Future of the Saudi Arabian Defense Industry – Market Attractiveness, Competitive Landscape and Forecasts to 2019

Report Price: US$ 1250 (Single User)

Summary

"Future of the Saudi Arabian Defense Industry – Market Attractiveness, Competitive Landscape and Forecasts to 2019" report offers the reader detailed analysis of the defense budget over the next five years. Alongside it offers insights into the market opportunities and entry strategies adopted by foreign OEMs (original equipment manufacturers) to gain a market share in the Saudi Arabian defense industry.

The report provides detailed analysis of the current industry size and growth expectations during 2015-2019, including highlights of the key growth stimulators. It also benchmarks the industry against key global markets and provides detailed understanding of emerging opportunities in specific areas.

Key Findings

In the current world defense scenario, where super powers like the US, the UK, France, Germany, and other European counterparts are trimming defense budgets, Saudi Arabia is making rapid strides in the military sector by becoming the fourth largest defense spender in the world. The burgeoning military expenditure is supported primarily by its oil-reliant economy, which contains XX% of the world's proven petroleum reserves, and generates XX% of its budget revenues. The main factors driving defense expenditure in Saudi Arabia are the ongoing arms race among the Middle Eastern nations along with growing turbulence in countries such as Syria, Iraq, and Yemen, combined with a perceived threat from Iran. Furthermore, the country is currently in a military modernization phase and is also witnessing increased efforts to develop its indigenous military capabilities. With natural gas prices increasing, the cash rich government is focused on increasing its defense expenditure, which stood at US$XX billion in 2014. The budget is expected to grow at an estimated CAGR of XX% over the forecast period, to reach US$XX billion in 2019.

Key Features and Benefits

The report provides detailed analysis of the Saudi Arabian defense industry during 2010–2019, including the factors that influence the military expenditure. It provides detailed expectations of growth rates and projected total expenditure.

It provides the manufacturers with insights on market opportunities along with industry structure and dynamics prevalent in the country. In addition, the report focuses on the regulations governing the Saudi Arabian defense industry and the potential market entry strategies with an expert analysis of the competitive structure.

1. Market Attractiveness and Emerging Opportunities

1.1. Defense Market Size Historical and Forecast

1.1.1. Defense expenditure expected to grow at a CAGR of XX% over the forecast period

The Middle East is currently experiencing a robust increase in defense spending, with Saudi Arabia being the largest market in the region and the fourth highest spender globally. Having overtaken the UK in 2013, the country's defense budget increased from US$XX billion in 2010 to US$XX in 2014, increasing at CAGR of XX% during the review period. Aided by a US$XX billion economic output, Saudi Arabia is expected to continue in the same spending vein over the forecast period, primarily in order to ensure its rising political and military influence globally. Other factors such as enhancing its military deterrence capabilities against the threat posed by Iran and the resultant modernization programs will drive spending during the forecast period. The country's defense budget is projected to increase from an estimated US$XX billion in 2015 to US$XX billion in 2019.

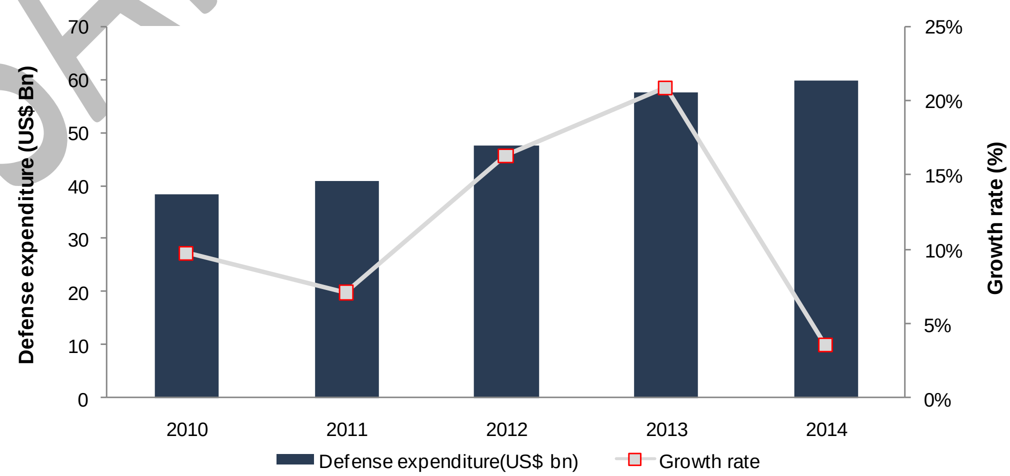
The following table and figure show the Saudi Arabian defense expenditure during the review period:

