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Europe Aerospace and Defense Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 190 pages | Mordor Intelligence

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Report description:

The Europe aerospace and defense market is anticipated to register a CAGR of over 2.4% during the forecast period.

Due to the COVID-19 pandemic, most countries imposed some restrictions on the import and export of goods. While the current war between Ukraine and Russia has been another reason to continue to keep tight control on imports and exports, the COVID-19 pandemic hampered the economic conditions of the aerospace industry in Europe and had a moderate impact on the defense sector in Europe. The onset of the pandemic led to various manufacturers' difficulties in obtaining the raw materials which are required to manufacture various defense products. On the other hand, the decline in the pandemic levels led to Europe witnessing growth in both the aerospace and the defense industry. Moreover, manufacturers of both the aerospace as well as the defense sector in Europe witnessed growth owing to an increase in the production of end products for both the aerospace and defense industries in Europe. Thus, the aerospace and defense market in the European region is likely to witness growth during the forecast period.

Rising demand for commercial and military aircraft, along with a substantial increase in defense spending, has contributed to the growth of the aerospace and defense industry in Europe. Indigenous R&D and extensive manufacturing are bolstered by the presence of leading industry incumbents such as BAE Systems, Rolls Royce, Safran, Thales, and Leonardo.

Total military spending in Europe in 2021 amounted to USD 418 billion, 3.0% higher than in 2020 and 19% higher than in 2012. The aggregated military spending of Central and Western Europe-two subregions that together include most NATO allies and all European Union member states-totaled USD 342 billion last year (USD 305 billion for Western Europe and USD 36.6 billion for Central Europe). The combined military expenditure of these subregions increased by 3.1% in 2021. Military spending in Western Europe grew at a higher rate (3.4%) than in Central Europe (1.3%). The growth in military spending in Central and Western Europe was mostly driven by increased expenditure on arms procurement and military R&D.

The industry is closely related to the GDP of the region, and the industry players work in close collaboration with regional suppliers and end users to foster symbiotic sustenance. The European Union (EU) also formulated the Europe 2020 Strategy for smart, sustainable, and inclusive growth. The European space program contributes to regional scientific progress in the fields of telecommunications, navigation, and Earth observation.

Europe Aerospace & Defense Market Trends

Commercial And General Aviation Aircraft And Infrastructure Segment is Expected to Witness Growth During the Forecast Period

The commercial and general aviation aircraft and infrastructure segment is expected to witness growth during the forecast period. The prospects of a sustained recovery in the commercial aviation sector are growing stronger due to the passenger traffic data, which was presented in April 2022 by the International Air Transport Association (IATA). According to the reports, the passenger traffic in the European region in April 2022 witnessed a growth of about 50% as compared to April 2021. In recent months, the gradual relaxation of travel restrictions in various European countries has led to travel to European nations being more accessible for air passengers globally. This has resulted in a significant surge in international demand, with people all over the European nation wanting to travel internationally or within the domestic region. As to the traffic data presented by IATA, international traffic from the European region witnessed a growth of about 434.3% in March 2022 as compared to March 2021.

Moreover, in order to facilitate the growth in passenger traffic, various airlines in the European region, such as Delta Airlines and International Airlines Group (IAG), have correspondingly boosted their capacity within the European region. For instance, in July 2022, Delta Airlines announced its plans to purchase 12 A220 aircraft from Airbus.

Accelerated corporate, consumer, and regulatory scrutiny of air travel emissions due to the COVID-19 pandemic limited the expansion plans of various airports in the European region in the long term. The problems of terminal bottlenecks still linger at various European airports. Before the pandemic, many airports were preparing for capacity expansion by issuing debt and accumulating cash to fund these investments. For instance, Heathrow airport had USD 3.79 billion in cash and committed undrawn lines at the beginning of 2020 earmarked for the third runway construction. Most of these projects were delayed or canceled at the start of the pandemic, while the accumulated funds strongly supported liquidity during 2020-21. On the other hand, in the Q3 of 2021, the European region invested in five larger airport construction projects for a total value of USD 1.3 billion in order to cater to the ever-increasing passenger traffic at European airports.

Although the European defense industry is not among the top defense industries worldwide, the industry is engaged in employing approximately 500,000 personnel which gives the industry additional importance beyond its inherent security aspect. The structure of the European defense industry, similar to other manufacturing industries, is highly dispersed, with a few large players and about 1,350 small and medium-sized enterprises (SMEs). While companies are scattered over almost the whole EU, a few countries (Austria, Czech Republic, France, Germany, Italy, Poland, Spain, Sweden, and the United Kingdom) host the bulk of SMEs as well as top companies. On the other hand, the European defense industry has undergone various changes after the COVID-19 pandemic to be at par with various global defense industries.

Thus, the ongoing investments in both the aerospace and defense sector in Europe are likely to lead to market growth during the forecast period.

Germany is Expected to Witness Growth During the Forecast Period

Germany's aerospace and defense sectors were negatively impacted by COVID-19. The aircraft manufacturing companies faced a decline in orders as travel bans were imposed in many countries, thus decreasing the growth of the market studied. Commercial aircraft demand has shown signs of recovery in recent months. Moreover, the nation is one of the leading economies in the European region, with a significant share of global military and aerospace expenditure. Germany is home to major defense manufacturers such as Rheinmetall AG, Diehl Stiftung & Co. KG, Krauss-Maffei Wegmann GmbH & Co. KG, etc., which are significantly increasing the development of defense technologies and production rate through national and international investments, collaborations, and partnerships, etc.

According to the IATA, the aviation industry in Germany is expected to grow steadily due to the growth of passenger traffic in the country. To further support the growing passenger traffic and aircraft movements in the country, the government is increasing its investments in the development of airport infrastructure.

Germany is the third largest spender in Central and Western Europe, after the UK and France. The country spent USD 56.0 billion on its military last year, or 1.3 % of its GDP. Its military spending was 1.4% lower compared to 2020. After its formation in December 2021, the new German Government announced its goal of investing 3% of Germany's GDP in diplomacy, development, and defense. Considering the Russian invasion of Ukraine in February 2022, the government stated its intention to increase military spending further in the coming years, and this will lead to growth in the defense market of Germany in the years to come.

Europe Aerospace & Defense Market Competitor Analysis

The emerging security environment, fueled by the growing geopolitical unrest in several countries, is resulting in the growing demand for advanced aircraft, UAVs, and satellites. In order to gain long-term contracts and enhance their market share, players are investing significantly in the R&D of sophisticated product offerings. Furthermore, continuous R&D has been fostering technological advancements in platforms and associated products and solutions of the European aerospace and defense market. The market is moderately fragmented, with many global players. Some of the prominent players in the market studied include Airbus SE, BAE Systems PLC, Leonardo SpA, Safran SA, and the Thales Group.

In July 2022, Airbus and Singapore□s Defence Science and Technology Agency (DSTA) added helicopters to the scope of their agreement signed at the Singapore Airshow earlier this year to advance the co-development of digital solutions for the Republic of Singapore Air Force□s (RSAF) military aircraft platforms.

Additional Benefits:

  The market estimate (ME) sheet in Excel format
 3 months of analyst support

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