

UK Defence & Security Export Statistics for 2014

Released 14 July 2015

UK Defence & Security Export Statistics for 2014

Theme: Defence and Security Exports

Period of coverage: 2014

Released: 14 July 2015

Frequency of release: Annual

UKTI DSO Website:

<https://www.gov.uk/government/organisations/uk-trade-and-investment-defence-and-security-organisation>

UKTI DSO Statistical Contact:

dso.businessservices@ukti.gsi.gov.uk

SUMMARY

This statistical release comprises UK defence and security export performance data and analysis. The release principally focuses on 2014 data, but includes historic data for context and trend analysis purposes.

UK defence export information is based upon data provided by several hundred UK companies via UKTI DSO's voluntary survey of defence export contracts. Rest of the World data is derived from open source reporting of other countries' defence export contracts.

Security sector data is compiled by kMatrix and counts sales of security equipment and services.

This is the second year that UKTI DSO has released defence and security export figures as 'Official Statistics'. This year's release has been compiled in conjunction with the BIS Statistics - Analysis team. The document takes into account feedback from readers via a User Engagement survey.

Our defence statistics relate to sales to overseas Ministries of Defence and associated Armed Services. This makes them customer-based, rather than product-based.

Security data is provided by a contractor called kMatrix, under a multi-year contract to UKTI DSO.

All the information collected on the defence and security markets is vital to our understanding of the shape of the market and trends. It helps UKTI DSO in targeting support to all sections of the defence and security industries.

CONTENTS

- Summary
- Headline Figures

Defence

- Estimated Global Defence Exports (Based on Orders/Contracts Signed): World Market \$Bn at Actual Prices
- Defence Exports (Based on Orders/Contracts Signed): Estimated UK & Competitor Market Shares 2005-14
- Estimated Top Ten Defence Exporters (Based on Orders/Contracts Signed): 2005-14 (\$Bn)
- Estimated Defence Import Procurement By Region (Based on Orders/Contracts Signed): 2005-14 (\$Bn)
- Estimated Top Ten Defence Importers (Based on Orders/Contracts Signed): 2005-14 (\$Bn)
- Total UK Defence Exports (Based on Orders/Contracts Signed) by Region 2014
- UK Defence Exports (Based on Orders): 2005-14 (£Bn)
- Total UK Defence Exports (Based on Orders/Contracts Signed) by Region 2005-14
- UK and Global Defence Export Market (Based on Orders/Contracts Signed) by Sector 2005-14

Security

- UK Security Exports: 2012-14 (£Bn)
- Predicted UK Security (Exports) Market Growth (%)
- Top UK Security Export Destinations 2014 (£M)
- UK Security Exports by Product Type 2014 (£M)
- Predicted Global Security (Exports) Market Growth (%)
- Top Security Exporters 2014 (£Bn)
- Top Security Importers 2014 (£Bn)

- Notes

Headline Figures

- In 2014, the UK won defence export business worth £8.5Bn (\$13.2Bn).
- The UK share of the global defence market was an estimated 16%, enabling the UK to maintain its position as the world's second largest exporter of new defence products and services.
- The value of UK security exports in 2014 was £3.4Bn, compared with £3.2Bn in 2013.
- The UK was ranked 6th for global security (including cyber) exports in 2014, with a global market-share of 4.4%.
- The UK's most important defence export markets were in the Middle East, North America, Asia and Europe.
- The UK's most important security export markets were in North America and Asia.

UK Defence & Security Export Statistics for 2014

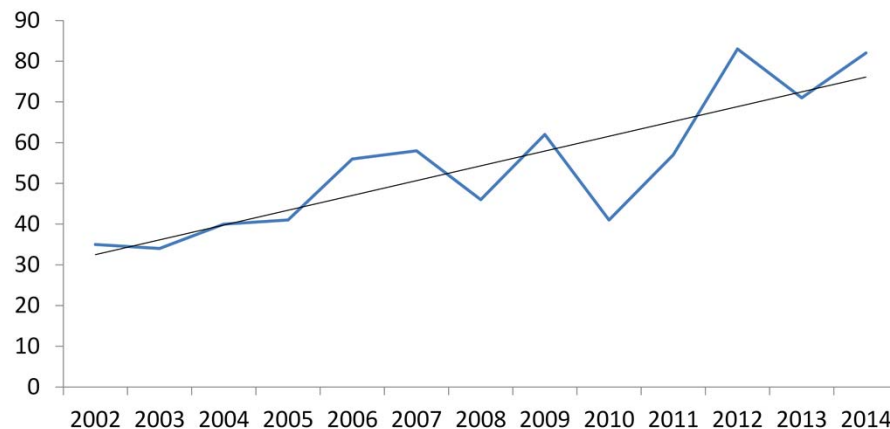
The global defence export market in 2014 is estimated to be valued at more than £50Bn (\$83Bn).

In an increasingly competitive global export market, the UK's defence export total of £8.5Bn in 2014 is a considerable achievement, particularly coming off the back of major platform exports in 2013.

UK defence companies enjoyed global success throughout 2014. Selected UK defence wins included Trent 700 engines for A330 Multi-Role Tanker Transport (MRTT) aircraft to France; Advanced Short Range Air-to-Air Missiles (ASRAMM) to India and the ForceShield Integrated Air Defence System plus Starstreak Missiles to Indonesia.

By geographic customer destination, the UK's most important markets for defence and security exports were in the Middle East, North America and the Asia-Pacific.

Chart 1: Estimated Global Defence Exports (Based on Orders/Contracts Signed): World Market \$Bn at Actual Prices



