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INSIDER'S PERSPECTIVE

Flightpath 360 Aerospace Review

Executives Perspectives across the Aerospace Value Chain on Growth, Risk and Transformation

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Key takeaways

- Despite today's **positive business climate,** nearly one third of executives expect business conditions to deteriorate over the next 12 months.

- Nearly half of respondents report **increasing compliance burdens**, with export controls representing the most significant regulatory constraint.

- **The localization trend is not replacing globalisation**; it is becoming a targeted tool to address specific market, policy and resilience requirements.

- **AI adoption is concentrated in operational and decision-support applications** rather than disruptive or experimental use cases.

- **Sustainability efforts are focused on pragmatic measures**, while cost and regulatory complexity remain the primary barriers to broader progress.

Introduction

The aerospace industry is entering a decisive phase. Aerospace players are facing pressure by varying demand, geopolitics, emerging technologies, supply chain challenges and sustainability requirements. Growth opportunities exist, but the environment for capturing them is becoming more complex.
This raises some fundamental questions:

- **Where do industry leaders see the biggest opportunities and the biggest obstacles?**
- **Which markets and technologies will be most influential?**
- **How will companies navigate an increasingly complex environment in the years ahead?**

As part of our annual survey, we asked aerospace executives and senior decision-makers across the industry to examine four areas that consistently influence strategic decision-making in aerospace:

Four Areas Shaping Strategic Decision-Making

Areas covered in the executive survey

01 General Business & Outlook

02 Markets & Global Political Situation

03 Technology Trends

04 Sustainability

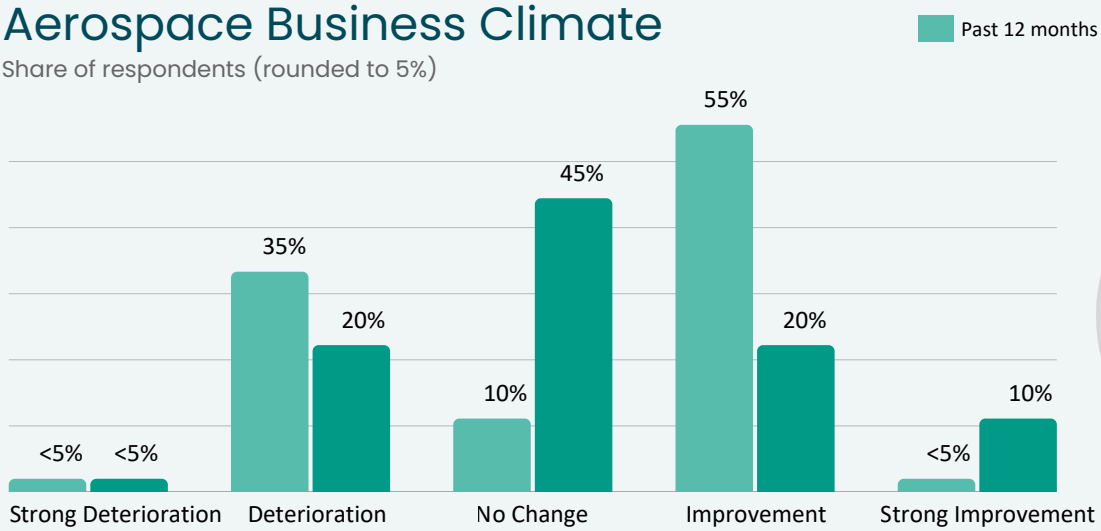
While certain themes show broad consensus across respondents, others reveal surprisingly different expectations or opinions. The following pages explore these and other findings, providing insights into how aerospace leaders assess the opportunities and challenges shaping the industry.

01 General Business & Outlook

Confidence in the aerospace market remains high, but it is far from universal. While two thirds of respondents describe the current business climate as favourable or very favourable, one third reports a deterioration over the past 12 months. The future picture is similar: while most expect market conditions to stay the same or improve, nearly one third expect the business climate to deteriorate in the next 12 months.

