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Dear readers,

I am sure we can agree that after many trials in the last few years, good times have finally arrived in our industry. Factories are full of orders for the next one to two years, restrictions have been lifted practically everywhere, the situation in the supply chain has improved. Investments in power grids worth billions are being announced, and there is a presence of high optimism at fairs and conferences. In short, this is the climate we have been anticipating for years.

Given the very optimistic forecasts relating to the energy transition, a highly essential concern now is how to meet the high demand for transformers and what we can expect in the future. One of the ways is, of course, the expansion of the existing production capacities. I often hear about plans for a 30 % or 50 % capacity expansion, which is quite significant. This seems to be the dominant line of thinking, where the demand for energy equipment is expected to grow to such an extent that the increase in total production capacity would not exceed the market demand and thus would not threaten the business in the future.

Based on all my investment discussions, factors that could increase the risk of capacity expansion investments are yet to be adequately considered.

The first is that due to the tight lockdown in China during the last three years, Chinese manufacturers have been absent from the international market to a significant extent. As a result, the available production capacities in China could not adequately and timely respond to the increase in demand on the international market, which apparently created the image of a global lack of production capacities. However, with the recent opening, Chinese companies are returning to the world market in style. They expect to take their share of the pie, which must affect the supply and demand relationship. The only question is to what extent. A crucial variable is how the demand for transformers will move in the following years, which partly depends on the available capital for energy investments. Here we come to the second factor - the financial system's stability.

In recent weeks, we have witnessed dramatic events in the banking sector with the collapse of certain banks. **The Credit Suisse case warns that this is more than just a common market development. The pearl of the Swiss financial industry, founded in 1856, collapsed practically overnight. I do not intend to delve into the financial sector**

analysis but only draw attention to the development of events at the macro level and draw some parallels. None of us who followed the financial crisis of 2007-2008 wants to recall that period, especially not now when the market situation is quite good. However, the collapse of several banks, one of which is Credit Suisse, reminds us, at least to some extent, of the beginning of that crisis. Indeed, we would all be over the moon if it was just a coincidence. However, when making decisions about significant investments, even what appears to be a coincidence should be taken as a signal for increased caution, at least in as much to consider various investment scenarios in energy networks in the following years, depending on the future developments in the financial sector.

On the other hand, we have factors that positively affect the demand, such as outdated energy equipment, which in some markets is genuinely a generator of high demand, and the already mentioned energy transition, which increases the need for equipment even in the most modern energy networks.

All the abovementioned factors can highly impact market trends in the next few years, so forecasting is exceptionally complex. **We will continue to closely monitor the latest information and trends and transmit them promptly as before because this is closely related to our Industry Navigator project, within which we organize conferences and carry out trend research in much more detail than possible with usual methods.** The following Industry Navigator conference, Sustainability and Digitalization 2023, will be held in Dubrovnik, Croatia, June 6-8, where we will also discuss the key trends shaping our industry. That is why I invite you to follow what we are preparing and join us as participants or speakers. A rich social program awaits us, including a study visit to a state-of-the-art substation, so we will all have the opportunity to learn a lot in a pleasant environment.

Finally, I hope you find the content we have prepared for this issue valuable. Also, I invite you to visit the Transformers Academy page, where we bring new content prepared for you by top experts every week.

I wish you a pleasant reading!

Mladen Banovic, Editor-in-Chief