

Polish construction activity remains lacklustre in July

Construction output rose by 1.1% year-on-year in July, from 1.5% a month earlier and significantly below expectations of 2.5%. EU-backed infrastructure projects continue to be the main growth driver, while housing remains a major drag



Construction in Warsaw, Poland

Civil engineering (which rose by 11.8% YoY, from 5.9% in June) remains construction's biggest growth driver. This is most likely because there are still incomplete infrastructure projects planned under the last settlement year of the "old" EU budget. The experience of previous EU budget perspectives allows us to assume that dynamic growth in this category will be maintained (or even accelerated) until the end of this year.

The construction of buildings, primarily residential, remains the weak spot, falling by 7.8% in July, following a 5.7% decline a month earlier. The number of housing units under construction remains on a strong downward trend from record levels in the first half of 2022 but is still at a fairly high historical level. Moreover, a significant number of apartments continue to be delivered. In the first seven months of this year, almost as many apartments were completed as in the same period in 2022. We expect that smaller developers are completing projects they have started in order to regain liquidity.

Combined with weak demand at the turn of the year, the result is a very high number of apartments on offer, enough to cover demand for many months. Therefore, even a significant increase in interest in housing related to the government's "2% Safe Credit" programme will not be enough to substantially improve housing construction this year. Given the number of housing projects started in previous years and the small number of new projects, the downtrend in the construction of buildings should persist or even accelerate until the end of the year. Industrial and commercial construction, especially warehouse halls, remains a positive element but will be significantly insufficient to balance weak housing.

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