



IMPACT OF COVID-19 ON THE AEROSPACE & DEFENSE INDUSTRY

At Market Research Future (MRFR), we enable our customers to unravel the complexity of various industries through our Cooked Research Report (CRR), Half-Cooked Research Reports (HCRR), Raw Research Reports (3R), Continuous-Feed Research (CFR), and Market Research & Consulting Services.

MRFR team have supreme objective to provide the optimum quality market research and intelligence services to our clients. Our market research studies by products, services, technologies, applications, end users, and market players for global, regional, and country level market segments, enable our clients to see more, know more, and do more, which help to answer all their most important questions.

In order to stay updated with technology and work process of the industry, MRFR often plans & conducts meet with the industry experts and industrial visits for its research analyst members.

For more information kindly visit our website www.marketresearchfuture.com or contact us at info@marketresearchfuture.com

Copyright © 2020 Market Research Future

All Rights Reserved. This document contains highly confidential information and is the sole property of Market Research Future. No part of it may be circulated, copied, quoted, or otherwise reproduced without the written approval of Market Research Future.

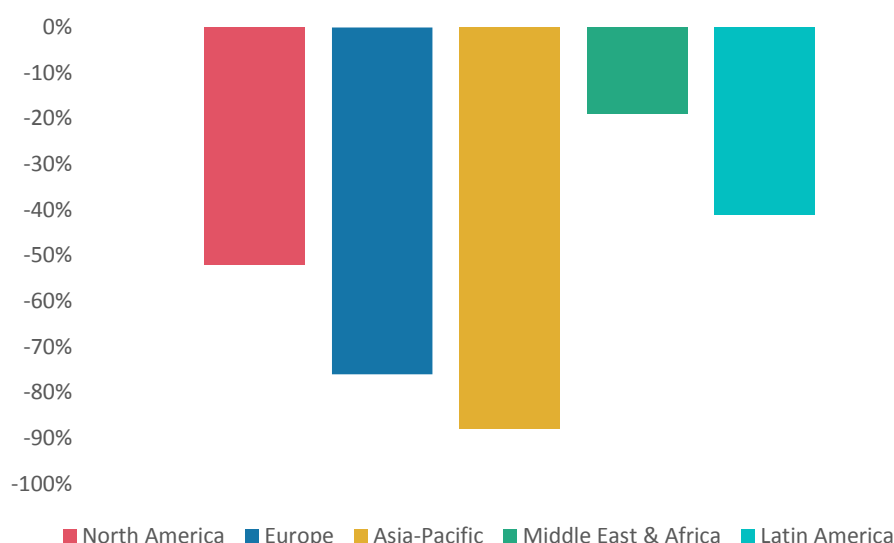


ABOUT US

Current Impact

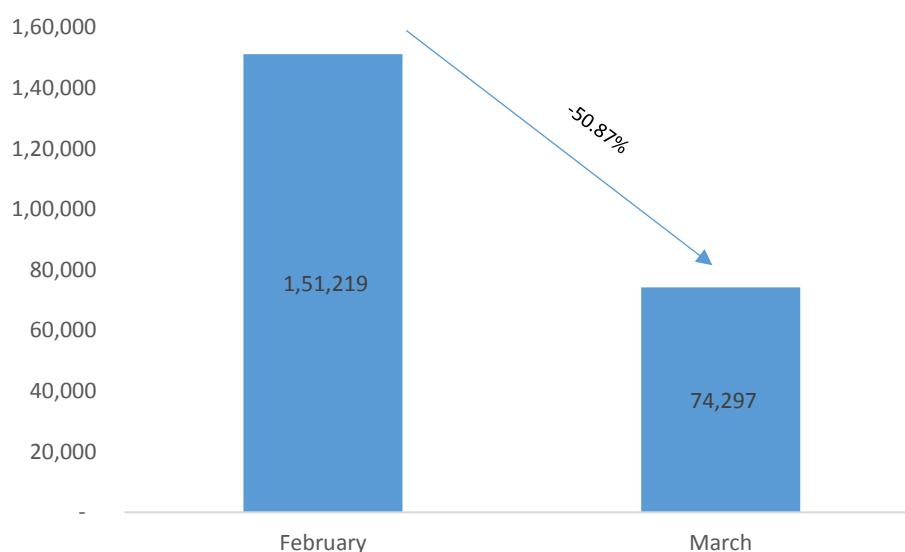
The impact of COVID-19 on the aerospace & defense industry is evolving every minute. The pandemic has had an immediate and clear impact on the industry. In the last few years, the industry witnessed a boom owing to the rapid growth in commercial aerospace and the increase in defense spending, which, however, is now experiencing a downward trend. The A&D industry is moving towards a sharp reset in the coming months, and the COVID-19 pandemic has further pushed the industry towards the shift.

