

Polish construction activity takes a dismal turn in March

In March, Polish construction output collapsed by 13.3% year-on-year, significantly worse than both the consensus of -4.3% and February's -4.9% print. This reflects dismal activity in both building constructions (-16.1%) and infrastructure-related works (-17.8%)



Construction output was much weaker than projected in March

While demand for real estate significantly recovered in the second half of last year in Poland due to a government mortgage support scheme, this has not yet been reflected in construction. In 2023, real estate developers rushed to finish ongoing projects so that they could qualify for the government's programme. As a result, the number of flats under construction started to fall late in the year and have only marginally recovered so far in 2024. We already know the outline of the new government mortgage support programme, and it should result in a further raise in real estate demand (and prices). Therefore, the construction of both buildings and flats should recover later this year.

The dismal performance of infrastructure-related construction reflects the completion of projects financed under the previous EU perspective 2014-2020 (following the T+3 rule). At the same time, projects from the new EU perspective saw a relatively slow start. Delayed access to the Recovery Fund also indicates that projects financed from this source should begin in 2025 and 2026.

Consequently, 2024 should remain a weak year for infrastructural investments as a whole.

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