

Improvements in Polish construction unlikely to prove sustainable

In April, construction output fell 2% year-on-year, but came in stronger than consensus (-5% YoY), following a 13.3% YoY decline in March. The yearly decline was much smaller than that seen a month ago, likely as a result of more favourable calendar effects (more working days) and those related to the pattern of holidays



Construction output was much weaker than projected in March

Activity in areas related to public investment (i.e., civil engineering construction) improved from -17.8% YoY in March to +7.8% YoY in April. However, it should not be assumed that the scale of such a rebound is sustainable. The accumulation of EU-funded infrastructure projects in 2023 resulted in high growth rates in the civil engineering construction at the end of last year. Now, the launch of projects from the RRF and the new EU budget is slow. Unfortunately, we'll likely be waiting until 2025 for a more pronounced rebound, when the absorption of EU funds should gain momentum.

Housing reported weak activity. The construction of buildings fell by 5.9% YoY, and the pattern of business days is also largely responsible for the improved dynamics compared to March (-16.1% YoY). According to companies analysing the real estate market, apartments were put on offer by developers at the beginning of the year at a much faster rate than they were sold. In many cities,

the number of apartments on offer is approaching record figures. The large increase in housing prices in 2023 and 2024 meant that even with support, many people cannot afford their own property.

At the same time, the deadline for the introduction of a new government programme to support the mortgage market seems to be receding (from the original date of 1 July). The programme will reportedly also be more spread over time than that brought forward by the previous government. Therefore, in the case of housing construction, we may once again have to wait until 2025 for a larger rebound in activity.

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