Outlook: The future is looking bright for composites.

How will the composites market develop in the medium and long term? Over the last few years, markets have been changing at an increasingly rapid pace.

The two central areas of application for composites are construction and infrastructure, on the one hand, and transport, on the other. Both areas also have a major impact on the wider economy, which – due to the interdependencies mentioned above – often develops in parallel. This wider economy has been and is still being shaken by several severe crises. In particular, it has been weakened by the Covid pandemic and other negative factors such as the war in Ukraine – factors which are continuing to cause major potential insecurities.

The manufacturing sector, which includes the production of composite components, has traditionally been more important in Germany than in the other large economies of the EU. This makes Germany's economy particularly dependent on the industry.

We cannot currently provide any reliable quantitative forecast of the development of production volumes in composites within the various regions and manufacturing sectors. One key indicator for assessing the situation from a manufacturer's perspective is the Producer Price Index. This index measures the price changes of commercial products manufactured and sold within a given country. It illustrates the magnitude of price increases in recent years.

A detailed analysis of contributing factors shows that the main driver of the enormous increase has been, above all, a massive rise in energy prices. The strong rise in the cost of production in the most important European national economies seems to have stopped for the time being, and the relevant indicators are currently beginning to come down. However, the resulting price reductions – measured in terms of short-term purchase values on the stock exchanges – might still be significantly lower. The future still holds plenty of potential for price drops.

In addition to manufacturing costs, another extremely important element in the highly internationalised composites market is the cost of logistics. Here, too, some of the costs have fallen sharply. After increasing almost tenfold during 2021, container freight rates have now returned to pre-crisis levels.

Despite the latent danger of a global recession, the above indicators currently suggest that markets are calming down. For example, the GfK Consumer Climate Index, which measures the level of income and consumer confidence for the next 12 months, has edged up a little in recent months, after its historic low in October 2022 (-42.8 points), so that it is now at -30.5 points.

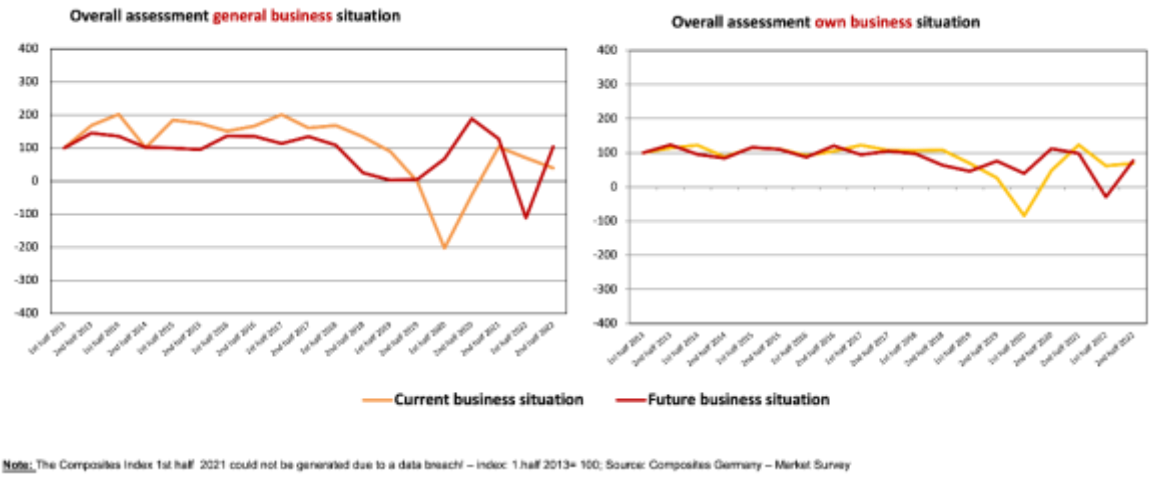
For the composites industry, the two most important purchasers are the transport sector and the infrastructure and construction sector. Taken together, these two areas account for more than 70% of the market volume. However, developments in these core markets were very different.

We already mentioned the sharp drop in new car and commercial vehicle registrations in 2022, resulting in the lowest value for 30 years. The construction sector, as the second largest application segment, often proved to be robust during the crisis, although there has been a slight decline in construction activity in recent months.
Another reason for optimism is the employment situation, which also has a significant impact on private consumer spending. In early 2023, the average unemployment rate in the EU was lower than it had been for many years.

Despite the challenges mentioned above, composites are set up for success in the future. There is much to suggest that the fundamentally positive developments of the last few years will continue. In the medium term, structural changes in the transport sector will open up numerous opportunities for composites to gain a new foothold in new applications. Major opportunities can also be seen in construction and infrastructure, an area where composites offer enormous hope due to their unique level of properties that predestine them for long-term use. The main assets of these materials in terms of application are clearly their durability, their almost maintenance-free use, their potential for use in lightweight construction and their frequently positive impact on sustainability.

This is also the view of the composites industry itself. To compile the Composites Index at six-month intervals, Composites Germany takes a survey among all member companies of the umbrella organisations of Composites Germany (AVK, Composites United and the associate partner VDMA), asking each of them to provide a qualitative assessment of the market. Whereas companies are currently

taking a critical view of today's economic situation, their expectations for the future are clearly becoming more positive.



Note: The Composites Index 1st half 2021 could not be generated due to a data breach! – index: 1.half 2013= 100; Source: Composites Germany – Market Survey

Figure 5: Composites development index - industry expectations

More detailed information as well as additional graphics can be found on the AVK website at www.avk-tv.de.