

Report

Defense in Europe:

The key market drivers in France, Germany, and the UK



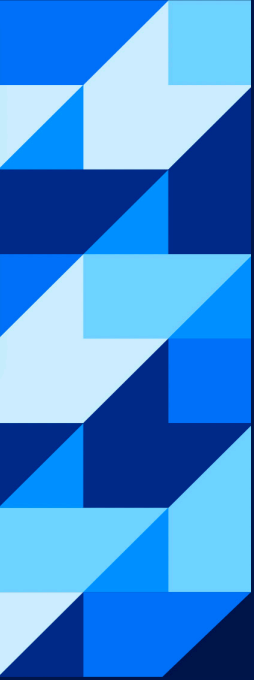


Table of contents

- 3 Introduction
- 4 France
- 6 Germany
- 8 United Kingdom
- 10 How supply chain finance can
provide certainty for the defense
industry and suppliers
- 11 Conclusion



Introduction

France, Germany, and the UK are all leaders in NATO, but amid increasing geopolitical threats, all three nations have announced increases in defense spending. In line with a recent US-led push, annual GDP committed to defense is rising to at least 5% by 2035. This includes 3.5% dedicated to 'core requirements' and 1.5% for critical infrastructure and the defense industrial base¹.

In this report, we explore how the defense market is expected to grow in these three countries and the factors that could shift momentum. Using GlobalData datasets, we will identify the key market segments primed for growth and highlight the importance of payment solutions to offer flexibility, as well as ensure smooth operations across supply chains.

In line with a recent US-led push, annual GDP committed to defense is rising to at least 5% by 2035.

1. https://www.nato.int/cps/en/natohq/official_texts_236705.htm

France

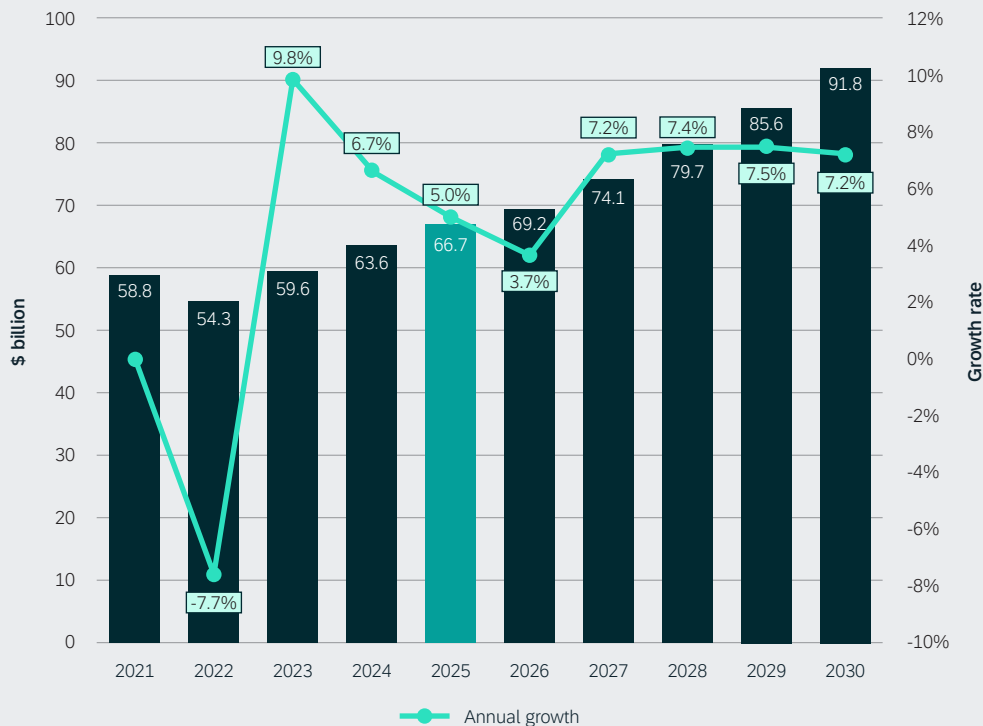
Defense market size

France's defense budget is projected to grow significantly in the coming years, increasing from \$66.7bn in 2025 to \$91.8bn in 2030. This growth aligns with the strategic objectives set forth by the Macron administration, primarily through the Military Planning Law 2019-25, which initiated the modernisation of the French military, and aims to integrate advanced technologies such as uncrewed systems and space-based capabilities.

The subsequent Military Planning Law 2024-30 aims to further bolster this growth, aligning with NATO's goal of defense spending reaching at least 3.5% of GDP by 2030. The urgency for these reforms has been amplified by the deterioration of European security following Russia's invasion of Ukraine, prompting France to diversify its defense investments significantly. Forecasted growth indicates a CAGR of 7.3% from 2026 to 2030, a notable increase compared to 3.2% from 2021 to 2025 to reflect the strategic shift.