Table 1: Saudi Arabian Defense Expenditure, 2010-2014

Year	Defense expenditure (US$ bn)	Defense growth percentage
2010		
2011		
2012		
2013		
2014		
	CAGR 2010-2014	

Source: Saudi Arabian Monetary Agency and SDI analysis © SDI

Figure 1: Saudi Arabian Defense Expenditure, 2010-2014



Source: Saudi Arabian Monetary Agency and SDI analysis © SDI

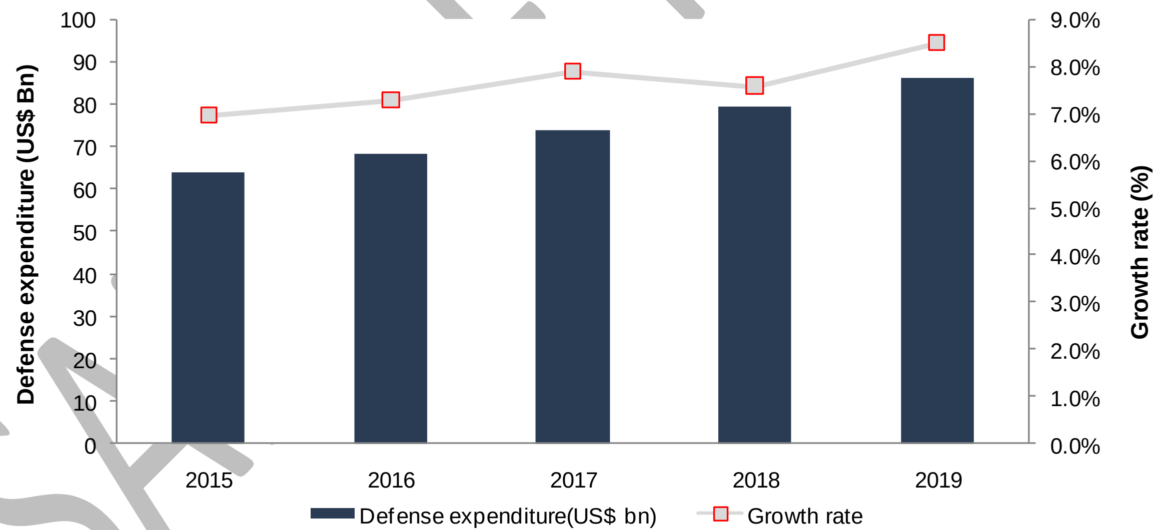
The following table and figure show projected defense expenditure of the Saudi Arabian over the forecast period:

Table 2: Saudi Arabian Defense Expenditure, 2015-2019

Year	Defense expenditure (US$ bn)	Defense growth percentage
2015		
2016		
2017		
2018		
2019		
	CAGR 2015-2019	

Source: Saudi Arabian Monetary Agency and SDI analysis © SDI

Figure 2: Saudi Arabian Defense Expenditure, 2015-2019



Source: Saudi Arabian Monetary Agency and SDI analysis © SDI

1.2. Analysis of Defense Budget Allocation

1.2.1. Majority of the budget to be allocated for revenue expenditure

During the review period, Saudi Arabia allocated an average of XX% of its defense budget for capital expenditure, with the remaining XX% being allocated for revenue expenditure including the training and maintenance of its military force. Programs such as the United States Military Training Mission to Saudi Arabia (USMTM), expenditure on military preparatory schools, naval technical and training facilities, King Faisal Air Academy and Command, and Staff College among others constitute the majority of the country's defense revenue expenditure.

