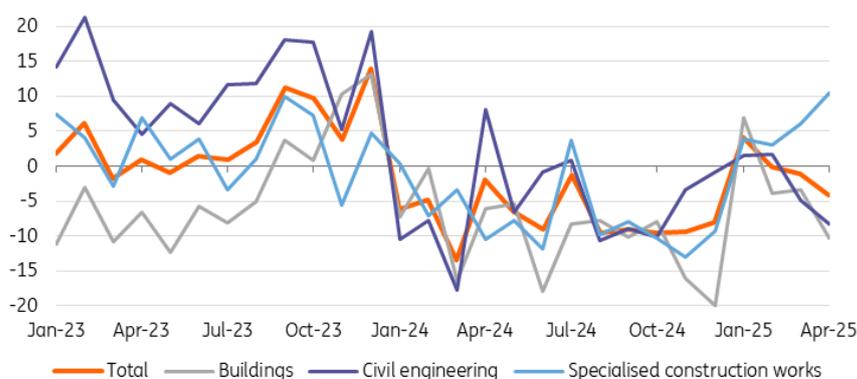
In YoY terms, the construction of infrastructure facilities in April fell more sharply (-8.3% YoY after -4.9% in March), although from a high statistical base. Theoretically, the double-digit growth in specialised construction works (10.5% YoY in April after 6.0% in March) could be a reason for optimism – but this is from a very low base a year ago. Our seasonally adjusted data analysis shows that this part of the construction sector is once again performing poorly.

In the third construction sector, residential construction, the market remains weak, as expected in the context of high interest rates and an oversupply of housing. The revival we saw in January was short-lived. The decline in building construction deepened significantly (-10.3% YoY after -3.4% in March).

The overall seasonally adjusted data for the entire construction sector indicates a decline of 0.8% month-on-month as per CSO calculations. We estimate a slight improvement in infrastructure construction, but a deterioration in specialised works and residential construction.

Today's construction data doesn't align with the more optimistic picture of the economy's second quarter painted by yesterday's industry and labour market data releases. The expected recovery in investments is shifting to the second half of 2025, with a possible peak in public investments based on the RRF in 2026, given that the deadline for the utilisation of RRF grants is in summer next year. Today's data supports the scenario of further National Bank of Poland (NBP) rate cuts in the second half of 2025, with the next cut of 25 basis points expected in July, and a total reduction of 75bp by the end of the year.

Construction and assembly production, YoY, %



Source: Poland's CSO data.

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