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World Military Unmanned Aerial Systems

MARKET PROFILE & FORECAST



World Military Unmanned Aerial Systems

Market Profile & Forecast

2018/19 Edition

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Executive Overview

The Market Outlook

In terms of worldwide military budgets, the unmanned aircraft systems (UAS) segment continues to be one of the most dynamic growth sectors. The unclassified sector will continue to increase over the next decade, by about 60%, from current an-

UAVs into their forces (see Figure 1). The introduction of specially-built unmanned combat air vehicles (UCAVs) also promises to drive growth over the next decade.

Now, for the third year Teal Group has separated all civil govern-

usually on a fiscal-year basis. Production value, covered in the numerous tables in this study, represents the value of UAV systems delivered during a particular calendar year. In rough terms, the funds “procured” during one-year result in “delivered”

World Military UAS Budget Forecast R&D and Procurement

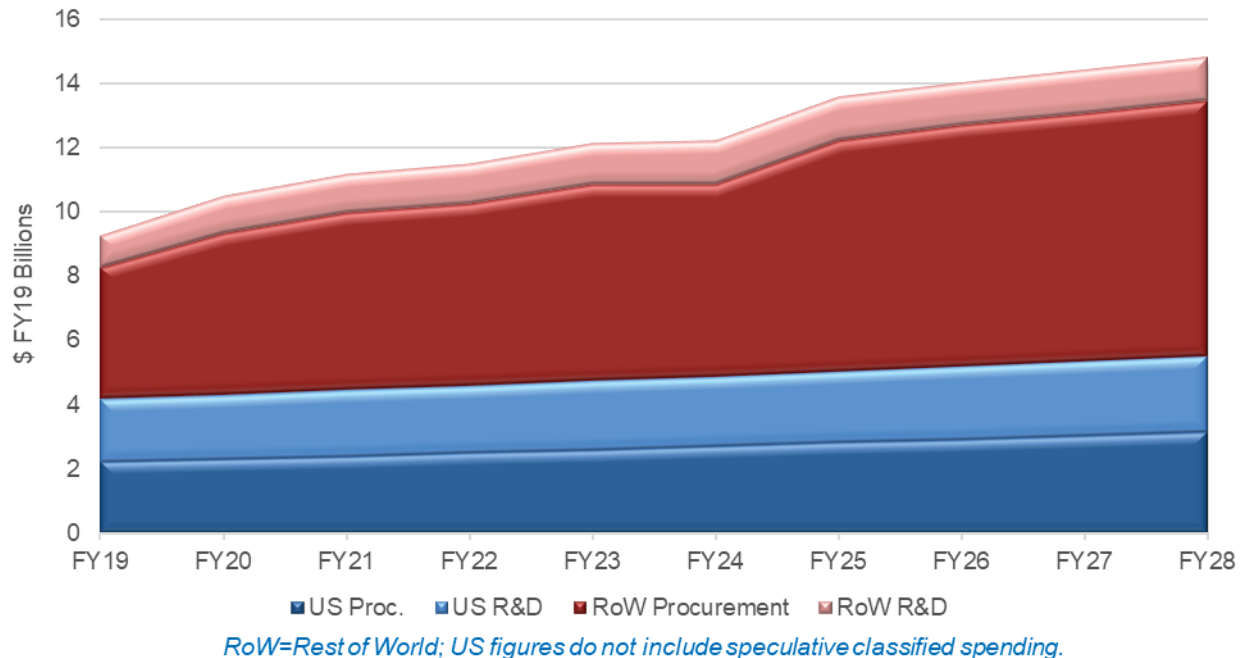


Figure 1

nual spending on RDT&E and procurement of about \$9.3 billion in FY19 to about \$14.8 billion in FY28 (a CAGR of 5.4%). If operations and maintenance expenditures were to be added, these totals would be even greater.

This future military growth is being driven by the adoption of unmanned aerial vehicles (UAVs) worldwide. Over the next decade, US procurement will grow modestly. Growth will increasingly shift towards international markets as more militaries adopt the lessons of Iraq and Afghanistan and incorporate

ment and commercial UAVs into a separate study in recognition of the strong potential for the future as airspace begins to open worldwide. We have included a brief summary of those findings at the end of this Executive Overview.

Please note that in our tables and charts “procurement” and “production value” are two different, but related numbers. Procurement, covered in the budget forecasts here, represents the annual amount of production funding included in a particular country’s annual defense budget,

units the following year or after.

The most significant catalyst to this market has been the enormous growth of interest in UAVs by the US military, tied to operations in Iraq and Afghanistan, as well as the general trend towards information warfare and net-centric systems. UAVs are a key element in the intelligence, surveillance and reconnaissance (ISR) portion of this revolution, and they are expanding into other missions as well with the advent of hunter-killer UAVs.

