



2020 global aerospace and defense industry outlook

Executive summary

After a strong year in 2018, the global aerospace and defense (A&D) industry has experienced a minor decline in 2019, primarily due to the sluggishness in commercial aircraft production. Defense, however, remained strong on account of robust defense spending in the United States as well as from other major regional powers. The A&D industry is likely to get back to its growth trajectory in 2020, as commercial aircraft production is expected to recover and governments worldwide focus on military modernization, given increasing global security concerns.

What to expect in 2020:



Robust military expenditures

Growth in global defense spending and the subsequent demand for military equipment is likely to create increased opportunities for defense contractors and their supply chains.



Space driving toward modernization

The space sector is expected to experience steady investments in new and existing technologies and services, with funding coming primarily from governments and venture capital. An increased focus on the modernization of military space missions is likely to continue.



Strong aircraft demand

The long-term demand for commercial aircraft continues to remain robust, with nearly 40,000 units expected to be produced over the next two decades. And at 14,000 aircraft, the commercial aerospace order backlog remains at near-record levels.



Long-term drivers to shape M&A activity

While it is less likely that megadeals the sector experienced in the recent past will continue, further industry consolidation is possible as some of the smaller companies may not be able to meet the increased financial, program management, skills, risk-taking, and investment requirements.

How to prepare for 2020:

To meet the increased demand and improve production yields, A&D companies should leverage highly agile production that adapts to changes in demand, including digital technologies. Specifically, as A&D customers become more demanding in terms of customization, industry players could be at the forefront of manufacturing, enhancing productivity and efficiency by investing in areas such as smart factory initiatives.

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