

# **UK Defence & Security Export Statistics for 2015**

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UK Defence & Security Export Statistics for 2015

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

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## SUMMARY

This statistical release comprises UK defence and security export performance data and analysis. The release principally focuses on 2015 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.

UK Defence & Security Export Statistics for 2015

This is the third year that UKTI DSO has released defence and security export figures as 'Official Statistics'. This release has been compiled in conjunction with the DIT Statistics - Analysis team.

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.

Separate methodology papers for the defence and security statistics accompany this release.

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 target support to all sections of the defence and security industries.

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## Headline Figures

- In 2015 the UK won defence export orders worth £7.7Bn (\$12Bn).
- UK share of the global defence export market was estimated at 12%, enabling the UK to maintain its position as one of the most successful defence exporters.
- Strong performance from France saw it rise to 2<sup>nd</sup> place, with the UK 3<sup>rd</sup>.
- UK's largest defence export markets were the Middle East, North America and Asia.
- In 2015 the value of UK security export sales was £4Bn (\$6.1Bn).
- UK share of the global security export market was 5%.
- UK's largest security export markets were North America and Asia.

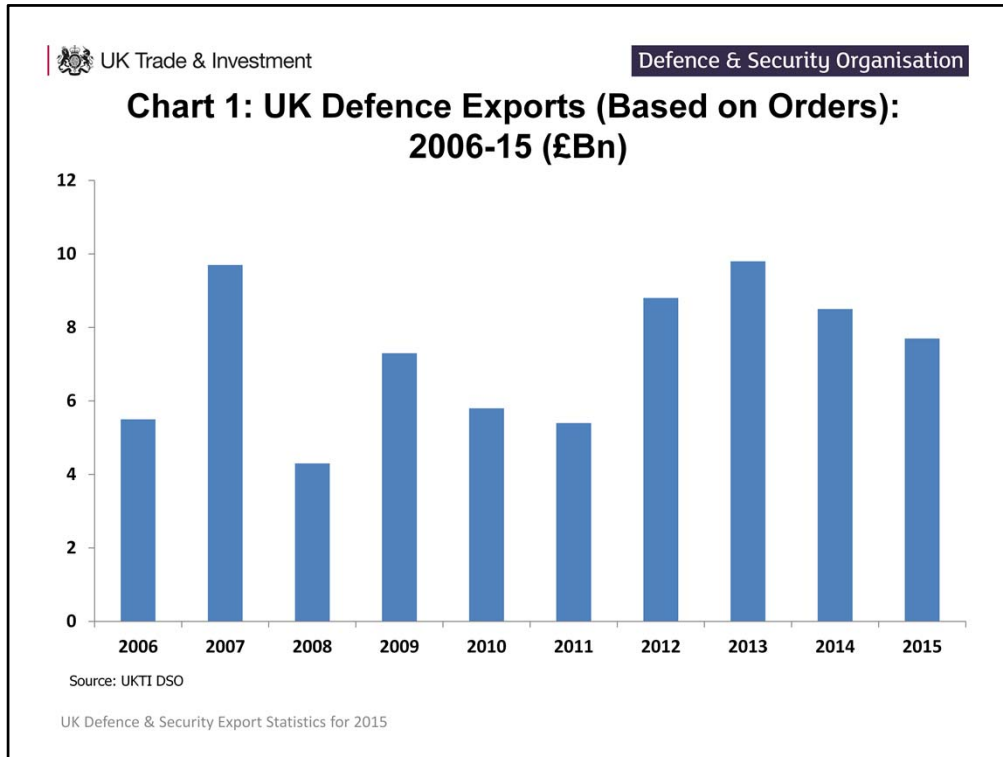
UK Defence & Security Export Statistics for 2015

The global defence export market in 2015 is estimated to be valued at more than £63Bn (\$97Bn), up £13Bn from 2014. This is a significant total given global economic uncertainties post-2014, which included volatility in oil price (particularly affecting countries with high exposure to low energy prices such as Algeria, Bahrain and Oman) and currency devaluations. The increased global defence export market total does reflect ongoing strategic threats. Despite fiscal constraints, defence expenditure has been heavily augmented by off budget funding in a number of cases, but may be under greater threat in 2016.

Of the £63Bn global defence export market, the UK won £7.7Bn worth of new business. This is a considerable achievement given limited platform orders, but the UK benefits from a solid base in core business, as we reported last year. UK defence companies continue to enjoy export successes around the world. The Gulf remains an important regional market. The Royal Saudi Air Force agreed a multi-million pound order for a further 22 Hawk Advanced Jet Trainers in December 2015.

In the security domain, the UK achieved an 18% increase in security exports between 2014 and 2015.

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



The UK is one of the world's most successful defence exporters, averaging second place in the global rankings on a rolling ten-year basis, making it Europe's leading defence exporter in the period.

During the past ten years, the UK has won significant defence orders, including Oman (OPVs, Hawk & Typhoon aircraft), Saudi Arabia and India (Hawk aircraft), Norway and South Korea (helicopters), France (Trent 700 engines), Brazil (OPVs), Republic of Ireland (OPVs), USA (bridging) and Estonia (minehunters).

The 2013 spike was largely attributed to AgustaWestland AW159 'Wildcat' helicopter exports to South Korea and AW101's Norway, in addition to strong core business.

