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Defence & 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 2018 data but includes historic data for context and trend analysis purposes.

UK defence export information is based upon data provided by UK companies via DIT 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 Westlands Advisory and counts sales of security equipment and services.

This is the sixth year that DIT DSO has published defence and security export figures as "Official Statistics". This release has been compiled in conjunction with the DIT Statistics team, whose technical advice and support is acknowledged here.

Our defence statistics relate to sales to overseas Ministries of Defence and associated Armed Services.

Our security figures relate to sales. Security data is provided by a contractor called Westlands Advisory, under a one-year contract to DIT DSO. Data is aligned with HMG's seven Security Export Strategy capability areas: Critical National Infrastructure (CNI) Protection; Cyber Security; Policing and Counter-Terrorism (CT); Major Event Security; Border Security; Offender Management, and Services (including Consultancy, Training, Guarding and Risk Analysis).

Separate methodology papers for the defence and security statistics accompany this release on the gov.uk website.

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 DIT DSO target support to the defence and security industry.

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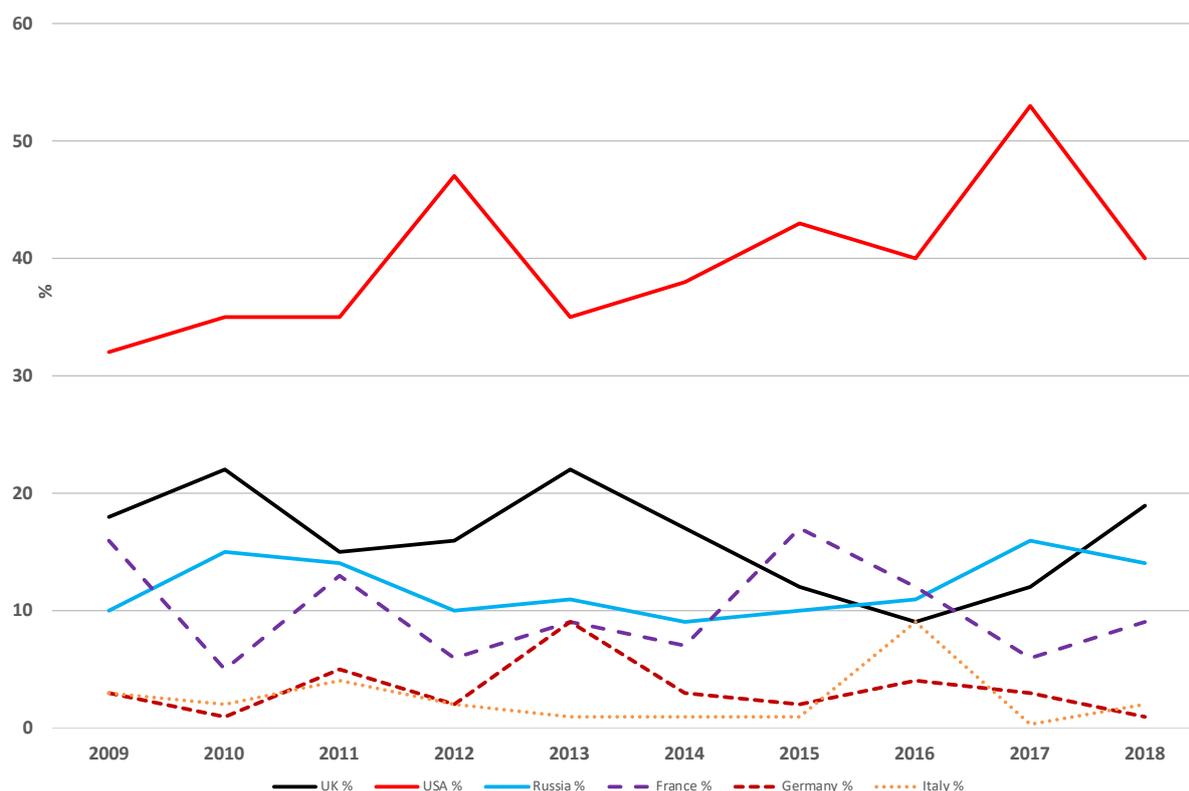
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Summary

- On a rolling ten-year basis, the UK remains the second largest global defence exporter after the USA.
- In 2018, the UK won defence orders worth £14bn, up on the previous year (£9bn) and illustrative of the volatile nature of the global export market for defence.
- The UK share of the global defence export market was estimated at 19% in 2018. The UK's largest defence export markets were the Middle East, North America and Europe.
- In 2018, the value of UK Security export sales was £5.2bn, an increase from 2017 (£4.8bn), maintaining the UK at 4th place in the rankings.
- The UK's largest Security export markets were Europe, Asia-Pacific and North America.

Chart 1: Defence Exports: Estimated UK & Competitor Percentage Market Shares (2009 to 2018)



This chart highlights UK and Competitor estimated defence export market-shares for the past decade, providing a good barometer of the competitiveness of the leading exporters in the global market.

The most obvious point to note is that the USA has annually achieved the highest estimated percentage of the global defence export market between 2009 and 2018. Our European competitors have consistently had a lower percentage share than USA by value.

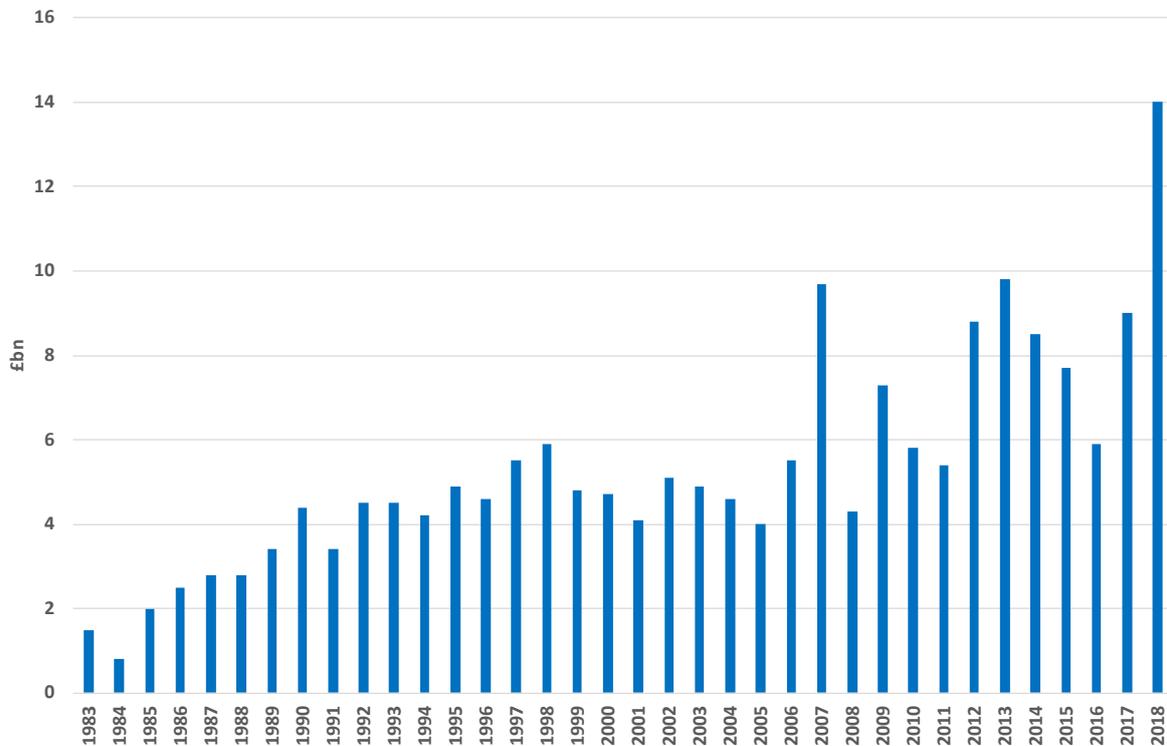
The UK and France with their similar sized industries and equipment portfolios for export, have historically vied with Russia for 2nd or 3rd place, trying to close the gap with the USA.