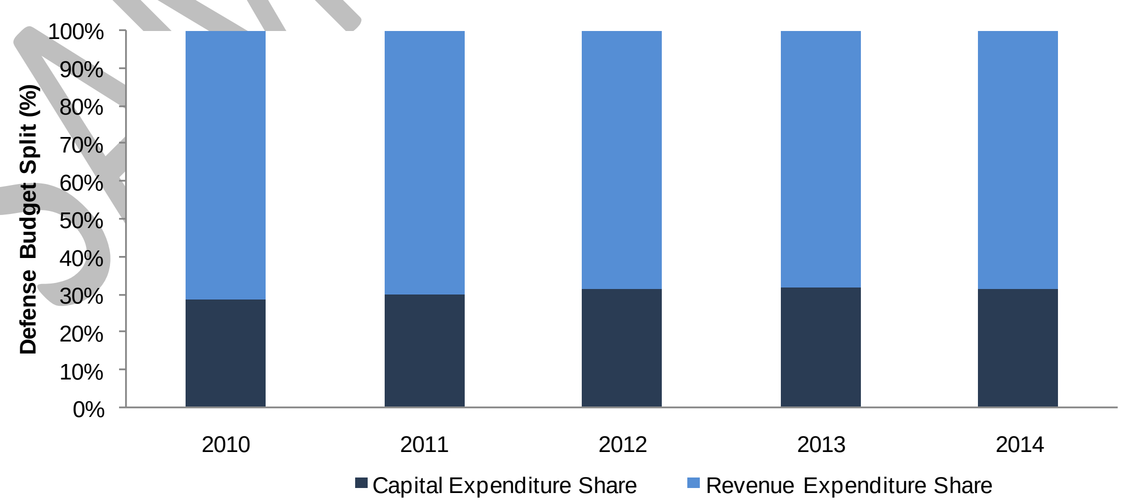
The following table and chart display Saudi Arabian defense budget share of capital, revenue and other expenditure during the review period:

Table 3: Saudi Arabian Defense Budget Split Between Capital and Revenue Expenditure (%), 2010–2014

Year	Capital Expenditure Share	Revenue Expenditure Share
2010		
2011		
2012		
2013		
2014		

Source: Saudi Arabian Monetary Agency and SDI analysis © SDI

Figure 3: Saudi Arabian Defense Budget Split Between Capital and Revenue Expenditure (%), 2010-2014



Source: Saudi Arabian Monetary Agency and SDI analysis © SDI

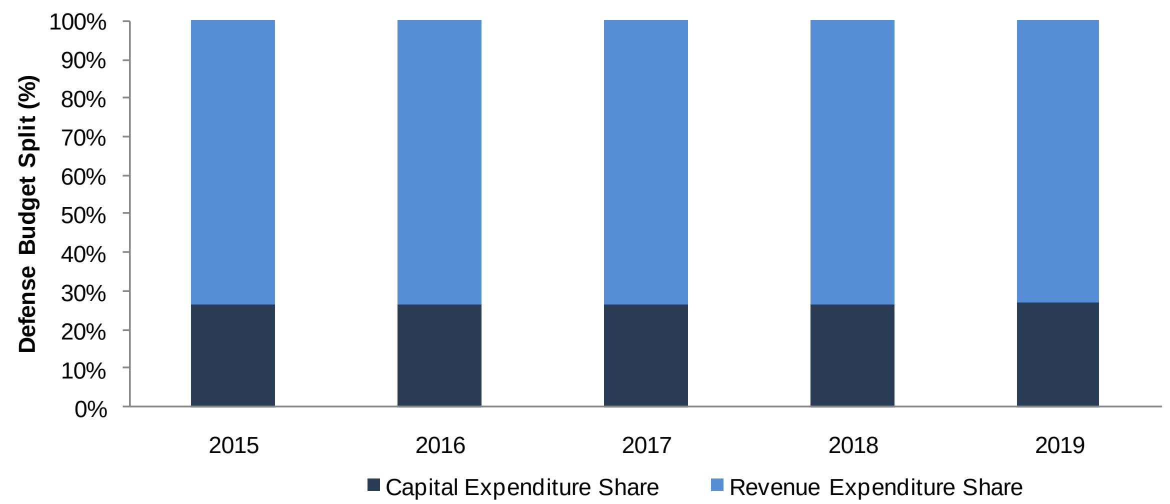
The following table and chart display Saudi Arabia's defense budget share of capital, revenue and other expenditure over the forecast period:

Table 4: Saudi Arabian Defense Budget Split Between Capital and Revenue Expenditure (%), 2015–2019

Year	Capital Expenditure Share	Revenue Expenditure Share
2015		
2016		
2017		
2018		
2019		

Source: Saudi Arabian Monetary Agency and SDI analysis © SDI

Figure 4: Saudi Arabian Defense Budget Split Between Capital, Revenue and Other Expenditure (%), 2015-2019



Source: Saudi Arabian Monetary Agency and SDI analysis © SDI

1.3. Homeland Security Market Size and Forecast

1.3.1. Saudi Arabia is expected to be the second largest homeland security spender in the world, after the US, over the forecast period

During 2010-2014, Saudi Arabia's homeland security registered a CAGR of XX% and increased from US$XX billion in 2010 to reach US$XX billion in 2014. Moreover the country is expected to cumulative spend US$XX billion during 2015-2019 to counter the threats posed by Sunni Muslim extremists and minority Shiite Muslim dissidents, protect oil infrastructure and establishments by raising a special force, and improve security at the borders with Iraq and Yemen. Furthermore, Saudi Arabia is expected to provide ample business opportunities to border and security equipment manufacturers due to its increase efforts to strengthen border and maritime security in order to curb problems related to terrorism, infiltration, drug trafficking and border encroachments.

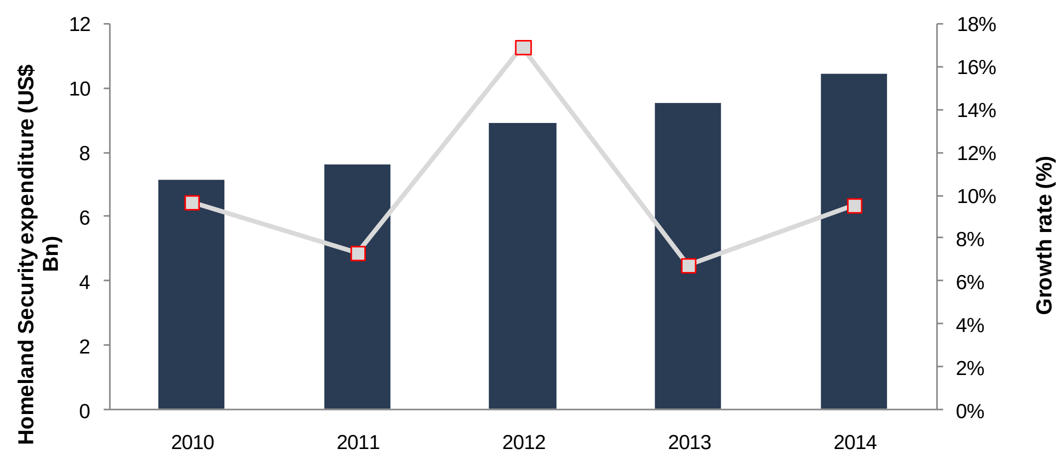
The table and chart below show Saudi Arabian homeland security expenditure during the review period:

Table 5: Saudi Arabian Homeland Security Expenditure (US$ billion), 2010-2014

Year	Homeland expenditure (US$ billion)	% Growth
2010		
2011		
2012		
2013		
2014		

