The Market for Light Military Rotorcraft 2018-2027

FORECAST INTERNATIONAL

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As an added benefit, the Complete Data Package is neatly presented in an elegant zipper case that is ideally suited for executive presentations.

Analysis 1
The Market for
Light Military Rotorcraft
2018-2027

Table of Contents

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The Market for Light Military Rotorcraft

Executive Summary

Defense spending is on the upswing in many countries, including the U.S., as global instability captures the attention of policymakers. However, much of the increased funding has been, and will likely continue to be, earmarked for areas other than procurement of light rotorcraft.

Annual production of light military rotorcraft has been growing since 2014, when 160 such rotorcraft were built by manufacturers. Indeed, no fewer than 208 light military rotorcraft were produced in 2016, the highest total since 2010 (when 208 were also built). Production in 2017 will be even higher, with 217 units projected to be built during the year.

This market expansion, though, will be short-lived, as re-equipment cycles in the U.S. and many European countries are nearing an end. Many of the light military rotorcraft models that have dominated the market in past years may exit production during the coming decade. And few new-start programs have emerged that would prevent annual production levels in this segment from shrinking during these years.

After 2017, annual production is projected to fall to double-digit levels by 2022. Yearly output may increase somewhat in the last few years of the forecast timeframe, and stabilize at around 85-90 units.

At the present time, North America and Europe are the two largest regional markets for light military rotorcraft. Both regions will continue to feature select opportunities for sales of light rotorcraft. North American demand is driven largely by U.S. procurement needs. However, substantial growth in the key U.S. military rotorcraft market will likely not return until several years after the forecast period comes to an end.

The outlook is a little more optimistic in Europe. Meanwhile, Asia will grow significantly in relative importance during the forecast timeframe as a regional market for light military rotorcraft. Sales opportunities will also be found in Africa, Latin America, and the Middle East.

Our market share projections indicate that Airbus Helicopters and Bell will be the top two manufacturers of light military rotorcraft during the 2017-2026 forecast period. Airbus Helicopters is expected to lead the market in unit production, while Bell is forecast to lead in monetary value of production.

During the next 10 years, merger and acquisition activity in the rotorcraft industry can be expected to mostly take the form of either mergers among suppliers or the acquisition of suppliers by OEMs. The September 2017 announcement of the upcoming purchase of Rockwell Collins by United Technologies Corp is a notable example of consolidation at the supplier level.

The Forecast. Forecast International projects that **1,222** light military rotorcraft will be produced in the 10-year period from 2017 through 2026. The value of this production is estimated at **$18.4 billion** in constant 2017 U.S. dollars. The forecast totals include new-production rotorcraft only, and exclude remanufactured or otherwise modified rotorcraft.

Though production is forecast to increase in 2017 compared to 2016, yearly output is projected to decline after 2017 through the year 2023. Production is forecast to total 73 units in 2023, before rebounding to 87 units in 2024 and remaining at that level for the remainder of the forecast period.

The trend in annual value of production is expected to be similar. Production value is projected to total $3.5 billion in 2017, and then decline each year through 2023, reaching a low for the forecast period of $761 million that year. An increase to $882 million is expected in 2024, followed by a further increase to $901 million in 2025. Production value of $886 million is forecast for 2026.

The forecast presented in this analysis also includes projections of manufacturer market shares during the 2017-2026 forecast timeframe. Airbus Helicopters is projected to be the market leader in terms of unit production, producing 317 light military rotorcraft for a market share of 25.9 percent. Hafei Aviation Industry Company Ltd (HAI) garners second place with production of 229 helicopters for an 18.7 percent share. Hindustan Aeronautics Ltd (HAL) is third on production of 202 helicopters for a 16.5 percent share. Bell is fourth, with production of 199 helicopters for a 16.3 percent share. Turkish Aerospace Industries (TAI) is fifth and Korea Aerospace Industries (KAI) is sixth, with production of 72 units (5.9 percent) and 42 units (3.4 percent), respectively.

When the market is measured in monetary value of production, the rankings change somewhat due to the

Analysis 1

mix of products within each manufacturer's product portfolio. In terms of production value, Bell captures the top spot with $5.5 billion worth of production, a 29.9 percent market share. Airbus Helicopters is second, with a 21.6 percent share based on nearly $4.0 billion worth of production. The top two are followed by TAI ($2.9 billion; 15.6 percent), HAL ($2.4 billion; 13.2 percent), Hafei ($2.1 billion; 11.2 percent), and KAI ($498 million; 2.7 percent).

* * *

PROGRAMS

The following reports are included in this section: (**Note:** a single report may cover several programs.)

Airbus Helicopters AS 365/565/H155
Airbus Helicopters H125/H130
Airbus Helicopters H135
Airbus Helicopters H160
Airbus Helicopters/Kawasaki EC 145/H145
Airbus Helicopters Tiger
Bell 407
Bell AH-1 Cobra
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