In 2018, the USA achieved market-share, estimated at 40% (reflecting strong sales across all sectors), UK 19%, Russia 14% and France 9%.

Italy has traditionally enjoyed a relatively consistent level of defence exports, a flat trend line, but in 2016 it won a large naval contract that was of sufficient value to propel it into 6th place for the ten-year period. However, its performance in 2017 & 2018 was lower in comparison, and its market-share restored to its usual lower level.

Germany saw its estimated market-share peak at 9% in 2013 but in 2017, it did secure a big naval contract that helped its overall ranking. In 2018, it secured a major contract with Hungary for Leopard 2 Main Battle Tanks worth \$565m.

Chart 2: Annual value of UK defence exports 1983 to 2018 (£bn)



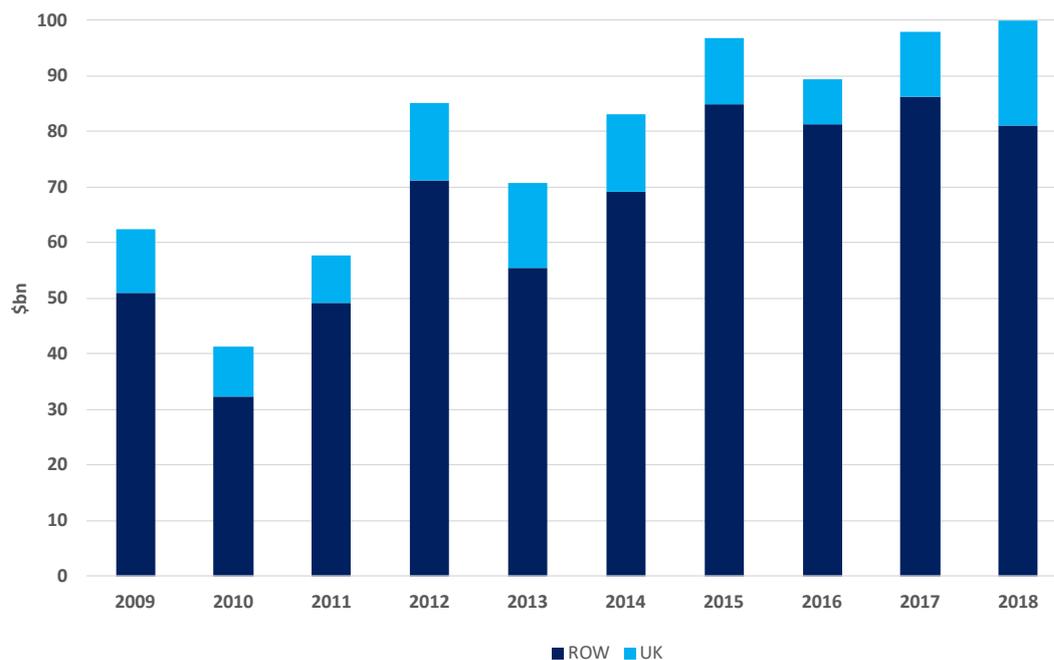
This bar chart shows annual totals (in actual prices) for UK defence exports, with peaks and troughs clearly visible and 2018 as the best year ever.

The UK is one of the world's highest defence exporters, averaging second place in the global rankings on a rolling ten-year basis (2009 to 2018), making it Europe's leading defence exporter in the period.

There were notable UK successes in the Air domain in 2018 including Typhoon Aircraft & Brimstone Missiles to Qatar and numerous F35 related sales to the USA.

As we reported previously, the UK has won significant defence orders during the past decade, including Typhoon aircraft to Kuwait, Hawk aircraft to Oman, Typhoon aircraft to Saudi Arabia, Hawk aircraft to India, Helicopters to Norway and South Korea, Trent 700 engines to France, Offshore Patrol Vessels (OPVs) to Brazil, F-35 work and bridging (USA), and Minehunters to Estonia.

Chart 3: Estimated Global Defence Exports (Based on Orders/Contracts Signed): World Market \$bn at Actual Prices

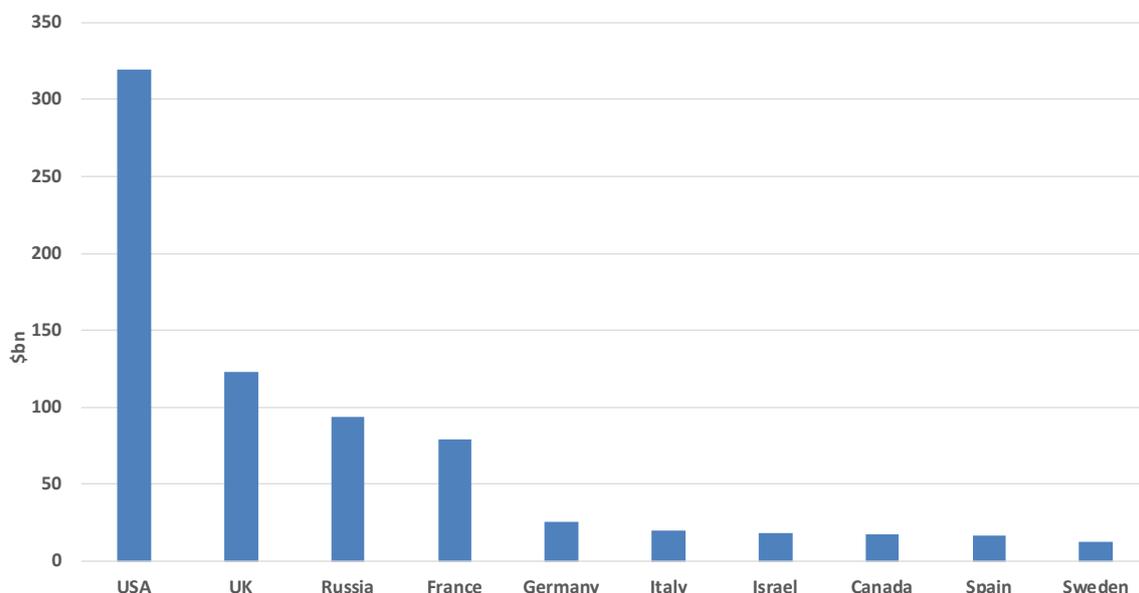


As we reported previously, year-on-year, the global defence export market experiences peaks and troughs in response to fluctuations in defence spending levels, threat perception and national requirements.

The global defence export market is estimated to have increased from \$98bn in 2017 to around \$100bn in 2018.

Selected major global defence export deals in 2018 included: the Russian export of a S-400 Air Defence Missile System to India (\$5,5bn) & Su-35 aircraft to Egypt (\$2bn), Spain 5 x Avante 2200 corvettes to Saudi Arabia, USA 4 x P-8A aircraft to New Zealand (\$1.6bn) & 28 x F/A-18 Aircraft to Kuwait (\$1.5bn).

Chart 4: Estimated Top Ten Defence Exporters (Based on Orders/Contracts Signed): 2009 to 2018 (\$bn)



This chart shows that for the most recent ten-year period (including 2018 performance), the UK retained its position as the second largest defence exporter globally.

