



SEPTEMBER 2026

Autonomy beyond the horizon: Europe's bid to chart its own course in aerospace

The debate around European strategic autonomy has often focused on energy security, semiconductors, and defence. Yet one of the continent's most important strategic frontiers sits above its borders; from aircraft manufacturing and secure communications to satellite navigation and Earth observation, aeronautics and space capabilities are becoming essential pillars of Europe's long-term economic resilience, technological competitiveness, and geopolitical influence.

Recent geopolitical developments have highlighted the importance of reducing critical dependencies in areas that underpin economic and national security. Governments

have responded by investing more heavily in strategic technologies, industrial capabilities, and sovereign infrastructure. Aeronautics and space technologies sit at the intersection of these priorities, making these sectors a key component of the broader European autonomy project. Indeed, the convergence between space, defence, cybersecurity and data infrastructure is accelerating, driven by growing requirements for intelligence and surveillance, secure communications, resilient navigation, and threat protection.

Europe enjoys a unique position. It remains one of the few regions with deep expertise across the aerospace and space value chain, with leadership in several areas including satellite navigation, Earth observation, telecommunications satellites, radar technologies, and propulsion systems. These capabilities have been built over decades, supported by significant research investment, highly skilled workforces, and strong industrial ecosystems.



Christophe Hautin
Senior Portfolio Manager



Virginie Dubois
Senior Product Specialist

The scale of that workforce is striking in its own right: Europe's aerospace and defence industry directly employed a record 1.1 million people in 2024, and when indirect and induced jobs are included, the sector now supports close to 4.2 million jobs and roughly EUR 779 billion of economic activity.¹

As Europe seeks to strengthen its strategic independence, maintaining sovereign access to these competences is growing in importance.

A new era of space sovereignty

The growing emphasis on space reflects a broader shift in political thinking. What was once viewed primarily as a scientific endeavour is increasingly considered critical infrastructure, as evidenced by EU programmes such as Galileo, Copernicus, IRIS and GOVSATCOM.² And in a world characterised by heightened geopolitical and technological rivalry, governments are increasingly reluctant to depend on external providers for essential capabilities. The numbers illustrate just how embedded these systems already are: Galileo alone now provides positioning data to nearly four billion devices, and the European Commission estimates that satellite-navigation-dependent activities underpin roughly 10% of the EU's annual economic output.³

This helps explain the rising levels of public investment directed toward European space programmes – European space budgets increased by 12% to EUR 13.5 billion in 2025. During ESA's Ministerial Council in Bremen in November 2025, the agency's 23 member states approved a record three-year budget of EUR 22.3 billion for 2026–2028 – a 31% increase on the previous period, and the closest any Ministerial Council has come to matching ESA's full funding request.⁴

Policymakers increasingly view sovereign space capabilities not simply as economic opportunities but strategic necessities. Investments in launch systems, satellite constellations, Earth observation, and secure communications are becoming central components of long-term industrial policy, supporting Europe's ability to gather information, protect critical infrastructure, and maintain technological competitiveness. A clear example is IRIS (Infrastructure for Resilience, Interconnectivity

and Security), Europe's answer to Starlink: the EU has recently committed to building a 348 satellite multi-orbit constellation, delivering secure government connectivity from 2029.⁵

The goal for Europe is not to replicate models already existing elsewhere, but rather to develop sovereign, hard-to-substitute technologies on which civil and military infrastructure can rely without depending on non-European providers.

Aerospace as an industrial champion

While space often captures headlines, the broader aerospace industry remains equally important to Europe's industrial strength. According to industry data, the European aerospace and defence sector generated record turnover – EUR 326 bn in 2024,¹ a fourth consecutive year of double-digit growth.

Importantly, aerospace is not an isolated industry. It supports vast networks of suppliers, engineers, software developers, manufacturers, and research institutions. Every aircraft produced, satellite launched, or communications system deployed generates demand across multiple sectors of the economy.

This industrial multiplier effect gives aerospace a special role within Europe's autonomy agenda. Strong domestic capabilities from local champions such as Airbus and Thales, among others, help preserve high-value manufacturing, support innovation, and maintain skilled employment across the supply chain, thus reducing dependence on foreign suppliers in strategically important areas.



