

5. Military expenditure and arms production

Overview

In an eighth consecutive year of growth, global military expenditure continued to reach new heights in 2022. The rise of 19 per cent over the decade 2013–22 and of 3.7 per cent in just one year pushed world military expenditure up to an estimated US\$2240 billion, the highest level recorded in the SIPRI Military Expenditure Database (see section I). Despite the increase in 2022, the global military burden—world military expenditure as a share of world gross domestic product (GDP)—remained at 2.2 per cent because of a simultaneous growth in the world economy. Governments around the world spent an average of 6.2 per cent of their budgets on the military, or \$282 per person.

It may turn out to have been a watershed year, since 2022 brought significant changes in security policies in Europe and in Asia and Oceania (see section II). Germany, whose chancellor defined the invasion of Ukraine as an ‘epochal tectonic shift’, plans to make additional efforts to spend 2.0 per cent of its GDP on the military. Meanwhile, for the third consecutive year Japan’s military spending as a share of GDP surpassed the cap of 1.0 per cent that it had maintained since 1955. Moreover, the government announced plans to increase its total security spending to 2.0 per cent of GDP by 2027. The shift in Japanese security policy is a result of growing regional tensions, especially with China and North Korea.

The war in Ukraine had a major effect on both global and regional military expenditure in 2022. Military expenditure in Europe grew by 13 per cent, with most Central and West European countries—some of which were already among the largest military spenders in the world—responding to the invasion with significant increases in military spending (see section I). They also made plans for future growth, with some increases stretching until 2033. This suggests that the war, and the ensuing rise in European military spending, will exacerbate the ongoing upward trend in global military expenditure. Most of these allocations are for modernization of military equipment and increasing troop numbers. Military aid for Ukraine was another cause of the increase in military expenditure in Central and West Europe and North America: these countries either sent financial military aid to Ukraine or spent more to replenish dwindling stockpiles after sending military equipment. Ukraine’s own military spending rose more than sevenfold, amounting to over one-third of the country’s economy. Russian military spending also increased, by 9.2 per cent, despite economic sanctions from Western countries. Budget updates during the year showed how the costs of the war had increased compared to Russia’s initial plans.

The estimated military spending in the Middle East rose for the first time in four years, by 3.2 per cent. Saudi Arabia is the region's largest military spender, and its 16 per cent increase was the main reason for the regional increase. In Israel, the second largest spender, military spending fell 4.2 per cent.

Spending in Asia and Oceania rose by 2.7 per cent in 2022. China's ongoing military modernization and increased spending in India and Japan have been major factors pushing military spending in the region. Military spending by China, the world's second largest spender, rose for the 28th consecutive year, by 4.2 per cent. This narrowed the gap between its spending and that of the United States.

While the USA remained by far the largest military spender in the world, exceptionally high levels of inflation transformed a nominal increase in military spending of 8.8 per cent into a 0.7 per cent real-terms increase. As a consequence, overall military spending in the Americas rose only slightly, by 0.3 per cent.

The only region in which military spending fell was Africa, down by 5.3 per cent. This was the region's first decrease since 2018 and its largest since 2003. Poor economic performance and natural disasters in the region's largest spenders led to the fall in military spending despite ongoing security challenges.

The impact of the war in Ukraine on the global arms industry interacted with the legacy of the Covid-19 pandemic (see section III). The combined arms sales of the 100 largest arms-producing and military services companies (the SIPRI Top 100) totalled \$592 billion in 2021 (the most recent year for which data is available), 1.9 per cent higher than in 2020. This continued the upward trend in arms sales since at least 2015 and is likely to continue as the war in Ukraine creates more demand for arms. This growth came despite the continuing effects of the pandemic, most notably the disruption in supply chains, labour shortages and a lack of semiconductors. Arms sales by US companies in the Top 100 decreased by 0.9 per cent in 2021, but the USA continued to dominate the ranking with 40 companies with total arms sales of \$299 billion. The eight Chinese arms companies included in the Top 100 in 2021 had aggregated arms sales of \$109 billion, 6.3 per cent more than in 2020.

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