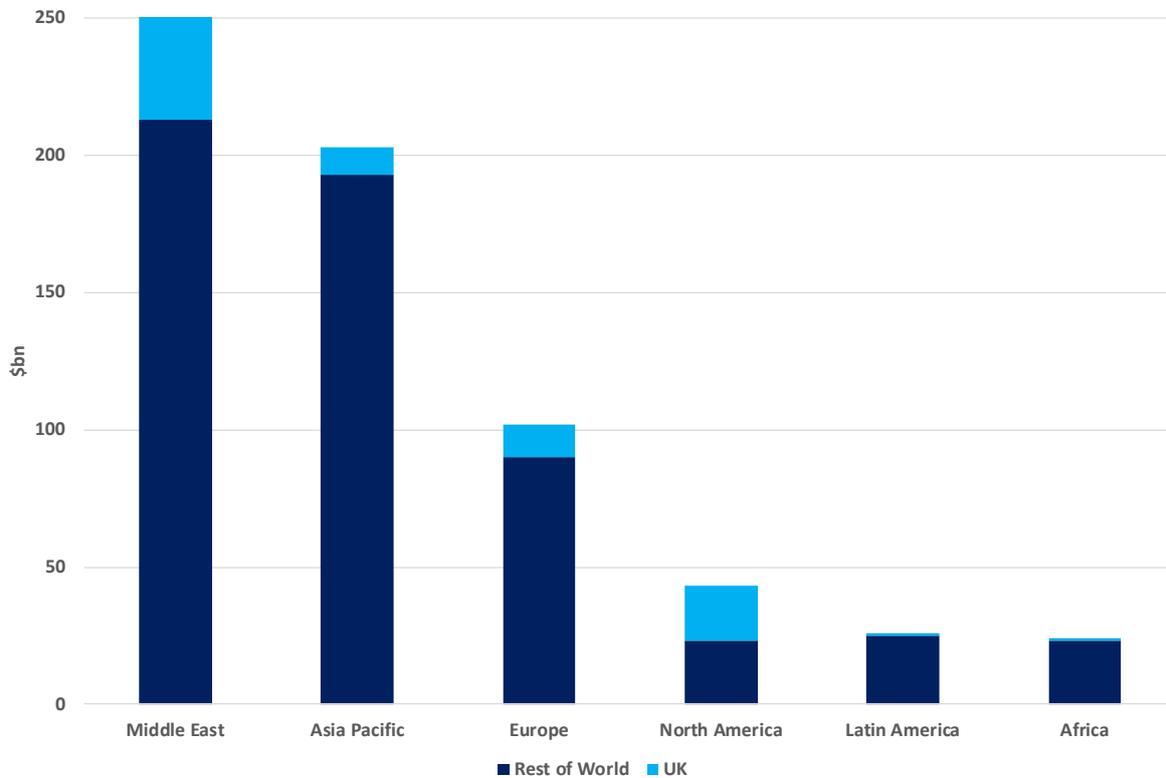
The UK is also Europe’s leading defence exporter ahead of Russia (3rd) and France (4th). French defence exports have increased from \$6bn in 2017 to \$9bn in 2018, despite the absence of further Rafale deals, with their export figures largely comprising helicopters, corvettes & military vehicles.

The USA remains the world’s pre-eminent defence exporter, having secured more than double the exports (by value) of second-placed UK.

In last year’s release, Italy dropped to 6th place and Germany bounced back coming in at number five. The places remain the same in 2018, except for Spain swapping with Sweden in 9th & 10th respectively.

There are no Latin American or African countries in the Top Ten global defence exporters list, and the Middle East is represented by just one nation, Israel, ranked 7th.

Chart 5: Estimated value of defence import procurement by region 2009 to 2018, including the split between UK and rest of the world exports to each region (\$bn)

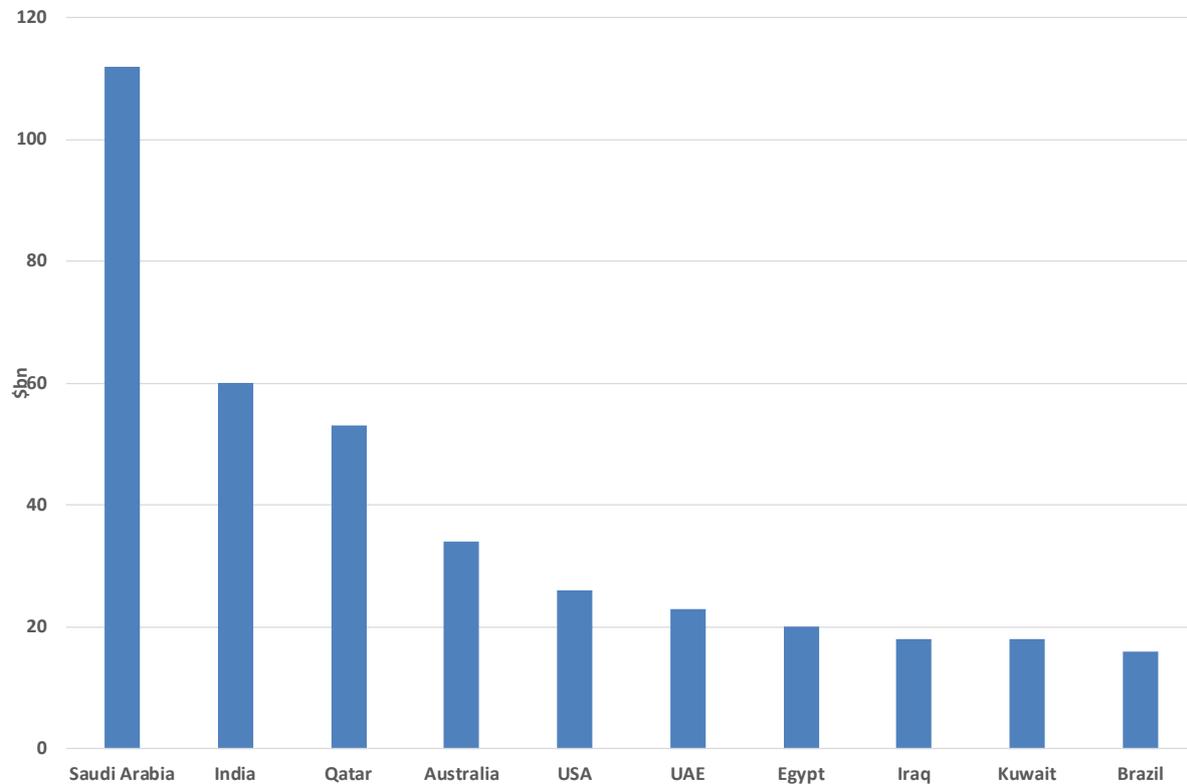


As can be seen from this 2009-18 regional importers chart, the Middle East is the largest regional importer of defence equipment & services, the same as reported last year. Saudi Arabia, Qatar and the UAE are major national importers, whilst the UK, USA and France are the major suppliers to the region.

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 business in the region, including in 2013, when AgustaWestland won an AW159 helicopter contract with South Korea.

Europe is the third biggest regional importer, with the USA and local European industries strong.

