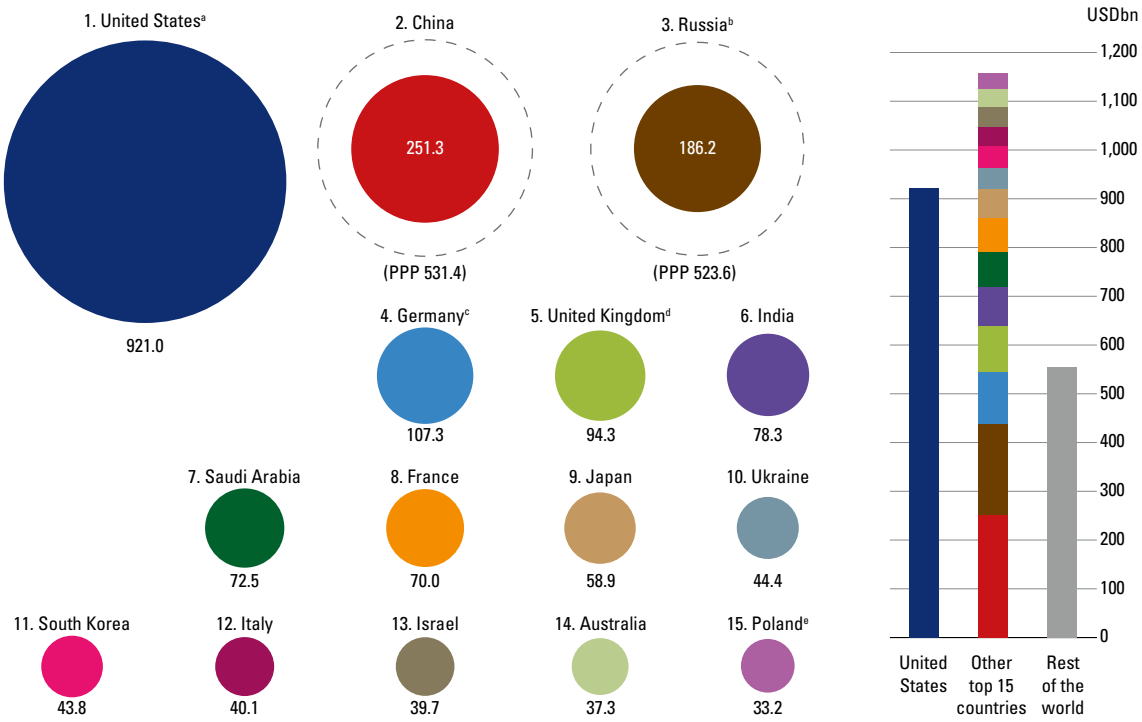
Global defence spending

- In 2025, global defence spending reached USD2.63 trillion, up from USD2.48trn in 2024. In real terms, spending rose by 2.5% though growth was uneven and subdued by lower spending in the United States.
- In Europe, defence-spending growth continued at record levels, with Germany accounting for much of this uplift. The region now accounts for over 21% of the global total compared to 17% in 2022.
- Growth in Russia's military expenditure moderated compared to previous years, growing just 3% in real terms in 2025, compared with 56.9% in 2024. Nonetheless, expenditure still consumed over 7.3% of GDP.
- In the Middle East, regional spending has grown significantly since 2023. Israel and Algeria continue to be the main sources of growth, the latter spending 8.8% of GDP on defence in 2025, the second highest rate globally.
- Meanwhile, concerns regarding China's influence and regional ambitions continued to drive Asia's modernisation efforts. However, China's share of regional spending continues to increase as growth in Beijing's defence budget outpaces the wider region.
- Continuing growth in most regions means that as a proportion of GDP, global spending increased from an average of 1.89% up to 2.01%.

Top 15 defence budgets (USDbn), 2025[†‡]



[a]OMB adjusted figure. [b]National Defence budget plus military R&D funding, military pensions, paramilitary forces' budgets, and other MoD-related expenses such as housing. [c]Includes 'Sondervermögen' (special fund) allocation, military pensions and military aid to Ukraine. [d]Includes Armed Forces Pension Scheme and military aid to Ukraine. [e]Excludes Armed Forces Support Fund.
[†]At current prices and exchange rates. [‡]Analysis only includes countries for which sufficient comparable data is available. Notable exceptions include Cuba, Eritrea, Libya, North Korea and Syria.

Notes: Unless otherwise indicated, US dollar totals are calculated using average market exchange rates for 2025, derived using IMF data. The relative position of countries will vary not only as a result of actual adjustments in defence spending levels, but also due to exchange-rate fluctuations between domestic currencies and the US dollar. The use of average exchange rates reduces these fluctuations, but the effects of such movements can be significant in a number of cases. US Foreign Military Financing not included in figures. Dashed line reflects an estimate for the value of the Chinese and Russian defence budget in PPP (purchasing power parity) terms to take into account the lower input costs in these countries.

