



*Securing
UK advantage*

DEFENCE SECTOR UK OUTLOOK 2024

THE UK **DEFENCE** SECTOR STANDS AT A CROSSROADS IN 2024

Recent events have demonstrated the importance of a vibrant defence industrial base to protecting our way of life.

The UK Defence sector added:

£**12**BN
TO THE UK ECONOMY
IN 2023

GROWTH OF
36%
BETWEEN
2013 & 2023


This report sets out the continued strength and value of the UK's defence sector. While rising budgets across the globe offer opportunities, our success both domestically and abroad will be shaped by the UK's ability to deepen international relationships, to capitalise on the deterrence effect of a strong industrial base, and collaboration between industry and government to exploit rapid technological innovation.

All 2023 data is from ADS own sources including Oxford Economics and ONS

In 2023 the UK
defence sector's
footprint included:




£**28**BN
TURNOVER



GROWTH OF
31%
OVER 10 YEARS




£**9.5**BN
EXPORTS



GROWTH OF
18%
OVER 10 YEARS



164K
EMPLOYEES



GROWTH OF
16%
OVER 10 YEARS

UK ADVANTAGE IN THE DEFENCE SECTOR REQUIRES...

Forging a Strategic Partnership

In the face of an increasingly volatile world, the Armed Forces must work closely with industry to strengthen national resilience, foster innovation, and deliver capabilities at pace. The requirement for increased defence industrial capacity has reinforced the need to build resilience across supply chains.

Events in Ukraine have highlighted the incredibly rapid pace of acquisition and innovation needed to maintain military advantage. The **Integrated Procurement Model** recognises the need for rapid procurement in the aim to embed **spiral development** by default into procurement to enable delivery at pace. Working to embed these practices will enable the adoption of new technologies, as well as the integration of defence capabilities as quickly as possible. Breaking down barriers for companies operating in the defence space is imperative to the sector's growth, especially given the increasingly hybrid and blended character of warfare.

Underpinning this is the fact that domestic sales alone are not enough to support the UK defence sector. **Increasing the level of UK exports** must be seen as a strategic priority to ensure domestic industrial strength and drive international collaboration. To achieve this, a new approach to procurement that places a premium on exportable designs is needed, inspired by the way the UK now prioritises social value in procurement.

Forging Deterrence

The convergence of civilian and military technology, particularly in **drone warfare**, underscores the opportunities for the UK defence sector. By pairing commercial and traditional defence capabilities, we can enhance deterrence. Greater collaboration, cross-sector fertilisation, and technology exploitation is needed to maintain the UK's technological edge. Additionally, there is significant growth potential for UK industry through engagement **with non-traditional defence players**, particular in the field of Artificial Intelligence (AI). The UK's AI ecosystem's expertise is rich across academia, SMEs and the existing defence industrial chain.

As seen in Ukraine, **air defence** is increasingly vital for the protection of critical national infrastructure (CNI). The evolving threat landscape, including the incorporation of civilian technologies, has made delivering **Integrated Air Missile Defence (IAMD)** more technically difficult. The scale of the challenge means that credible IAMD for most European states can only be delivered through the integration and creation of a layered capability to counter potential threats ranging from sophisticated missiles to mass-produced drones. The UK has the opportunity to play a leading role in providing this capability and ensuring deterrence.

