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

Description: Product Synopsis
This report is the result of ICD Research / Strategic Defence Intelligence’s extensive market and company research covering the Swedish 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 Swedish Defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017 offers the reader insights into the market opportunities and entry strategies adopted by foreign original equipment manufacturers (OEMs) to gain market share in the Swedish defense industry.

What is the current market landscape and what is changing?
Sweden, the fifth-largest country in Europe, is expected to invest US$36.5 billion in strengthening its armed forces during the forecast period. Defense expenditure, which registered a CAGR of 1.9% during the review period, is anticipated to increase at a CAGR of 2.4% throughout the forecast period. The forecast military expenditure is influenced by tensions with Russia, the procurement of new defense systems and Sweden’s participation in international peacekeeping missions. Despite a marginal increase in the country's total defense budget, military expenditure as a percentage of GDP is predicted to decrease during the forecast period, as the country's defense expenditure is not expected to grow at the same pace as economic growth.

What are the key drivers behind recent market changes?
Swedish defense expenditure is primarily driven by reform programs, particularly the military’s transition to a rapid-deployment force with a modular structure, Sweden’s involvement in peacekeeping missions, its strained relationship with Russia, and its new acquisition of military hardware systems.

What makes this report unique and essential to read?
The Swedish 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
Market opportunity and attractiveness
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.

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

Industry structure
The report covers five forces analysis to identify various power centers in the industry and how these are forecast to develop in the future.

Market entry strategy
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.

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

Key Market Issues
Cancellation of projects due to low defense budget deters investors from entering the market
Despite the marginal increase expected for the country's total defense budget during the forecast period, the actual defense budget is expected to increase from US$6.73 billion in 2012 to US$7.62 billion in 2017. However, the budget is not large enough to fulfill all defense requirements, which has led to the cancellation of some projects. For example, the country's SEP (Spitterskyddad Enhets Platform) land vehicle design project, which was jointly undertaken with BAE Systems, was cancelled due to budget constraints. Low budget and the potential cancellation of projects means foreign investors are wary to enter the market.

The absence of multipliers in the offset policy discourages foreign suppliers
Offsets are mandatory in Sweden for all defense procurements exceeding US$13.9 million. However, the nation has no provision for multipliers, which discourages foreign suppliers while doing business with Sweden. Countries generally use offset multipliers as a tool to attract investments into industry sectors they consider to be critical or underfunded. Foreign suppliers have shown reluctance while transferring crucial defense technology to Sweden because it is not incentivized by way of offset multipliers. As such, the presence of foreign defense firms in European countries which offer multipliers is higher than in Sweden. The absence of multipliers limits the share of foreign defense firms within the Swedish military industry to an estimated 10%.

Imports accounts for only 10% of the demand
Sweden possesses a well-developed domestic defense capability, and is able to produce advanced defense systems such as fighter aircrafts, submarines and naval vessels from domestic defense companies. However, defense products manufactured in the country are highly sophisticated, which increases training requirements, and are also expensive. As a result, the country procures military equipment from foreign defense firms through competitive bidding in order to reduce costs. As such, imports account for the remaining 10% of demand for defense equipment. During the forecast period Swedish defense imports are not anticipated to increase significantly, as a result of the country's attempts to reduce total defense expenditure.

Key Highlights
Swedish defense expenditure expected to register a CAGR of 2.4% during the forecast period
Swedish defense expenditure, valuing US$6.7 billion in 2012, registered a CAGR of 1.9% during the review period. During the forecast period it is expected to grow at a CAGR of 2.4% to reach US$7.6 billion in 2017. On a cumulative basis, Sweden is expected to invest US$36.5 billion in its armed forces during the forecast period, a figure primarily stimulated by factors such as international peacekeeping missions, government modernization initiatives, and new security threats posed by Russia.

Capital expenditure allocation expected to increase during the forecast period
Throughout the review period, the average capital expenditure allocation of the total Swedish defense budget was 45%; however, in 2012 it is expected to be 46.8%. Despite the minimal increase in the country's total defense budget, the capital expenditure allocation is expected to increase to an average of 48% during the forecast period, as a consequence of a reduction in the troop size of the Swedish Armed Forces and armed forces modernization initiative.

Defense expenditure as a percentage of GDP is expected to decline during the forecast period
During the review period, the country allocated an average of 1.23% of its GDP to military expenditure, although this is expected to decrease to an average of 1.1% during the forecast period. Since 2005, Swedish defense expenditure as a percentage of GDP has registered constant declines, as the country's defense expenditure has not increased in accordance with overall economic growth.

Per capita defense expenditure expected to increase over the forecast period
Due to the expected increase in defense expenditure over the forecast period and marginal growth in the birth rate in the country, average per capita defense expenditure is projected to witness an increase during the forecast period. The population is forecast to increase between 2013 and 2017 at an average rate of 0.47% compared to 0.6% registered during the review period. This will result in an increased per capita in defense expenditure from an average of US$641 in the review period to US$760 in the forecast period.
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