Aerospace Business Climate

Share of respondents (rounded to 5%)



30%

of respondents expect improvement in the upcoming 12 months

When asked for drivers behind changing demand, geopolitical developments emerge as the strongest factor, followed by shifting customer demand, supply chain developments, competitive landscape changes and technology lifecycle effects. Open responses highlight defence demand, growing institutional space budgets, sovereignty concerns, political tensions and tariffs. Growth is therefore not evenly distributed across the industry. Instead, it is concentrated around specific demand drivers linked to defence, space, and sovereignty.

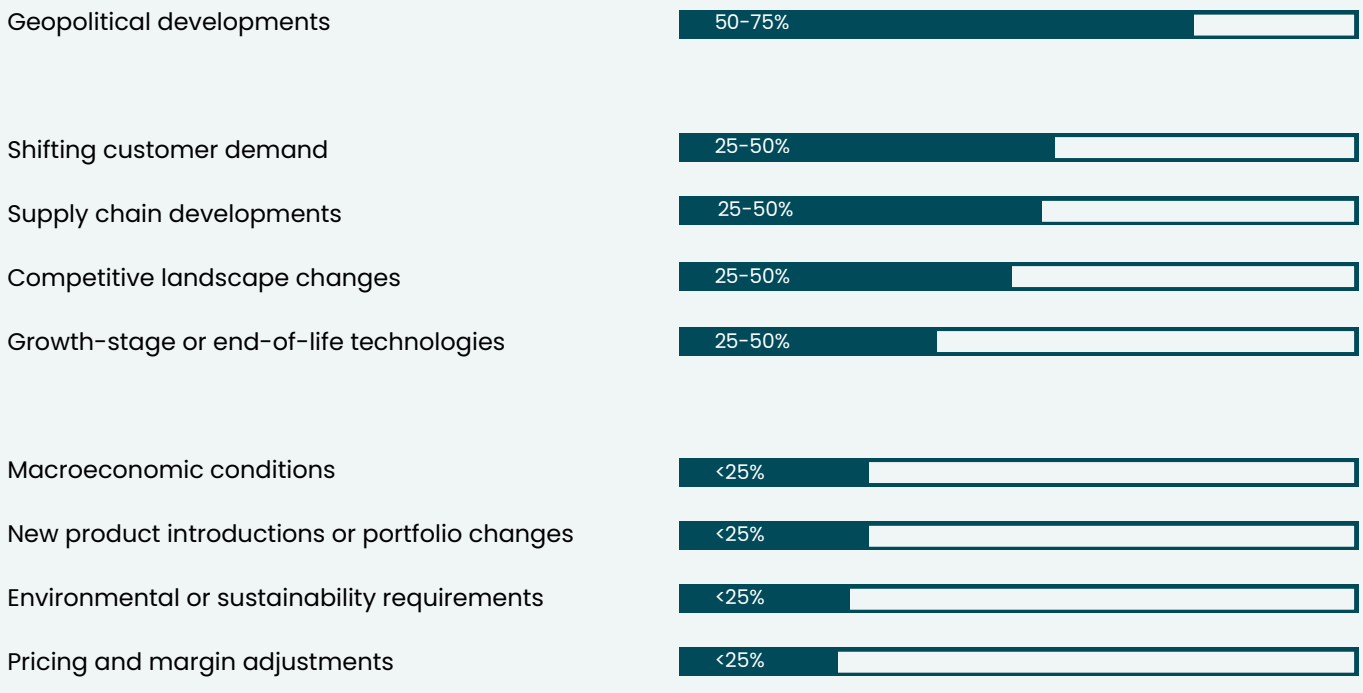
A similar picture emerges when looking at investment decisions. While the investment climate is rated on average moderately positive, respondents consistently point to market visibility and demand certainty as the primary drivers of investment decisions. Companies are not necessarily reluctant to invest, but they require confidence that current demand will translate into long-term opportunities before committing to major capacity, capability or footprint decisions. In an industry characterised by long qualification, industrialisation and ramp-up cycles, the cost of misjudging future demand remains significant.

