
GIA announces the release of a comprehensive global report on the Aerospace and Defense Industry. Emerging from the challenges presented by the economic recession, which came down particularly hard on the commercial aviation sector, the global aerospace and defense industry is expected to recover poise in the short to medium term period to reach US$399 billion by the year 2015. Key factors fingered to drive growth in the industry over the next few years include expansion in commercial airline operations, post recession improvement in international air traffic and continued steady injection of funds into the military/defense sector.

San Jose, California (Vocus/PRWEB)February 23, 2011 -- The aerospace and defense (A&D) industry is sensitive to a broad range of factors encompassing technological, political, social, and economic variables. While political factors revolve around regulations, trade/tariff/tax policies, economic factors encompass rate of GDP growth, level of inflation, exchange rate fluctuations, and debt/interest rates. Social factors, which influence the industry include demographic characteristics of the population, per capita travel spending patterns, and security issues, such as, rise in cultural terrorism as a result of factors like religious fanaticism, and growing need for homeland defense driven by geopolitical interests to maintain power, among others. Growth in the A&D industry went through a rough patch during the years 2008 and 2009 as the icy chill of the worldwide recession spread across all industrial sectors.

Commercial aerospace, including general aviation has been especially roughed up, with this sector witnessing significant weakening in business prospects, such as, decline in air travel, reduced number of flight trips, cancellation of new aircraft orders, postponement of new aircraft deliveries, especially in the developed markets. The outcome of these disruptions has been declining profitability of airlines, liquidity crunch, rise in airline bankruptcy, pilot job cuts, airline consolidation, reductions in airline fleet/passenger capacity and reductions in airline fleet, among others. Additionally, tight corporate budgets and liquidity concerns resulted in companies halving expenditures on business travels. Against the backdrop of a fiscal climate strained by deficit, new orders for corporate aircraft manufacturing declined perceptibly.

One of the casualties of the recession has been the business/corporate jets industry. The belt tightening measures adopted by cash starved companies has brought luxury air travel to an abrupt end. The trend is mirrored in the steep slump in corporate jet travel. With several companies selling off company planes, corporate aircraft manufacturing took a hurting blow. In addition, although luxury is widely touted as a habit difficult to break, the prolonged severity of the current economic slowdown has elicited declines in spending and the low tide has stranded growth with wealthy consumers gradually cutting back on lavish, luxury lifestyles. The erosion in personal wealth and scale back on spending by High Net Worth Individuals (HNWIs) has hurt the market for private aircrafts.

In contrast, flying in the face of recession was defense and military spending, which held up better than expected and for longer. Despite widening fiscal deficit for governments across the globe, and the heavy borrowing, most governments have continued to spend on military and defense operations. Given the risks involved in pruning down budgets for the defense sector, especially during a recession, governments across the world have continued with their long-term programs to upgrade and develop air defense assets and equipment. The growth in world military spending comes despite stagnating military budgets in some countries and...
budgets cuts in few other weaker countries where military spending drained the economy against a backdrop of fewer jobs, slower growth, and the resulting greater push for civilian spending. This is primarily because major spending nations have stepped up their military budgets, unfazed by the recession. Powerful economies like the United States, China, Russia, Brazil and India perceive military spending as a long-term strategic investment vital for national safety and security, and as a result, military budgets in these countries have been relatively shielded. Although the moderation in growth in the global defense industry is undeniable, the sector has continued to benefit from the war on terror.

High backlog orders, especially for industry giants, such as, Boeing Co. and Airbus have largely camouflaged the recession’s impact on the aerospace industry. Higher backlog orders is a characteristic feature of the aerospace industry given the large time lag between orders placed and the actual delivery of the aircraft, which typically runs into years. While top companies have been projecting encouraging order books and new aircraft in pipelines as strong points to weather the recession, the rising level of postponement of deliveries and cancellation of orders creates uncertainty over ability of backlogs to cushion the players performance, bringing quality of the backlogs into the spotlight as against the volume of the backlogs. Although backlog deliveries have until now held up well largely because production financing of these aircrafts were settled before the deterioration in the debt markets, uncertainty over continued ability to finance existing deliveries casts a dampener on player optimism.

With the recession having played out its part in full proportions, recovery is now seen as inevitable, although the rate and extent of recovery will vary, depending on the regional market and airline business models, with low-cost carriers (LCC) and emerging markets leading the pack. Notwithstanding the challenges witnessed by the commercial aviation sector over the last two years, the future remains bright as international air transport is considered a world system and an indispensable component of world business globalization. Continued industrial development and expansion in commercial operations of business organizations across the globe will support the development of global aircraft industry in the post recession period. This is because any development in business activity translates into increased business trips, rise in air passenger traffic, and subsequent demand for more number of air flights in operation, thereby creating the demand for sophisticated passenger aircraft. Quick rebound of investments, especially government investments in regional aviation infrastructure projects such as new terminal facilities, and air travel infrastructure augurs well for aircraft manufacturing and production.

As stated by the new market research report on Aerospace and Defense Industry, US continues to remain the largest regional market worldwide. Asia-Pacific is the fastest growing regional market, displaying a CAGR of more than 3.0% over the analysis period. Growth in this region is primarily driven by burgeoning demand for commercial aircrafts in the region, encouraged by the robust growth in air traffic, particularly in developing countries such as China and India. Aircraft Products and Services market represents the largest segment within the aerospace and defense industry. Modeling, Simulation & Training sector represents the fastest growing segment, displaying a CAGR of about 3.7% over the analysis period. Growth in this segment is primarily driven by shortages of trained pilots in developing countries, such as, China, India, and other Asian countries. With a large number of new aircraft deliveries being made to developing countries, need for experienced and skilled pilots in these markets will remain acute.


The research report titled “Aerospace and Defense Industry: A Global Strategic Business Report” announced by Global Industry Analysts, Inc., provides a comprehensive review of trends and growth drivers, industry issues and challenges and recent industry activity. The study offers market estimates and projections in US$ million for major regional markets such as United States, Canada, Japan, Europe (France, Germany, UK, Italy, Spain, Russia and Rest of Europe), Asia-Pacific, Middle East, and Latin America.

Key product segments analyzed include Aircraft Products & Services (Airframe, Aircraft Engines, Aircraft Components, Commercial Avionics, Military Avionics, In-flight Entertainment, & MRO); Missiles (Air-to-Air, Air-to-Surface, Air Defense, Surface-to-Surface, Antiship, Antitank, Bombs (Guided), & Intelligent Munitions, among Others); Modeling, Simulation & Training Equipment (CBT & E-Learning, Military Training & Simulation, Commercial & Military Visual Simulation, & Commercial & Military Flight Simulation); C4ISR & Related Equipment (Unmanned Aerial Vehicle, Electronic Warfare, Mine Countermeasures, Naval Radar and Sonar, Chemical & Biological Agent Detectors, Infrared Imaging Systems and Components, Military Ground Communications, & Land-Based Surveillance Radar, among Others); Space Equipment (Launch Vehicles, Communications Satellites, & Earth Observation Satellites); and GPS (Geotechnologies) (Commercial Satellite Imaging, Commercial Aerial Imaging, GIS Software, Commercial SAR Data, & Commercial SAR Software).

For more details about this comprehensive market research report, please visit – http://www.strategyr.com/Aerospace_And_Defence_Industry_Market_Report.asp

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