Autonomy's hidden enablers

One of the most overlooked aspects of the aerospace story is the range of technologies that sit behind the final products. Modern aircraft and satellites rely on advanced semiconductors, industrial software, sensors, electronics, digital engineering, and sophisticated manufacturing processes. Strengthening aerospace thus also supports broader European ambitions in areas such as semiconductor resilience, advanced manufacturing, and digital sovereignty.

Technological advances developed for aerospace applications frequently find their way into other industries. For instance, the European Commission projects that the Galileo system will generate an estimated EUR 166 billion in revenue by 2029 from value-added services relying on its signal, evidence of how a single sovereign infrastructure investment can cascade into commercial value well beyond its original purpose.³

Another key factor here is the growing importance of scale. Aeronautics and space industries are characterised by substantial investment requirements, lengthy development cycles, and intense international competition. As a result, Europe is seeing efforts to strengthen industrial cooperation and consolidate capabilities in these strategic areas. The objective is to ensure that critical technologies remain available within the region and that future innovation continues to be enabled, developed, and controlled by local stakeholders.

Capitalising on Europe's ambitions

For investors, aeronautics and space offer exposure to several structural themes that are likely to remain relevant for many years. These include rising defence expenditure, industrial modernisation, digitalisation, cybersecurity, supply chain resilience, and technological sovereignty. Many businesses operating within these ecosystems possess specialised expertise and occupy strategically important positions within global value chains.

We thus believe the current environment supports the investment case for European companies operating across multiple layers of the space value chain; companies that will benefit from both established technological expertise and the burgeoning need for secure and resilient European supply chains. We focus on companies already embedded in major civil and defence programmes, which typically possess strong technologies, significant barriers to entry, and the ability to convert increasing European space and defence budgets into orders, revenues, and profits.

However, investors should recognise that the sector is not without risks. Government spending priorities can change, supply-chain challenges may affect production schedules, and technological evolution can alter competitive dynamics. Nevertheless, as Europe seeks to strengthen its industrial base, secure critical technologies and reduce strategic dependencies, these areas appear likely to remain central to the continent's future ambitions.



¹ <https://www.asd-europe.org/news-media/facts-figures/key-data-overview/>

² **Galileo** – The EU's global satellite navigation system, providing highly accurate positioning, navigation, and timing services.

Copernicus – The EU's Earth observation programme, using a fleet of satellites to monitor the environment, climate, land, oceans and atmosphere.

IRIS² – The EU's planned multi-orbit satellite constellation (348 satellites), designed to deliver secure, sovereign government connectivity and broadband from 2029.

GOVSATCOM – An EU programme that pools and shares secure satellite communications capacity among member states, giving European governments and security actors resilient connectivity independent of non-EU providers.

³ <https://www.euspa.europa.eu/eu-space-programme/galileo/galileo-satellites>; <https://ec.europa.eu/newsroom/cipr/items/824221/>

⁴ <https://sciencebusiness.net/news/aerospace/esa-members-agree-eu22-billion-three-year-budget>

⁵ https://www.esa.int/Applications/Connectivity_and_Secure_Communications/

[IRIS2 reinforced and accelerated as implementation advances](#)

Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested.

Past performance does not predict future returns. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency.

This is for information only and not to be construed as a solicitation or an invitation to make an offer to buy or sell any securities. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. The data used is derived from various sources and assumed to be accurate and reliable at the time of publication, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or willful misconduct. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted, except for the case of explicit permission by Allianz Global Investors.

This material has not been reviewed by any regulatory authorities.

This document is being distributed by the following Allianz Global Investors companies: In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws; in the European Union, by Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and is authorized and regulated in South Africa by the Financial Sector Conduct Authority; in the UK, by Allianz Global Investors (UK) Ltd. company number 11516839, authorised and regulated by the Financial Conduct Authority (FCA); in Switzerland, by Allianz Global Investors (Schweiz) AG, authorised by the Swiss financial markets regulator (FINMA); in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Investment Management Association of Japan and Type II Financial Instruments Firms Association; In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only; in Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia licensed by Indonesia Financial Services Authority (OJK); and in the Abu Dhabi Global Market by Allianz Global Investors Middle East Limited, which is authorised and regulated by the ADGM Financial Services Regulatory Authority.