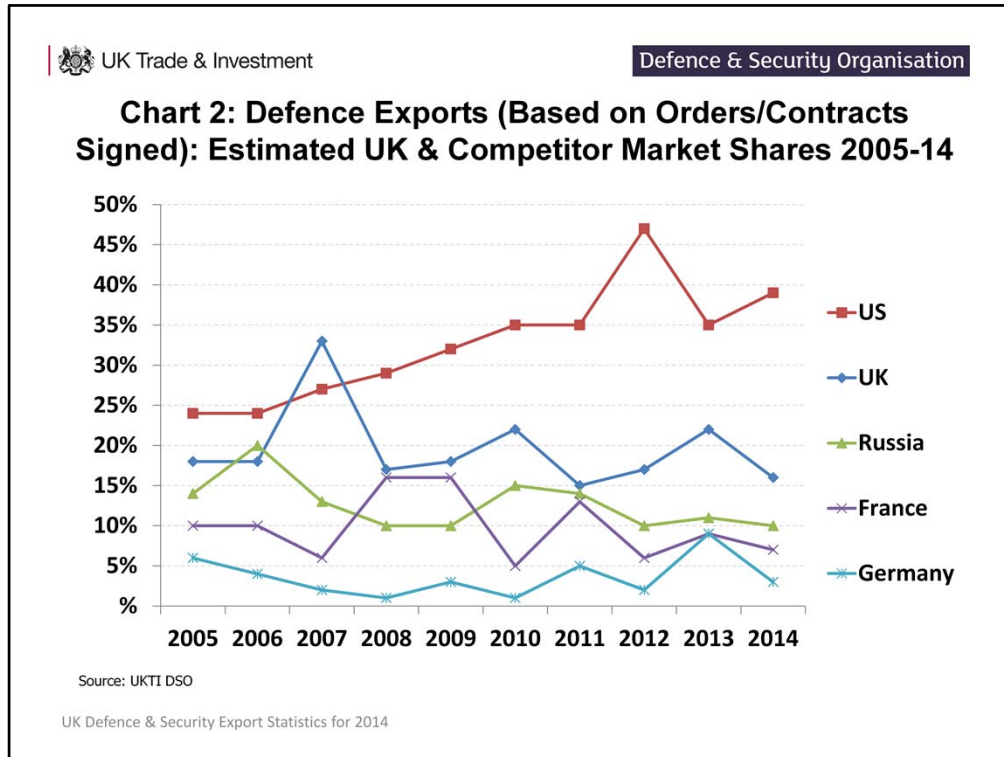
Source: UKTI DSO

UK Defence & Security Export Statistics for 2014

Year-on-year, the global defence export market experiences peaks and troughs in response to fluctuations in defence spending levels, threat perception and national requirements. A trend-line has been included in this chart for reference.

As we reported last year, the world defence export market was slightly down (by 14%) in 2013, against the 2012 figure. In 2014, we estimate that the global defence export market figure rose to \$83Bn, a 17% increase on 2013.

Selected major global defence export deals in 2014 included: Canada's GDLS winning a \$10Bn contract with Saudi Arabia (armoured vehicles); Sweden's Saab winning a \$5Bn contract with Brazil (Gripen aircraft); France winning a \$3Bn deal with the Lebanon (various military equipment); USA's Boeing winning a \$2.4Bn contract with Qatar for AH-64 Apache helicopters.



Over a rolling 10 year measure from 2005-14, the UK is at a 19% market share of the global defence export market, and is the second most successful defence exporter behind the USA.

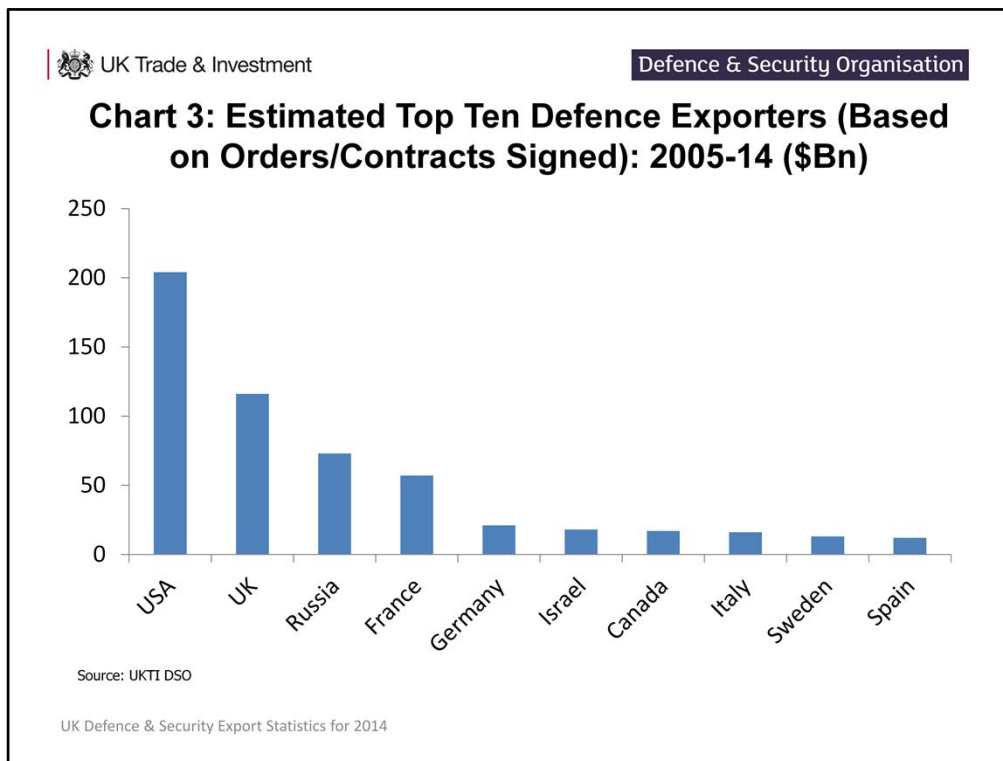
Putting 2014 in context, the USA was the leading global defence exporter. It enjoyed major export success in Qatar with Apache attack helicopters (\$2.4Bn); Patriot fire units (\$2.4Bn) and AEW equipment (\$1.6Bn). Canada was another major export destination for U.S. defence exports, with sales including CH148 'Cyclone' helicopters (\$2.1Bn) and logistics support (\$0.3Bn+).

The UK was second placed in 2014, maintaining a healthy order book on the back of strong core business and Rolls Royce engine deals.

In 2014, Canada (not displayed on the chart) secured third place in our rankings, a position underpinned by a \$10Bn order to Saudi Arabia for armoured vehicles.

Canada's export successes meant Russia was the fourth placed defence exporter globally in 2014, but it still enjoyed significant export successes around the world. Russia's principal export customer was Algeria with whom it won \$4.9Bn in contracts: helicopters (\$2.7Bn); submarine (\$1.2Bn) and T-90 tanks (\$1Bn).

France was ranked 5th with contracts amounting to \$5.5Bn; this included military equipment to Lebanon (\$3Bn), Gowind corvettes to Egypt (\$1.4Bn) and SIGMA 30 navigation and pointing systems to Indonesia (\$0.24Bn).