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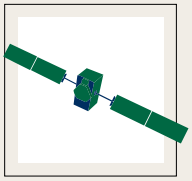
Figure 16 **Europe: arms procurement and defence-industrial developments, 2025**

VC FUNDING FOR DEFENCE GROWS

Venture capital (VC) funding in Europe's defence start-up sector has grown significantly since Russia launched its full-scale invasion of Ukraine in 2022, with more than EUR2.4 billion (USD2.71bn) raised, the majority in 2025. Several European companies have achieved a 'unicorn' valuation of more than USD1bn and more are likely to follow. The shake-up of the continent's defence-industrial base comes as many VC funds and banks have reassessed their environmental, social and governance criteria in response to the deteriorating European security environment, the accompanying growth in European defence spending, and encouragement from governments to invest in the sector. In 2023, NATO established its own VC fund: the NATO Innovation Fund (NIF), tasked with investing over EUR1bn (USD1.13bn) in 'deep tech' and other VC funds and financed by 24 members of the Alliance. National governments have also recognised the need to invest in defence innovation and established vehicles for doing so, such as the United Kingdom's National Security Strategic Investment Fund. A significant challenge for Europe's start-ups is the lack of 'growth stage' funding within Europe. Often, this gap is filled by financing from United States-based funds, but in other cases, it halts the development of start-ups. Perhaps the biggest challenge, though, is the slow procurement processes of European ministries of defence. The notorious 'valley of death' period between prototype and government contract can see many promising companies go under; a further challenge is the more mature US defence start-up ecosystem.

MEMBER STATES GIVE THE EU A BIGGER ROLE IN DEFENCE

Russia's invasion of Ukraine has catalysed European Union member states into giving the bloc a greater role in the defence sector, including more EU-coordinated funding for the defence-industrial base. In 2022, members agreed on a raft of measures, including the short-term Act in Support of Ammunition Production (ASAP) and the European Defence Industry Reinforcement through common Procurement Act (EDIRPA) to expand ammunition production capacity and subsidise joint procurement respectively. The European Defence Fund (EDF) and European Peace Facility (EPF) budgets were increased, with an agreement in 2025 for the latter to procure equipment directly from industry for Ukraine through a EUR5bn (USD5.65bn) fund. In 2024, a first commissioner for defence and space was appointed, followed by the publication of the European Defence Industrial Strategy (EDIS). The approval in late 2025 of the provisional agreement on the European Defence Industry Programme (EDIP), as a permanent replacement to ASAP and EDIRPA and operationalisation of EDIS, came after one-and-a-half years of negotiations among member states in which they considered the requirements to access EU funds and other mechanisms such as the security-of-supply regime. The sums of money allocated to defence in earlier efforts pale in comparison, however, to the EUR800bn (USD903.64bn) proposed under the 2025 Re-Arm Europe or Readiness 2030 plan. Of this, member states would be permitted up to EUR650bn (USD734.21bn) of extra national borrowing to pay for defence. More significantly, the remaining EUR150bn (USD169.43bn) would be provided to member states as loans under the Security Action for Europe (SAFE) instrument for common procurement. While SAFE represents an increase in the European Commission's role as a facilitator of common defence activity, member states continue to retain significant control, often through the European Council. Although not all EU countries have decided to take up either element of Readiness 2030, the SAFE instrument was oversubscribed by those that did. Member states have vigorously protected their control over national defence procurement and industrial matters, as evidenced by the protracted negotiations over EDIP and proposed changes in the SAFE regulation. However, they have also decided that they would like Brussels to facilitate more coordination than had been the case in the past.

EUROPE RAMPS UP INVESTMENT IN SPACE-BASED CAPABILITIES

In 2018–21, European countries signed contracts worth a combined USD3.16bn for military satellites, and this grew modestly to USD3.66bn for the period 2022 to late 2025. The rate at which European armed forces invest in this domain is set to grow substantially, however. In late 2025, Germany announced plans to spend EUR35bn (USD39.53bn) by 2030 on military space capabilities, and France stated it would increase its military space spending by EUR4.2bn (USD4.74bn) between 2026 and 2030, and launch sentinel satellites in 2027. Several defence-industrial strategies (DISs) have also outlined plans to enhance space-based capabilities. The UK's Strategic Defence Review highlighted the need for more investment in space domain awareness (SDA), command-and-control and counterspace systems. At the multinational level, the EU's Space Strategy for Security and Defence set out its thinking for the domain, and its DIS noted the ambition of having European SDA programmes in place by 2035. NATO's 2025 Commercial Space Strategy called for greater use of commercially provided systems and services. European security relies heavily on US-provided space-based systems allocated to NATO. With changes to US security posture and quick growth in Chinese and Russian satellite capabilities, European states risk falling behind if they do not invest heavily.