Description: Product Synopsis

This report is the result of ICD Research/Strategic Defence Intelligence's extensive market and company research covering the Nigerian defense industry. It provides detailed analysis of both historic and forecast defense industry values including key growth stimulators, analysis of the leading companies in the industry, and key news.

Introduction and Landscape

Why was the report written?

The Nigerian defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2016 offers the reader an insight into the market opportunities and entry strategies adopted by foreign original equipment manufacturers (OEMs) to gain market share in the Nigerian defense industry.

What is the current market landscape and what is changing?

During the review period, the Nigerian defense budget recorded a CAGR of 19.27%, with expenditure mainly driven by participation in peacekeeping initiatives and operations to stop the smuggling of oil. The defense budget, which stood at 0.8% of GDP in 2011, is expected to increase to 1.3% of GDP by 2016, as the country's defense expenditure growth is expected to outpace its GDP growth. The defense budget is also expected to increase during the forecast period due to the increased deployment of armed forces in peacekeeping operations and significant threats to its national security. During the review period the country's capital expenditure allocation stood at an average of 14.53% of the total defense budget, and is expected to decrease to an average of 11.2% over the forecast period due to reduced equipment purchase allocations.

What are the key drivers behind recent market changes?

Nigerian military expenditure is expected to be mainly driven by peacekeeping operations and efforts to stop the smuggling of stolen oil. Nigeria became a member of the UN in 1960 and this involvement in peacekeeping operations will significantly drive the country's defense expenditure over the forecast period, in particular the procurement of armored vehicles and transport aircraft. Being the largest producer of crude oil and oil exports, the country is threatened by the smuggling of oil, especially in the oil-rich Niger delta region. In March 2011 Nigerian soldiers destroyed nearly 500 illegal oil refineries in the Niger Delta region to stop the smuggling of stolen oil in the country.

What makes this report unique and essential to read?

The Nigerian Defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2016 provides detailed analysis of the current industry size and growth expectations from 2012 to 2016, including highlights of key growth stimulators. It also benchmarks the industry against key global markets and provides a detailed understanding of emerging opportunities in specific areas.

Key Features and Benefits

The report provides detailed analysis of the current industry size and growth expectations from 2012 to 2016, including highlights of key growth stimulators. It also benchmarks the industry against key global markets and provides a detailed understanding of emerging opportunities in specific areas.

The report includes trend analysis of imports and exports, together with their implications and impact on the Nigerian defense industry.

The report covers five forces analysis to identify various power centers in the industry and how these are expected to develop in the future.
The report allows readers to identify possible ways to enter the market, together with detailed descriptions of how existing companies have entered the market, including key contracts, alliances, and strategic initiatives.

The report helps the reader to understand the competitive landscape of the defense industry in Nigeria. It provides an overview of key defense companies, both domestic and foreign, together with insights such as key alliances, strategic initiatives, and a brief financial analysis.

Key Market Issues

Corruption acts as an obstacle for market entry.

According to the Corruption Perceptions Index 2010 of Transparency International, Nigeria is classified as a highly corrupt country. Corruption can result in unfair contract awards and has become a major obstacle for foreign companies aiming to supply arms to the Nigerian MoD. There is also widespread corruption in the Nigerian Police Force; embezzlement and mismanagement of the police budget has resulted in only a small portion of the budget being spent on protecting internal security, resulting in an increased internal threat to the country. In January 2008 the Chief of Army Staff, acting for and on behalf of the government of Nigeria, awarded contracts to Esquire Ventures Ltd., Profitel Ltd., Century Communications Ltd., and Jonny-Way Investments Ltd. for the supply of various specialist military items to be used by Nigeria's UN-backed troops, for NGN1,190.7 million (US$10.3 million). Materials valued at NGN660 million (US$5.7 million) were supplied and others worth NGN530.7 million (US$4.6 million) were ready for shipment, but the contractors were paid only NGN175 million (US$1.5 million), leaving the contractors underpaid, despite the country receiving funding for the project from the UN worth several million dollars.

Small defense budget does not attract suppliers.

With a defense budget of US$2.1 billion in 2011, Nigeria invests only 0.9% of its GDP towards defense. During the review period an average of 16.5% of the defense budget was allocated for capital expenditure, representing a relatively low allocation for the purchase of equipment, and high-technology arms and ammunition. As a result, the country's relatively small defense budget does not attract foreign defense companies, and the prohibition of FDI in the defense sector also acts as a barrier to market entry for foreign suppliers.

Key Highlights

Nigeria's defense expenditure expected to increase at a CAGR of 22.43% during the forecast period.

Nigerian defense expenditure, estimated to equal US$2.1 billion in 2012, grew at a CAGR of 19.27% during the review period. During the forecast period, the country's defense expenditure is expected to register a CAGR of 22.43% and to reach US$4.76 billion by 2016. The country's cumulative defense expenditure over the forecast period is expected to be US$16.38 billion, of which US$14.55 billion is expected to be invested in the personnel and others category, while the remaining US$1.83 billion is expected to be spent on equipment and infrastructure development costs.

Homeland security budget projected to increase during the forecast period.

Nigeria's homeland security consists of the budgets of the ministry of police affairs, and police formation and command. The country's homeland security budget, which stood at US$5.9 billion during the review period, is estimated to increase to US$12.0 billion during the forecast period, driven by extremism, drug trafficking, cybercrime and money laundering. In order to counter the threats posed by these criminal activities, Nigeria is expected to invest in surveillance and intelligence technologies such as electronic identification documents, e-passports, automated border crossing systems, and CCTV (closed circuit television) systems. The rate of growth is forecasted to decline to 8.95% by 2016.

Limited defense capability of domestic defense market drives import.

The country's defense capabilities are limited to the production of small arms and ammunition, and aircraft maintenance and repair services. The domestic defense industry comprises state-owned companies including Defense Industries Corporation (DICON), specializing in the production of small arms and ammunition, and Dornier Aviation Nigeria AIEP Limited (DANA), which provides aircraft maintenance and services. As a result, the country imports defense equipment such as aircraft, missiles, and armored
vehicles, which domestic suppliers do not supply. As the country does not spend a significant amount of its defense budget on advanced technology, and research and development, the domestic defense market remains under-developed.

Keywords:

Defense, budget, offset, regulation, capital expenditure, army, navy, air force, homeland, drivers, market opportunities, procurement, entry route, key challenge, announcements, alliances, contract awards, financial analysis, business environment, Military hardware, Air defense systems, Missile defense systems, Naval defense systems, Homeland security, Dornier Aviation Nigeria AIEP Limited, Defence Industries Corporation of Nigeria.

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