Forecasted growth indicates a CAGR of 7.3% from 2026 to 2030, a notable increase compared to 3.2% from 2021 to 2025 to reflect the strategic shift.

France's total defense budget (\$B) and growth rate (%), 2021-30



Source: GlobalData Intelligence

Analysis of defense budget allocation

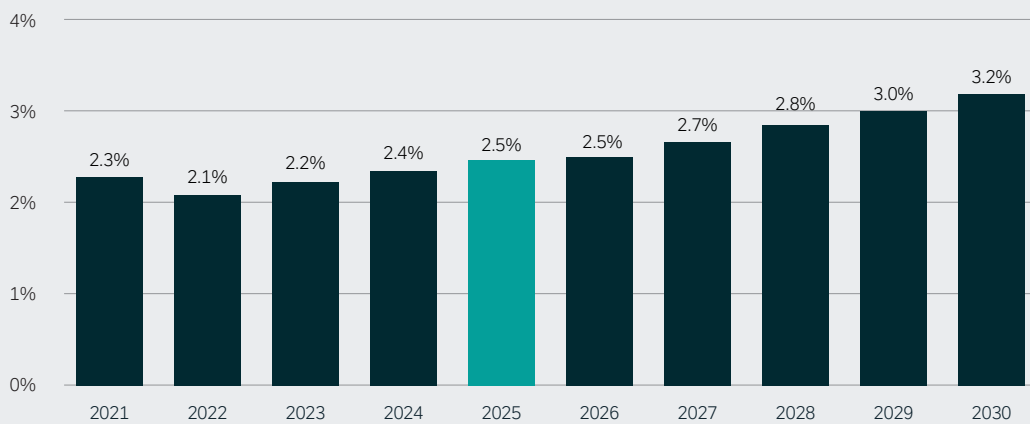
The overall trend suggests that the focus will increasingly be on integrating advanced technologies, such as unmanned systems and space capabilities, to adapt to changing geopolitical conditions. The French Government has also introduced limitations on foreign-led acquisitions of key suppliers within the Technological and Industrial Defense Base (BTID) due to mounting concerns over supply chain vulnerabilities and foreign access to sensitive information².

Key market trends and insights

Technological integration: The French Armed Forces fall under the same macro-strategic pressure as their NATO allies, continuing to push modernisation, with a strong emphasis on incorporating advanced technologies into the French military's operations.

Long-term planning: The implementation of the Military Planning Laws demonstrates a structured approach to defense spending, ensuring that financial allocations are strategically aligned with long-term military goals and NATO commitments. Segments projected to experience significant growth include multirole aircraft, nuclear-powered ballistic missile submarines (SSBN), and anti-air missiles.

France's defense budget as a percentage of GDP, 2021-30



Source: GlobalData Intelligence

2. GlobalData: France Defense Market: Size and trends, budget allocation, regulations, key acquisitions, competitive landscape, and forecast, 2025–30, September 2025

