

Polish construction rebounds in February

Construction output rose as much as 6.6% year-on-year in February, much higher than the 1.2% consensus and an increase of 2.4% in January. The better-than-expected performance was due to categories related to infrastructure investment. Real estate development is still poor



Civil engineering construction rose as much as 21.5% YoY (from 15.0% a month earlier), and speciality construction rose 4.3% YoY (7.5% in January). Here we are likely to see the effects of finalising infrastructure projects in the last settlement year of the old EU perspective.

Building construction continued to perform poorly, down 2.8% YoY (-10.7% a month ago). This is most likely still the effect of weak housing construction. In the first half of last year, the number of housing units under construction was historically at its highest levels, but as demand declined, it began to decelerate rapidly. The current supply of apartments from developers is able to cover the current demand for almost a year. Therefore, developers are completing projects already started, but not starting new ones.

Both categories related to infrastructure and residential investments performed better than a month ago. This suggests that the weather also played a role in the improved construction performance. In February 2023, temperatures were quite similar to a year ago, but it was perhaps

drier this year.

The construction situation in the coming months is likely to be a product of the still unfavourable situation in housing and the completion of projects, from the old EU perspective (when local government authorities rushed to finish projects to use all of the remaining EU money). The prospect of the government's launch of mortgage market support programmes may even weaken demand for housing in the near term, i.e. until the programme's launch, among households hoping to take advantage of government support. In contrast, the experience of previous EU perspectives shows that the last settlement year is conducive to relatively high activity in infrastructure construction.

Author

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

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