FIGURE 1 ESTIMATED LOSS IN PASSENGER REVENUE DUE TO COVID-19 FROM 2019 TO 2020



Impact on the Aerospace Industry

The impact of COVID-19 on the aerospace industry has been unprecedented. From a 100,000 commercial aircraft moving average, the numbers have fallen by over 50% within a month from February to March. This trend is likely to be witnessed throughout the next few months as various countries, such as India and the UAE, are shutting down air travel services, and the skies are emptier with very less air traffic. With a large number of aircraft grounded, airline companies are expected to face heavy losses in the next few months. Airlines that are currently operating during this crisis have fewer passengers, which has raised the operating costs for these companies. Moreover, airports are left deserted owing to very less traffic, which is expected to cause significant losses to vendors offering air services. The US aerospace industry alone has lost approximately USD 200 billion since the 1st of January 2020.

FIGURE 2 GLOBAL DECLINE IN AIR TRAFFIC (30TH FEBRUARY 2020 AND 30TH MARCH 2020)


Impact on the Defense Industry

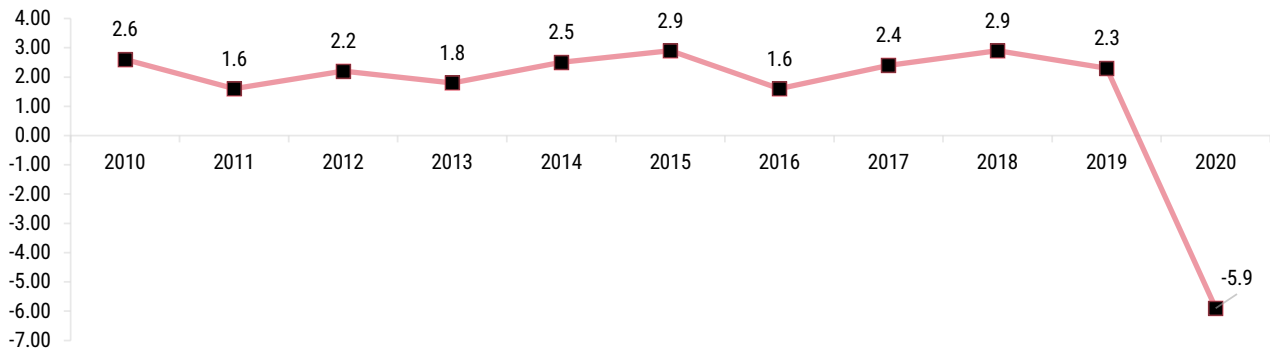
The defense industry is expected to witness a significant downturn due to a prolonged lockdown period. Key functional areas of the industry that would be negatively impacted are the defense production/manufacturing facilities and supply chains. Defense companies that have manufacturing facilities or supply chains in severely affected countries have become a victim of the pandemic. For instance, Fincantieri S.p.A. in Italy has suspended its shipbuilding operations. The company's product portfolio includes warships, and it is a crucial player in the naval expansion program in Qatar. Other affected areas of the defense industry include defense negotiations to purchase foreign equipment, deployment of troops, and de-prioritization of defense procurement and spending by governments.

COVID-19 impact on Key Regions

North America: The North American region includes the US and Canada. The US is significantly impacted due to COVID-19. Furthermore, the aerospace industry has witnessed a huge downturn in terms of air passenger traffic and grounding of aircraft. The aviation industry has seen a large number of job cuts and cancellation of thousands of flights as the pandemic continues. Moreover, aerospace manufacturing companies have reduced production capacities and have cut the workforce to a large extent. Canada's largest airline company Air Canada has currently grounded its aircraft fleet and has cut down on the majority of its operations. The defense industry in North America has not been significantly affected compared to the aerospace industry.

