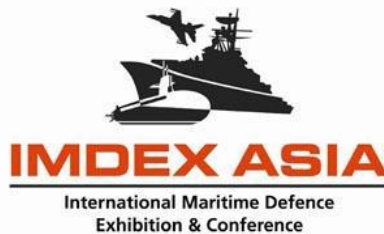


## Updated Asia-Pacific Market Overview



Hot News periodically features assessments and forecasts from AMI's Advisory Services. This February 2011 edition looks at the Asia Pacific (A-P) market in preparation for IMDEX Asia 2011.

*Asia Pacific Region set to become the world's largest naval market over the next 20 years. Balanced and careful investment rather than a "naval arms race" continues to define the A-P naval market.*

**Summary:** AMI, as market info partners for IMDEX for almost a decade, has released its latest 2011 Global and Regional Naval Market Forecast in February. The A-P region continues to show strong growth, with sea services (including Navies and Coast Guards) expected to acquire almost 900 new ships and submarines through 2030. This makes the A-P market the world's largest, as measured by the number of new ships to be built or bought.

Despite the increasing scope and pace of naval investments in the A-P region, a pattern of steady gradual improvement in fleet structures continues to define most countries' naval development plans, as it has over the past 20 years. AMI assesses that this 'slow and steady' course to build balanced naval capability portfolios, rather than a frantic "naval arms race" aimed at a specific threat scenario or neighbor, will continue to characterize future naval market development in the Asia-Pacific.

IMDEX continues to be the best single venue to observe and understand naval market growth opportunities across a vast market with a wide range of requirements, stretching from the Indian Ocean, to Southeast Asia, Oceania, and beyond.

**Discussion:** AMI VP for Advisory Services, Bob Nugent, reviewed AMI's latest naval market projections for the A-P region at the recent "Asian Naval Modernization in Southeast Asia" conference in Singapore, organized by the S Rajaratnam School of International Studies.

Bob noted at the conference that the A-P region has moved past Europe as the second largest naval market in the world as measured by market value of new ships and related equipment, with only the United States set to spend more on new ships and equipment over the next two decades.

Strong performance by A-P countries during the global economic downturn has set the stage for naval investment that is likely to accelerate with the current recovery in the global economy centered so far in the Asia-Pacific region. AMI forecasts that the countries across the A-P are expected to spend more than US\$175B on new ships and equipment through 2030.

Most of the region's sea services (including navies and coast guards) are spending to build balanced fleets:

- Patrol craft and offshore patrol vessels optimized for EEZ security missions.
- Multipurpose corvettes and frigates that will be the core conventional surface, anti-submarine and air defense warfare platforms.
- Submarines providing strategic influence and deterrence to medium and even relatively smaller navies.
- Large (most above 10,000 tons Full Load Displacement) amphibious ships able to conduct a wide variety of peacetime humanitarian and internal security missions, as well as with embarked naval air wings capable of providing fleet defense and force projection.
- Conventional take off and landing (CTOL) aircraft carriers now being built in China and India and set to join their respective fleets this decade. These ships will reshape the balance of maritime capability across some of the world's busiest and most vital sea lanes.

### Global Naval Market by Regions: 2010-2030

Program Status Region	In Progress (0-3 yrs)		Planned (3-10 years)		Projected (10-20 yrs)		Totals	
	#	US\$B	#	US\$B	#	US\$B	#	US\$B
Asia-Pacific	397	76.6	374	96.9	108	4.1	879	177.6
Caribbean & Latin America	101	3.2	120	8.3	89	14.6	310	26.1
MENA	200	13.3	95	17.8	194	8.2	489	39.3
NATO	183	70.4	360	85.3	132	15.8	675	171.5
Non-NATO Europe	27	0.5	41	5.4	28	2.7	96	8.6
Russia	81	20.1	7	3.0	0	0	88	23.1
Sub-Sahara Africa	0	0	18	2.3	23	0.8	41	3.1
U.S.	310	163.1	239	112.2	4	20.0	553	295.3
<b>Totals</b>	<b>1299</b>	<b>347.2</b>	<b>1254</b>	<b>331.2</b>	<b>578</b>	<b>66.2</b>	<b>3131</b>	<b>744.6</b>

- ❖ *A-P will be the largest naval market in the world by volume (28%), 2nd by value (25%).*
- ❖ *A-P will spend more on & add more new ships, than Non-US NATO countries thru 2030.*

Growth in naval spending is distributed widely across the region, although China, Japan, India and the Republic of Korea together combine for about 65% of total forecasted spending through 2030. Southeast Asian navies in particular are commencing a number of new ship and submarine

programs over the coming 5 years that represent great opportunities for local and international defense companies.

Singapore and Australia have substantial naval programs planned, and Malaysia, Indonesia, and Thailand are also sustaining consistent investments in naval capabilities over the same period.

### Regional Naval Market by Ship Segment: 2010-2030

Vessel Type	In Progress		Planned		Projected		Totals	
	# Hulls	US\$B	# Hulls	US\$B	# Hulls	US\$B	# Hulls	US\$B
Aircraft Carriers	6	5.2	0	0	0	0	6	5.2
Amphibious Ships	47	4.3	36	6.4	12	0.8	95	11.5
Auxiliaries	16	1.7	9	2.0	9	1.0	34	4.7
Cruisers	1	1.0	2	2.2	0	0	3	3.2
Destroyers	16	15.8	32	23.2	0	0	48	39.0
Frigates	75	19.4	48	22.5	0	0	123	42.0
Corvettes	0	0	0	0	0	0	0	0
OPVs	33	2.1	9	0.4	8	0.4	50	2.9
MCMVs	28	2.2	17	1.4	12	1.0	57	4.6
FACs	69	2.5	38	0.9	6	0.4	113	3.8
Patrol Craft	45	0.5	137	3.0	61	0.3	243	3.8
Submarines	61	21.9	46	35.0	0	0	107	56.9
<b>Totals</b>	<b>397</b>	<b>76.6</b>	<b>374</b>	<b>97.0</b>	<b>108</b>	<b>3.9</b>	<b>879</b>	<b>177.6</b>

Looking at market segments, significant market value is found in multipurpose surface combatants (frigates and corvettes), multipurpose amphibious ships, and submarines. In terms of hull numbers, patrol craft are the leading segment—making up 27% of the future regional market.

Submarines and frigates/corvettes are the leading value segments in the A-P naval market, making up about 30% and 25% respectively of projected new ship value through 2030. Spending on new construction destroyers (mainly in China, Republic of Korea, India and Japan) and amphibious ships are the other major value segments, making up 22% and 6% of the regional market value respectively.

Additional information on this article can be obtained by contacting Bob Nugent, VP for AMI's Advisory Services at AMI International (Tel: + 1 571 384 7931 or E-mail: [bnugent@amiinter.com](mailto:bnugent@amiinter.com)).