Chart 6: Estimated Top Ten Defence Importer Nations (Based on Orders/Contracts Signed): 2009 to 2018 (\$bn)



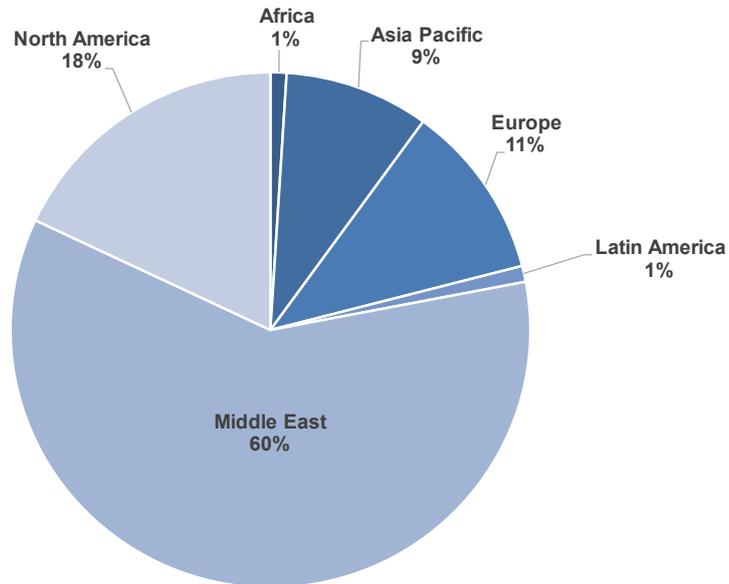
The leading six global importers (Saudi Arabia, India, Qatar, Australia, USA and UAE) are the same rank as for the period 2008 to 2017.

The UK was the 12th biggest defence importer in the period.

The Middle East dominated global defence imports in the 2009 to 2018 period, with Saudi Arabia the world's biggest defence importer, the same position it held in the 2008 to 2017 period.

Brazil, in tenth place, is Latin America's biggest regional importer, despite having a high indigenous defence industry.

Chart 7: Estimated Total UK Defence Exports (Based on Orders/Contracts Signed) by Region 2009 to 2018

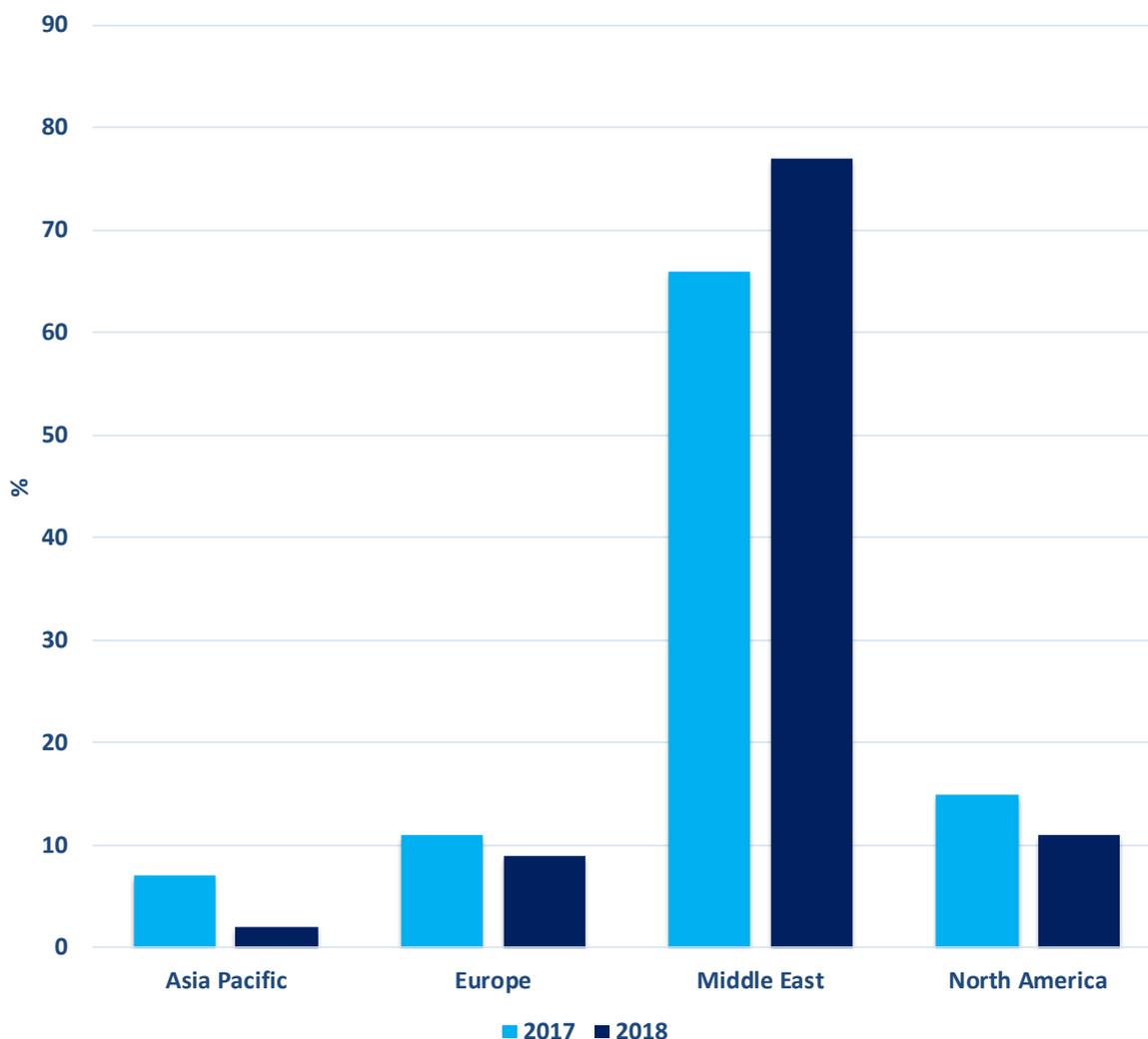


This pie chart shows UK defence exports by region based on an average of 2009 to 2018 figures, the segments highlighting regional percentages.

The Middle East is the dominant UK export destination (close to 60%), reflecting the continued importance of the market to the UK (and note, to our competitors too), and confirming the high levels of defence expenditure made by this region. Despite oil price volatility, most countries in the region were able to sustain defence expenditure levels.

North America was the second highest 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.

Chart 8: Estimated percentage share of UK defence exports by region for the periods 2017 and 2018



UK Defence Exports to Latin America & Africa were 1% or less for each year

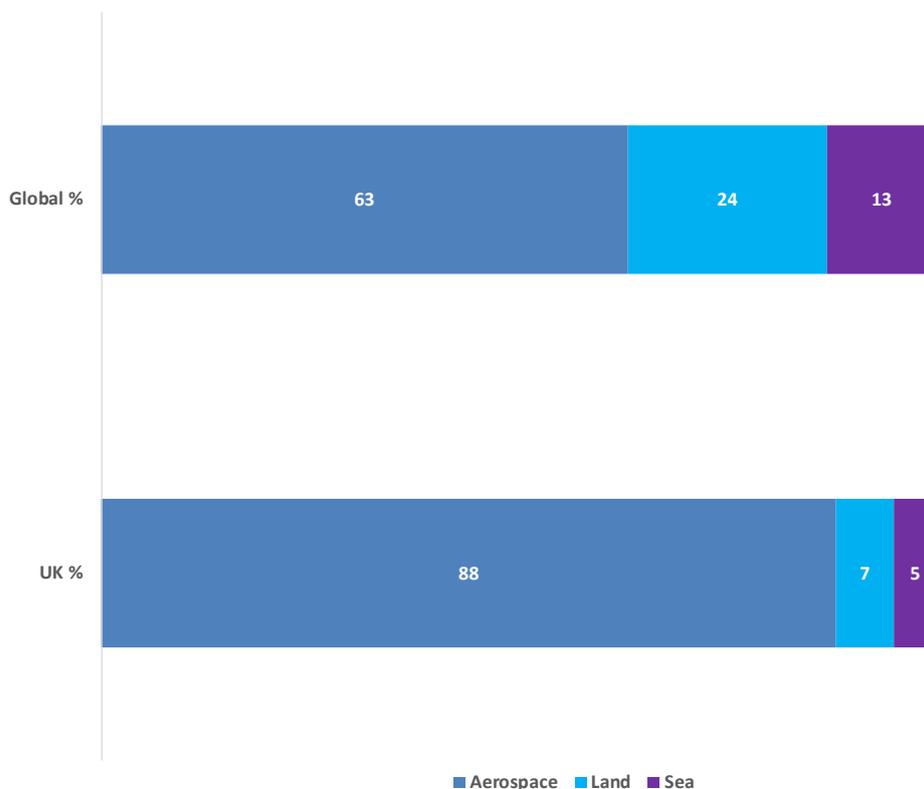
UK defence exports were greatest by value in the Middle East region for both years.