A similar pattern becomes visible in day-to-day operations. When asked about the topics with the highest impact on their daily business, respondents predominantly highlight execution-related challenges. Geopolitical uncertainty ranks highest, followed by production ramp-up difficulties and supply chain instability.

Drivers for Demand Changes

Geopolitical developments are the strongest driver of demand changes

#1
Geopolitical Developments



02 Markets & Global Political Situation

About supply chain, respondents report a wide range of resilience levels across organisations, but on average suggest a supply chain environment that is neither fragile nor fully robust. To strengthen resilience, companies primarily focus on dual- and multi-sourcing of critical components, complemented by scenario planning, risk management practices, increased safety stocks and closer supplier collaboration. These measures suggest a stronger focus on building structural resilience rather than relying solely on reactive mitigation measures. Nevertheless, significant vulnerabilities remain, particularly where critical suppliers, capacity bottlenecks or geopolitical dependencies are involved.

For a more detailed discussion of this topic, we invite readers to explore our recent white paper on aerospace supply chain resilience.

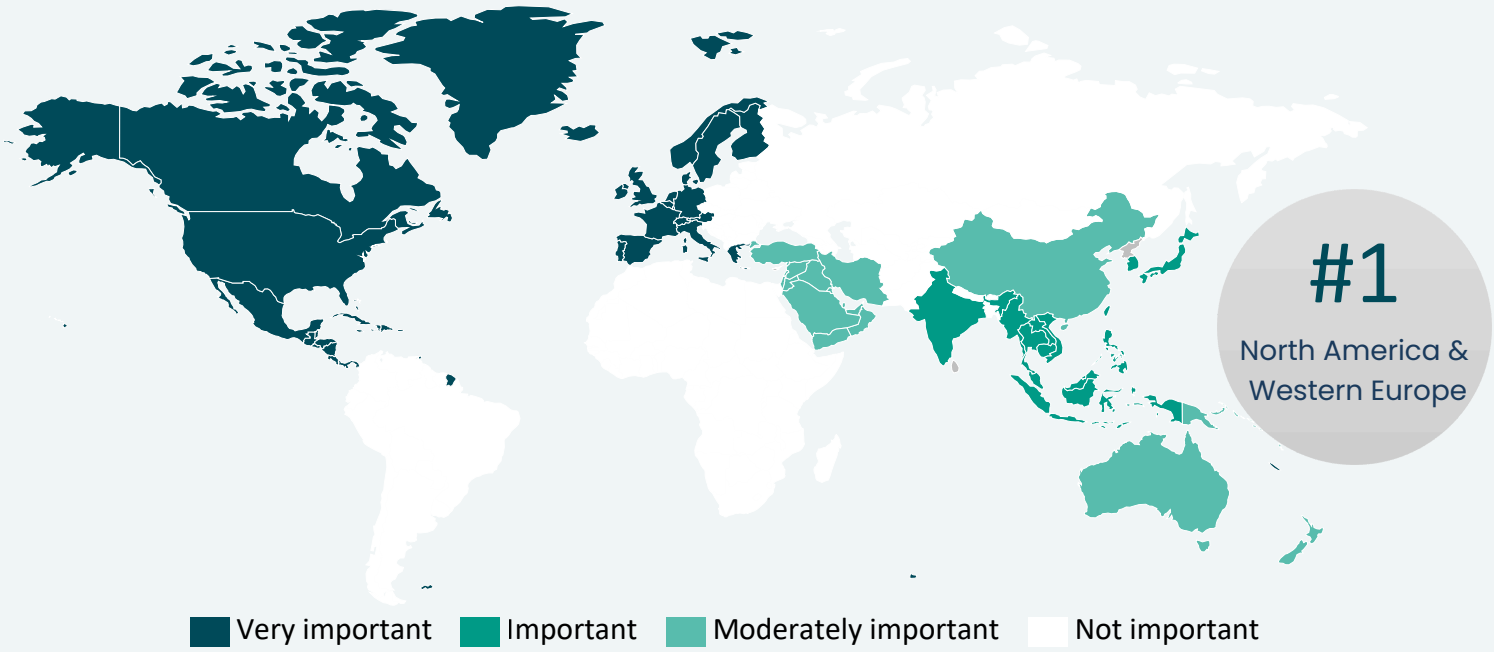
Aerospace Supply Chain – Resilience as a Core Competitive Advantage