Forging International Collaboration

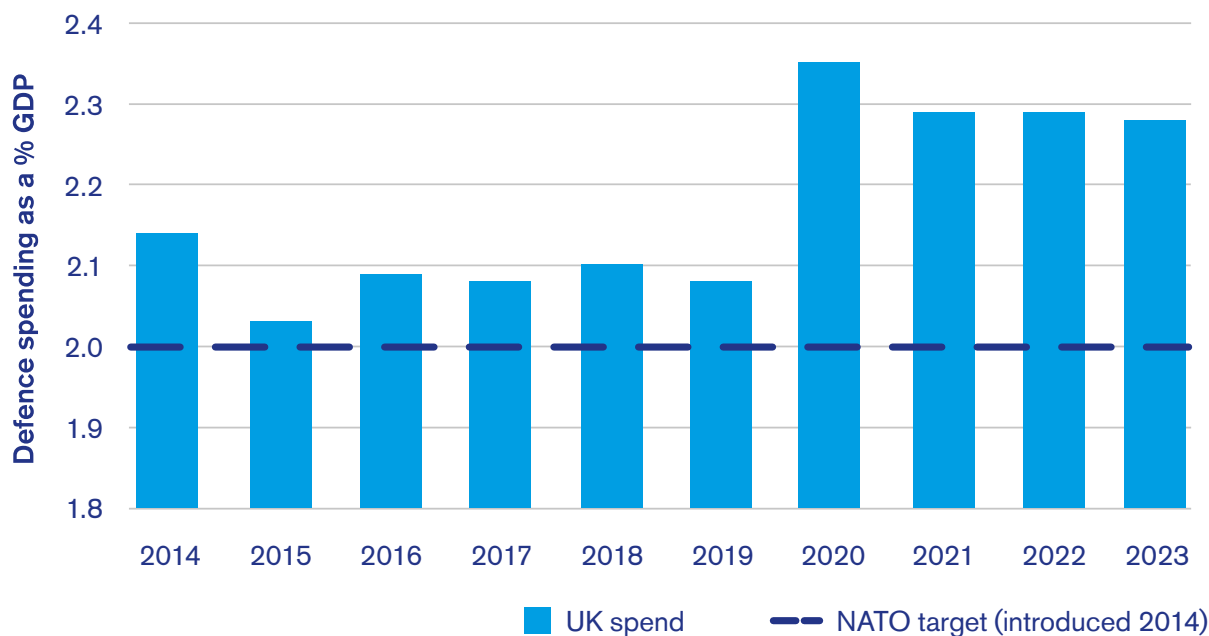
Rising geopolitical tensions require the UK to adapt rapidly to an ever-evolving threat environment. Both NATO and the EU have recognised the importance of working in partnership to build the defence industrial base, with NATO's **Defence Production Action Plan** providing an essential framework. UK industry must work with NATO allies to create a more resilient defence supply chain, with an increased production capacity.

The publication of the **European Defence Industrial Strategy** indicates the EU's ambitions to build on EU defence industrial policy and create a robust European defence technological and industrial base. This underlines the need for a coherent UK response to promote enhanced UK-EU defence cooperation through a new UK-EU defence treaty, to create new opportunities for mutually beneficial collaboration and to provide a collective European response to stark geopolitical challenges.

Pillar Two of **AUKUS** has the potential to provide exciting opportunities for the UK defence sector in the development of advanced capabilities, but this calls for focus and leadership to create a favourable enabling environment for UK industry. Identifying the areas where the UK can take the lead, and ensuring the successful delivery of relevant export controls are vital for the UK defence sector to capitalise on the opportunities AUKUS can offer.



The UK has consistently outperformed the NATO target of spending more than 2% of GDP on defence