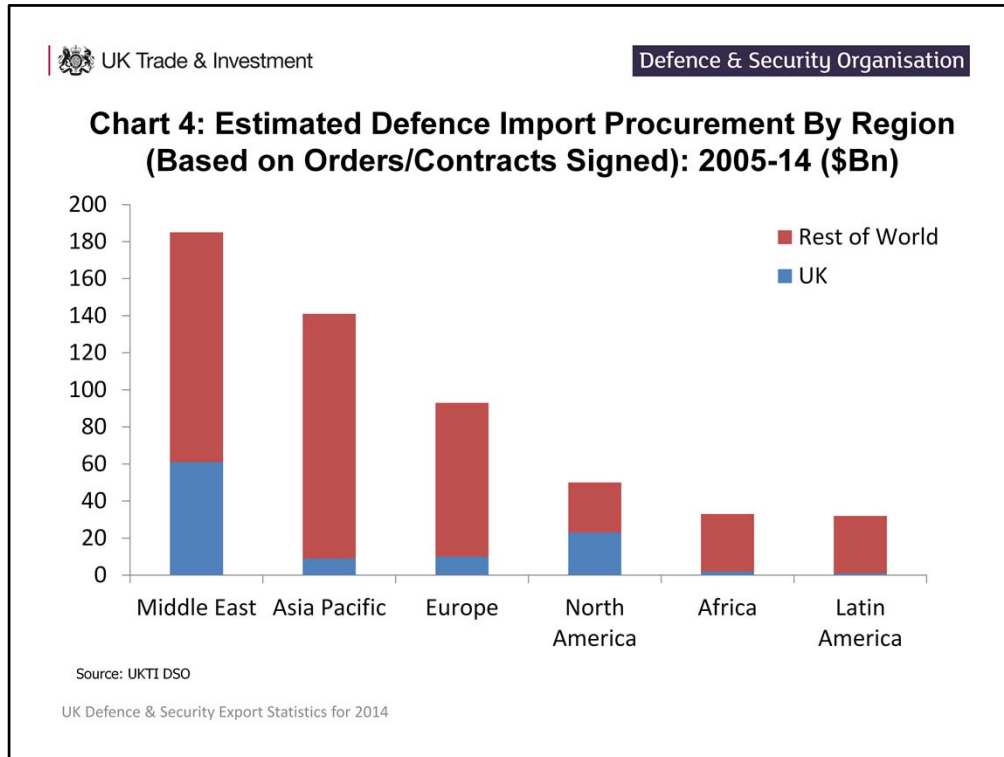
This chart shows that for the most recent ten-year period (including 2014 performance), the UK has successfully retained its position as the second largest defence exporter globally. The UK is also Europe's leading defence exporter ahead of Russia, France and Germany. The USA remains the pre-eminent defence exporter globally.

Major changes to note since the publication of last year's chart (for the 2004-13 period) are as follows:

Canada moves in to the top ten largely based on one year's (2014) export performance, which saw it win a \$10Bn order with Saudi Arabia for armoured vehicles.

The Republic of Korea, ranked 10th previously for the ten-year period, principally due to Naval exports, drops out of the top ten this time.

Spain drops from a ranking of 8th to 10th, with Sweden holding on to 9th place.

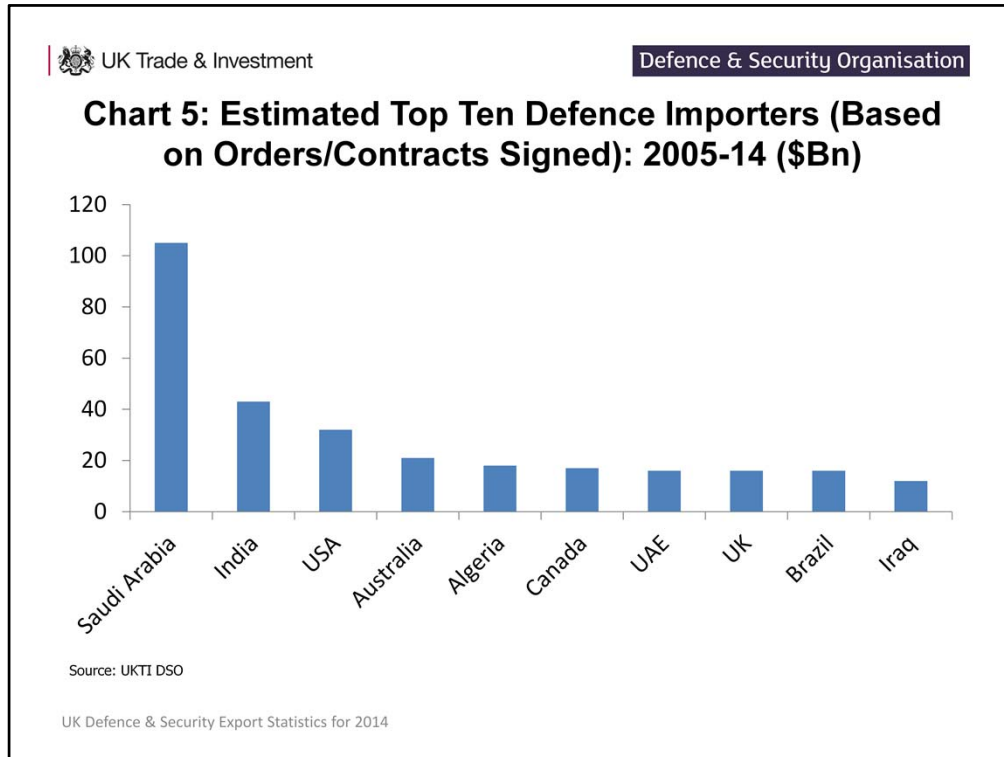


As can be seen from this 2005-2014 regional importers chart, the Middle East is the largest regional importer of defence equipment & services. The UK, USA and France are the major suppliers to the region.

The Asia-Pacific region has seen increased defence import activity in recent years, particularly in the aerospace and naval sectors. The UK has won major defence contracts in the region, including in 2013 when AgustaWestland won a helicopter deal with South Korea.

Some readers may be surprised to see that North America is only the fourth largest defence import region given that its defence expenditure is high. However, it is important to recognise that both the USA and Canada have strong indigenous defence industries, which means that import procurement rates are not necessarily as high as for other regions, such as the Middle East, where many countries possess no or a limited defence industrial capability. There are other factors to bear in-mind too such as threat perception/environment that all impact on a nation's procurement. Of significance is the fact that the UK is one of the most successful defence exporters to the USA, the two countries additionally enjoying strong industrial links and foreign investment that reinforces the UK's profile across North America.

UK companies continue to work hard in Latin America and Africa but have not hitherto won major business.