Our research suggests that the US will account for 63% of the unclassified R&D spending on UAV technology over the next decade, and about 30% of the unclassified procurement through the forecast decade. These US UAV funding shares for R&D

R&D on UAVs and 47% of the procurement.

This difference is due to the heavier US investment in cutting-edge technologies and the marked lag-time in such research and procurement elsewhere, especially major

the Asia-Pacific region may represent an even larger segment of the market, but several significant players in the region, namely Japan and China are not especially transparent about their plans compared to Europe. As in the case of many cutting

World Military UAS Budget Forecast plus Speculative US Classified

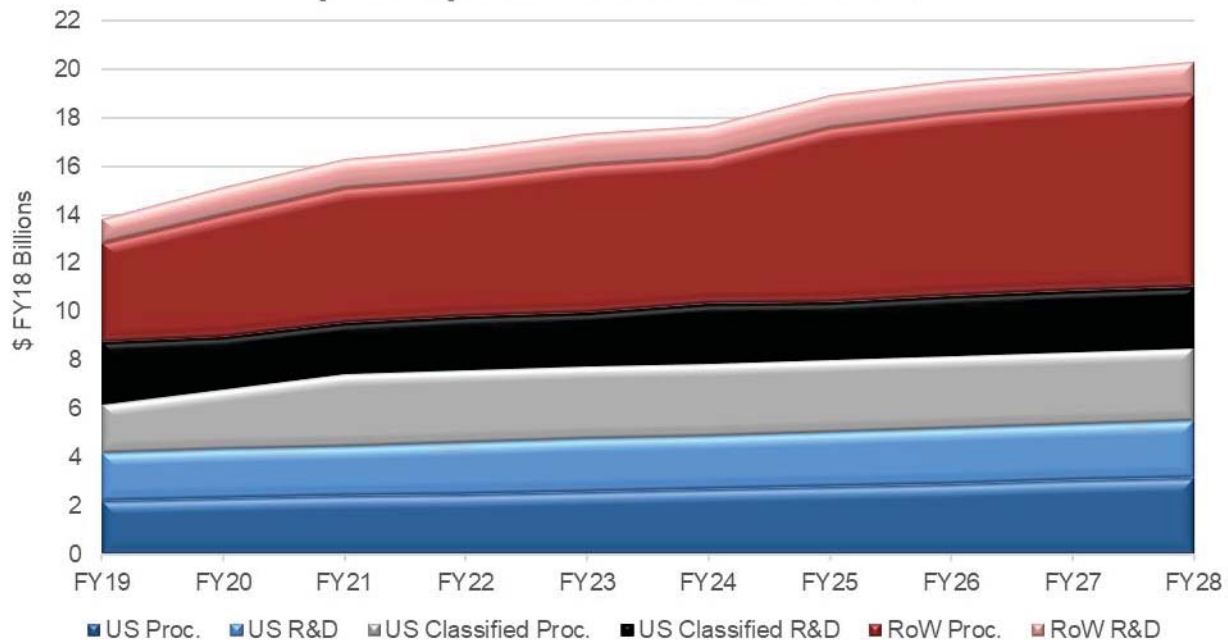


Figure 2

and procurement represent smaller shares of the market compared to defense spending in general. The US accounts for about 64% of total worldwide R&D spending and 38% of procurement spending, according to Teal Group’s *International Defense Briefing* forecasts.

These percentages change significantly when adjustments are made for US classified UAV development and procurement funding (see Figure 2). The value of these “black” programs can only be surmised, with our estimates serving as a likely upper end of the range of potential secret monies. With these assumptions, the US accounts for 78% of the world

aerospace centers such as Europe. This follows trends in other cutting-edge technologies observed over the past decade by Teal Group analysts in such areas as precision-guided weapons, information and sensor technology, and military application of space systems.

A tangible example of the “black” UAV budget in the US is the RQ-170 Sentinel program which only came to light when one of the stealth drones came down in Iranian territory.

Teal Group expects that the sales of UAVs will follow recent patterns of high-tech arms procurement worldwide, with the Asia-Pacific area representing the second largest market, followed by Europe. Indeed,

edge aerospace products, Africa and Latin America are expected to be very modest markets for UAVs.

Some warnings are needed when viewing the summary tables and charts here. There appear to be wide swings and dips in unit acquisition over the forecast decade, that is not matched by similar swings in the production value. This is primarily due to the volatile mini-UAV market, which represents very large numbers of air vehicles even though unit costs are extremely low compared to other UAVs, especially the endurance types. This forecast expects a drop in US mini-UAV acquisition as combat operations wind down in Iraq and Af-