

Poland: Construction activity shrinks in May

In May, construction output fell by 0.7% year-on-year, much worse than expected. This is primarily the result of a large decline in the construction of buildings, which was not offset by growth in categories related to infrastructure investment, such as civil engineering construction



Construction in May dropped by 0.7% year-on-year, compared to the +1.5% consensus forecast, driven by a sharp dip in the construction of buildings, while civil engineering activity remained robust. In April, overall construction output rose by 1.2% YoY, civil engineering by 4.8% YoY, while building construction contracted by 6.4% YoY.

In our view, the weak performance in building construction is likely to be a one-off, nonetheless, the difficult business climate in this category will continue in the coming months. Demand for apartments remains subdued, due in part to high interest rates in Poland. Parliament recently introduced a new programme which offers low-cost housing loans to first-time buyers, but it will not significantly reverse this trend. The initiative comes with many strings attached, excluding many of those potentially interested in using it.

Since mid-2022, the number of apartments under construction has clearly been declining but is still historically at a relatively high level. According to our estimates, apartments already on offer can cover demand for up to a year ahead. In view of the rapid increase in the cost of construction

work in previous months, weaker demand for apartments should continue to be reflected in a decline in the number of units sold, rather than a decline in prices. In the construction of buildings, however, selected areas such as the construction of logistics centres and warehouse halls stand out on the positive side.

The situation in infrastructure construction, on the other hand, is shaped by the closing of projects still financed from the "old" EU budget, which will expire at the end of this year. This category is to remain the main driver of construction this year.

Authors

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.