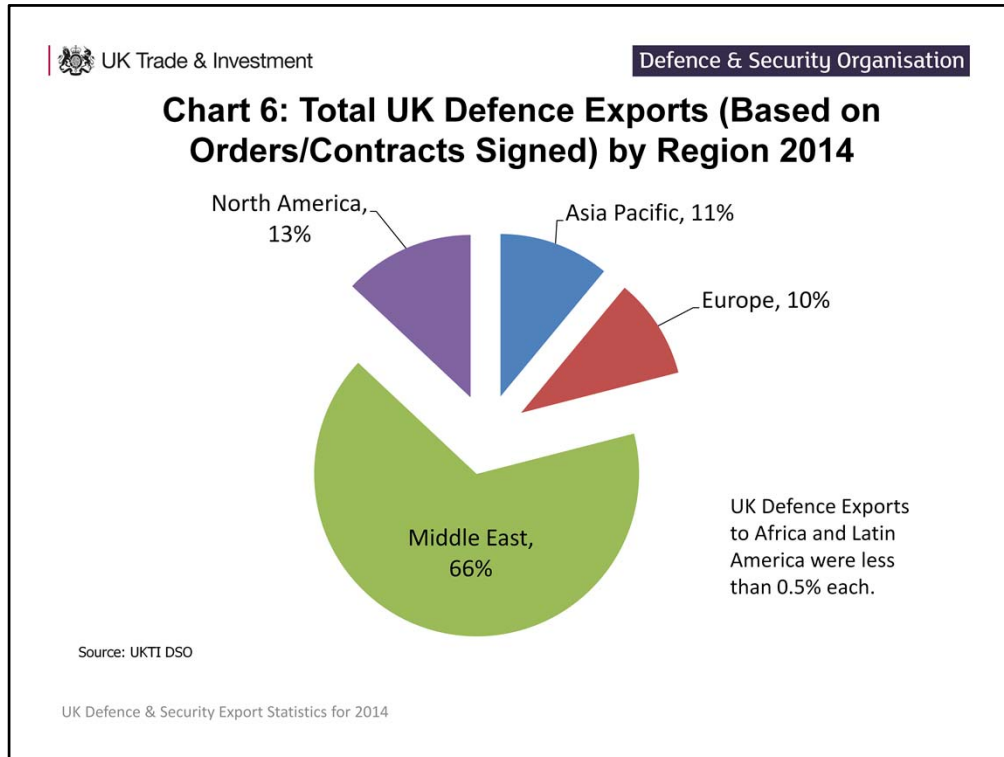
This chart shows leading defence importers in the 2005-14 period, with procurement from all countries including from the UK.

Saudi Arabia is the world's biggest defence importer, with more orders/ contracts signed than India and USA combined, the same position as in the 2004-13 period. India continues to broaden its defence supplier-base and has ordered defence equipment from the USA, UK, Russia and France in the past ten years.

Algeria is the fifth biggest defence importer in the 2005-14 period, up from eighth in 2004-13. Algerian defence imports have largely been dominated by a large package deal with Russia in 2006 and, more recently in 2014 by a Russian helicopter export (\$1.6Bn).

The UK is the eighth biggest defence importer in the past ten years, having been ranked sixth in the 2004-13 period.

Turkey was ranked tenth in the 2004-13 period, but slips out of the top ten importers chart for the 2005-14 period. Given the continued emphasis on developing its defence industry - and therefore making efforts to reduce its import-procurement level - this is not a surprise.



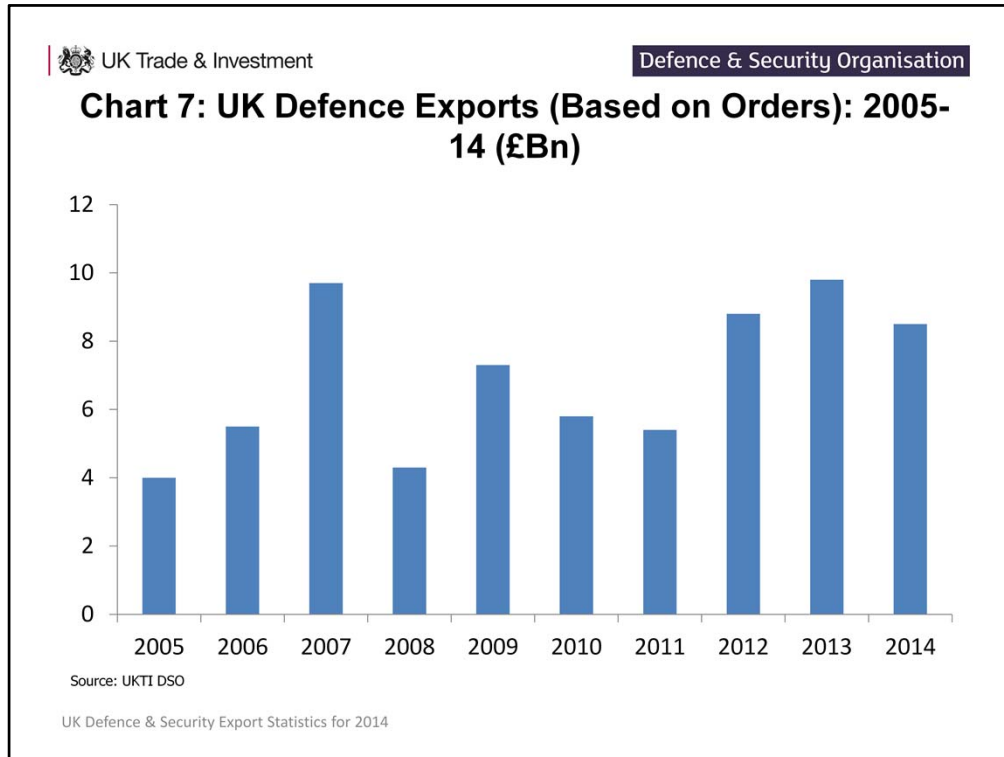
This chart depicts the regional breakdown of UK defence exports in 2014. UK defence exports remain greatest by value in the Middle East region; this was the same position in 2013 (67%).

UK defence exports to Europe were slightly down on 2013 performance, but Rolls Royce enjoyed a notable success in France with Trent 700 engines for the A330 Multi-Role Tanker Transport (MRTT) aircraft. The 2013 Europe figure of 12% was boosted by a major UK platform sale to Norway (AgustaWestland helicopter win).

Although UK defence exports to Europe dipped, UK defence exports to the Asia-Pacific region were up 2% on 2013. Selected UK wins in the region include MBDA UK selling Advanced Short-Range Air-to-Missiles (ASRAAM) to India, and Thales Air Defence (Belfast) securing a contract with Indonesia for the ForceShield Integrated Air Defence System and Starstreak Missiles.

The percentage of UK defence exports to North America in 2014 was identical to the 2013 level.