Source: Saudi Arabian Monetary Agency and SDI analysis © SDI

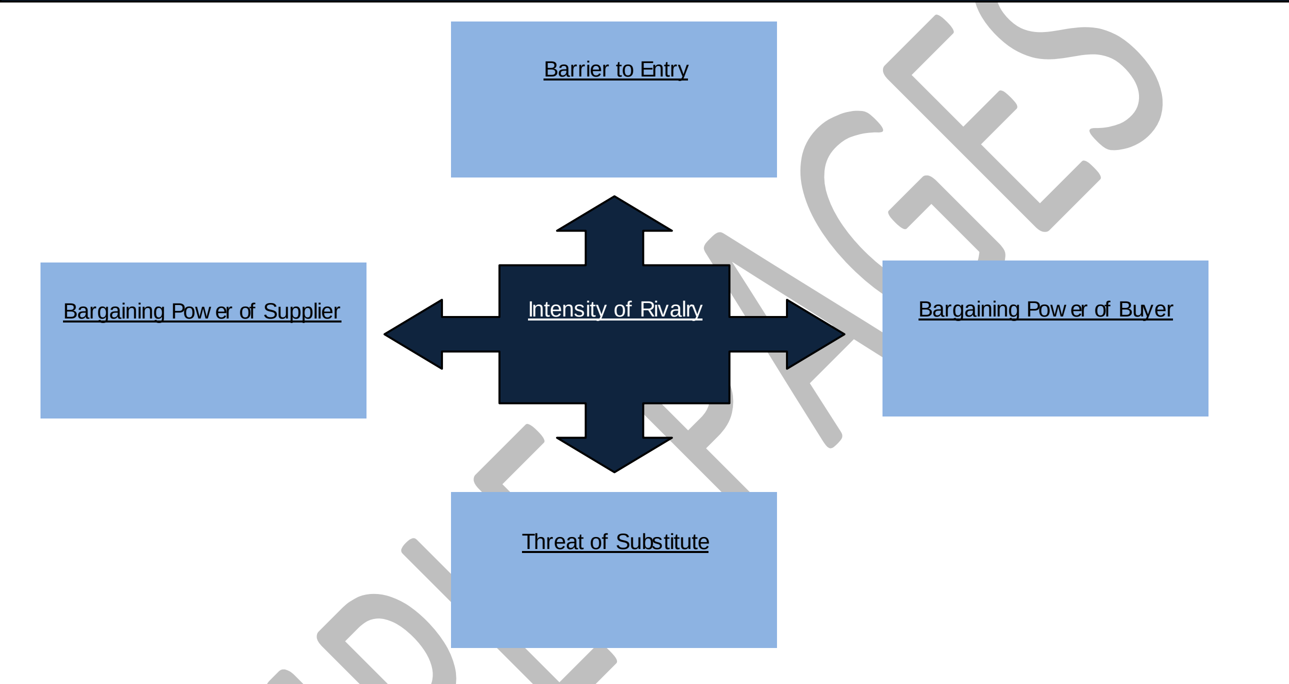
Figure 5: Saudi Arabian Homeland Security Expenditure (US$ billion), 2010-2014



Source: Saudi Arabian Monetary Agency and SDI analysis © SDI

2. Industry Dynamics - Porter's Five Forces Analysis

Figure 4: Industry Dynamics – Porter's Five Forces Analysis



Source: SDI analysis

Report Methodology

SDI's dedicated research and analysis teams consist of experienced professionals with a background in industry research and consulting in the defense sector. The following research methodology is followed for all databases and reports:

Secondary Research

The research process begins with exhaustive secondary research to source reliable qualitative and quantitative information related to the defense market. The secondary research sources that are typically referred to include, but are not limited to:

- Industry associations
- National government documents and statistical databases
- Company websites, annual reports, financial reports, broker reports, investor presentations
- Industry trade journals and other literature
- Internal and external proprietary databases
- News articles, press releases, and webcasts specific to the companies operating in the market

Primary Research

SDI conducts hundreds of primary interviews a year with industry participants and commentators in order to validate its data and analysis. A typical research interview fulfills the following functions:

- Provides first-hand information on market size, market trends, growth trends, competitive landscape, and future outlook
- Helps to validate and strengthen secondary research findings
- Further develops the analysis team's expertise and market understanding
- Primary research involves e-mail interactions, telephone interviews, and face-to-face interviews for each market category, division, and sub-division across geographies

The participants who typically take part in such a process include, but are not limited to:

- Industry participants: CEOs, VPs, business development managers, market intelligence managers, and national sales managers
- External experts: investment bankers, valuation experts, research analysts, and key opinion leaders specializing in defense markets

Conventions

- Currency conversions are performed on the basis of average annual conversion rate format calculations
- All the values in tables, with the exception of compounded annual growth rate (CAGR) and compounded annual rate of change (CARC), are displayed to one decimal place; therefore, due to this rounding method, growth rates may appear inconsistent with absolute values
- The forecasted values are projected on the basis of nominal values; the inflation was not taken into account

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