Because of the high value of exports to the Middle East, share of exports to other regions have decreased.

North America remains the second biggest market for the UK with average annual exports of around £1.7bn over the last 10 years.

UK defence exports to Europe in 2018 accounted for 9% of total defence exports (down from 11% in 2017). The Asia-Pacific region, previously 7% in 2017, dropped to 3% in 2018. UK defence exports to Africa were less than 0.5% in 2018.

Chart 9: UK and Global Defence Export Market (Based on Orders/Contracts Signed) by Sector 2009 to 2018



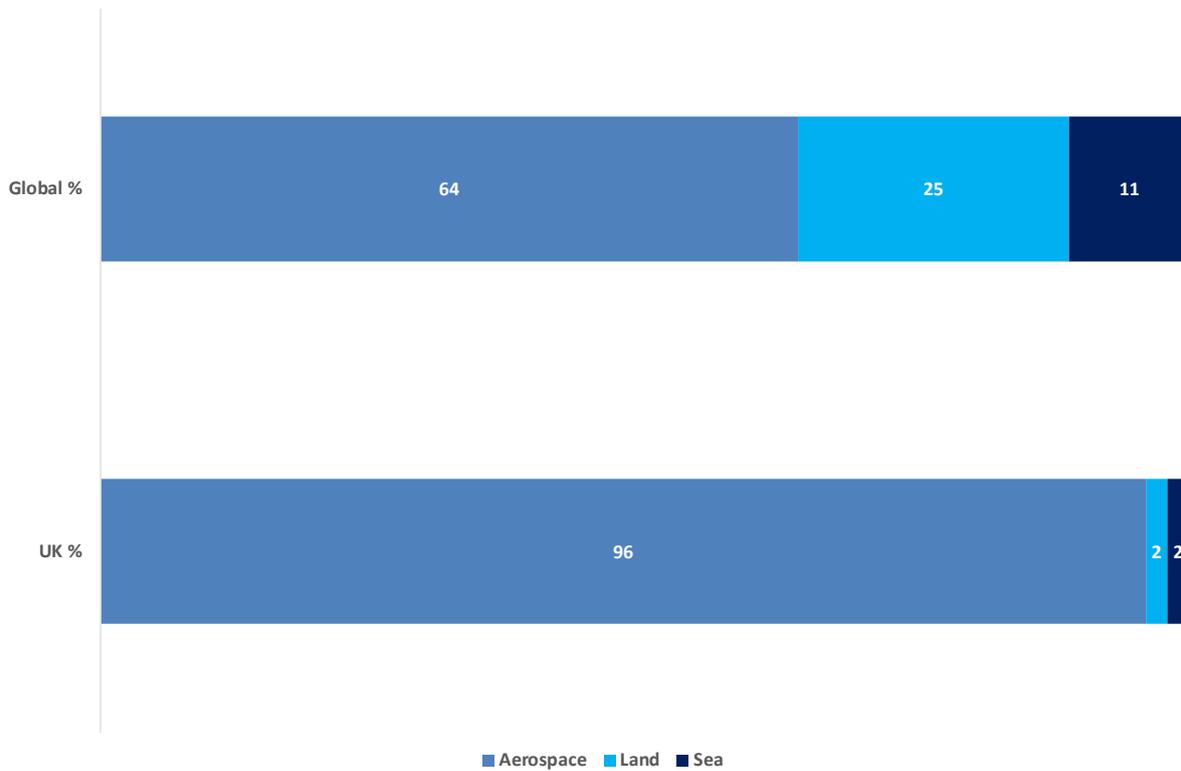
This chart depicts Global and UK defence export performance by sector across the 2009 to 2018 period based on orders/contracts signed.

As is evident from the top bar (the Global % position), the Aerospace sector by value accounted for almost two thirds of all defence exports. This is unsurprising given the fact that high value combat aircraft, transport aircraft, trainer aircraft and attack and transport helicopters reside in this domain. The Land sector accounted for almost a quarter of all defence exports globally and has been on the rise. The Sea sector is the lowest sector globally by value.

The UK is dependent (around 88%) on its aerospace 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 is likely to remain, a key priority for nearly all nations. UK Land exports overtook Sea exports in the period. There is headroom in these sectors that the UK should seek to exploit, particularly given the innovative and technological solutions developed by UK companies, and market potential already exploited by competitors.

It is worth noting that the competitor portfolios of major competitors to the UK, such as the USA and France, appear slightly less unbalanced than the UK's, and therefore, these supplier nations are less exposed to sector fluctuation.

Chart 10: UK and Global Defence Export Market (Based on Orders/Contracts Signed) by Sector 2018



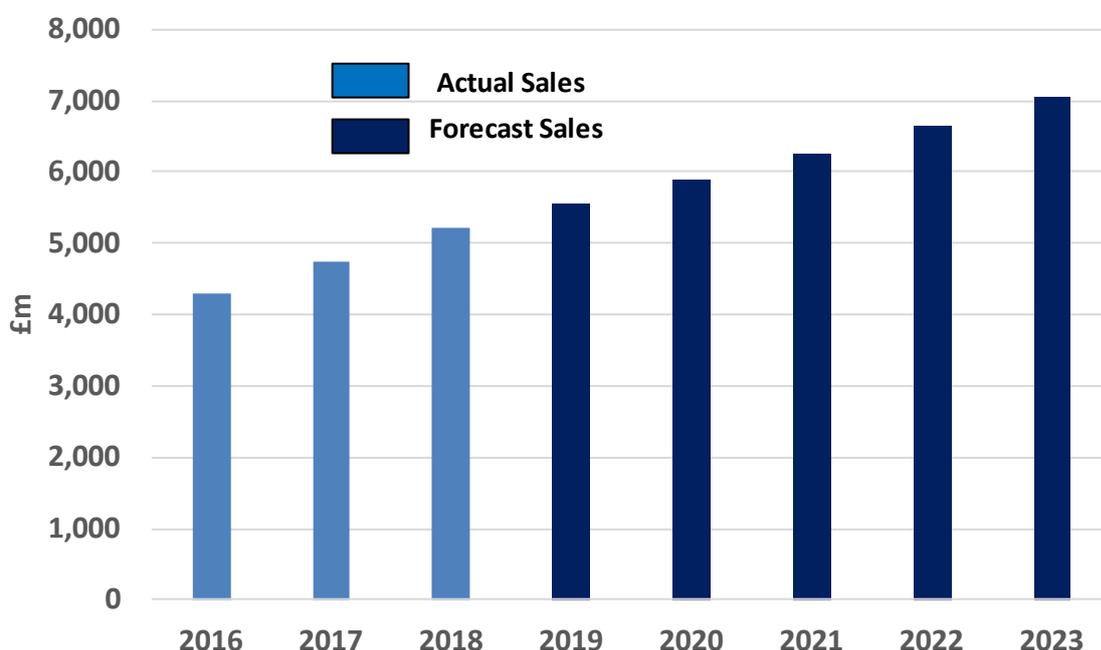
The Aerospace sector by value in 2018 accounted for two thirds of all defence exports globally; it was 66% in 2017.