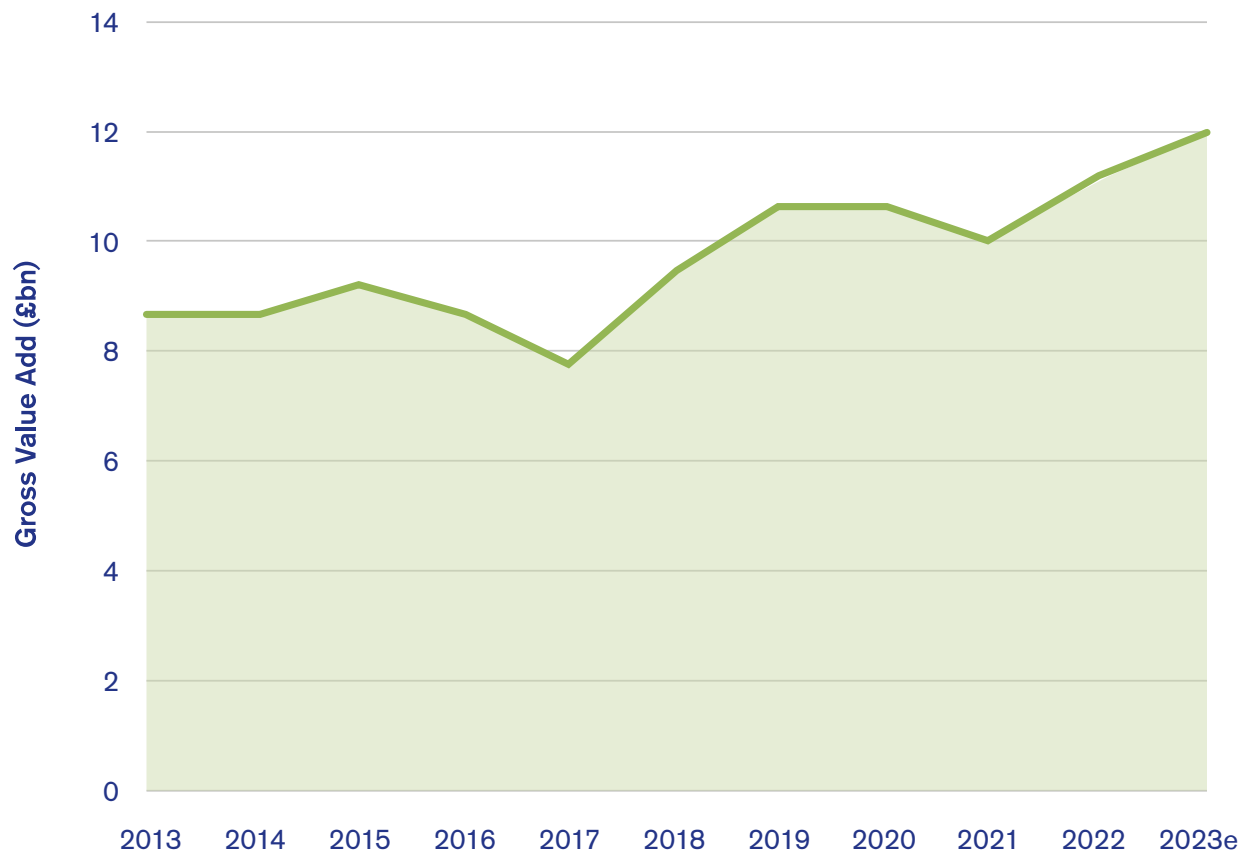


THE TRUE **VALUE** OF THE DEFENCE SECTOR LIES IN UK SAFETY, SECURITY AND PROSPERITY

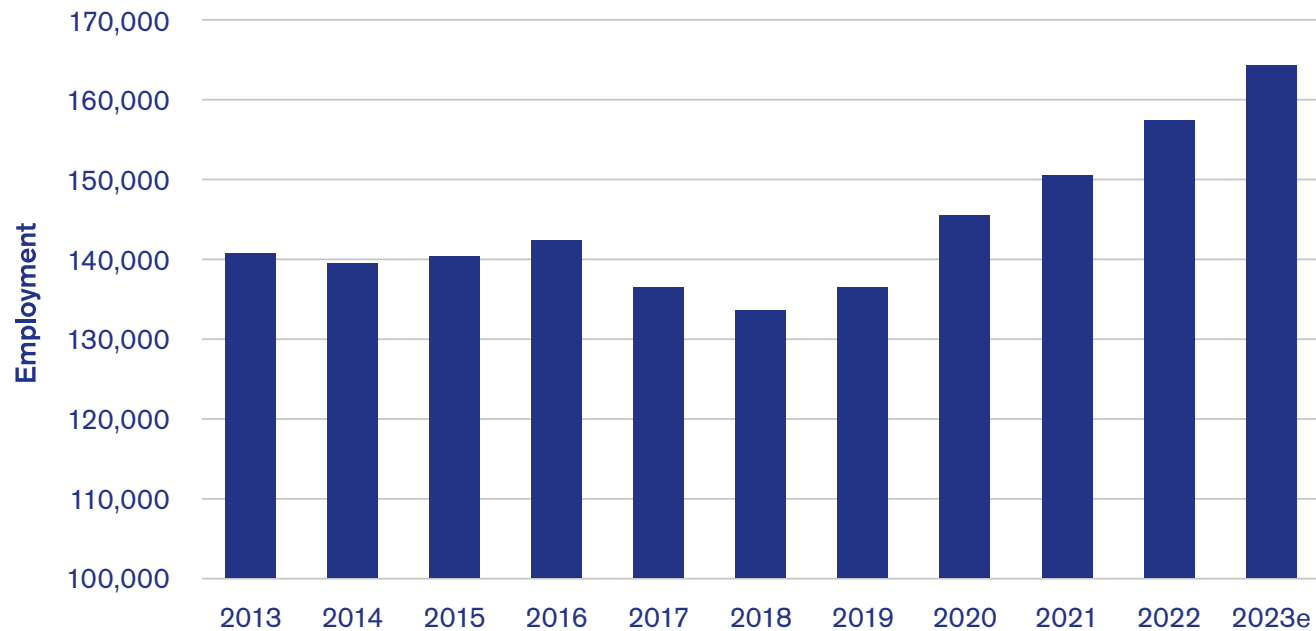
£12BN
OF VALUE ADD
GENERATED IN 2023

VALUE ADD
HAS GROWN **36%** IN **10**
YEARS