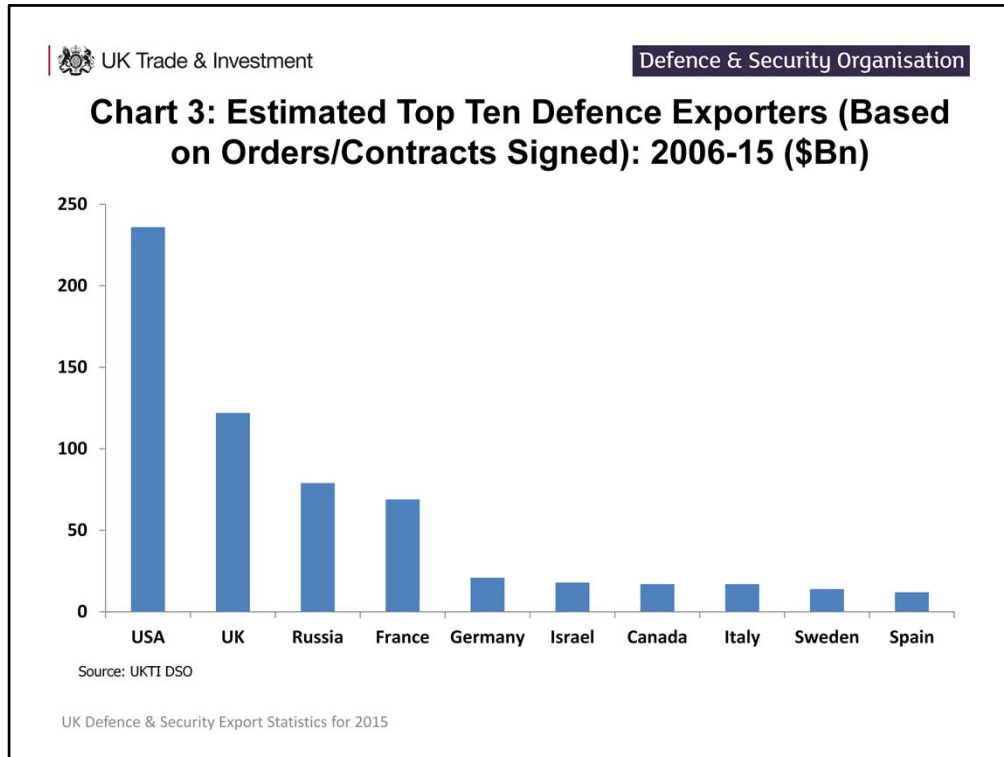
In 2015, notable success stories for the UK included companies winning contracts with Saudi Arabia, Malaysia, Thailand and Australia.



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.

As we reported last year, the world defence export market had risen from \$71Bn in the previous year to \$83Bn in 2014. In 2015, we estimate that the global defence export market figure rose again to \$97Bn, a 17% increase on 2014.

Selected major global defence export deals in 2015 included: France's contracts with Egypt worth a combined \$7Bn for 24 Dassault Rafale aircraft, MBDA missiles and a DCNS Mistral warship; France's \$7.1Bn contract with Qatar for 24 Dassault Rafale aircraft; USA's contract with India for 22 Boeing Apache and 15 Chinook helicopters (\$3Bn) to replace ageing Soviet-era aircraft; USA's contract with Saudi Arabia for Patriot Air & Missile Defence System; Sweden's \$1.27Bn contract with the UAE for an Airborne Swing Role Surveillance System.

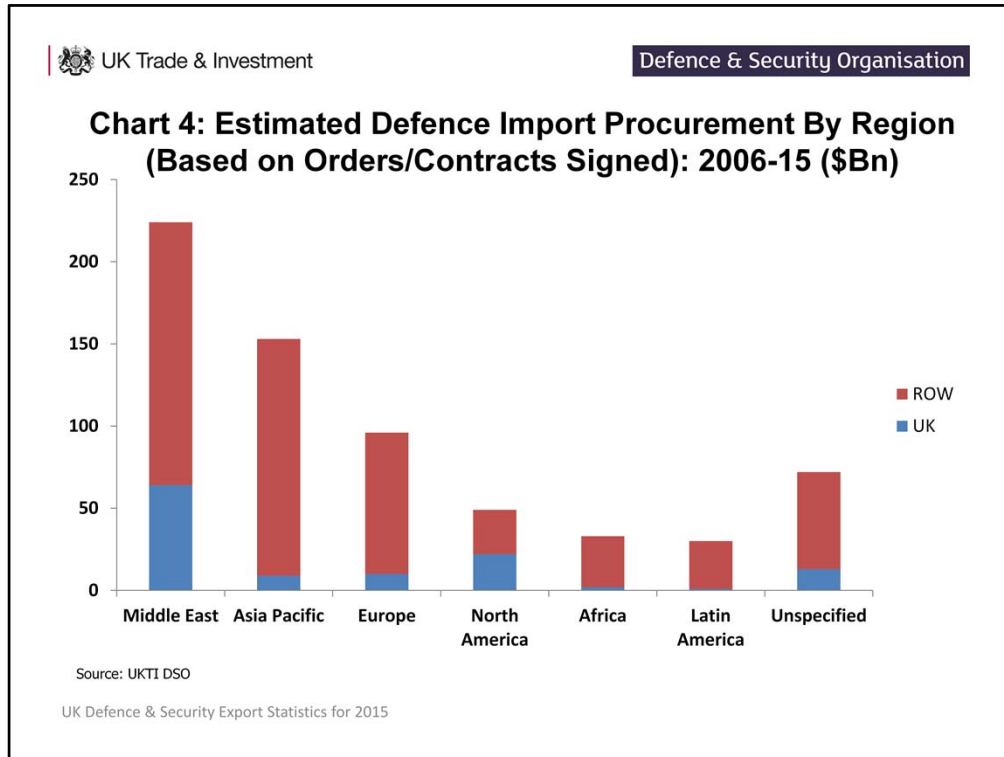


This chart shows that for the most recent ten-year period (including 2015 performance), the UK successfully retained its position as the second largest defence exporter globally. The UK is also Europe's leading defence exporter ahead of Russia, France and Germany. The USA remains the pre-eminent defence exporter globally.