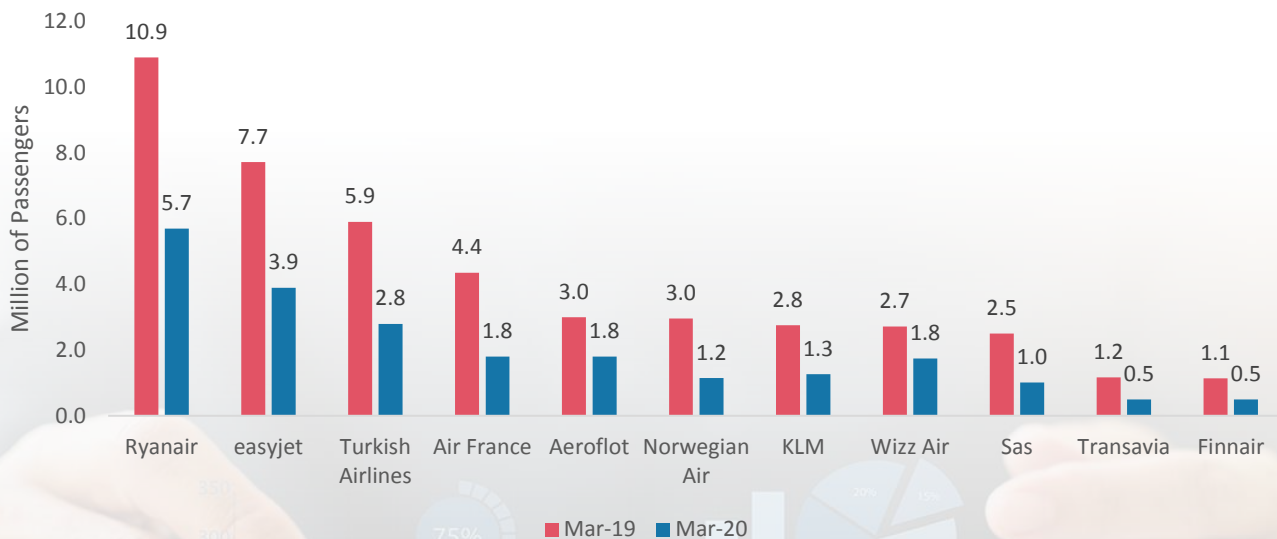
US: The US economy shrunk by 4.8 % in the first quarter of the 2020, It's the country's first contraction since 2014 and the biggest largest drop in over a past 10 year. Consumer spending declined sharply in first quarter, contributing -5.3 % points to the first quarter's contraction. Falling consumer spending has major effects on overall GDP growth in US, as it accounts for nearly 68 % of GDP.

US-Real GDP Growth (Annual Percent Change) 2010 -2020



Europe: The European region includes key countries such as the UK, Germany, France, Italy, and Russia. The region has had a devastating impact on its aviation industry. Air traffic in the region fell approximately over 80% as of the 6th of May 2020. Moreover, the operating air network includes air cargo aircraft of various airlines. As of the 06th of May 2020, flight operations of major airline companies, including easyJet, Ryanair Group, IAG Airlines, Lufthansa Group, and Air-France-KLM, fell by approximately over 90%. The defense industry had a negligible impact in the region.

FIGURE 3 DECLINE IN PASSENGERS CARRIED BY MAJOR EUROPEAN AIRLINES (MARCH 2019 AND MARCH 2020)

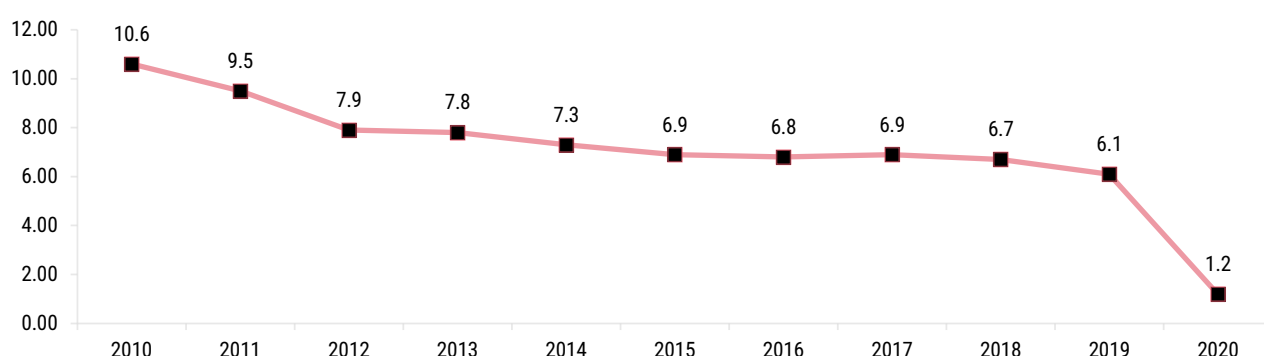


Source: Secondary Sources and MRFR Analysis

Asia-Pacific: Asia-Pacific is expected to witness a 50% reduction in passenger demand in 2020 due to travel restrictions laid across key countries, including China, India, Japan, South Korea, and Australia. Moreover, airline companies also foresee a cash liquidity crisis due to a large number of grounded fleets. The aviation industry in these countries looks to their respective governments for financial support during this crisis. The defense industry is less impacted by the pandemic due to fixed government budget allocation.

China: The Chinese economy contracted by a seasonally adjusted 9.8 percent on quarter in the three months to March 2020, following a 1.2 percent growth in the previous quarter and compared with market estimates of a 9.9 percent decrease. This was the first quarterly contraction on record, as the corona virus outbreak paralyzed production and activities.

