

Defense Markets

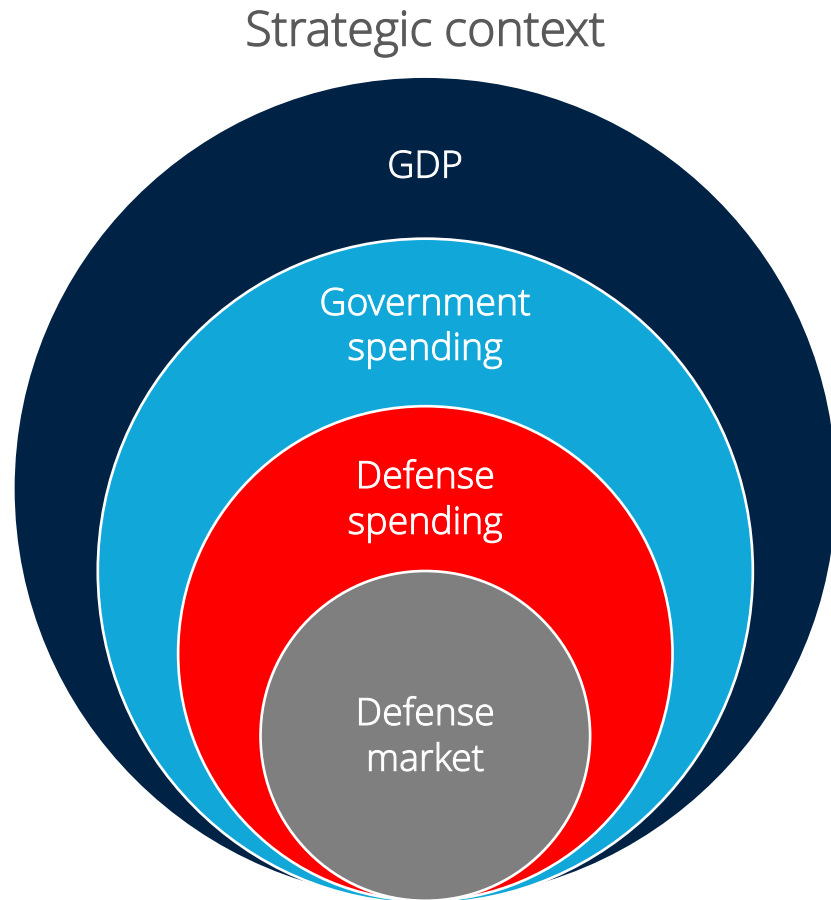
Key Performance Indicators/Metrics: The Impact of COVID-19

Intelligence & Data Services | Aviation Week Network
Washington, D.C.

March 2021

The COVID-19 crisis and defense markets

Defense market conditions are primarily dictated by defense spending, which may now come under pressure.



GDP

- Worst global recession since the Second World War has caused GDP to contract by 6.9%

Government spending

- Government balance sheets were fragile before the pandemic and now look under pressure

Defense spending

- As a discretionary spending element defense at risk of being targeted in fiscal consolidation