France closed the gap on Russia following major export wins in 2015, as discussed earlier. Middle East countries were significant customers for France but interestingly, Saudi Arabia (the world's biggest defence importer) was only France's third highest regional customer, displaced by Egypt and Qatar.

Germany is ranked fifth, with exports including corvettes and Boxer vehicles. Israel is ranked sixth, having won business in India and Switzerland. Recent sales were for unmanned air vehicles, a strength of the Israeli defence industry.

We reported last year on Canada's move into the Top Ten, a position it consolidated in 2015. The 2014 Saudi Arabia export order (\$10Bn) for armoured vehicles largely accounts for this, but 2015 also saw Canada win good business in the USA, Australia and to NATO.

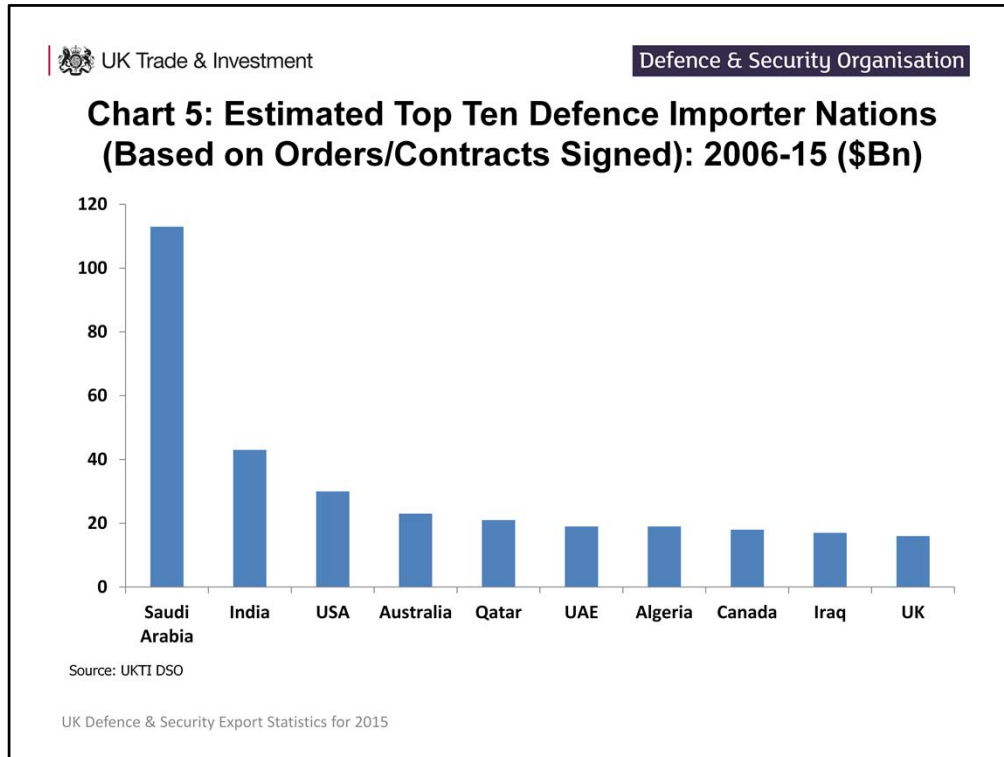


As can be seen from this 2006-15 regional importers chart, the Middle East is the largest regional importer of defence equipment & services. The UK, USA and France are major suppliers to the region.

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 order 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 is not 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, with both countries enjoying strong industrial links and foreign investment that reinforces the UK's profile across North America.

UK companies have had limited success in Latin America and Africa, where traditional suppliers like France and Russia continue to do well.



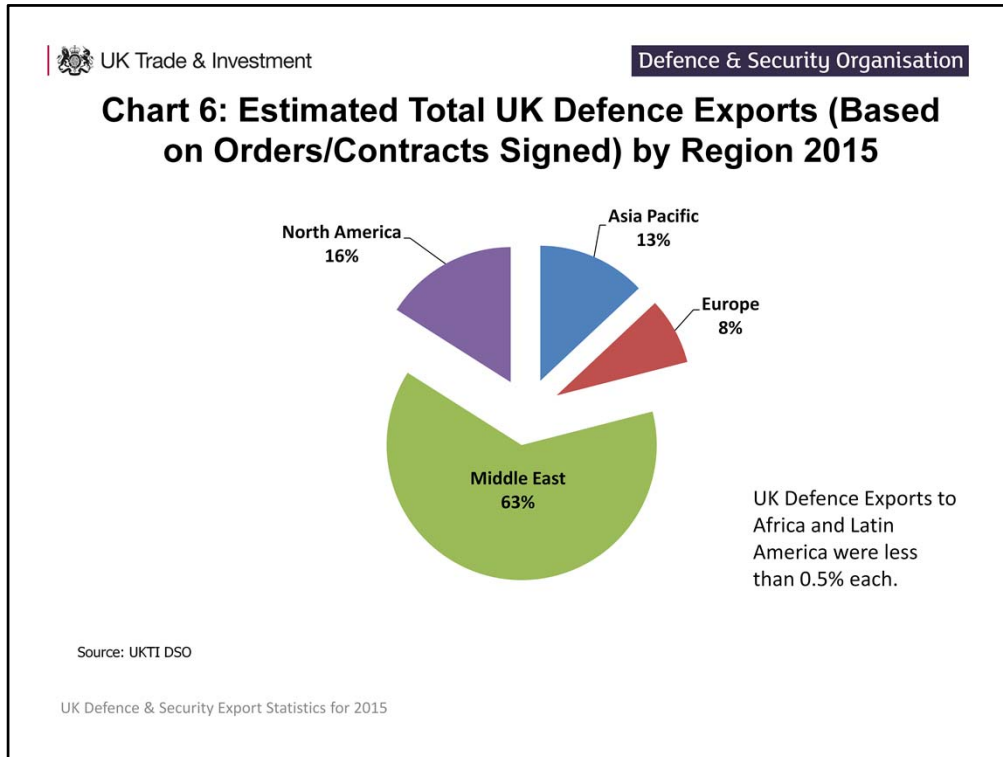
This chart shows leading defence importers in the 2006-15 period, with procurement from all countries including from the UK.

