

## Polish construction output falls in July, but less than in June

Construction and assembly production fell by 1.4% YoY in July (consensus: -2.5%). This is a much better result than in June (-8.9% YoY) but was mainly due to a more favourable calendar layout, with two more working days than last year. We'll likely need to wait until 2025 for a bigger rebound in construction, both in housing and public investment



Construction in Warsaw, Poland

Construction remains one of the weakest areas of the Polish economy and, as it accounts for about 50% of total investment, it is the main reason for weak investment activity this year.

Civil engineering construction, primarily related to public infrastructure investment, increased by 0.8% year-on-year (-0.9% YoY in June). Nonetheless, the start-up of projects co-financed by both the Recovery and Resilience Facility (RRF) and the new EU budget has been very slow and this has affected public investment this year. We expect an improvement in this category next year and in 2026.

The construction of buildings also continues to be very weak, falling 8.3% YoY in July (-7.9% YoY in

June). While the reported number of construction starts has increased recently, this does not necessarily mean that the construction work has actually begun. Residential developers are facing an oversupply of expensive apartments – projects already started are being completed, and demand for real estate is weak. As a result, the number of completed apartments on offer is growing. Potential buyers are probably waiting for details of the announced government support for the real estate market. High housing prices and high interest rates limit affordability.

We'll likely need to wait until 2025 for a bigger rebound in housing construction. The outlook for commercial construction (such as warehouse space, among others) is blurred due to market saturation and the ongoing downside inventory cycle.

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