Strategic context

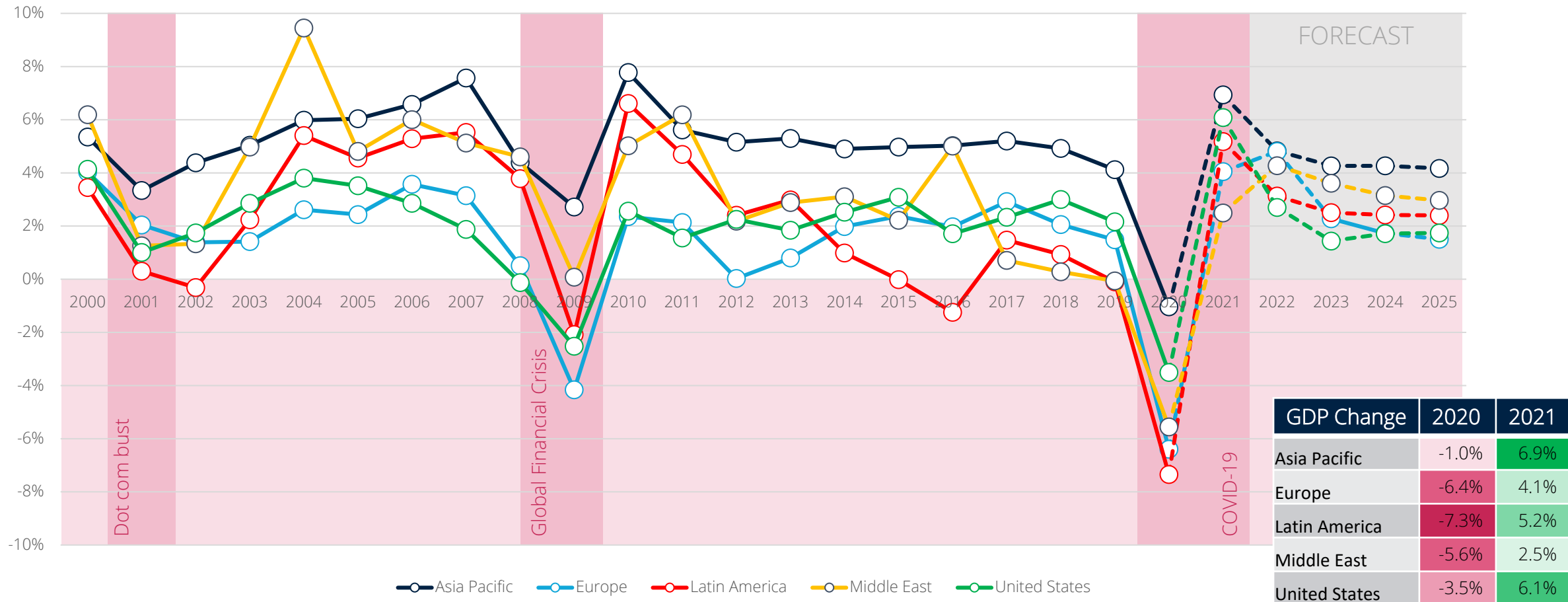
- Ostensibly a peacetime budgetary environment, despite emerging strategic challenges