Saudi Arabia is again the world's biggest defence importer, with more orders/contracts signed than India and USA combined. This is the same position as in the 2005-14 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. Australia, 4<sup>th</sup> in the rankings, imported C-17 aircraft and P-8A maritime patrol aircraft.

In a change to the previous period (2005-14), Qatar has entered the Top 10 due to significantly increasing its import-procurement spend with France, the USA and Italy in 2015. The UAE, is a major defence importer in the period, ranked sixth globally.

The UK is the tenth biggest defence importer in the past ten years, having previously been ranked eighth (for the 2005-14 period).

North America continues to rank in the Top Ten, but Latin America's sole entry (Brazil) from the previous year's ranking, now drops to eleventh place in global defence import rankings.



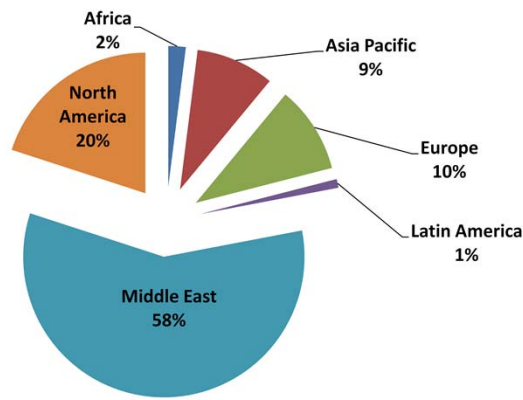
This chart depicts the regional breakdown of UK defence exports in 2015. UK defence exports were greatest by value in the Middle East region, boosted by Saudi Arabia's order for a further 22 Hawk aircraft.

UK defence exports to Europe were slightly down on 2014, with no major platform orders, but there was an increase in the number of individual contracts signed.

UK defence exports to North America in 2015 were up several percent on the 2014 level, with F-35 JSF Aircraft components contributing a substantial share of orders to the region.

UK defence exports to Asia Pacific remained steady, including Thales UK signing two new contracts to supply missiles to the Malaysian and Thai armed forces. Supacat secured another order for Extenda vehicles to Australia.

**Chart 7: Estimated Total UK Defence Exports (Based on Orders/Contracts Signed) by Region 2006-15**



Source: UKTI DSO

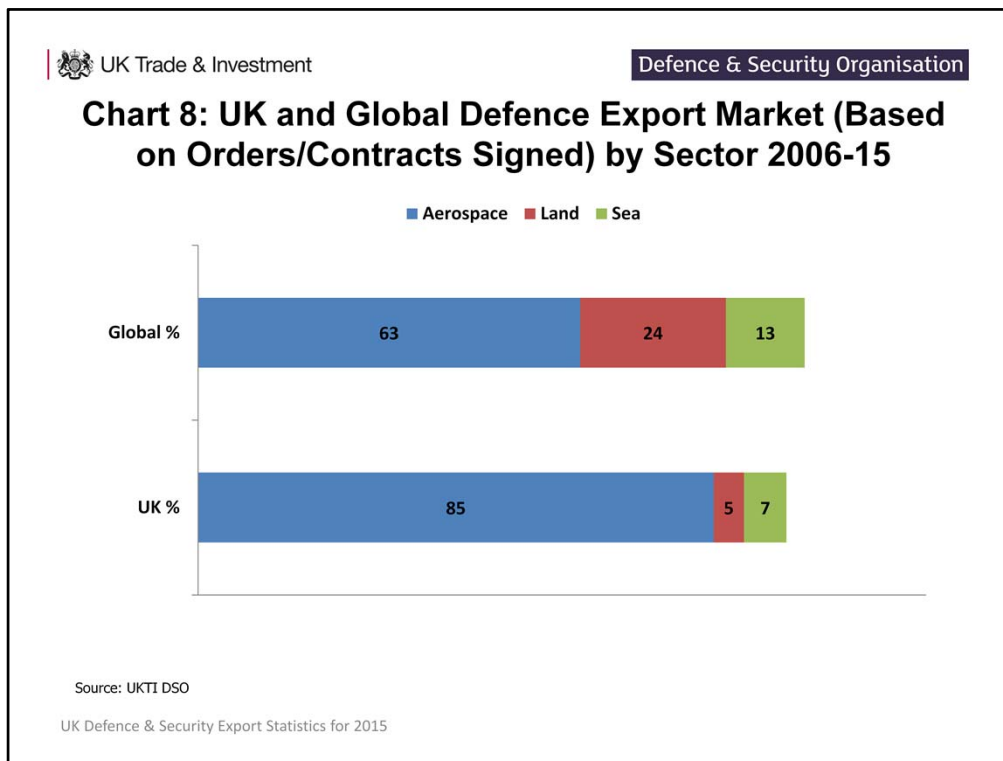
UK Defence & Security Export Statistics for 2015

This chart shows the regional breakdown of UK defence exports for the ten-year period between 2006-15.

The Middle East dominates at nearly 60%, which is similar to the 2005-14 period, reflecting the continued importance of the market to the UK (and competitors), and the high levels of defence expenditure made by the region. Despite oil price volatility, most countries in the region were able to sustain defence expenditure levels by using off budget funding.

North America was the second most lucrative 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 for the UK in this period.