Industry leaders' view on globalisation and localisation do not indicate a broad reversal of globalisation. Instead, they suggest a more selective and pragmatic rebalancing of industrial footprints. Market access, customer proximity, cost optimisation, industrial policy considerations and customer expectations all emerge with similar importance as drivers of localisation decisions. Localisation therefore appears to be a strategic tool used where regulatory requirements, customer expectations, supply chain considerations or economic factors justify a more regionalised approach.

Globalisation continues and localisation is becoming more selective.

Market Importance by Region



This is also reflected in market priorities**.** Western Europe and North America remain the industry's primary strategic anchors today. Looking ahead, North America gains further importance, followed by Western Europe, India and Southeast Asia. Companies will therefore need to maintain strong positions in mature core markets while selectively pursuing opportunities in regions where demand growth, policy support, local capabilities and strategic partnerships align. Among the external factors assessed, trade regulation emerges as one of the most significant challenges. Almost half of respondents report tightening regulations or increasing compliance burdens over the past 12 months. Export controls are perceived as the most restrictive measure,
followed by local sourcing requirements and customs-related administrative burdens.

Most restrictive trade measure?

Export Controls

North America is cited most frequently as the region where such regulations have the greatest impact, followed by Western Europe and China.
Importantly, respondents indicate that trade regulation influences not just compliance activities.
It is also shaping strategic decision-making. Organisations report shifting market priorities, relocating production activities and strengthening risk management capabilities in response to evolving regulatory environments. Trade regulation therefore emerges as a key consideration in market strategy, footprint design and partnership decisions.

03 Technology Trends

While geopolitical developments, regulation and market dynamics shape the environment in which aerospace companies operate, long-term competitiveness ultimately depends on how organisations adapt their products, capabilities and operating models.

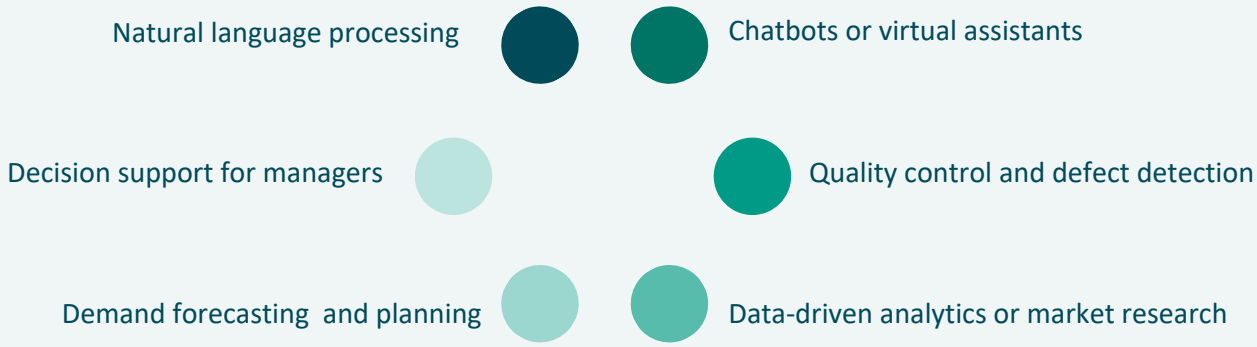
Next-generation aircraft design is the most frequently mentioned technology, followed by robotics and automation.

Other technologies, including advanced data analytics, AI, advanced materials and composites, advanced avionics and digital twins, receive comparable levels of attention, indicating that the industry does not currently converge around a single transformative technology. Instead, companies appear to be exploring multiple technology domains in parallel, often with a direct link to industrialisation challenges and capacity expansion instead of just product innovation.