The defence sector's value add to the UK economy continues to grow



THERE ARE 164,000 PEOPLE EMPLOYED IN THE UK DEFENCE SECTOR



AN ESTIMATED
8.1k
APPRENTICES
WORK IN THE UK'S
DEFENCE SECTOR

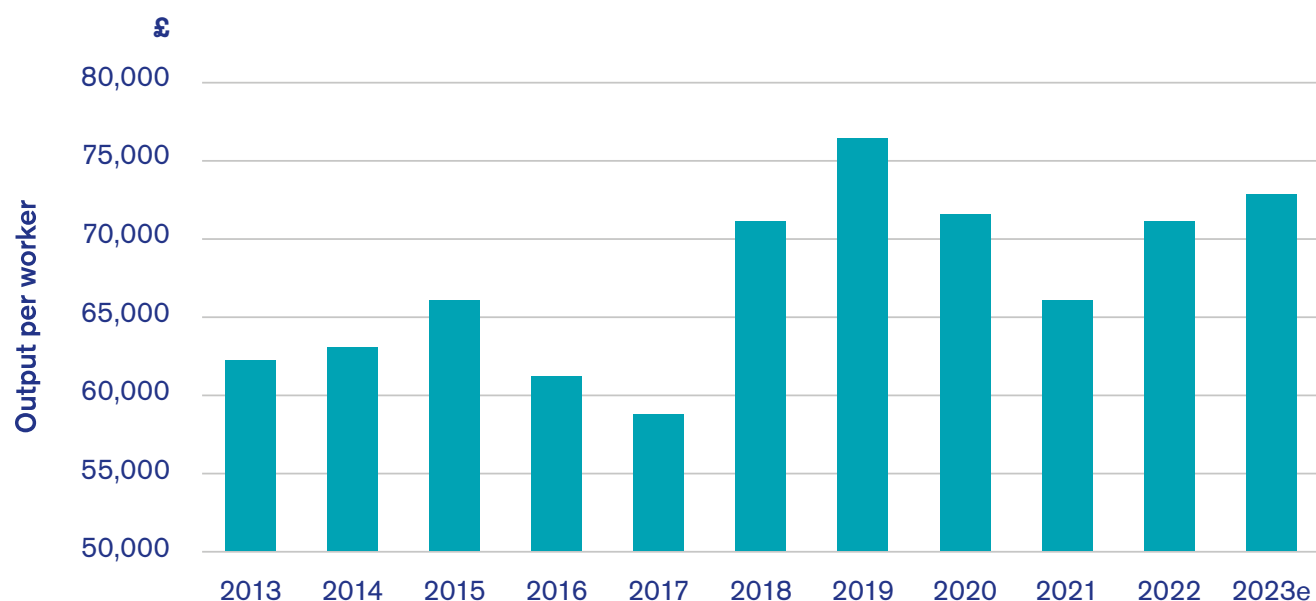
THE AVERAGE
SALARY IS
£39.9k
IN THE UK'S
DEFENCE SECTOR