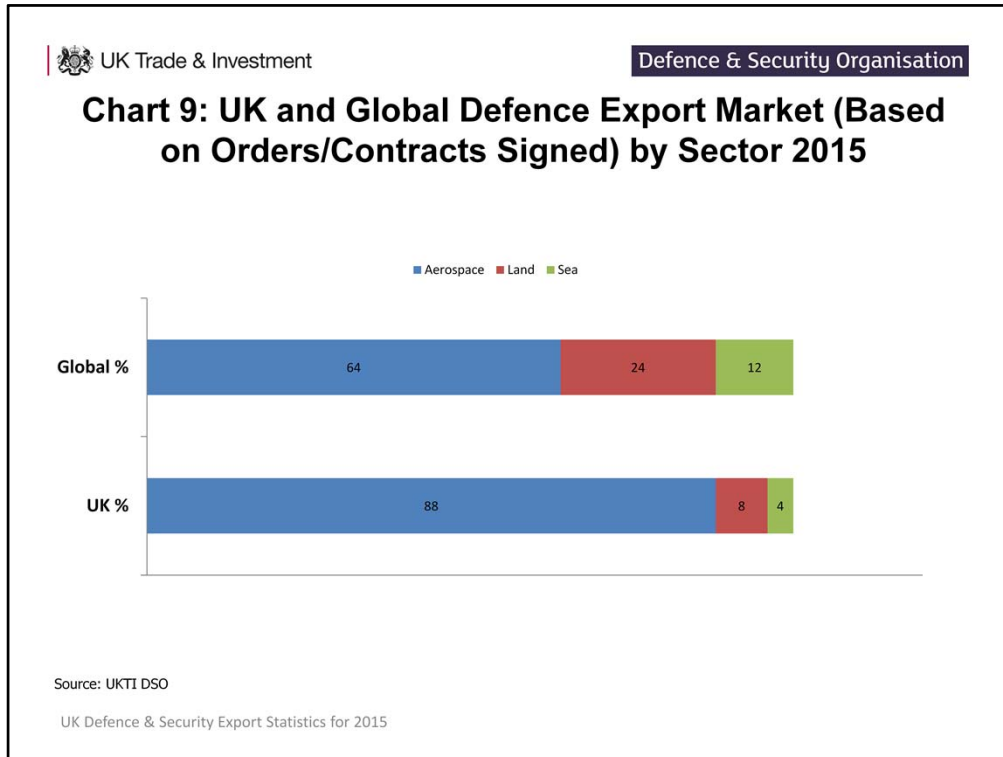


This chart depicts Global and UK defence export performance by sector across the 2006-15 period.

As is evident from the top bar, the Aerospace sector by value accounted for nearly two-thirds of all defence exports globally. This is unsurprising given the fact that high value combat aircraft, transport aircraft, trainer aircraft, attack and transport helicopters reside in this category. Land and Sea 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 (around 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. UK Sea exports are slightly ahead of Land exports in this period. There is head-room in these sectors that the UK should seek to exploit, particularly given the innovative and technological solutions developed by UK companies.

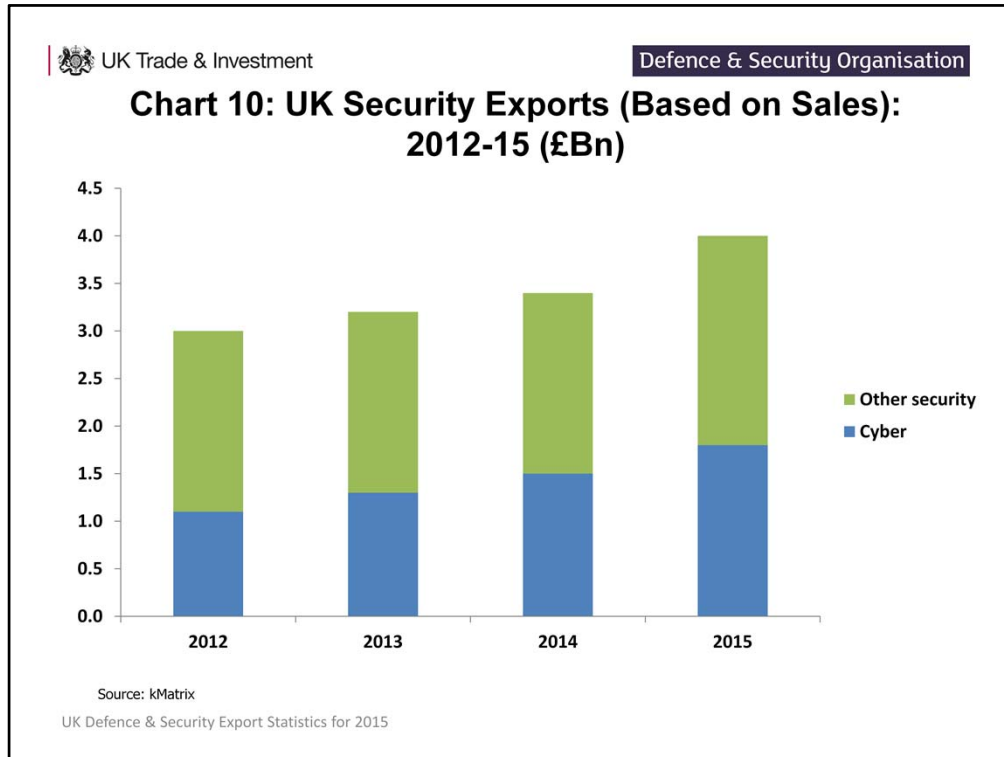
However, competitor portfolios such as the USA and France, appear slightly less unbalanced than the UK's, and therefore less exposed to sector fluctuation.



This chart depicts Global and UK defence export performance by sector in 2015.

As is evident from the top bar, the Aerospace sector by value accounted for nearly two-thirds of all defence exports globally.