The lower bar highlights the continuing significance of Aerospace to the UK, still the biggest sector by value, equating to 96% of total UK defence exports.

A notable Sea Sector export for the UK in 2018 was the sale of HMS Ocean to Brazil worth around £80M.

In the Land Sector, Jankel won an order to deliver 199 new light troop transport vehicles (LTTV) to Belgium.

Chart 11: UK Security Exports 2016 to 2018 (Actual) and Forecast to 2023 (£m)



Information on UK security exports is provided by Westlands Advisory (WA) under a one-year contract to supply DIT DSO with 2018 calendar year data. The company's methodology is provided in a separate document published on the GOV.UK website with this release.

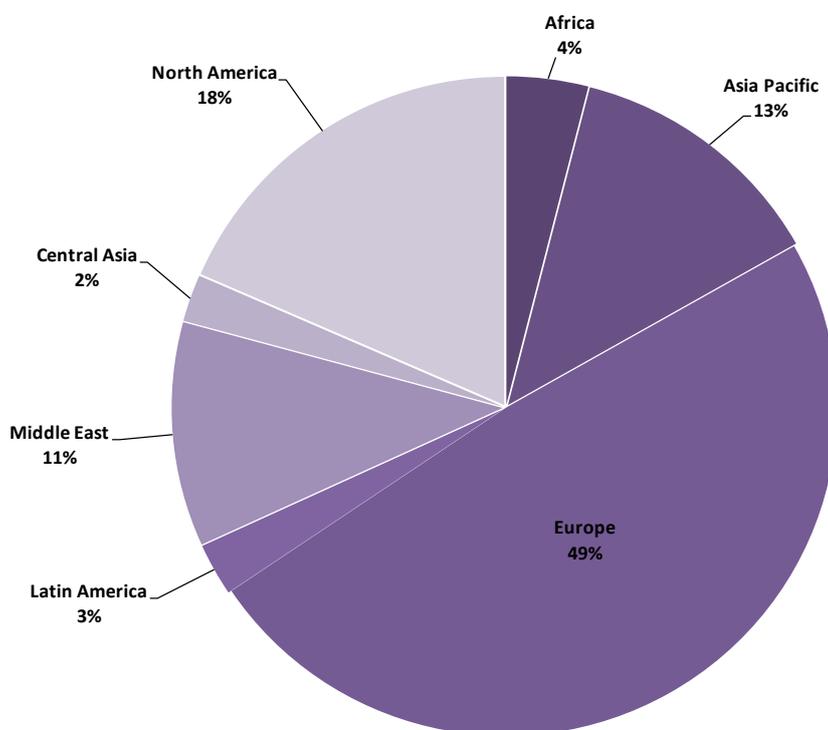
According to WA, UK security companies reported another high set of export results.

UK Security exports in 2018 were £5.2bn, a growth of 7.5% on 2017 export statistics. Security exports are expected to grow over the next five years as the UK security industry continues to innovate and develop world leading security technologies and solutions.

Westlands Advisory forecasts that growth will be at an average of 6.3% up to 2023.

The UK Security industry continues to develop its export capabilities, producing best in class solutions that are highly regarded globally. The security market is fragmented with a variety of companies across the technology segments with large defence and security players and adjacent industries such as Information and Communications Technology (ICT) actively engaged. A large part of the market is made up of SMEs providing products and services across the technology segments and creating a big proportion of the revenue.

Chart 12: UK Security Export Destinations by Region (Based on Sales) for 2018



In contrast to Defence where the Middle East is the biggest regional destination for the UK, in Security it is the fourth biggest (11%).

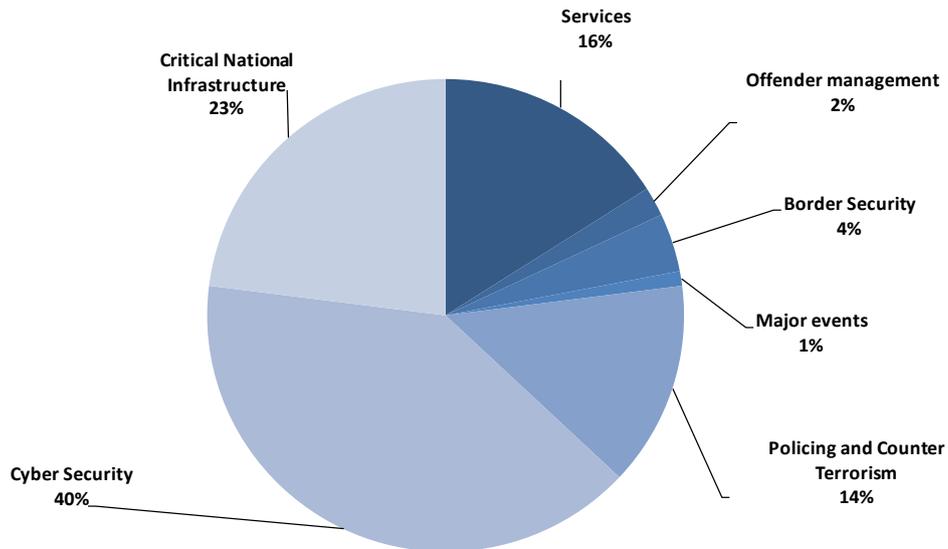
The largest security destination for UK equipment and services is Europe, accounting for nearly half (49%).

The North America region was the second biggest destination for UK security equipment, accounting for almost one fifth of total UK security exports during 2018.

The Asia Pacific region has dropped to 13% in line with the global trend.

Africa, Latin America and Central Asia account for under 10% of security exports and are forecast to grow at less than 2.5%, slower than the overall security market.

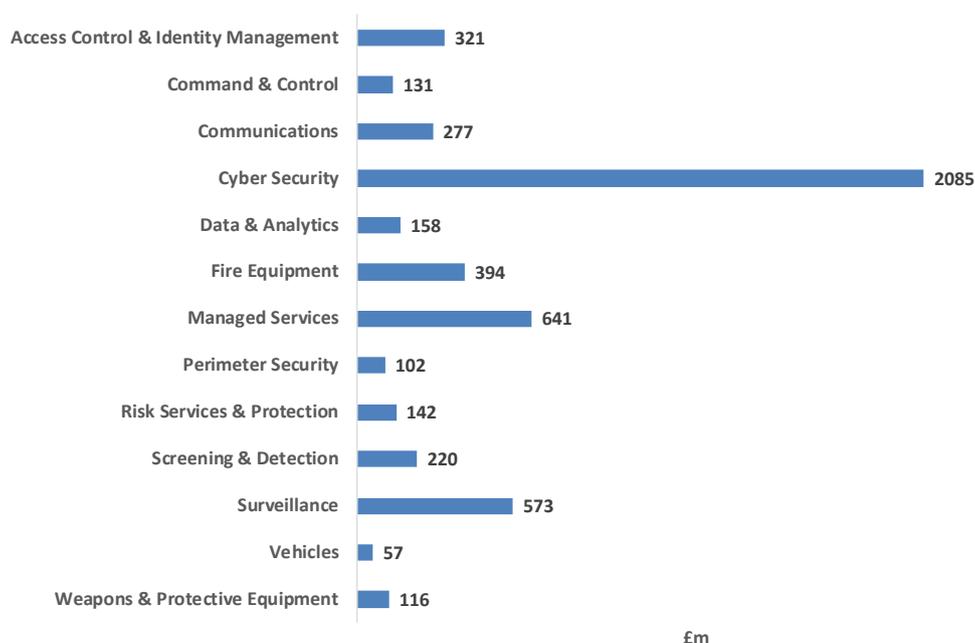
Chart 13: UK Security Exports by Capability Area (Based on Sales) for 2018



This chart shows UK security exports for 2018 (based on sales) segmented by HMG Security Export Growth Strategy capability area.