China-Real GDP Growth (Annual Percent Change) 2010 -2020

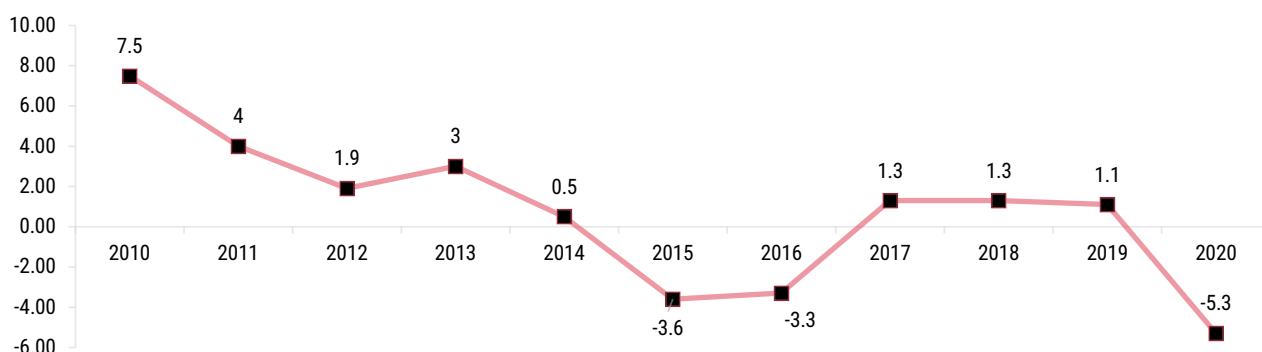


Middle East & Africa: The Middle East & Africa has a high number of private airline companies that have been adversely impacted by the pandemic. Popular airline companies in the Middle East, such as Etihad Airways and The Emirates Group, have grounded entire fleets due to reduced demand for air travel. However, air cargo operations of these airlines continue to be operational. South Africa's regional airline, South African Airways, was officially shut down on the 1st of May 2020 due to the COVID-19 pandemic.

Latin America: One of Latin America's largest airlines, Avianca, filed for bankruptcy due to the shutdown of operations due to the pandemic. Other popular airlines in this region are currently facing a liquidity crisis due to the suspension of flight operations. Airlines expect government across countries for financial support to survive the ongoing crisis.

Brazil: It is the tenth largest economy in the world and the biggest in Latin America. The services sector is the most important and accounts for 63 percent to total GDP. The biggest segments within services are government, defense, education and health (15 percent of total GDP); other services (15 percent); wholesale and retail trade (11 percent); real estate (8 percent); and financial services (7 percent). Also, manufacturing contributes to 18 percent of GDP, with manufacturing(11percent) and construction (4 percent) accounting for the largest share. Exports of goods and services account for 13 percent of GDP while imports account for 12 percent, adding 1 percent of total GDP.

Brazil-Real GDP Growth (Annual Percent Change) 2010 -2020



The Road Ahead

Currently, although the defense industry has not been affected as much as other industries, losses such as the non-execution of defense contracts are likely to take place. Moreover, the falling stock prices of defense companies paints a worrying picture of the future. For instance, the stocks of companies such as Lockheed Martin Corporation and Leonardo S.p.A. have fallen by 28% and 55%, respectively. Furthermore, the commercial aerospace industry does not portray a favorable scenario. As aircraft continue to be grounded, many airline companies are likely to file for bankruptcy in the coming months.

Role of Market Research Future

As a market research and consulting company, Market Research Future has been continuously monitoring and tracking the COVID-19 pandemic and its impact on various markets within the aerospace & defense industry. All our research studies have been updated to accommodate the impact of COVID-19 in the respective market to provide our customers with comprehensive market data along with present and future trends with macro and micro-level impact factors.

DISCLAIMER

Market Research Future strategic analysis services are limited publications containing valuable market information provided to a select group of customers in response to orders. Our customers acknowledge, when ordering, that Market Research Future strategic analysis services are for our customers' internal use and not for general publication or disclosure to third parties. Quantitative market information is based primarily on interviews and therefore, is subject to fluctuation.

Market Research Future does not endorse any vendor, product or service depicted in its research publications. Market Research Future strategic analysis publications consist of the opinions of Market Research Future' research and should not be construed as statements of fact. Market Research Future disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

Market Research Future takes no responsibility for any incorrect information supplied to us by manufacturers or users.

All trademarks, copyrights and other forms of intellectual property belong to their respective owners and may be protected by copyright. Under no circumstance may any of these be reproduced in any form without the prior written agreement of their owner.

No part of this strategic analysis service may be given, lent, resold or disclosed to non-customers without written permission.

Reproduction and/or transmission in any form and by any means including photocopying, mechanical, electronic, recording or otherwise, without the permission of the publisher is prohibited.

For information regarding permission, contact:

Tel: 1-646-845-9349

Email: info@marketresearchfuture.com