14%
HIGHER THAN
UK AVERAGE



OUR DEFENCE SECTOR CONTINUES TO INNOVATE, GENERATING IMPROVEMENTS IN **PRODUCTIVITY**

Productivity (output per worker) in the defence sector



ASSUMED PRODUCTIVITY,
OF OUTPUT PER
WORKER WAS

£ **73.1**K

17%

GROWTH IN DEFENCE
SECTOR PRODUCTIVITY
OVER THE LAST
10 YEARS





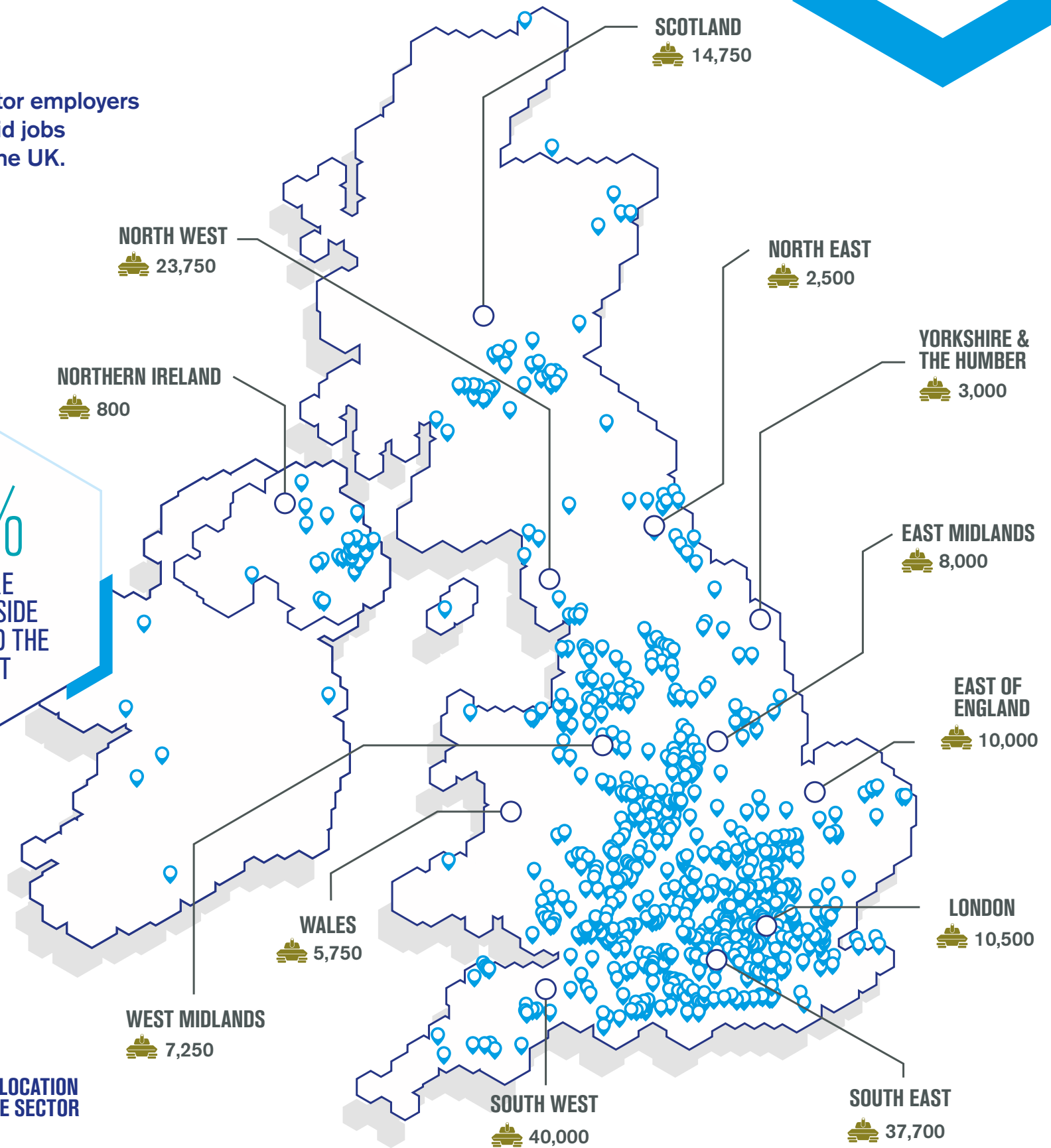
DEFENCE

Defence sector employers offer well-paid jobs throughout the UK.

