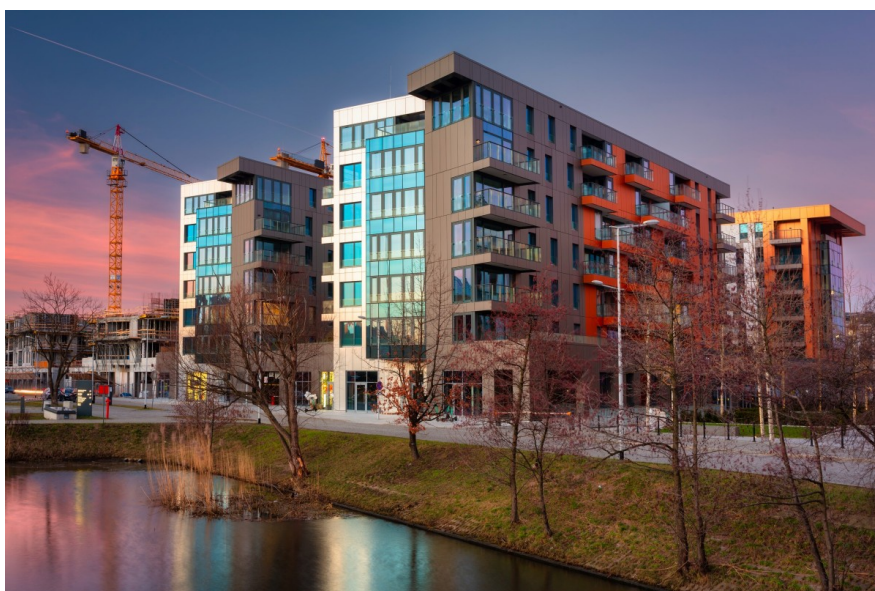


Poland sees steep deceleration in housing construction

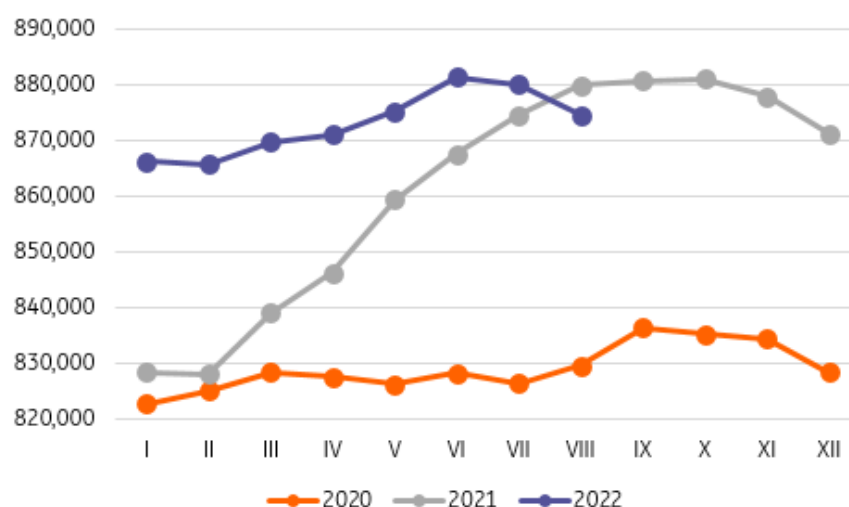
In September, construction output increased by just 0.3% year-on-year, compared to a consensus of 6.6% and an increase of 6.1% in August. The decline in growth is mainly the result of building construction. Construction may be one of the weakest elements of the economy at the turn of the year



In September, construction output increased by just 0.3% YoY, compared to a consensus of 6.6% and an increase of 6.1% in August. Construction of buildings slowed to 8.7% YoY from 25.7% a month ago, although it remained by far the strongest category. New residential construction remains on a strong downward trend, as developers fear a further decline in demand and a collapse in real estate prices, while construction costs may be rising. The number of housing units under construction remains near record levels, but after a very strong 1H22, this is slowing strongly and is now below last year's level in August (see chart).

Post-pandemic construction boom fading

Flats under construction



Infrastructure investment-related categories again performed poorly: civil engineering declined by 2.3% YoY (-1.6% YoY in August) and specialised construction works fell by 4.9% YoY (-1.3% YoY a month prior). This is likely the result of effects already seen in previous months - a strong increase in production costs, which makes it difficult to issue new tenders, particularly by the public sector, (or forces companies to walk off job sites), or a lack of funds from the Recovery Fund.

Construction may turn out to be one of the weakest elements of the domestic economy at the turn of the year, with its annual dynamics sliding into negative levels. Its main driver, housing construction, is weakening significantly, and the necessary monetary tightening does not promise a recovery in demand in the coming quarters. Without access to the Recovery Fund, it is also difficult to assume an imminent improvement in infrastructure investment.

Author

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

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