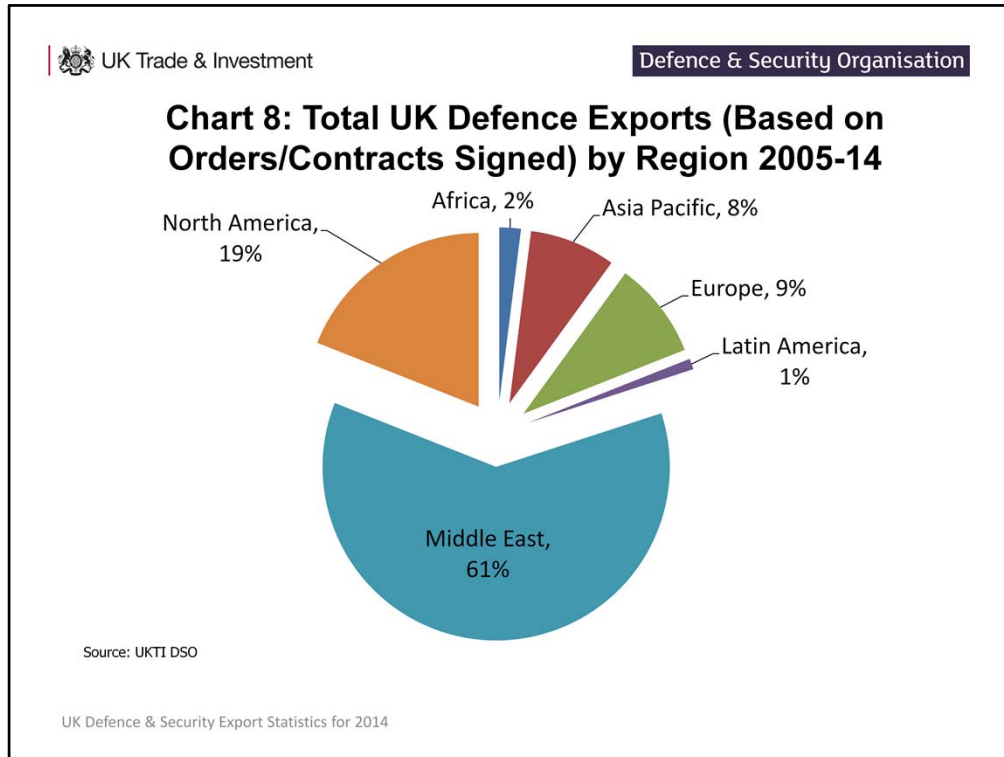
Within Latin America and Africa, UK defence companies continued to work hard, but have hitherto not won significant levels of business.



In the past ten years, the UK has won major defence orders in Oman (Hawk & Typhoon aircraft), Saudi Arabia and India (Hawk aircraft), Norway and South Korea (helicopters), and last year Trent 700 engines to France.

The spike in 2007 export performance was largely due to the UK winning a major Typhoon aircraft order from Saudi Arabia.

Throughout the 10 year period, core business has remained strong and helped the UK maintain its place as a top exporter globally and Europe's premier defence exporter.

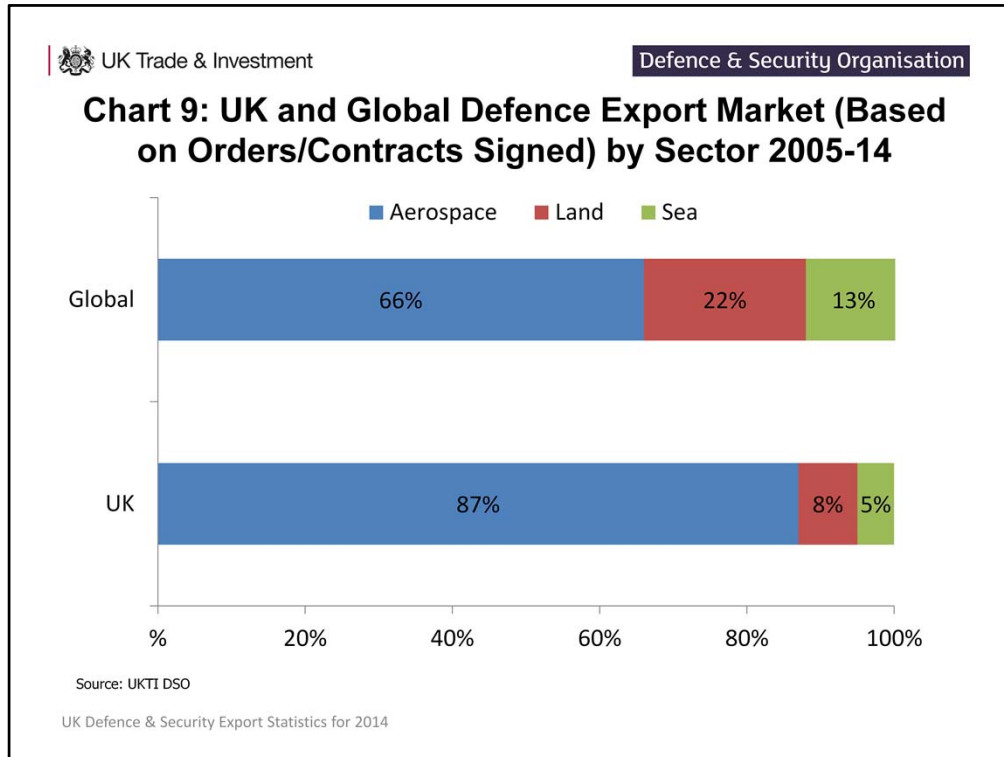


This chart shows the regional breakdown of UK defence exports for the ten-year period between 2005-14.

It is evident that the Middle East dominates at 61%, an increase of 6 percentage points on the 2004-13 period, reflecting the continued importance of the market to the UK (and competitors), and the high levels of defence expenditure made by the region.

North America was the second most successful region for UK defence exporters, accounting for almost one fifth of total UK defence exports by customer destination.

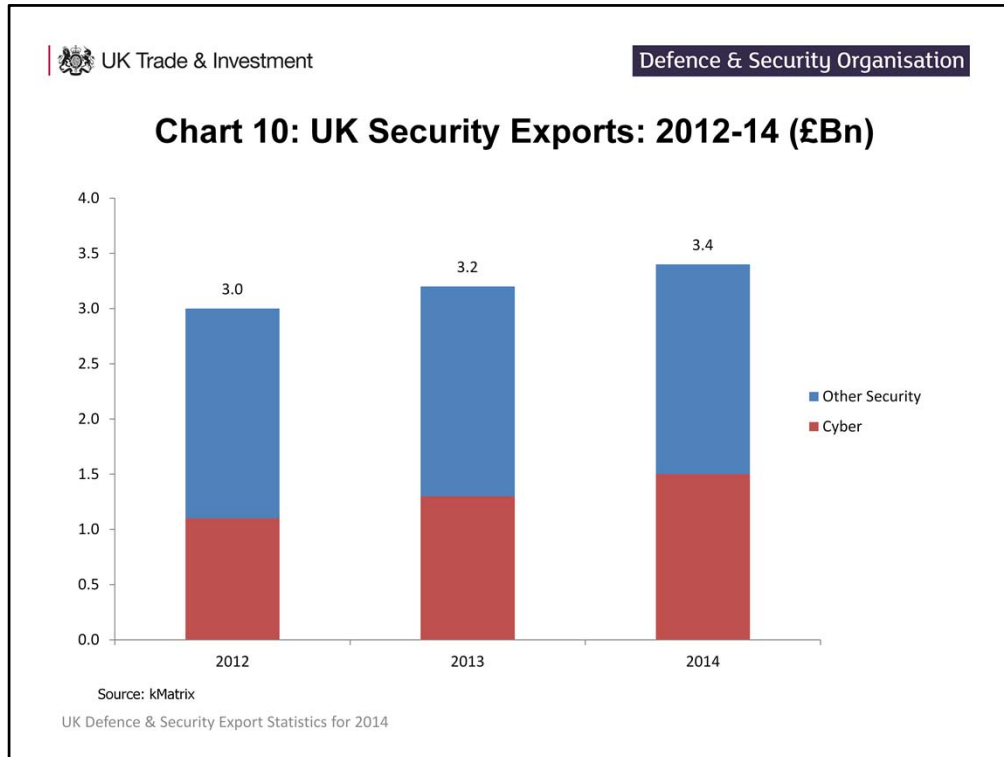
Europe and the Asia-Pacific were the next most important regional markets to the UK in this period.



