

Polish housing outlook shows signs of improvement despite weak construction data

In June, construction output contracted by 8.9% year-on-year, following a 6.5% YoY decline in May. June this year had one fewer working day than June 2023, which negatively affected the construction data. Fortunately, we see flat construction starts up by 59% YoY, possibly signalling a recovery in housing



New housing construction in Gdańsk, Poland

Poland's June construction output print at -8.9% YoY was significantly weaker than expectations (-4.6% YoY). While we have seen an increase in capacity utilisation in construction, the current overall condition of the industry remains very weak.

Once again, year-on-year declines were recorded in all categories. Civil engineering construction contracted by 0.9% YoY, less than -6.6% in May. This was driven primarily by a large drop in activity, caused by the transition period between the previous EU perspective in 2023 and the slow start of projects from the Recovery and Resilience Facility (RRF) and the new budget. The Polish RRF renegotiation process is not over yet, and it can be assumed that we'll need to wait until 2025 for

more improvement in this area.

The construction of buildings decreased by 17.9% YoY (-5.4% in May). In this case, we are likely seeing weaker activity of residential developers. Demand for new properties slowed down after the previous government's housing market support programme was exhausted. According to companies analysing the real estate market, more apartments were put on offer in recent months than were sold. The large increase in housing prices in 2023/2024 has also meant that even with public support, many people cannot afford their own property. The condition of commercial construction is also likely to be weaker, either due to the saturation of the warehouse space market or generally weak business investment.

However, there are signs of improvement in the housing market, including an increase in the number of housing starts by 58.9% YoY. It is still unclear if and when the mortgage support programme currently being developed by the government will be introduced. The large number of new construction starts, however, may suggest that developers are preparing for a resurgence in demand. The data suggests that while a larger rebound in construction as a whole is not likely to occur until 2025, in residential construction it could be as early as the second half of 2024.

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