The Finnish 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 Finnish defense industry, and 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 Finnish 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 Finnish defense industry.

What is the current market landscape and what is changing?

The Finnish defense budget stood at US$3.60 billion in 2012 and recorded a CAGR of 0.28% during 2008-2012. Finnish defense expenditure is expected to decline at a CAGR of -1.47% in 2013-2017 as a result of the Eurozone crisis and the consequent Economy Management Plan by the government. The high ratio of debt to GDP will lead to a decline in capital expenditure along with the lay-off of defense personnel to control revenue expenses. Military spending is expected to be driven by threats from Russia on the eastern border, the procurement of advanced air defense systems, and participation in international peacekeeping missions.

What are the key drivers behind recent market changes?

Finnish defense expenditure is expected to grow significantly during the forecast period, driven by international peacekeeping missions, the acquisition of advanced defense systems, and a perceived security threat from Russia. Currently, over 1000 personnel are participating in nine different operations across the globe, primarily as a part of United Nations (UN), European Union (EU), Organization for Security and Cooperation in Europe (OSCE), and North Atlantic Treaty Organization (NATO) operations. The Finnish armed forces have failed to embark on a defense modernization plan in the past decade, resulting in obsolete hardware. Even though the country has enjoyed peaceful diplomatic relations with Russia since the collapse of the USSR in 1991, it perceives Russia as a potential threat to its security due to pre-1991 violent relations and increased Russian defense expenditure.

What makes this report unique and essential to read?

The Finnish 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 Finnish 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
The report helps the reader to understand the competitive landscape of the defense industry in Finland. 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

Finland has been perceived as a country with low levels of corruption; however, since 2006, three alleged instances of bribery and corruption involving the country’s defense sector have been highlighted, and as a result, the country’s ranking in the Transparency International Corruption Perceptions Index has dropped since 2007.

The Finnish defense budget deficit in 2011 stood at US$10.6 billion, due to which the country was compelled to reduce its defense budget in the next ten years. Currently, the Ministry of Defense is contemplating reductions of US$300 million in its defense budget for 2012-13, which may eventually lead to the cancellation of defense-related projects and air defense modernization projects. A potential cut to Finland’s defense budget is an area of concern for foreign investors and deters their entry into the nation’s defense sector.

Key Highlights

Throughout the review period, the country allocated an average of 36.5% of its defense budget towards capital expenditure, while an average of 63.5% was earmarked for revenue expenses; however, during the forecast period the share of revenue expenditure is expected to decrease slightly, at a CAGR of-1.82%, to an average of 63.1%, irrespective of plans to modernize the country’s armed forces. Moreover, the government plans to reduce its troop size by more than 100,000 personnel during 2013-2017, which will subsequently lead to a decrease in revenue expenditure. As a result of cuts by the Finnish government in defense budgets, both capital and revenue expenditure will decline in the forecast years.

Finnish homeland security expenditure, as represented by the budget of the Ministry of Interior (MoI), stood at US$1.65 billion in 2012. Homeland security expenditure registered a CAGR of -1.19% during the review period and is expected to grow at a CAGR of 2.58% during the forecast period, reaching US$1.78 billion by 2017. The increase in organized crime within the country will drive growth during the forecast period and, in order to counter these threats, the country is expected to spend US$8.43 billion on its homeland security. During the forecast period, significant investment is expected in border security, maritime security equipment, and the fight against violent crimes, especially against children and young people.

An increase in defense imports was observed during 2007-2008; however, 2009 witnessed a drastic fall in imports of 72.6% as a result of weak global economic conditions. During the forecast period, Finland is expected to reduce its defense budget and continue with the procurement of defense materials and the modernization of air capabilities. Although the country has a developed defense industry, it has limited capability to produce advanced military equipment, which will result in increased defense imports.
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