The South African Defense Industry: Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017

Description:
This report is the result of ICD Research / Strategic Defence Intelligence's extensive market and company research covering the South African 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 South African defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017 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 South African defense industry.

What is the current market landscape and what is changing?

Despite its challenges, South Africa remains one of Africa's most attractive defense markets, with a defense spending capability that is expected to increase in the forecast period and, in 2012, comprised 19.2% of the country's defense expenditure. Moreover, though the value of the budget allocation for military procurement decreased during the review period, it is expected to grow at a CAGR of 7.09% during the forecast period due to the expected need to replace outdated equipment. Furthermore, South Africa's participation in various peacekeeping operations in the region increases the attractiveness of the defense market to investors. Ultimately, it is expected that the majority of the South African defense budget will be spent on developing the army and air force during the forecast period.

What are the key drivers behind recent market changes?

Crime, peacekeeping missions, border security, and military modernization initiatives to drive defense expenditure. Although South Africa does not suffer from threats of external aggression, there are several factors that require the country's defense forces to be adequately prepared, including high violent crime rates, its international role in peacekeeping missions, and an unsecure border.

What makes this report unique and essential to read?

The South African Defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017 provides detailed analysis of the current industry size and growth expectations from 2013 to 2017, 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 2013 to 2017, 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 South African 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 South
Africa. 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

One of the major challenges to the South African defense industry is corruption, as evidenced by the fact that the country's last major defense procurement deal, which occurred in 1999 and valued US$3.5 billion, was one of the biggest corruption incidents in South African history. In addition, the relatively small size of South Africa's defense industry often discourages foreign companies from entering the country, as companies seeking large-scale economies are reluctant to invest heavily in a relatively small market, a reluctance compounded by the mandatory minority stake foreign companies are obliged to undertake and South Africa's lack of a strong defense policy.

The country adheres to a strong offset policy, which channels much-needed capital to its domestic defense industries. A 50% offset is obligatory for all contracts, with an additional 30% National Industrial Participation fee required for contracts worth over US$10 million. The country follows a credit system for valuing offset obligations.

Key Highlights

South Africa has Africa's second-largest arms market, with the country's total defense expenditure increasing at a CAGR of 9.55% in the review period, to value US$4.7 billion in 2012. The country spent a total of US$20.9 billion on defense during the review period.

The South African homeland security market valued at US$4.9 billion in 2008 and is expected to record a CAGR of 12.52%, to reach an estimated US$7.86 billion by 2012.

South Africa's arms imports have increased significantly in the last three years due to government plans to modernize its armed forces. Additionally, the procurement by armed forces has increased during the review period.

Keywords

South Africa, 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

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