

Polish construction falls sharply in early 2024

Construction output fell 6.1% YoY in January, compared to our projection of +3.1% and consensus at +8.1%. This followed an impressive 14.0% YoY increase in December. Many EU-backed projects from the previous perspective have ended, with a slow start to new ones and a weaker housing market. Today's data bodes poorly for a recovery in investments this year.



Construction output was much weaker than projected in March

Annual production growth in civil engineering construction fell dramatically (-10.5% YoY), reflecting the final phase of infrastructure projects financed by disbursements from the 2014-20 EU financial perspective. Launching new projects, financed by the new EU budget and NIP, is time-consuming.

The annual pace of building construction also declined significantly (-7.3% YoY). In December, the "2% Safe Credit" programme came to an end. A new programme is unlikely to be launched before the second half of 2024, and its details are still being worked out. Data for the end of 2023 show that, after a period of rapid growth in mortgage credit demand, there was a sharp slowdown. Given the cap on the price of housing qualifying for public subsidies, the completed programme saw most impact in smaller towns. It is probably difficult for developers to assess locations of the

most favorable places to start new investments. Although the number of projects has increased, construction already underway has been completed so quickly that the number of apartments under construction has been falling recently.

Today's data bodes poorly for a recovery in investment this year, especially in the first half. Consumption is likely to be the main driver of economic growth in 2024.

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