The Westlands Advisory (WA) data shows Cyber Security to be the largest single security export category in 2018, just like it was in 2017; it is up from 38% to 40%. The UK cyber security exports figure for 2018 stands at £2bn continuing year on year growth. Cyber growth reflects the rise in cyber threats and expansion in digital transformation across the global security network.

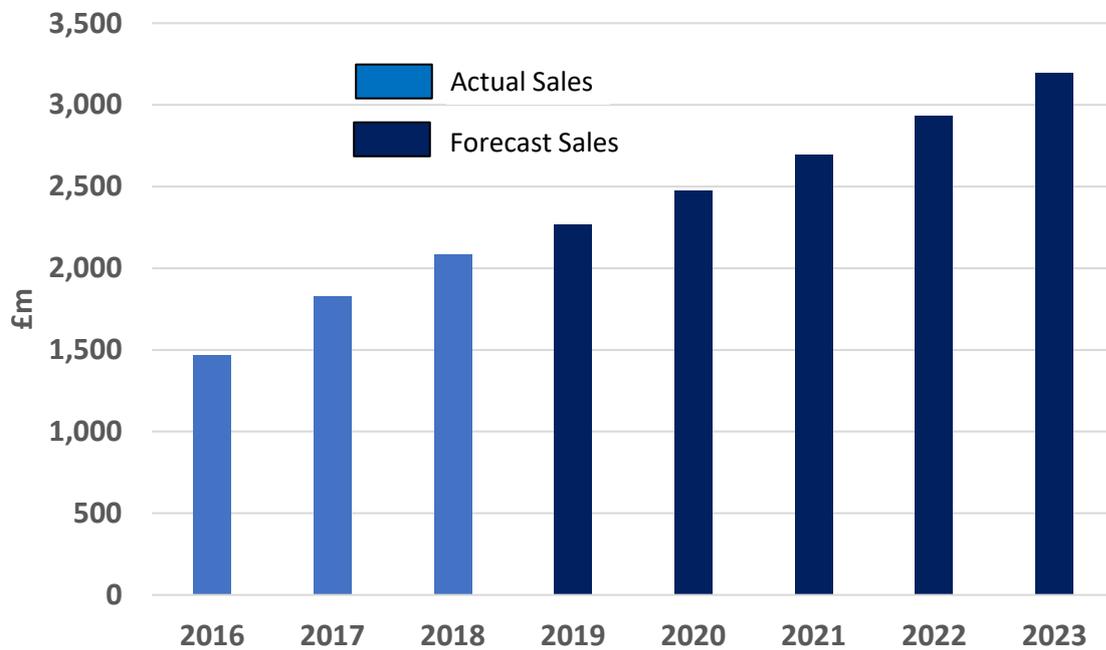
Chart 14: UK Security Exports by Technology Segments 2018 (£m)



This chart shows the value of UK security exports in 2018 by Security Export Strategy Technology Segments, aligned with the Security industry.

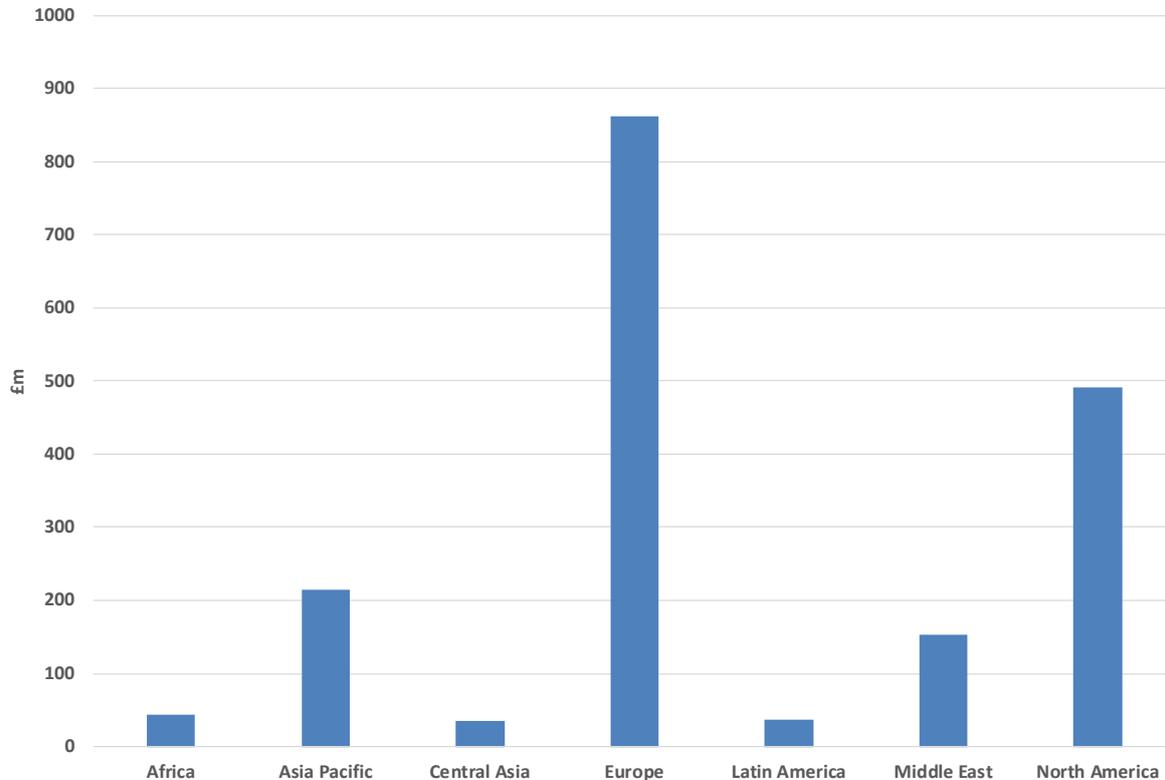
The UK Cyber Security segment is the largest technology area and, as highlighted earlier, worth £2bn. Cyber Security is considerably larger than the next two highest ranked technology sectors by value, Managed Services and Surveillance.

Chart 15: UK Cyber Exports 2016 to 2018 (Actual) and Forecast up to 2023 (£m)



Cyber security remains the largest UK HMG Security sub-sector and has grown by 13% from 2017 due to the ongoing demand for reliable and market leading cyber security solutions. UK cyber exports are forecast to grow at a minimum of 9% which is broadly in line with global market growth. There is opportunity for UK industry to outperform this forecast.