70%
OF JOBS ARE LOCATED OUTSIDE OF LONDON AND THE SOUTH EAST

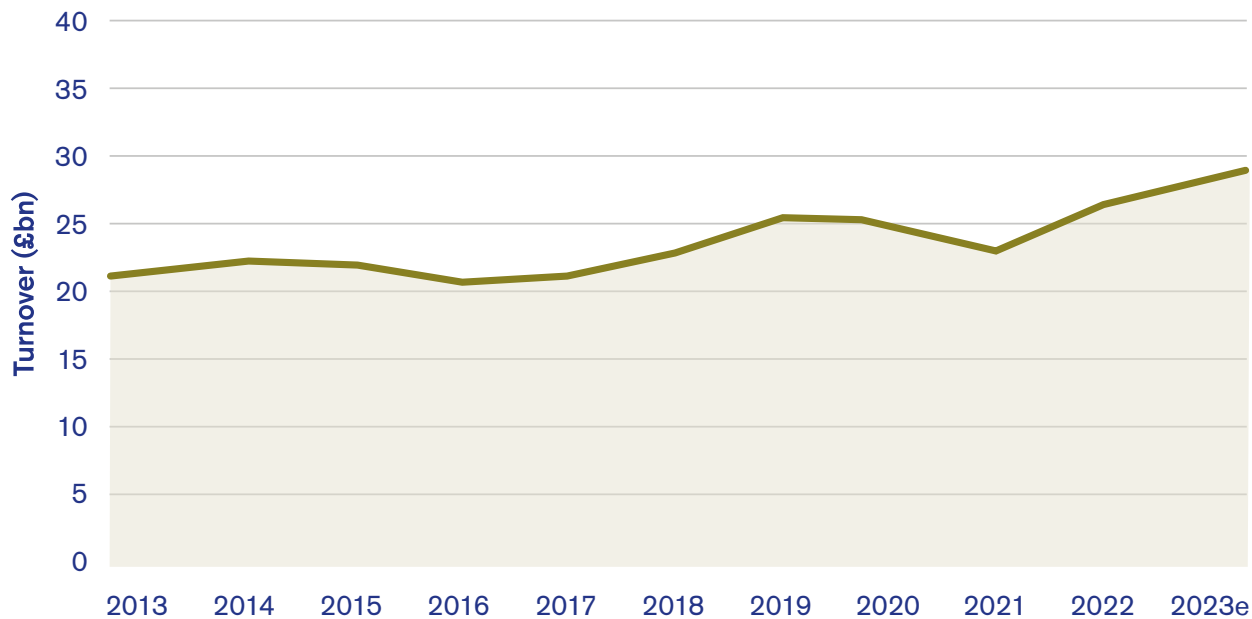


INDICATES THE LOCATION OF ADS DEFENCE SECTOR MEMBERS.



