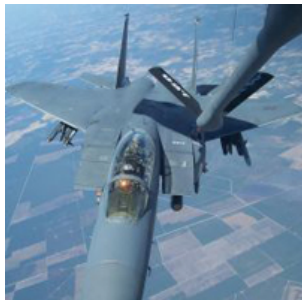


Introduction

In 2018, the global aerospace and defense (A & D) industry recuperated and experienced a solid year as passenger travel demand strengthened and global military expenditure continued to rise. The industry is expected to continue its growth trajectory in 2019, led by growing commercial aircraft production and strong defense spending.



This outlook reviews the performance of the A&D industry in 2018 and forecasts its growth in the coming years. It also outlines performance across major A&D markets and discusses trends that will impact the industry.

Industry Composition

The aerospace and defense industry is mainly comprised of companies that manufacture products for military use. This includes manufacturers of military ships, such as submarines, destroyers, or aircraft carriers, and commercial, private or government aircraft, such as bombers, fighter jets, and commercial or private airplanes, and the companies which manufacture and distribute the necessary parts and components for these machines. Also included in this industry are weaponry, such as missiles or ammunition, and other defense-related technological devices, such as radar, sonar, or satellites. The aerospace and defense industry also produces spacecraft, such as those used by government space administrations and commercial space tourism companies.

Many developed countries, or coalitions of countries such as the European Union, fill their demand for these products with domestic companies. Most of the demand is derived from a federal defense department, including the Pentagon in the United States and NATO, or government-run space programs.

For globalEDGE's purpose, the Aerospace and Defense industry is comprised of businesses that manufacture defense and aerospace products or parts. Companies that provide the service of air travel are listed in the Hospitality and Travel industry.

Industry Leaders and Fragmentation

* All amounts are given in Billions USD

Company	Country	Sales	Profits	Market Value
Lockheed Martin	161	65.4	6.8	109.2
Raytheon Technologies	161	63.5	-3.5	118.6
Boeing	161	58.2	-11.9	144.8
AIRBUS	216	56.9	-1.3	97.6
General Dynamics	161	37.9	3.2	52.3



Profitability and Demand Drivers

Primary Demand Drivers:

- Military budgets
- Overall economic climate, which affects airline traffic and demand for new commercial aircraft

Profitability Drivers:

- Technical expertise
- Ability to accurately price long-term contracts

Trends

Likely the largest situation facing the aerospace and defense industry today is the government debt crisis. Historically, this industry was able to rely upon sovereign governments to generate revenues with government's expenditures on military equipment and technology. However, today many countries (such as Greece, Ireland, Spain, and Portugal) have already declared bankruptcy and many others are on the verge. This is causing the primary consumer base for this industry to decrease spending, which will lead to lower revenues. On the flip side, if there is more need for the products in the aerospace and defense industry due to increased unrest and foreign intervention, a positive driver for the industry, it will keep the revenues up. The commercial airline sector is starting to come back again as traveling picks up with the economic recovery.