The Portuguese Defense Industry - Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017

Description: This report is the result of SDI's extensive market and company research covering the Portuguese 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 Portuguese 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 Portuguese defense industry.

What is the current market landscape and what is changing?

Portugal's defense budget was US$3.14 billion in 2012 and, during the review period, recorded a CAGR of 1.7%. However, the country's high fiscal debt is forcing austerity measures which will cause the defense budget to decline during the forecast period to reach US$2.87 billion by 2017. The primary factors driving Portugal's defense expenditure are military modernization set out in the country's military procurement program[1] (LPM) and Portugal's commitment to international organizations such as the NATO (North Atlantic Treaty Organization), the Organization for Economic Co-operation and Development (OECD), the EU (European Union), and the United Nations (UN). The majority of the defense budget is used for personnel expenses, including the pensions and salaries of the armed personnel. The expenditure for equipment procurement, which averaged 18.6% of the total defense budget during the review period, is expected to fall to 17.9% by 2013, as the country is intending to reduce the budget of LPM by 40%.[1] The Lei de Programação Militar (LPM) is Portugal's long-term military procurement program, passed in 2006.

What are the key drivers behind recent market changes?

Portugal's defense expenditure is primarily driven by military modernization plans and the country's participation in international peacekeeping missions. In 2006, the government established its military funding program (LPM) which defined the long-term modernization objectives for the armed forces. The LPM is an eighteen-year program, divided into three six year phases, and the government had planned to spend EUR5.45 billion (US$7.42 billion) on military modernization during 2006-2023. Portugal is a member of international organizations such as the EU, the UN and is a founding member of NATO and, as a part of these organizations; Portugal takes part in various peacekeeping missions.

What makes this report unique and essential to read?

The Portuguese 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 a 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 Portuguese 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 Portugal. 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

The Portuguese government procures the majority of its defense equipment from foreign companies due to its relatively under-developed domestic defense industry. However, the government is also importing capabilities that its domestic industry is capable of performing itself, and has even been exporting. The import of this hardware poses a challenge for the domestic defense industry, which has been slowly developing through joint ventures and partnership contracts.

Defense companies catering to the Portuguese market face the challenge of Portugal's declining military capital expenditure. In 2006, the Portuguese government defined its long-term military funding program (LPM) which outlined procurement expenditure over the 18-year period 2006-23. However, the government is currently facing economic challenges and has been forced to adopt austerity measures to reduce the country's high fiscal deficit. These austerity measures are reflected in defense spending with a 40% cut in LPM funding until 2013, and also a moratorium in new equipment procurement until 2013.

The Portuguese government has been accused of corrupt practices when awarding defense contracts. The government entered into a contract with a German company to acquire two submarines at a cost of more than EUR1 billion (US$1.36 billion), and the government made these purchases when it faced huge financial constraints and was forced to resort to austerity measures. The German companies bribed the Portuguese defense officials to make the purchases, and also the offset contracts negotiated by the government were actually existing investments and did not give any additional benefit to the domestic defense industry.

Key Highlights

Portugal's Defense Ministry budget was US$3.14 billion in 2012, and recorded a CAGR of 1.7% during the review period. The Portuguese government is facing economic constraints due to the country's high level of fiscal debt, which is expected to reach 115% of GDP by 2013. The debt is expected to be reduced to 4.5% of GDP by 2017 through the use of austerity measures, which will include lengthening t-bill maturities and implementing defense expenditure cuts. The government has made a 40% cut in the budget for the 2006 military funding program (LPM) until 2013, which establishes the long-term objectives for modernizing Portugal's armed forces. The government has also announced that it will not make any new commitments for military equipment purchases until 2013.

Portugal's homeland security expenditure falls under the budget of the Ministry of Internal Administration (MIA). The homeland security budget stands at US$2.2 billion in 2012, registering a CAGR of -3.08% during the review period and, during the forecast period, the budget is expected to grow at a CAGR of 7.68% to reach US3.01 billion by 2017. The fall in the growth rate is due to the austerity measures adopted by the government.

Portugal's defense imports increased at a robust pace in 2010 due to the acquisition of submarines and frigates for its navy, C-295 transport aircraft from pan-European corporation EADS for its air force, and Pandur 2 armored vehicles and Leopard 2A6 battle tanks for its army. All these purchases were made as part of the country's LPM program. However, the imports saw a steep decline in 2011, reaching a value of 115%. During the forecast period the country's defense imports are expected to decline as austerity measures lead to 40% cuts in planned LPM funding during 2010-2013. The government has also announced that it will not make any new commitments to purchase equipment until 2013.

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