When looking at artificial intelligence, most organisations have already progressed from initial exploration to active implementation. Nearly 90% of respondents report either company-wide implementation initiatives or targeted AI pilot programmes, indicating that AI has firmly entered the aerospace corporate agenda. Adoption is taking place across a wide range of functions (e.g., Engineering, Quality Control, Procurement, etc.), with no clear concentration in particular departments. Instead, it appears to be highly company-specific which functions are prioritised for AI deployment. Current AI applications are most commonly found in chatbots and virtual assistants, quality control and defect detection, as well as data analytics and market research, followed by natural language processing, demand forecasting and decision support.

Leading AI Use Cases

AI adoption is focused on practical business applications



While respondents generally view AI as strategically important, the benefits realised today remain largely operational in nature.

The most frequently cited improvement is increased operational efficiency, mentioned by more than half of respondents, followed by faster decision-making and cost reduction.

By contrast, only a small minority report impacts such as new business models or revenue streams. This suggests that aerospace companies are successfully leveraging AI to optimise existing processes, but are still at an early stage when it comes to realising broader business benefits. The key question is therefore shifting from whether to adopt AI to how to scale it beyond isolated use cases and translate technological potential into measurable business impact. Concerns are primarily centred around data quality and identifying use cases capable of delivering tangible value.

Nevertheless, respondents remain optimistic about AI's longer-term role. While AI is already considered strategically relevant today, its expected future impact is rated even higher. More than half of respondents expect AI to have a strong impact on their strategy or competitive position over the next five years, reflecting a broad belief that AI will become an increasingly important source of competitiveness.

04 Sustainability

Beyond market dynamics and technology trends, respondents were also asked about the impact of sustainability and decarbonisation on their organisations. Overall, they report a noticeable impact of sustainability-related regulations on their businesses, with the vast majority indicating at least a moderate level of influence. However, the results suggest that sustainability is currently driven primarily by regulatory and compliance requirements. ESG reporting requirements emerge as by far the most influential sustainability regulation, followed by local and national climate policies.

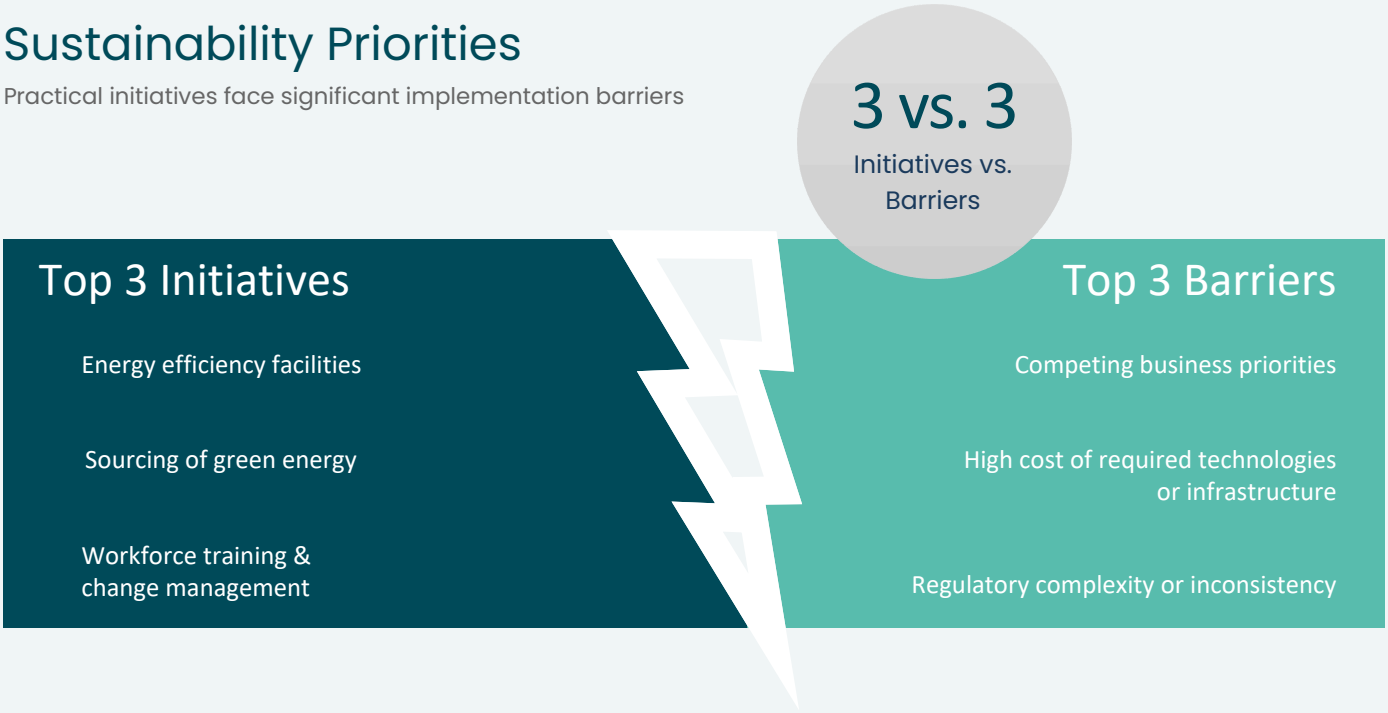
Other frequently cited regulations include environmental design requirements, noise and emissions standards, and end-of-life or recycling regulations. Geographically, more than 90% of respondents identify Western Europe as the region with the greatest requirements of sustainability-related regulations.