Impact of COVID-19



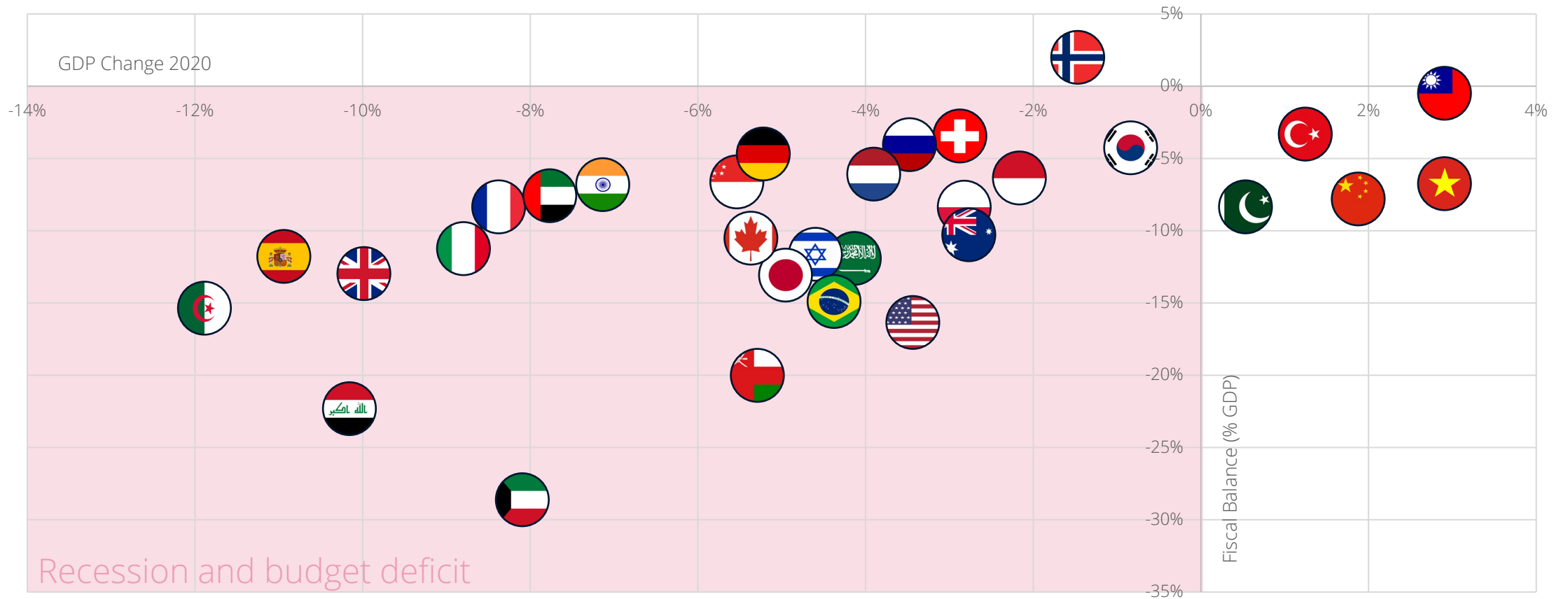
Economic Impact of COVID-19

World has experienced the most severe economic contraction since the second world war with all regions affected.



Fiscal Impact of COVID-19 – 2020

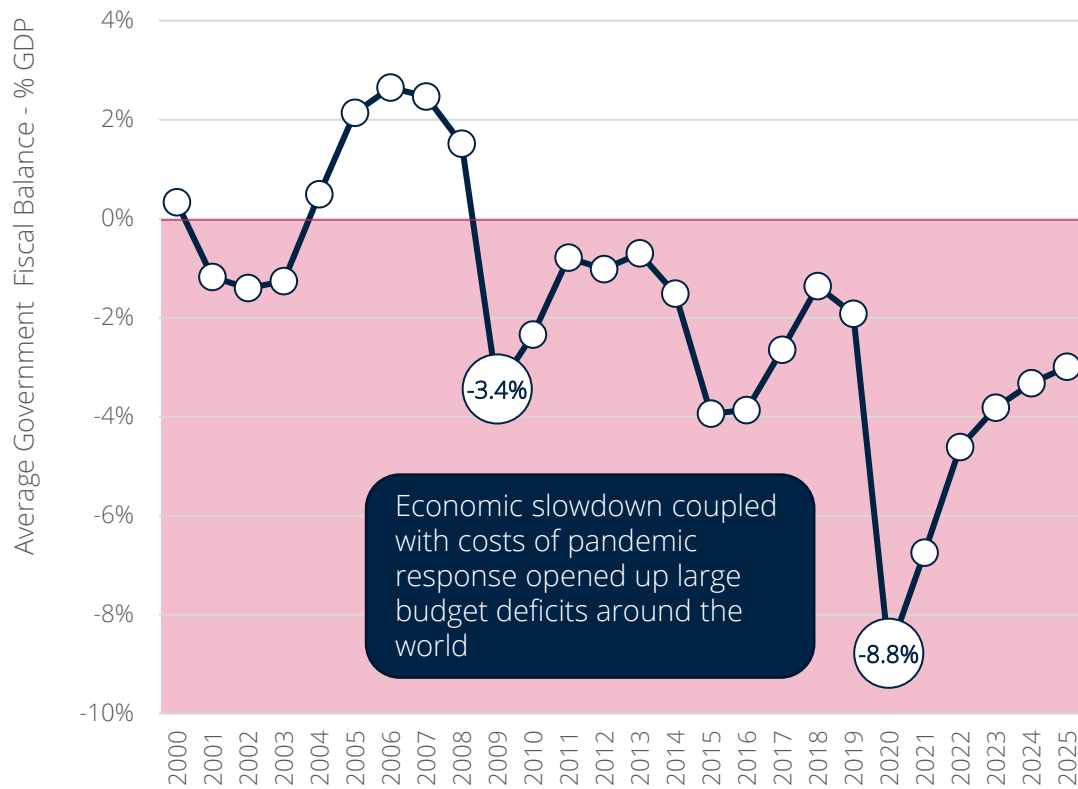
Worst effected economies in terms of GDP contraction and budget deficit are in Europe and the Middle East.