These charts depict Global and UK defence export performance by sector across the 2005-14 period.

As is evident from the top bar, the Aerospace sector by value accounts for approximately two-thirds of all defence exports globally. This is not surprising given that high value fighter aircraft, transport aircraft, trainer aircraft, attack helicopters all reside in this category. Land and Naval systems have in recent years been the smallest of the defence export domains, both at the global-level, and mirrored at the UK level too.

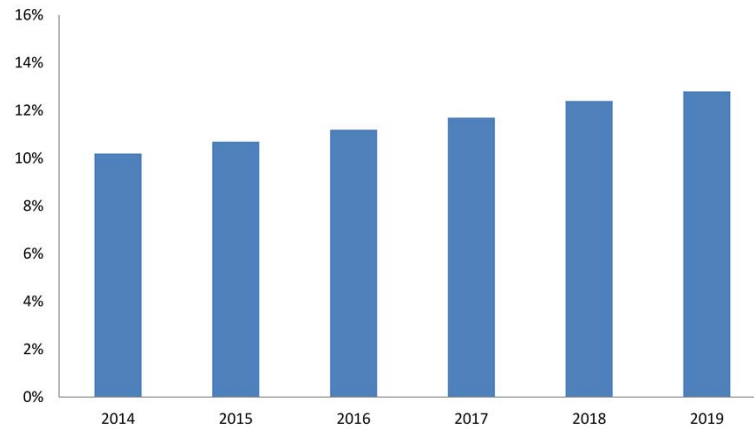
The second bar provides specific detail on the UK. The UK remains heavily dependent (more than 85%) on its air sector, including platforms, equipment and support. As a leader in air sector technology and capability, it is exploiting its expertise. This strength is vital to securing the high value export opportunities in growth markets where securing air superiority is, and will remain a key priority for nearly all nations.



This chart depicts UK security export figures for the past 3 years. There are two notable trends exhibited above. Firstly, there has been steady growth in overall Security exports rising from £3.0Bn in 2012 to £3.4Bn in 2014. The increase in exports between 2013 and 2014 was 10.4% (£323m), as per the kMatrix data. Secondly, it is interesting to note that the gap between Cyber exports and the rest of the sector has been steadily closing (from £528m in 2013 to £472m in 2014).

Last year, the Security Export Statistics for 2013 included a slide entitled 'UK Security Exports – Annual Totals (Based on Sales): 2007-13 (£Bn)'. That slide has not been replicated this year as the figures that were utilised to compile it were based on outmoded definitions for security and cyber categories. The slide above provide a standardised comparison over the past three years using the new definitions for the sector. The definition of the security sector was first agreed in 2007/8 and was updated in 2011 to include additional cyber security activities and again in 2013 and 2014 to reflect significant changes in the content and reporting of cyber activities. This history reflects the constantly changing nature of the sector.

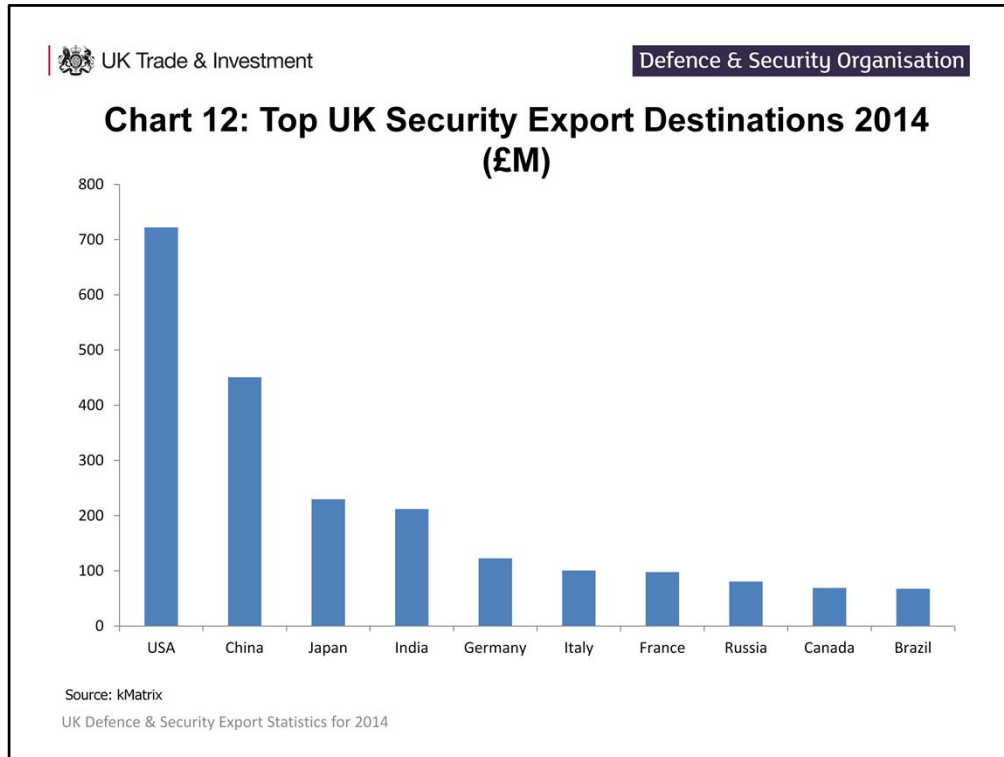
Readers should note however that the figures above for 2012 and 2013 are inclusive of additional estimates of business won by UK Private Security companies, the type of which kMatrix data does not completely capture. However it has not been added to this year's figure as we are working with kMatrix to find a way to effectively capture it in their data set. We assess that the exclusion of this data will not have had a material effect on the overall export figure.