THE UK DEFENCE SECTOR IS A KEY DRIVER OF **PROSPERITY**

Turnover in the UK's defence sector



DEFENCE SECTOR TURNOVER
WAS ESTIMATED AT

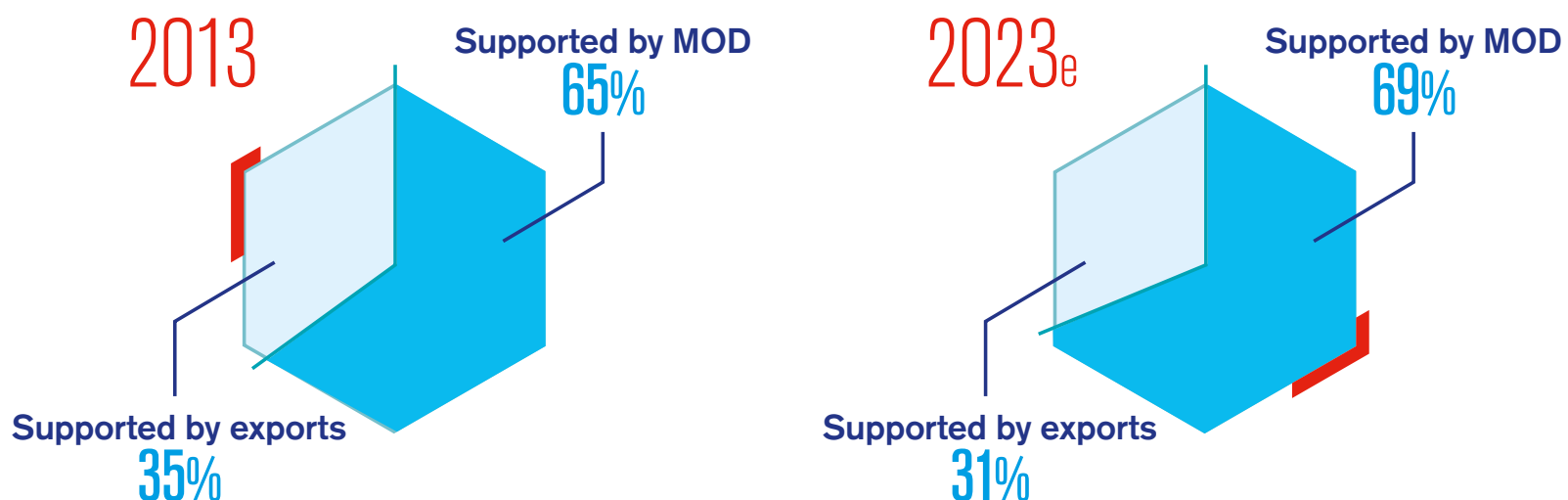
£28BN IN 2023

TURNOVER IN THE DEFENCE
SECTOR HAS GROWN

31% OVER THE
LAST 10 YEARS

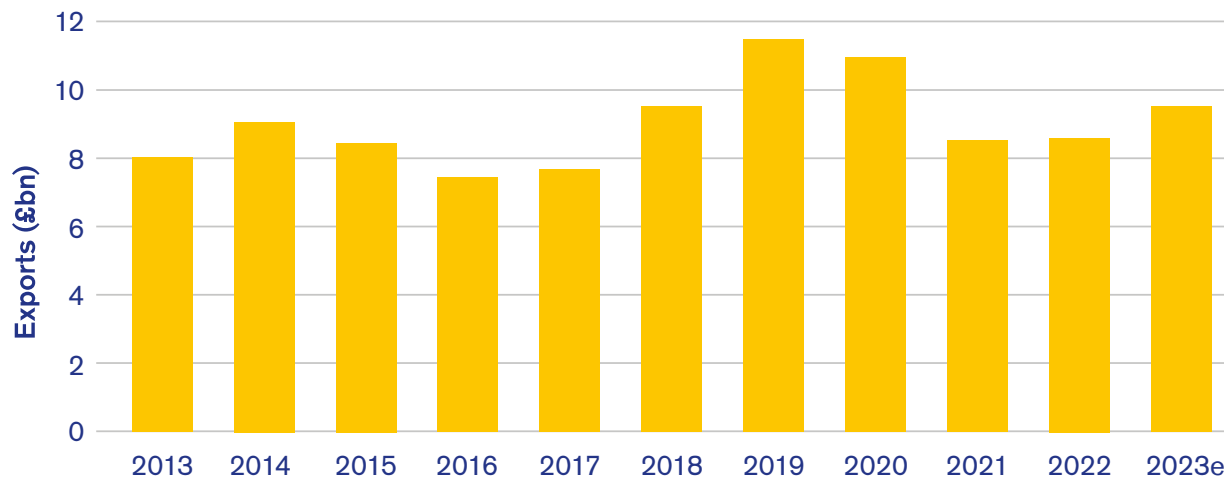
Turnover in the UK's defence sector is generated both from MoD spend and from exports.