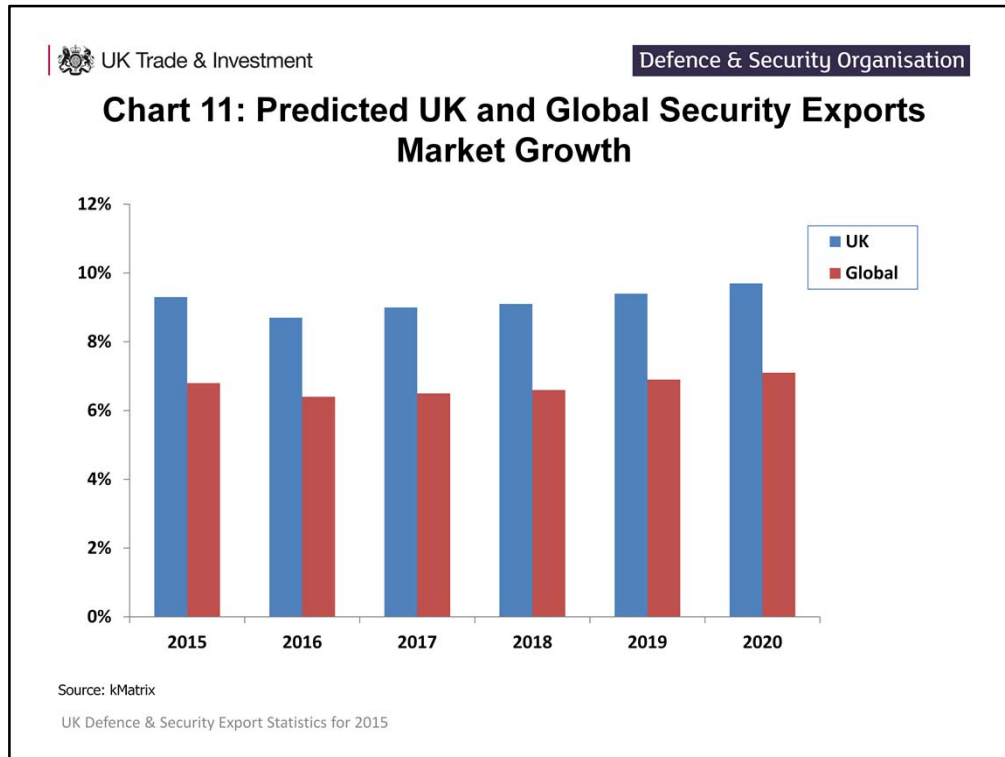
The second bar provides specific detail on the UK. The UK, as highlighted previously, is heavily dependent on its air sector, including platforms, equipment and support. In 2015, Saudi Arabia agreed a multi-million pound order with the UK for a further 22 Hawk Advanced Jet Trainers in December 2015.



The value of UK security exports in 2015 was £4Bn compared with 2014 UK exports of £3.4Bn and 2013 exports of £3.1Bn. This represents an increase of 18% in exports (£611M) between 2014 and 2015, compared with an 11% increase (£323M) between 2013 and 2014.

It is interesting to note that the gap between Cyber exports and the rest of the sector has continued to close (from £472M in 2014 to £342M in 2015), with Cyber currently equating to 45% of total UK security exports. This can largely be explained by the increase in expenditure for Counter-Terrorism and Physical Security, in light of the increased threat from terror groups and lone wolf attackers.

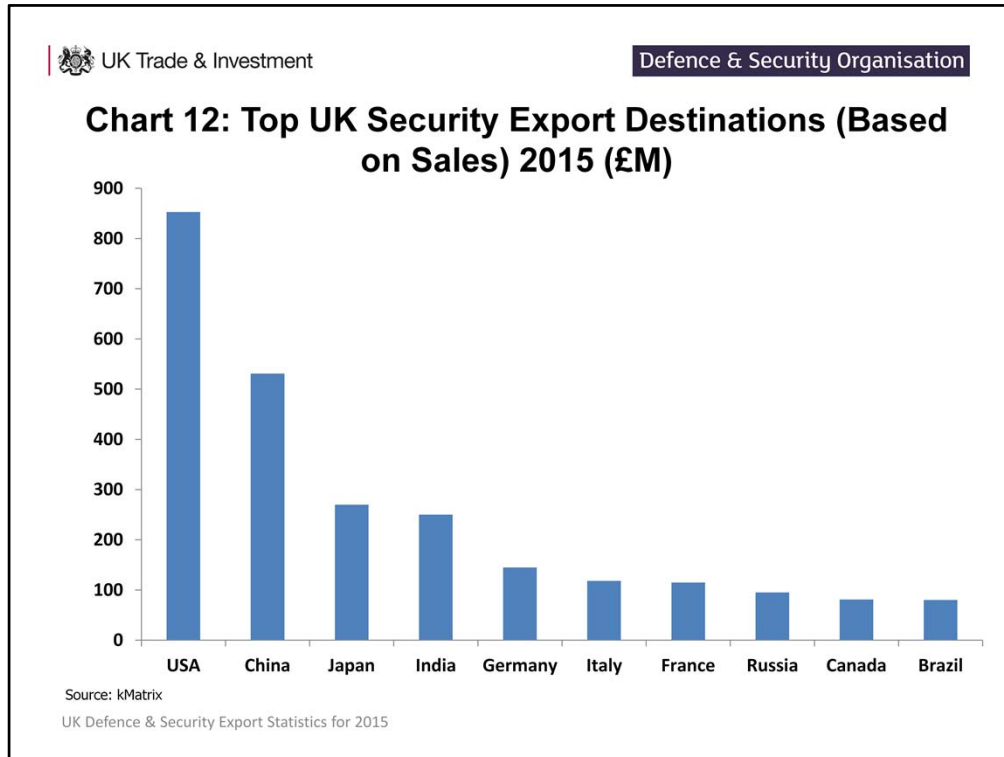
Last year, we noted that the Security Export Statistics for 2013 included a slide entitled 'UK Security Exports - Annual Totals (Based on Sales): 2007-13 (£Bn)'. That slide was not replicated last year as the figures that were utilised to compile it were based on outmoded definitions for security and cyber categories. The slide above provide a standardised comparison over the past four years using the new definitions for the sector. The definition of the security sector 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.



