

South Korea Aerospace and Defense Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The South Korean Aerospace and Defense Market is expected to register a CAGR of over 7% during the forecast period (2023 - 2028).

The COVID-19 pandemic had a huge effect on the country's aviation sector. Passenger traffic declined by 68% in 2020. While airlines like Korean Air were able to mitigate losses by enhancing their cargo operations, LCCs in the country faced mounting losses. However, airlines in the country were able to mitigate losses in 2021 with the growth in both domestic and international passenger traffic. The acquisition of Asiana Airlines and its subsidiaries by Korean Air is expected to consolidate the airline industry in the country.

On the other hand, the extreme security environment with growing security threats from North Korea and the growth of other military capabilities in the Northeast Asian region propelled the defense spending of South Korea over the years. Furthermore, the country's focus on indigenization of defense equipment is also providing huge growth prospects for the local players in the country.

South Korea is a global leader in several technological sectors, but its space program lags compared to its neighbors, China and Japan. With the US revoking the restrictions on long-range missiles and rockets, the local defense industry and the country's space sector are expected to gain momentum. The country is also taking several initiatives to grow in the space sector during the forecast period.

South Korea Aerospace & Defense Market Trends

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Increase in Defense Spending is Expected to Propel the Industry's Growth

South Korea faces an extreme security environment with a growing security threat from North Korea's nuclear and other weapons of mass destruction. The government aims to secure capabilities to retake wartime operational control (OPCON) of South Korean troops from the United States and achieve its defense reform goals. The Defense Reform 2.0, announced in 2018, aims to enhance the military capabilities required to respond to the region's dynamic security environment. It is based on three core pillars, an omnidirectional response to security threats, implementation of the latest technology, and developing a military culture to tackle human rights issues. The plan was envisioned to be implemented over five years. The defense reforms of the country aim to modernize the defense equipment of the armed forces. To cater to the modernization effort, the government aimed to increase the defense budgets by 7% each year between 2015 and 2020. South Korea's national defense budget has been on a constant rise over the last one and half decades, increasing from USD 17.63 billion in 2005 to USD 26.61 billion in 2011 and USD 42.50 billion in 2020. While several countries in the world are struggling to spend more than 2% of their GDP on defense, the South Korean GDP spending on defense has been growing impressively over the decade and reached 2.85% in 2020. In 2021, South Korea's defense budget increased by 5.4% Y-o-Y. Furthermore, in December 2021, the country's Ministry of National Defense (MND) announced that the defense budget for 2022 was USD 46.32 billion. The new defense budget is a 3.4% increase over that of 2021. The growth in the defense expenditure of the country is expected to propel the procurement and development plans of the military vehicles, equipment, and weaponry, thereby boosting the defense market in the country during the forecast period.

South Korea is Increasing its Investment in Space Technology

Over the years, the South Korean space program saw slow progress due to the persistent reluctance of the partner countries to transfer core technologies. However, the country is now eyeing to advance in the global space race and has plans to invest KRW 16 trillion (USD 13.6 billion) over the next ten years in bolstering its defense capabilities in outer space. This includes KRW 1.6 trillion to be used to develop core technologies for military satellites. The country had ramped up efforts since May 2021 when the United States scrapped a 42-year-old non-proliferation restriction that had barred South Korea from developing or possessing ballistic missiles with a maximum range greater than 800 kilometers. In October 2021, South Korea test-launched its first domestically made space rocket, the three-stage Nuri rocket. Also, South Korea is planning to build its own satellite navigation system and a 6G communications satellite network. South Korea's first-ever military communications satellite was launched in July 2020. A mid-sized remote sensing satellite was launched in March 2021. KAI is expanding its scope to space business by participating in the development of Korea Multi-Purpose Satellite, Geostationary Korea Multi-Purpose Satellite, Compact Advanced Satellite 500, and Korea Space Launch Vehicle. The other two companies that are competing in the South Korean space market are Hanwha Aerospace and LIG Nex1. Hanwha plans to apply LISLs to a constellation of 2,000 satellites it is building for low Earth orbit deployment by 2030, providing connectivity to urban cargo-delivery drones and passenger airplanes. LIG Nex1 wants technologies for nanosats. Korea Advanced Institute of Science and Technology (KAIST) is supporting companies that are interested in the satellite business. The South Korean government's mission is to launch 110 small public satellites by 2031. These three companies are expected to play a crucial role in achieving such a target. On the other hand, large-scale investments from the government are expected to help the space segment grow over the next decade.

South Korea Aerospace & Defense Market Competitor Analysis

The South Korean aerospace and defense market is marked by the presence of major players, such as Lockheed Martin Corporation, Korea Aerospace Industries Ltd, Hanwha Defense, Daewoo Shipbuilding & Marine Engineering Co. Ltd, and Hyundai Heavy Industries, that are significantly investing in the development of technologically advanced products to cater to the national and foreign needs. The country has prioritized indigenous aerospace and defense production in recent years by encouraging local players to develop the required capabilities. Also, the local players are expected to enjoy healthy growth during the forecast period, owing to the large-scale domestic and foreign investments, collaborations, and partnerships, with players from foreign

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countries. For instance, KAI is currently developing the KAI KF-21 Boramae fifth-generation fighter jet with Indonesia. Such partnerships are expected to facilitate technology transfer while reducing the development capital burden for the local players.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

Table of Contents:

1 INTRODUCTION

1.1 Study Assumptions and Market Definition

1.2 Scope of the Study

1.3 Currency Conversion Rates for USD

2 RESEARCH METHODOLOGY

3 EXECUTIVE SUMMARY

3.1 Market Size and Forecast, Global, 2018 - 2027

3.2 Market Share by Industry, 2021

3.3 Market Share by Type, 2021

3.4 Structure of the Market and Key Participants

4 MARKET INSIGHTS

4.1 Market Overview

4.2 Market Indicators

4.3 Market Drivers

4.4 Market Restraints

4.5 PEST Analysis

5 MARKET SEGMENTATION (Market Size and Forecast by Value - USD billion, 2018 - 2027)

5.1 Industry

5.1.1 Manufacturing, Design, and Engineering

5.1.2 Maintenance, Repair, and Overhaul

5.2 Type

5.2.1 Aerospace

5.2.1.1 Space

5.2.1.2 Civil Aviation

5.2.2 Defense

5.2.2.1 Army

5.2.2.2 Navy

5.2.2.3 Airforce

6 COMPETITIVE LANDSCAPE

6.1 Company Profiles

6.1.1 Hanwha Group

6.1.2 Daewoo Shipbuilding & Marine Engineering Co. Ltd

6.1.3 Korean Air Lines Co. Ltd

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- 6.1.4 Korea Aerospace Research Institute
- 6.1.5 Lockheed Martin Corporation
- 6.1.6 The Boeing Company
- 6.1.7 Korea Aerospace Industries Ltd
- 6.1.8 VICTEK Co. Ltd
- 6.1.9 DS Navcours
- 6.1.10 Hyundai Motor Group
- 6.1.11 Korea Shipbuilding & Offshore Engineering
- 6.1.12 LIG Nex1 Co. Ltd
- 6.1.13 SNT Holdings Co. Ltd

7 MARKET OPPORTUNITIES AND FUTURE TRENDS

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