Turnover generated by MOD spend has increased over 10 years



THE STRENGTH OF THE UK'S DEFENCE SECTOR CONTINUES TO BE RECOGNISED THROUGH EXPORTS

Defence exports

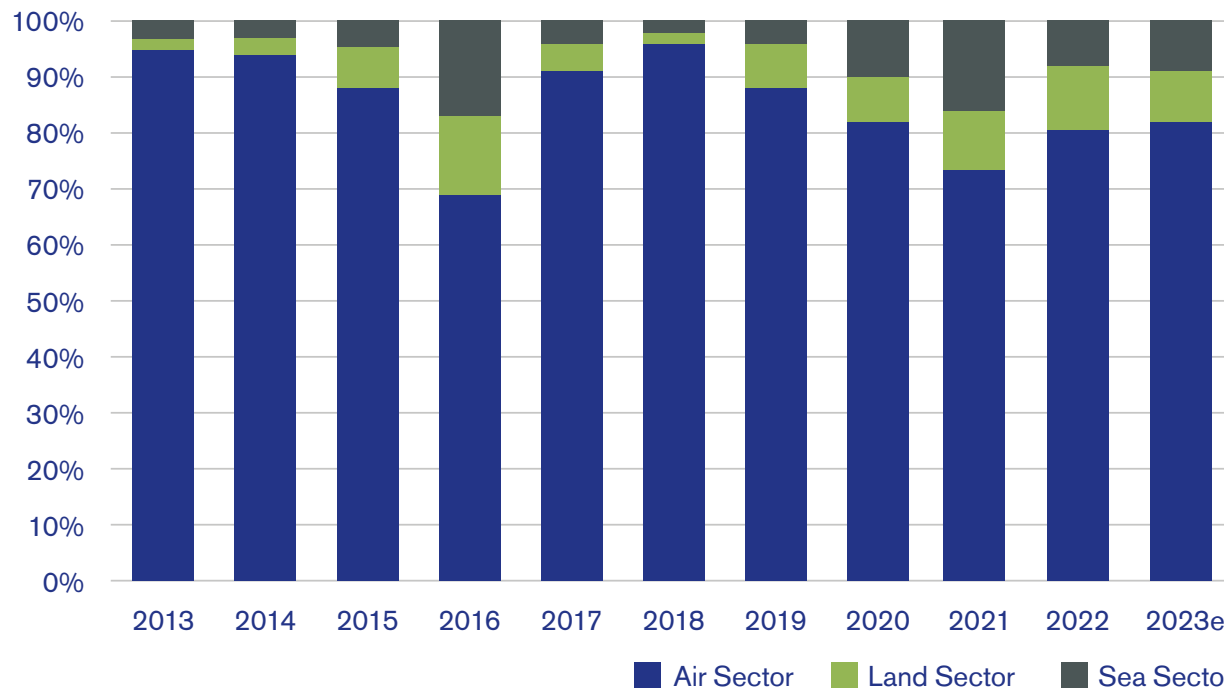


DEFENCE SECTOR EXPORTS ARE ESTIMATED AT*

£9.5^{BN}

IN 2023

UK defence exports have continued strength in air capabilities



18%

10 YEAR GROWTH IN EXPORTS

*Export data is on a 3 year average



ABOUT ADS

ADS is the trade association for the UK's aerospace, defence, security, and space industries, representing more than 1,300 members. We work with those sectors to secure the UK's advantage, enhance our international positioning as a go-to destination for innovation, and deliver on our sustainable leadership goals.

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Sources and methodologies:

ADS works with local, regional, and national Government departments and agencies in the UK and with international organisations involved in policy-making that impacts our sectors to achieve this.

ADS Defence Outlook 2024 uses data estimates for 2023 data compiled by Oxford Economics in 2024, based on publications from MOD, UKDSE, using Westlands Advisory insights as well as ADS own sources.