

## **Middle East Military Vehicles Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

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### **Report description:**

The Middle East military vehicles market was valued at USD 26.69 billion in 2021, and it is projected to register a CAGR of more than 6% during the forecast period, 2022 - 2031.

The military spending of major countries in the region is decreasing. Factors like fluctuations in oil prices and the impact of the COVID-19 pandemic are affecting the economies of several countries, in turn affecting military spending. In addition, countries like Saudi Arabia have announced that they would reduce defense spending to allocate more resources to the healthcare and social development sectors. Such decisions may impact the growth of the market in the region.

While countries like Saudi Arabia, Israel, and the United Arab Emirates operate modern military vehicles, several countries in the region possess Soviet-era vehicles that require modernization. Hence, these countries are investing in the procurement of new military vehicles.

In addition, the aging fleet of military vehicles is also forcing some countries to invest in upgrade programs to improve the efficiency, lethality, and sophistication of the vehicles if they are slated to be effectively functional for some more years.

While the modernization and expansion of the region's vehicle fleets continue at a healthy pace, the region is also becoming increasingly self-sufficient and independent of the foreign countries by developing indigenous manufacturing capabilities. Several countries have been developing military vehicles on their own or are partnering with their foreign counterparts and manufacturing vehicles locally with the help of technology transfer agreements.

Middle-East Military Vehicles Market Trends

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## Increasing Focus on the Modernization of Naval Vessel Fleets

For several decades, countries in the Middle Eastern region have focused more on maintaining a modernized fleet of armored vehicles. However, with the changing nature of modern warfare, countries have increased their spending on naval vessel procurement over the past decade and have placed orders for newer generation naval combat ships. For instance, in June 2019, the United Arab Emirates awarded a USD 850 million contract to France's Naval Group for two Gowind corvettes. The first vessel was delivered in December 2021, and the second naval vessel is planned to be launched by 2022. Also, in recent years, the Middle Eastern countries have also realized their over-dependence on foreign manufacturers for military vehicles, resulting in few countries investing in the indigenous development of military vehicles through partnerships with allied nations. On this note, in October 2019, Turkey announced the MiLDEN project, an indigenous submarine project to develop and build six submarines by 2040. The first Turkish submarines were designed based on their German counterparts and featured silent cruising capabilities, guided missiles, and advanced heavy torpedoes. The submarine construction is expected to be undertaken by an indigenous construction consortium, including Aselsan and Havelsan, among others. Such developments and procurement plans are anticipated to drive the growth of the naval vessels segment during the forecast period.

## Saudi Arabia Accounted for a Major Share (by Revenue) in 2020

In 2021, Saudi Arabia accounted for a major market share in the Middle East military vehicles market. Over the past five years, the country has been steadily decreasing its military spending due to factors like downward pressure from declining energy prices and more focus on the education sector. However, due to increasing concerns over national security, the country is robustly investing in the modernization of its armed forces. The country has been receiving light-armored vehicles (manufactured by General Dynamics Land Systems), VAB Mk3 6x6 APCs, and SHERPA light tactical vehicles (manufactured by Renault Trucks Defense). The country is also modernizing its naval fleet under the Saudi Naval Expansion Program II, a modernization program planned to run over more than ten years. The government plans to invest approximately USD 20 billion on new ships (which may replace the outdated East Naval Fleet) and about USD 6 billion on the frigate program built by Lockheed Martin. Under this initiative, the country ordered Multi-Mission Surface Combatant Ships (MMSC). In December 2019, Lockheed Martin was awarded a USD 1.96 billion foreign military sales contract to design and construct four MMSC for the country. The delivery of the naval vessels is anticipated to begin by 2023. The country is also strengthening its aerial combat and support capabilities. In March 2021, Saudi Arabia signed two contracts worth more than USD 150 million with Lockheed Martin Corporation for UH-60M Black Hawk helicopters. Under one contract, the company received an order for four helicopters from the country, which are expected to be delivered in June 2022 (contract modification to the previous contract signed in 2017). Another contract was awarded to deliver 25 modified UH-60M helicopters for the Saudi Arabian National Guard (SANG). The contract is scheduled to be delivered through October 2024. Such procurement plans are likely to accelerate the growth of the military vehicles market in Saudi Arabia.

## Middle-East Military Vehicles Market Competitor Analysis

The Middle East military vehicles market was majorly dominated by foreign players as of 2021. Some of the prominent players in the market are ROSTEC, Lockheed Martin Corporation, The Boeing Company, and Leonardo SpA. However, the growing focus on indigenous manufacturing of military vehicles is anticipated to increase the market share of local players during the forecast period. Countries like Turkey, Saudi Arabia, and the United Arab Emirates are the frontrunners in indigenous manufacturing. Saudi Arabian Military Industries (SAMI), BMC Otomotiv Sanayi ve Ticaret AS, and Denel SOC Ltd are the prominent local manufacturers.

To support local manufacturing, in May 2021, the UAE government awarded a contract to Abu Dhabi Ship Building (ADSB) to build four Falaj 3-class offshore patrol vessels. The contract was worth AED 3.5 billion (USD 952.7 million), and the delivery of naval vessels is planned to be completed within five years. In order to stay competitive, the local companies are partnering with regional and international companies to introduce new products. For instance, in February 2021, SAMI signed an agreement with

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NIMR, a UAE military vehicle manufacturer, to manufacture the JAIS 4x4 MRAP (Mine-Resistant Ambush Protected) vehicles locally in Saudi Arabia. Initially, the armored vehicles are planned to be manufactured in the United Arab Emirates by NIMR. Later, through the transfer of production and technology, SAMI may develop its supply chain capabilities to enable the two companies to jointly manufacture all the JAIS vehicles in Saudi Arabia. Such partnerships are expected to help the companies enhance their shares in the market.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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