Last year, UK export growth was predicted to rise from 10.2% in 2014 to 12.8% in 2019. However, it is now likely to be lower, dipping slightly from 9.3% in 2015 to 8.7% in 2016, before rising to 9.7% in 2020. This is because the sector is subject to changing economic and security conditions: i) Increased investment in Cyber infrastructure leading to more predictable and planned growth in Cyber expenditure (smoothing the growth curves); ii) Increased demands for physical security measures in the face of terrorism threats; iii) New pressure to prioritise budget “spend” between responses to physical and cyber threats that may lead to deferred spend on Cyber activities.

The above factors have started to exert an impact of the Security & Cyber sector in terms of reduced growth in 2015 and reduced growth forecasts for both sales and exports. In previous years, it was commented that recent growth levels were unsustainable and it is therefore possible that 2015 represents the start of that consolidation with a re-balancing of threats (physical and security) and with more consistent and more predictable growth in Cyber.

As with UK export growth, the global growth rate for the overall security sector which was predicted to be 11.5% to 16.3% between 2014-2019, is now anticipated to be much lower, remaining fixed at around 7% per year over the next five years.



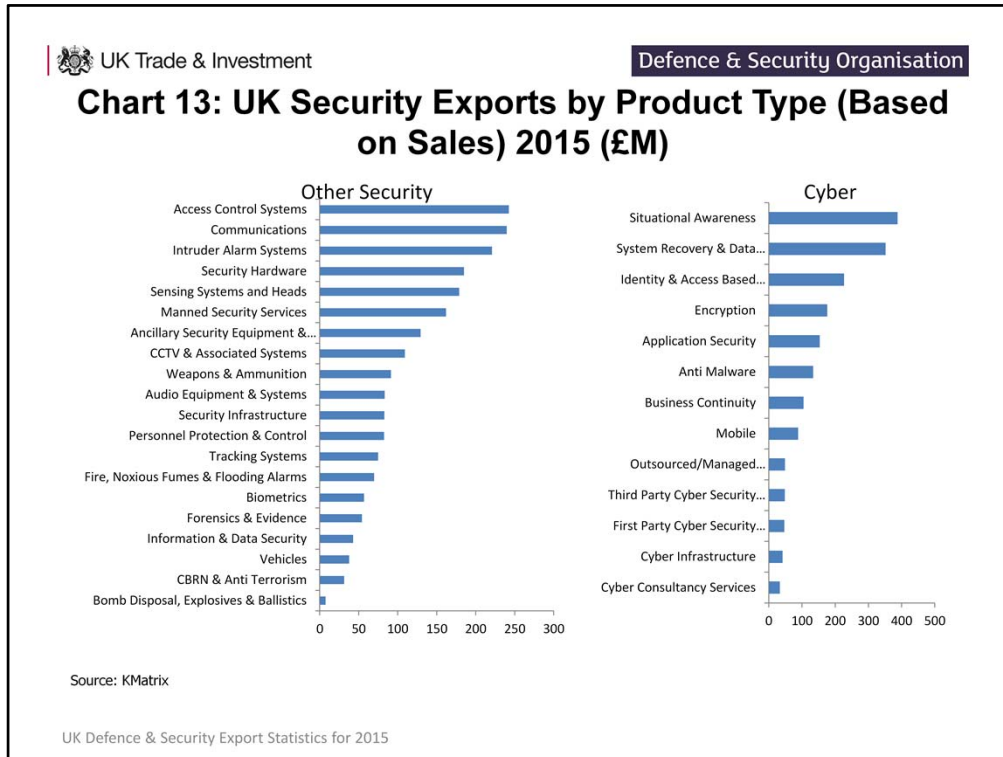
This chart illustrates the Top Ten export destinations for the UK Security Industry. These countries account for more than 60% of all UK security exports.

The leading UK security export destinations were the USA (21%), China (13%), Japan (7%) and India (6%). Year-on-year variations tend to be minimal for the top export destinations.

As is shown, the USA accounts 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 Middle East region does not dominate as an importing region in the same way as defence, although given the absence of transparency in certain markets, it is possible that the Middle East figure in particular may be understated.

