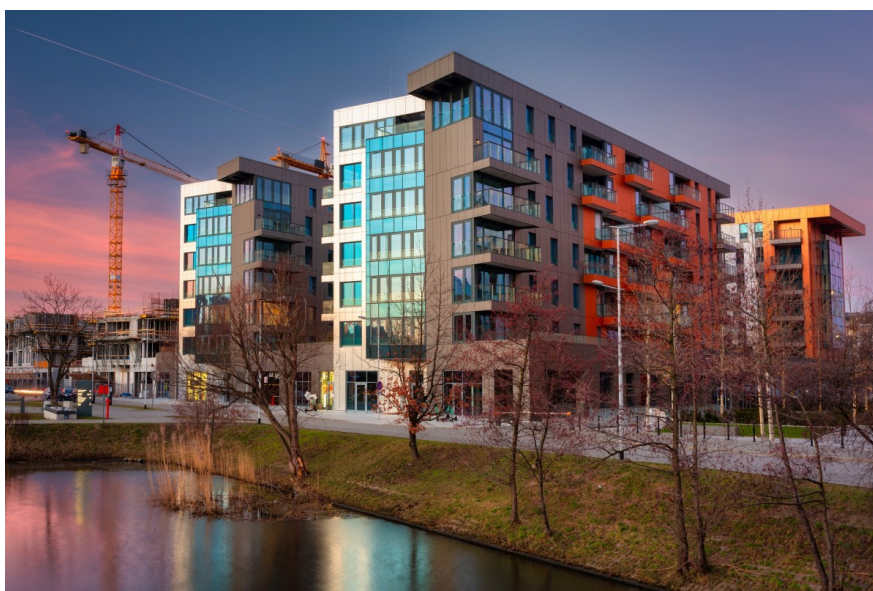


Poland: Construction output rises in November amid favourable weather

Construction output increased by 4% year-on-year in November compared to the consensus of -1.6% (our forecast was 2.5%) and an increase of 3.9% in October. We believe that the higher-than-consensus result was largely due to relatively good weather, similar to the month before



The impact of favourable weather can be seen in categories traditionally associated with infrastructure investment, i.e. civil engineering (6.9% YoY) and specialised construction works (8.6% YoY). However, the weather in December was not as favourable, and the risk of annual growth falling to negative levels is high. A lack of funds from the Recovery Fund and the high cost of contractors make it difficult to launch tenders. Even when the funds appear, it will take time to launch tenders.

In contrast, building construction deteriorated markedly (-4.2% YoY, following an 8.9% increase a month earlier). In this case, we will increasingly see the effects of the sharp decline in residential real estate construction. Even at the beginning of the year, the number of apartments under construction was at record levels, and now it is likely that developers are trying to reduce the supply of new apartments seeing weaker demand, e.g. due to high interest rates. The

government's plans to launch preferential mortgages will partly improve the situation but still, developers are likely to experience an excess of completed apartments vs. weak demand in early 2023.

Overall, therefore, the picture for construction is quite negative, and construction may turn out to be one of the weakest spots of the domestic economy in 2023. A significant opportunity is the government's mortgage subsidy programme. But this might not have any meaningful impact before the second half of next year.

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