Chart 11: Predicted UK Security (Exports) Market Growth

Source: kMatrix

UK Defence & Security Export Statistics for 2014

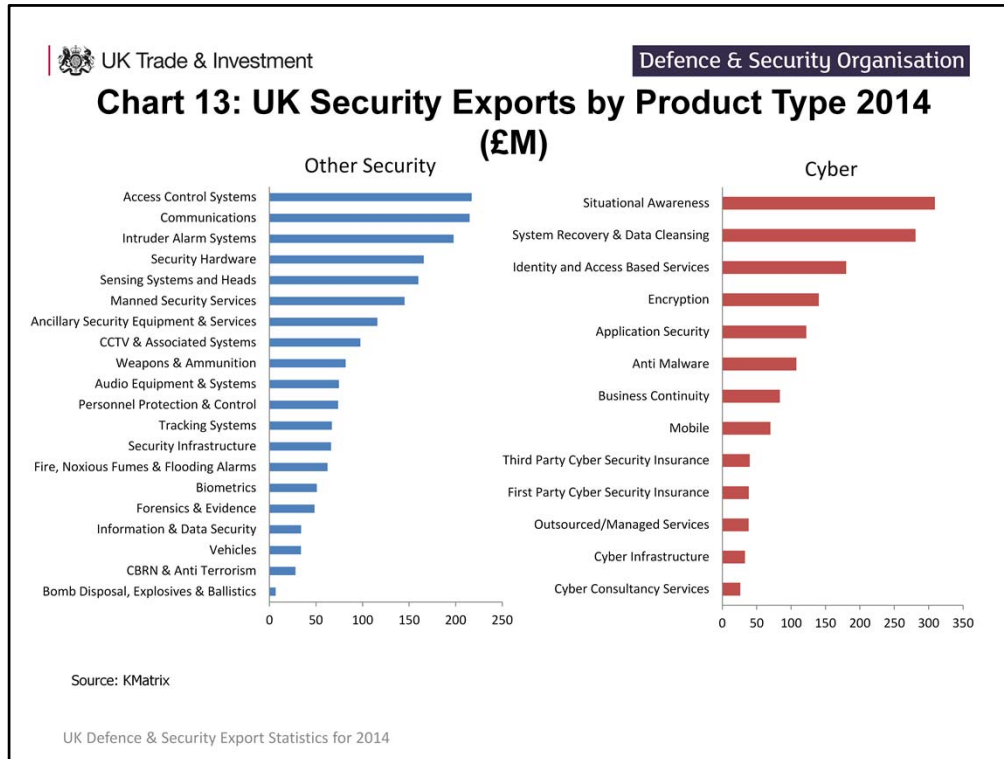
A steady trend of market growth is predicted for overall sales in the UK Security sector. Of this overall figure, the forecast growth for exports is predicted to rise from 10.2% in 2014 to 12.8% in 2019. This is at a higher level than the global average (7.8% in 2014 to 9.8% in 2019). UK growth forecasts for exports at the sub sector level from 2014 to 2019 are predicted to be steady. The top performing sub sectors are expected to be Application Security and Identity & Access Based Services for which annual growth is anticipated to be over 45% by 2019.



This chart illustrates the top ten export destinations for the UK Security Industry. These countries account for more than 60% of all UK security exports.

The top 5 export destinations are the USA, China, Japan, India and Germany; the same as in 2013. The only change to the remainder of the list saw Brazil and the Republic of Korea swapping places this year. Year-on-year variations tends to be minimal for these top destinations.

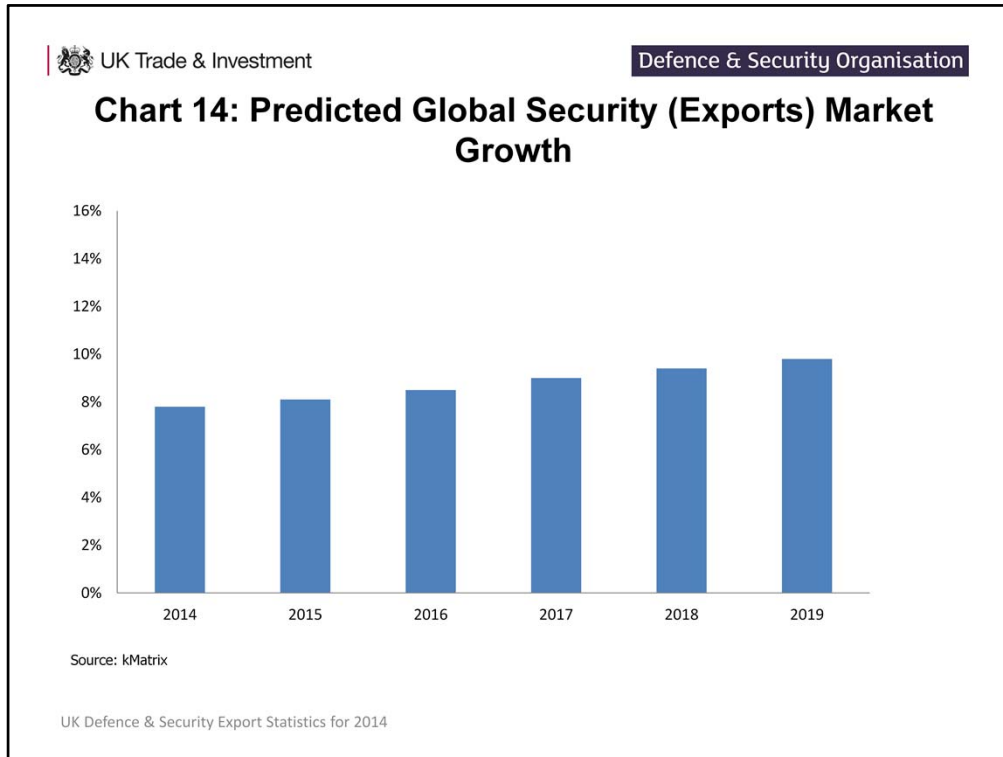
It is interesting to note that the Middle East, which dominates in Defence exports, does not feature so heavily in Security. The USA remains the UK's dominant security sector export destination, accounting for more than one fifth of exports. One explanation for this is that there are more uniform standards across the nation that enable multiple sales.



The overall value of UK Security Exports in 2014 was £3.4Bn. In keeping with the prevailing trend of recent years, Cyber is capturing a growing share of this market and accounted for £1.5Bn of this year's total figure. The wider 'Security' sector remains the largest at £1.9Bn but the gap is steadily closing.

