

Snap | 23 November 2022

POLAND

Poland: Construction output bounces back amid warm weather

Construction output increased by 3.9% year-on-year in October, against a consensus of 0.9% and a 0.3% increase in September. The improvement was mainly due to better activity in industries related to infrastructure investment, likely benefiting from the relatively warm weather



Civil engineering construction was unchanged on an annual basis vs. a 2.3% YoY decline a month earlier while specialised works increased 5.1% YoY, following a 4.9% YoY decline in September. The main component, building construction, was almost unchanged in annual terms (8.9% in October vs. 8.7% in September).

The rebound in production may be the result of a relatively warm October, which made it easier to carry out work. The good weather has so far continued into November as well. Thus, it can be assumed that works related to infrastructure projects will perform quite well this month. However, the lack of funds from the Recovery Fund, and the high cost of work, which make it difficult to put out tenders, suggest that when the positive weather effects end, infrastructure investment will slow down again.

Construction output, however, will be determined mainly by activity in building construction. In

October, growth in this category remained quite strong, though much slower than in the previous months of 2022 (around 27% YoY on average). Real estate developers are likely finishing previously started projects but are not beginning new ones. Companies are being hit by high costs while demand for real estate has collapsed due to rising borrowing costs and deteriorating household sentiment.

Therefore, we continue to believe that construction output may turn out to be one of the weakest elements of the domestic economy, although the decline in its annual growth rate to negative levels may be delayed until early next year.

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