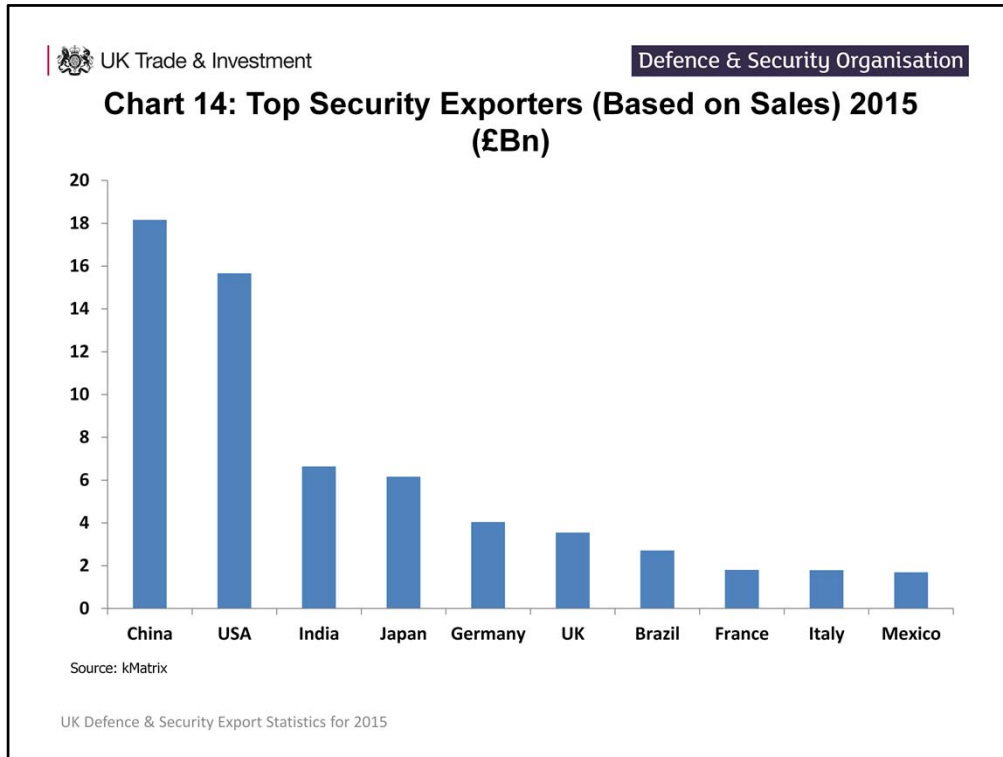
Europe is an important region for UK security exports, with Germany, Italy and France all in the Top Ten.



The overall value of UK Security Exports in 2015 was £4Bn compared with £3.4Bn in 2014. In keeping with the prevailing trend of recent years, Cyber is capturing a growing share of this market and accounted for £1.8Bn of this year's total figure, around 45%. The wider 'Security' sector remains the largest at £2.2Bn 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. Cyber related capabilities grew on average, at 25% over 2014 – 2015, whilst Other Security related capabilities grew by 13%.

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.

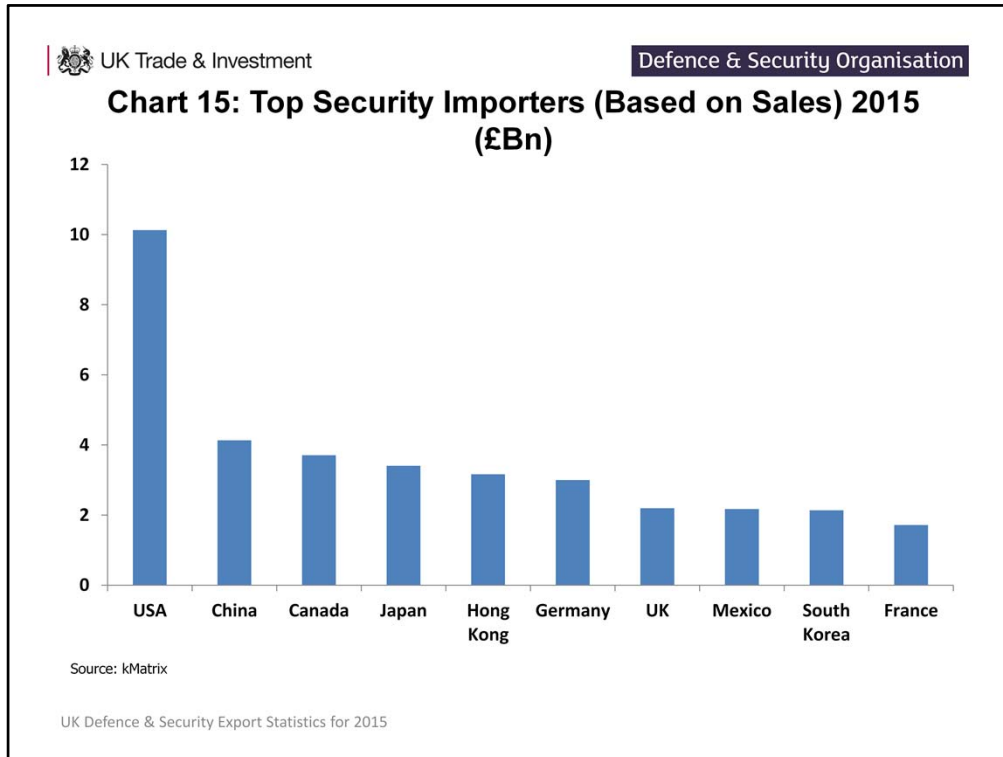


This chart shows the top exporters based on trade between the top countries.

China was the leading security exporter in 2015, with its security exports totalling £18.2Bn. The USA was in second place with £15.7Bn.

India (£6.7Bn), Japan (£6.2Bn) and Germany (£4Bn) rounded off the remainder of the top five global exporters for 2015.

The UK was ranked 6th with £3.6Bn (£4Bn to all countries) in exports during 2015. Significantly, the gap between the UK and fifth-placed Germany is closing.



This chart shows the leading global security importers, as determined by inter-trade between the top countries.

The United States is the leading global importer of Security products. US import procurement-spend was valued at more than £10Bn of imports in 2015. The UK is a top 5 security supplier to the United States.

China remains the second-highest placed importer, with around £4Bn in imports last year.

The UK imported £2.2Bn, rising from 9<sup>th</sup> in 2014 to 7<sup>th</sup> place in the current top ten importers list.

Interestingly, the global rankings largely mirror the leading security export destinations for the UK, including United States, China, India and Japan as major buyers.

## Notes

This DSO statistical release contains UK defence and security export performance data and analysis. UK defence figures are derived from a survey of UK defence companies to capture new orders data. Rest of the World figures are derived from open source reporting and capture competitor contracts signed. Security export data is based on sales. It is not advisable to combine the defence and security export figures as they are recorded via a different methodology and report on a different metric (orders/contracts vs sales).

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 via the gov.uk website.

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 UK security export total is now solely based on kMatrix data.