Chart 16: UK Cyber Security Exports by Region 2018 (£m)

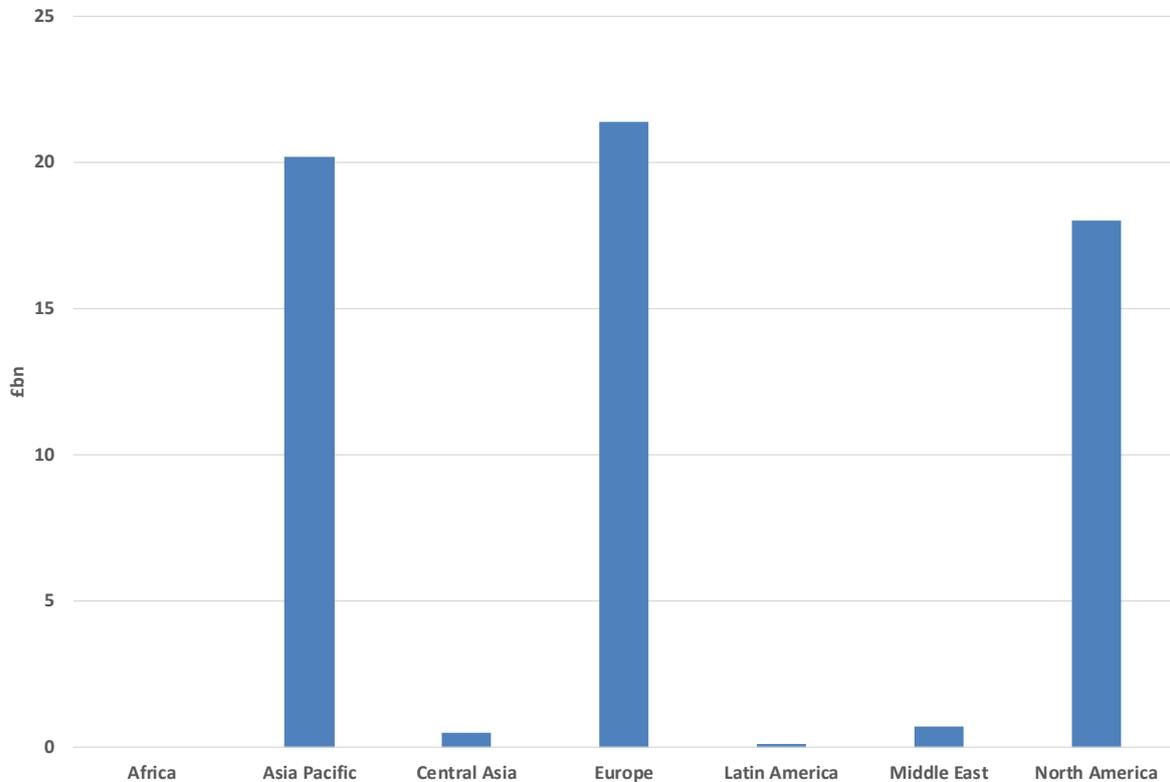


An analysis of the top 52 UK cyber security companies that export reports a total of £1.835bn of exports in 2018. This compares to the total UK Cyber security Exports of £2.1bn. The mix of companies includes cyber security companies, cyber product providers, ICT primes and services companies.

An assessment of the export regions shows Europe with almost 50% of exports and is over double the next largest region. Europe will remain very important for cyber security exports in the future.

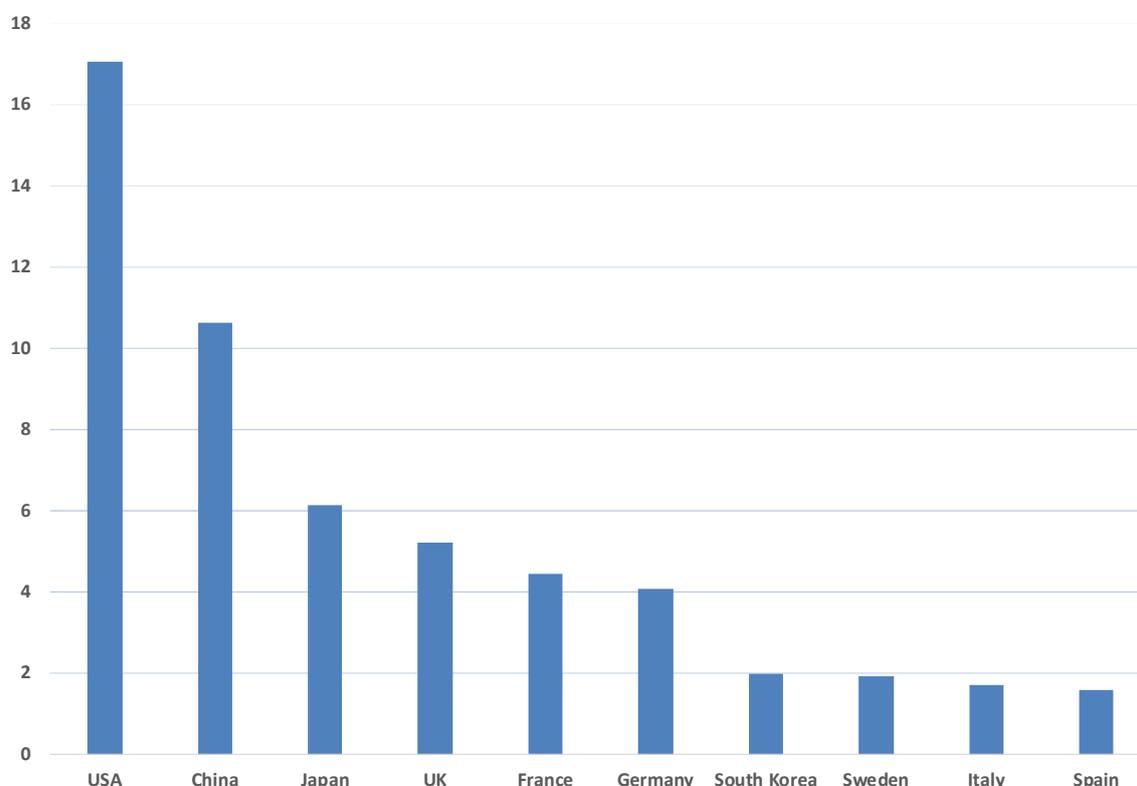
Whilst UK brands are strong in the USA, these are usually USA registered companies with operations in country and so do not count as export sales.

Chart 17: Global Security Exports by Region of Origin 2018 (£bn)



Based on an analysis of the top 50 countries exporting security solutions and services, in 2018 the global total for security exports was £60.20Bn. Asia Pacific, Europe and North America made up 90% of the exports. North America was driven largely by the USA. China, Japan and South Korea were the largest exporters from Asia Pacific. In Europe, the UK remained the largest security exporter with France and Germany close behind.

Chart 18: Global Security Exports by Country 2018 (£bn)



Westlands Advisory completed an assessment of the global security export market by country in 2018.

This estimate of the Top 10 Security export countries has been calculated through the methodology of using World Bank statistics on High Technology Exports, % Exports of GDP and Exports of Goods and Services. UK Exports have been used as a benchmark and an assessment of all the countries security industrial base has been conducted. For further information, please see the accompanying Methodology Document.

As can be seen from the chart, the UK is ranked fourth in 2018, as it was in 2017, the highest placed European nation, ahead of France and Germany, who all have strong industries. The USA is the world's biggest security exporter, just as it is in defence. China and Japan are the next two biggest security exporters, with the UK placed between Japan and France. Asia-Pacific countries feature heavily in the Top 15 global security exporters, with South Korea, Singapore, China and Japan in the listing.

Notes

This DIT 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.

Regular users of our data will be aware that kMatrix provided security export data to DIT DSO under a multi-year contract that expired in 2016. Frost & Sullivan was awarded a two-year contract to supply security export data to DIT DSO covering the 2016 and 2017 calendar years. More recently, Westlands Advisory was awarded the contract to provide the 2018 security export statistics.