>90%

identify Western Europe as the region most affected by sustainability regulations

Sustainability Priorities

Practical initiatives face significant implementation barriers

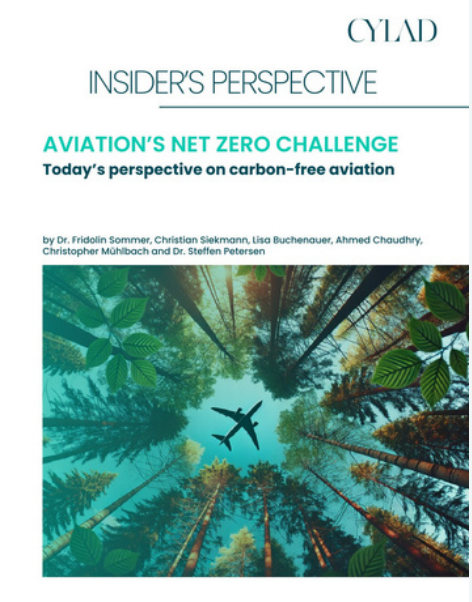


Despite the growing importance of such regulations, relatively few respondents report formal long-term carbon neutrality commitments. Nearly two thirds have no fixed carbon neutrality target date, while only a minority has defined targets between 2035 and 2050. A similar picture emerges when looking at planned investments. Half of all respondents have no dedicated investment programme for decarbonisation or carbon neutrality planned for the next five years.

Where investments are planned, they focus primarily on energy-efficiency measures, sourcing of green energy, and workforce training and change management rather than longer-term technology bets. Topics often associated with long-term aerospace decarbonisation, such as alternative propulsion technologies, receive comparatively little attention. At the same time, competing business priorities emerge as the most frequently cited obstacle, followed by the high cost of required technologies or infrastructure and regulatory complexity or inconsistency.

For a deeper perspective on green energy sourcing, readers may refer to our SAF paper.

Aviation's Net Zero Challenge



Conclusion

The results of the Flightpath 360° Aerospace Review point to an aerospace industry that remains confident about its future. Respondents generally report positive market conditions, continued growth opportunities and strong expectations for the years ahead. At the same time, the survey highlights a business environment that is becoming increasingly complex. Geopolitical developments, trade regulation, supply chain resilience, technology adoption and sustainability are interconnected factors shaping business decisions across the industry.

A particularly striking finding is that many of the industry's key challenges are no longer about identifying opportunities, but about navigating the conditions required to capture them. Whether through managing regulatory requirements, strengthening supply chains, scaling new technologies or advancing sustainability initiatives, respondents repeatedly point towards implementation and execution as critical areas of focus. Taken together, the results of the survey indicate that the aerospace industry remains well positioned for continued growth. The question is not whether opportunities exist, but how organisations position themselves to capture them in an environment characterised by increasing complexity and accelerating change.

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