SUMMARY

This report provides an update of the German aerospace industry and related industries, such as commercial aviation and defense. In 2009, the German aerospace industry grew by 4% despite in a difficult economic environment. Revenues in the aerospace sector increased by 4.0% to EUR 23.6 billion from EUR 22.7 billion in the previous year. The commercial aviation industry grew by 2.7% to EUR 15.6 billion. The defense and space sectors remained stable and positive.

Research spending reached the record level of EUR 4 billion in 2009, representing 17.1% of overall aerospace revenues. The export share, which is typically very high, decreased to 68% or EUR 16 billion of overall aerospace revenues. It is noteworthy that all of the 150 regular member companies of the German Aerospace Industries Association (BDLI) survived the economic crisis. Some 93,700 people are directly employed in the German aerospace industry, representing a steady increase of 15% since 2007. The air transport sector employs an estimated 265,000 people. Moreover, some 850,000 jobs are supported throughout the supply chain of the aerospace industry. With its strategic importance, the aerospace industry is considered a catalyst for creating and safeguarding future economic growth in Germany. Research spending is significantly higher than in any other industry.

MARKET OVERVIEW

German & European Aerospace Industry

Despite the challenging global economic climate, the German aerospace industry was able to maintain its ascent in 2009. Revenues in the aerospace sector increased by 4% to EUR 23.6 billion, up 900 million from 2008. The number of employees increased by 0.8% to 93,700 throughout all industry segments. The BDLI reported that the export share amounted to 68% of the overall aerospace revenues, which is a decrease of 2% compared to 2008. Further efforts in research and development will be essential to strengthen the competitiveness and boost the exports of the German aerospace industry, especially in light of the challenges posed by the current economic crisis.

Commercial Aviation

Revenues in the commercial aviation industry grew by 2.7% to 15.6 billion in 2009. As the strongest revenue generator of the German aerospace industry, commercial aviation holds a 66.2% share of all revenues (66.7% in 2008). According to the International Air Transport Association (IATA), passenger demand in 2009 was down 3.5% with an average load factor of 75.6%. Freight showed a full-year decline of 10.1% with an average load factor of 49.1%. Against this backdrop, it
is remarkable that more commercial airplanes were built in 2009 than in 2008. Airbus delivered some 498 airplanes or 15% more than in 2008. Only the commercial helicopter sector was struck by a significant decline of orders. Lost revenues could partly be recouped via defense orders and through diversifying into new service areas.

The latest indicators show a positive trend for 2010, although the market situation is still uncertain. The long-term prospects remain buoyant. Airbus foresees demand for 24,000 new passenger aircraft with more than 100 seats, worth USD 2.9 trillion, based on growth in air travel expected for the time between 2009 and 2028. Single-aisle aircraft will account for 71% of this demand and twin-aisles will account for 24%. Boeing is even more optimistic by assuming a demand of 29,000 aircraft for the same period. The German aerospace supply industry continues to consolidate at a steady pace in order to meet the requirements of a better relationship to commercial aviation programs.

The U.S. dollar has recently risen against the euro, but the euro-dollar difference still has an impact on many German aerospace suppliers. Consequently, the large aerospace manufacturers have to source outside Western Europe in order to stay competitive when selling to the dollar zone. This offers market entry opportunities for U.S. aerospace manufacturers. Buyers throughout the industry are looking for U.S. products. German firms have to at least partially relocate production facilities to the dollar zone, which may open joint venture opportunities for U.S. aerospace suppliers.

**Defense & Security**

The German defense and security sector grew by 4.6% to EUR 6 billion in 2009, accounting for 25.4% of the German aerospace market. The industry benefited from key military programs, such as the Eurofighter Typhoon with 200 deliveries over the year. Eurocopter retrofitted 26 of the German army’s CH-53 GS/GE transport helicopters. A total of 184 A400M versatile airlifter aircraft have so far been ordered by Belgium, France, Germany, Luxembourg, Malaysia, Spain, Turkey and the United Kingdom. Another project with a possible German participation has caused controversial discussions for the last two years. On April 20, 2010, EADS announced that it would re-enter the competition for the U.S. Air Force (USAF) KC-X tanker contract and submit a proposal until July 9. EADS North America, in cooperation with Northrop Grumman, will offer an American-assembled variant of the Airbus A330 Multi Role Tanker Transport (MRTT) aircraft, KC-45A, to replace the Boeing KC-135 Stratotanker. The overall value of the deal is estimated at USD 35 to 50 billion. Whether EADS North America has a chance against competitor Boeing remains to be seen.

**Space Industry**

The space industry saw its best development in 2009. Revenues increased by 14% to EUR 2 billion, representing 7.2% of the German aerospace market. The number of employees also rose by 9.5% to 6,200. The German space industry benefits from projects of the European Space Agency (ESA). Last year saw 7 successful starts of the Ariane 5 rocket that is manufactured under the authority of the ESA. Moreover, the satellite program TerraSar-X produced excellent results through a new kind of public-private partnership between the German Aerospace Centre (DLR) and Friedrichshafen-based Astrium GmbH.

**Air Traffic**
According to the statistics on the development of air traffic at Germany’s 23 international airports published by the German Airports Association (ADV), the number of aircraft movements decreased by 6.6% from 2.5 million in 2008 to 2.1 million in 2009, whereas air passenger traffic decreased by 4.6% to 182 million (incl. transit). For example, the passenger volume at Frankfurt Airport fell by 4.7% from 53.4 million in 2008 to 50.9 million in 2009, mainly due to a decline in demand from business travelers. Frankfurt Airport maintained its position as Germany’s largest and Europe’s third-largest airport in terms of airline passengers. The latest ADV figures demonstrate that air traffic in Germany is on the road to recovery. The number of passengers grew by 4% in the first quarter of 2010 and air freight was up 26.8%.

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