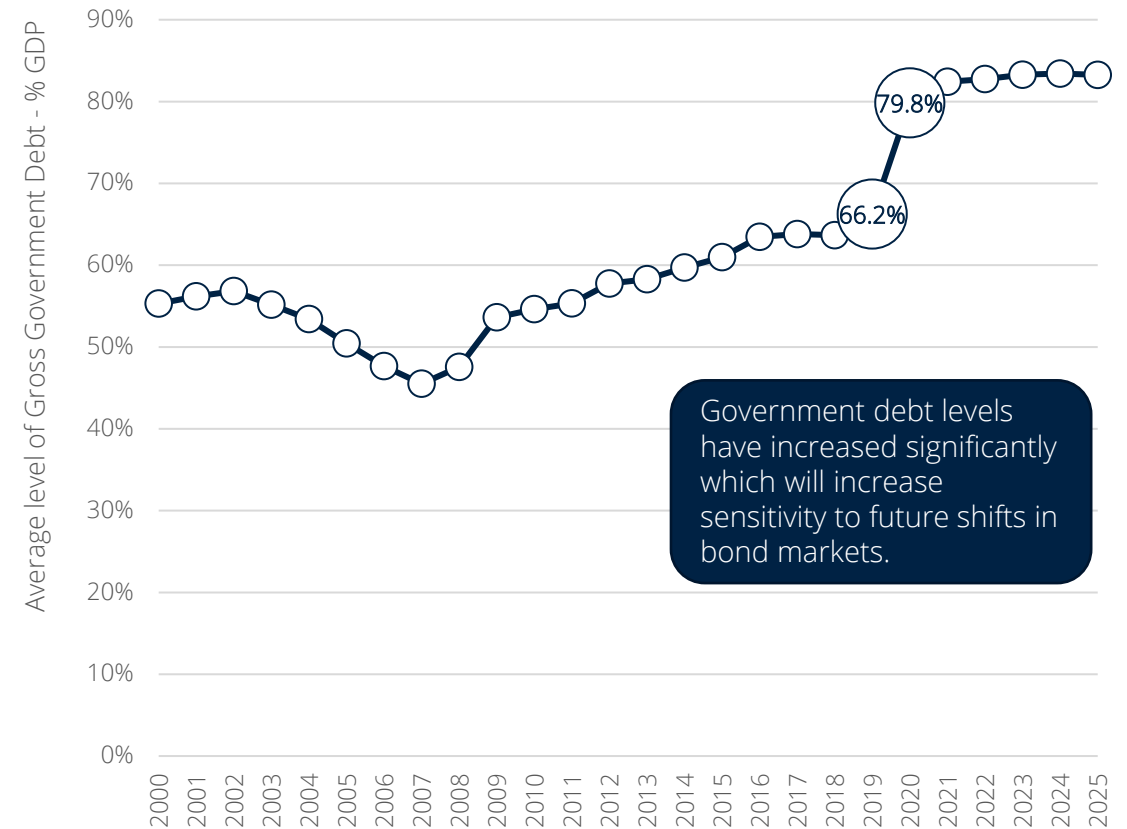
Fiscal Impact of COVID-19

Average budget deficit among 30 biggest defense spenders for 2020 is 9%. Average debt up from 66% of GDP to 80%

Government Fiscal Balance



Gross Government Debt



Government debt levels have increased significantly which will increase sensitivity to future shifts in bond markets.

Note: Rates shown reflect the average across the 30 largest spenders on defense (accounting for 90% of global defense spending)

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