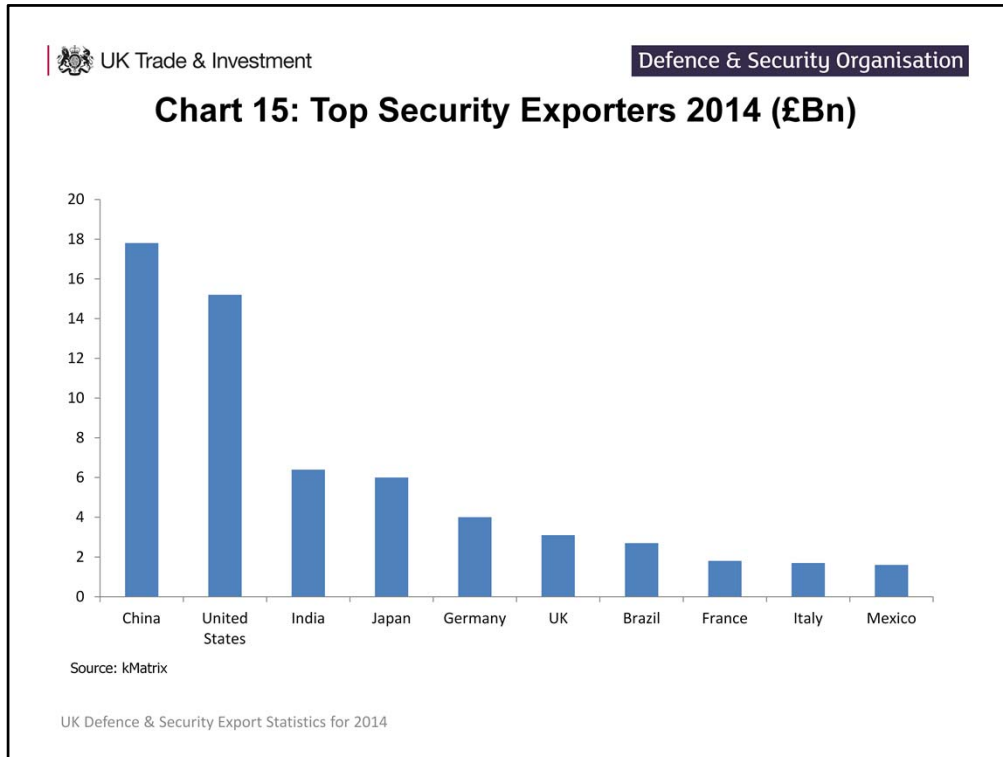
It is reflective of this trend that three of the top six UK sub-sector exports are Cyber related. Similarly the five highest growth export activities are all Cyber related capabilities growing, on average, at 16% over 2013/14.

Increases in Cyber crime, re-labelling of IT activities as 'Cyber', better economic conditions and more proactive responses to cyber defence have all played a part in the strong Cyber growth.



The global growth rate for the overall security sector remains bullish with an anticipated growth rate of 11.5% to 16.3% between 2014-2019. This growth is largely powered by a burgeoning cyber sector which is expected to grow between 16.7% in 2014 to 23.7% by 2019. The wider security sector is also expected to grow, albeit at a slightly slower rate, between 5.8% in 2014 and 8.2% in 2019.

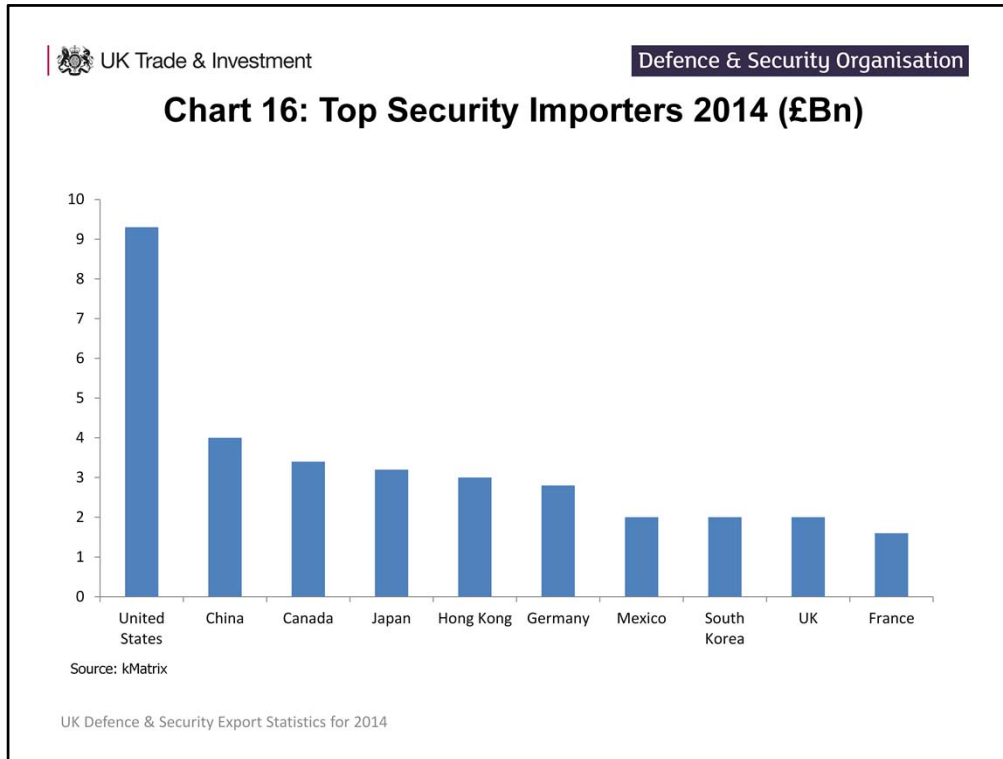
Whilst demonstrative of the sector's robust growth forecast, these figures are significantly less than the historical growth rate for 2013-2014 of 27%. Part of the reason for this was a market correction, with suppressed or one-off demands due to under-investment during the 2008 recession period.



China was the predominant exporter in the sector in 2014 with £17.8Bn of exports (accounting for 24.1% of their total sales). The USA was in second place with £15.2Bn in exports (10% of their total sales). India (£6.4Bn), Japan (£6Bn) and Germany (£4Bn) rounded off the remainder of the top five global exporters for 2014.

The UK was ranked 6th with £3.4Bn in exports last year. This accounted for 11.1% of the UK's total sales figure of £27.9Bn.

In terms of overall sales, the UK's £27.9Bn represents 4.2% of the overall global sales market. The UK ranking has not changed since the start of the Security data set in 2007/8 largely due to the gulf in sales between itself and the fifth ranked country (Germany).



The United States has slightly increased its position as the leading global importer of Security products with over £9Bn worth of imports in 2014. China remains in second place with around £4Bn in imports last year. There are no positional changes in the ranking of the other eight countries that comprise the top ten importers when compared to the 2013 figure. The UK imports £2Bn, which represents 7.4% of the market.

Notes

This UKTI DSO statistical release contains UK defence and security export performance data and analysis. Where '\$' values are expressed for Rest of the World activity or Global totals, these are presented in U.S. dollars for consistency. Figures quoted are actual prices, not adjusted for inflation.

All figures are subject to revisions due to definitional and methodological changes that will be notified to users.

Within the Security sector, the cyber security definition and taxonomy has changed since the 2013 data was released. It now includes First and Third Party Cyber Insurance.

Users familiar with the security export data released in 2014 will recall that the 2013 UK security export annual total was £3.2bn based on kMatrix data reconciled with additional private security export data obtained via a Trade Association/SCEG survey. Users are advised that the 2014 UK security export total is solely based on kMatrix data.