



After the boom: What comes next?

Strategic reflections



Industries that forget how previous cycles ended tend to repeat them under different conditions

The transformer industry is experiencing one of the strongest growth phases in its history. Electrification continues across all regions, digital infrastructure is expanding at scale, and grid operators are under sustained pressure to reinforce networks faster than ever. Demand remains strong, investment is accelerating, and order books reflect confidence across much of the value chain. Many regard this period as a golden age for the industry.

Such phases generate momentum and optimism. They also narrow focus. Attention shifts to delivery, capacity expansion, and execution, while longer-term structural conditions receive less scrutiny. Growth can obscure vulnerability, particularly when immediate demand dominates decision-making.

The question that matters at the beginning of 2026 is therefore simple: What comes after market growth?

History suggests that strong markets do not remove risk. They often postpone its visibility.

This is precisely why the Industry Navigator initiative was established: to preserve memory, translate data into insight, and support decisions that extend beyond short-term market signals.

Memory as a strategic tool: lessons from 2006–2008

The transformer industry has already experienced a sharp growth cycle. Between 2006 and 2008, demand rose rapidly, lead times extended, and capacity expansion accelerated. Investment decisions were taken with confidence that the upward trend would continue.

When demand fell, the consequences were immediate. Overcapacity emerged, margins eroded, and competitive structures changed for years. The lesson is clear. Growth itself is not the problem. Growth without strategic and research-based insight is.

Early warnings that are now materialising

Over the past three years, the Industry Navigator and the Transformer Champions Club (TCC) have consistently highlighted the risk of misalignment between long-term demand and installed capacity

if strategic coordination and insight remain insufficient.

This work went beyond general caution. We were the first to identify and openly discuss the effects of panic ordering and rapid shifts in inventory policy, which temporarily inflated demand and created a distorted picture of market growth. These dynamics influenced investment behaviour across the industry. By clarifying their impact, our research helped many organisations reassess fundamentals and calibrate investment decisions more carefully across capacity, workforce, and technology.

We were also the first to address workforce challenges at a global level, identifying skills shortages, ageing demographics, and the early signs of industry-wide expertise loss. Through Transformer Academy, companies gained access to structured learning, practical knowledge transfer, and proven approaches to capability development.

The relevance of this work now extends beyond the industry itself. One of our major reports has been referenced as a background document in the European Commission's new EU energy strategy, reflecting its broader strategic value.

Strong opportunities, growing structural pressure

Two realities now coexist.



The attendants of the Industry Navigator 2025 conference in Dubai



Industry Navigator 2024 conference in Madrid

First, the opportunity remains substantial.

Demand for transformers continues to grow, driven by grid expansion and infrastructure investment. In response, some manufacturers are expanding aggressively, in some cases even doubling capacity, and I have had the opportunity to witness such developments firsthand.

Second, structural pressure is intensifying beneath the surface.

- Long and unpredictable lead times for key materials and components

Market growth reveals the limits of supply chains, people, and strategy across the industry

- A recent reduction in output by a major upstream materials producer despite strong demand
 - Severe shortages of skilled engineers and technicians
 - Accelerating retirement of senior experts and weak knowledge-transfer mechanisms
 - Quality problems increasing as pressure on production and supervision grows
 - Fragmented specifications and declining ability to interpret them consistently
 - The introduction of trade barriers and tariffs, reshaping cost structures and supply routes
- These are not temporary disruptions. They are indicators of systemic strain.
- In addition to all these factors, there is a



Industry Navigator 2025 conference in Dubai



Industry Navigator 2025 conference in Dubai

The real question today is not how much the industry can grow, but how well it is prepared to recognise and address its most critical challenges

pronounced influx of new market participants without established experience in transformer manufacturing. I have personally visited brand-new factories built by newly established companies with no prior history in the transformer business, attracted by recent market growth. This development introduces a distinct set of challenges that requires particularly careful analysis.

When growth exposes fragility

The recent decision by a major materials producer to reduce output, even in a strong market, illustrates a critical point. Market growth does not automatically strengthen the value chain. It can expose imbalances created by cost pressure, regulatory asymmetry, and strategic misalignment.

Such signals matter precisely because they appear early, before more visible consequences emerge downstream.



Industry Navigator 2026 conference will be held in ARCOTEL Kaiserwasser Wien, © ARCOTEL Hotels



Industry Navigator 2023 conference in Dubrovnik

Do we see the bigger picture?

At company level, the situation appears manageable: strong demand, full order books, and the need to expand. At system level, a more complex picture emerges. Demand is overheated and volatile. Capacity expansion is accelerating. Workforce shortages constrain execution. Trade measures introduce uncertainty. Quality concerns reflect deeper structural stress. The risk of overcapacity is re-emerging.

The key question is not whether demand will remain strong next year, but whether today's decisions remain valid when conditions change.

A necessary conversation

Raising these issues during a growth phase is uncomfortable but ignoring them would be far more costly. Overca-

Order books tell one story, but research, memory, and experience sometimes tell a very different one about where the industry is heading

capacity, combined with workforce erosion, supply-chain fragility, and regulatory fragmentation, can reshape the industry abruptly.

Other energy-related sectors have already experienced such cycles. The transformer industry has the advantage of foresight and data. The responsibility now is to act on them.

and switchgear industries, including supply chains and materials, workforce and expertise, demand volatility and capacity risk, quality and cost pressure, trade policy, and intelligence gaps.

The objective is not alarm, but clarity. Sustaining today's opportunities requires discipline, coordination, and informed choices. ■

Looking ahead to Vienna

In the coming editions, this column series will examine the structural forces shaping the future of the transformer