Germany

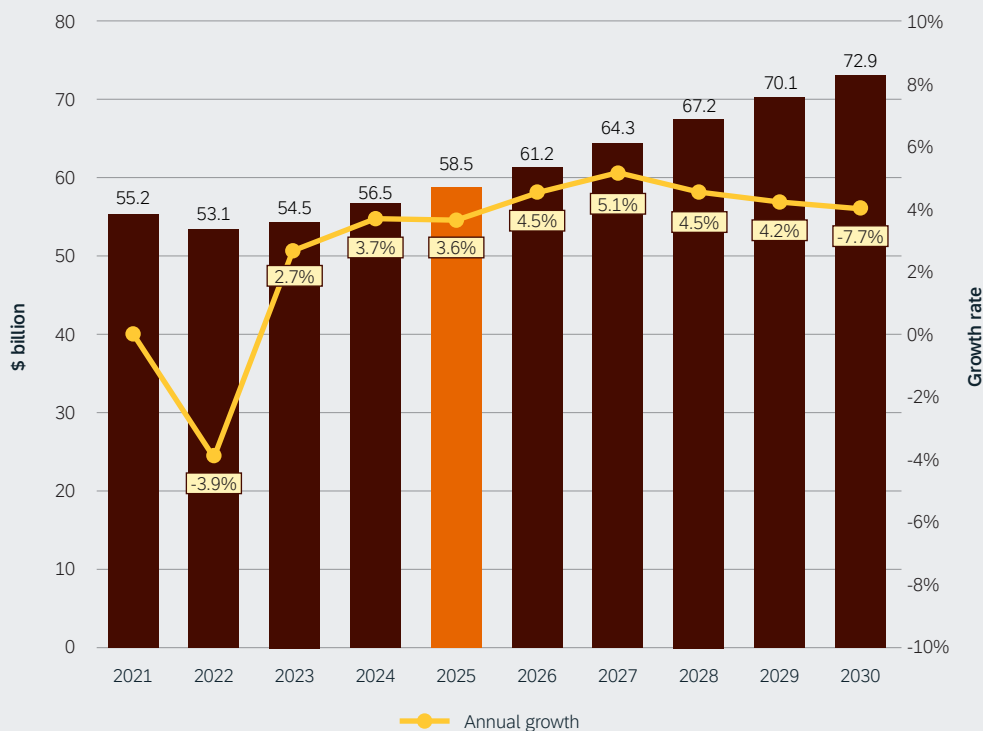
Defense market size

Germany has also been proactive in its defense spending, with the government announcing a 3.6% rise for 2025, bringing the total to \$58.5bn – up from \$56.5bn in 2024. This growth is projected to continue, with GlobalData forecasts indicating an increase to \$72.9bn by 2030, amounting to a CAGR of 4.5% from 2026 to 2030.

Despite this increase, Germany's defense budget has been described as sluggish, particularly in the context of the ongoing war in Ukraine. A significant aspect of Germany's defense funding strategy is the Bundeswehr special fund, valued at €100bn (approximately \$109.9bn). However, this fund is expected to be depleted by 2026, raising concerns about the sustainability of Germany's defense spending and the government's ability to prioritise military expansion and modernisation thereafter.

A significant aspect of Germany's defense funding strategy is the Bundeswehr special fund, valued at €100bn (approximately \$109.9bn).

Germany's total defense budget (\$B) and growth rate (%), 2021-30



Source: GlobalData Intelligence

Analysis of defense budget allocation

The allocation of Germany's defense budget reveals strategic priorities and operational needs. Operations and Maintenance (O&M) constitutes the largest portion of the budget at \$23.6bn – 40.3% of the total budget for 2025. However, this is projected to decline to 36.9% by 2030, even as total O&M spending increases to \$26.9bn. In 2025, 6.3% of the budget is earmarked for acquisition and research, technology, and development (RTD&E). When including the special fund, acquisition-related spending rises significantly to 28.8% of the total budget. However, once the special fund is exhausted, Germany will need to increase its annual defense spending by approximately \$30bn to maintain this target.

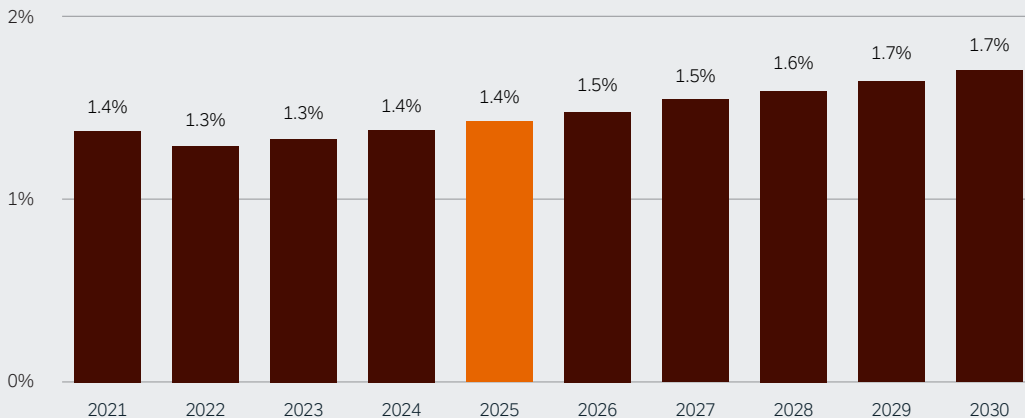
Key market trends and insights

Increased focus on modernization: The special fund was created to facilitate modernization with plans to purchase Eurofighter Typhoon fighters, F-35 fighters, and various other aircraft and unmanned aerial vehicles.

Sustainability of defense spending: Reliance on the special fund raises questions about the long-term sustainability of Germany's defense budgets. However, the EU recently unveiled an ambitious financial strategy, the ReArm Europe Plan, with a budget of €800bn (\$867.74bn) aimed at bolstering defense spending across the continent. As the EU's largest nation by GDP and population, Germany stands to gain considerably from this package³.

Segments projected to experience significant growth: Multirole aircraft, anti-air missiles, and platform-based missile defense systems (MDS).

Germany's defense budget as a percentage of GDP, 2021-30



Source: GlobalData Intelligence

3. GlobalData: Germany Defense Market: Size and trends, budget allocation, regulations, key acquisitions, competitive landscape, and forecast, 2025–30, April 2025

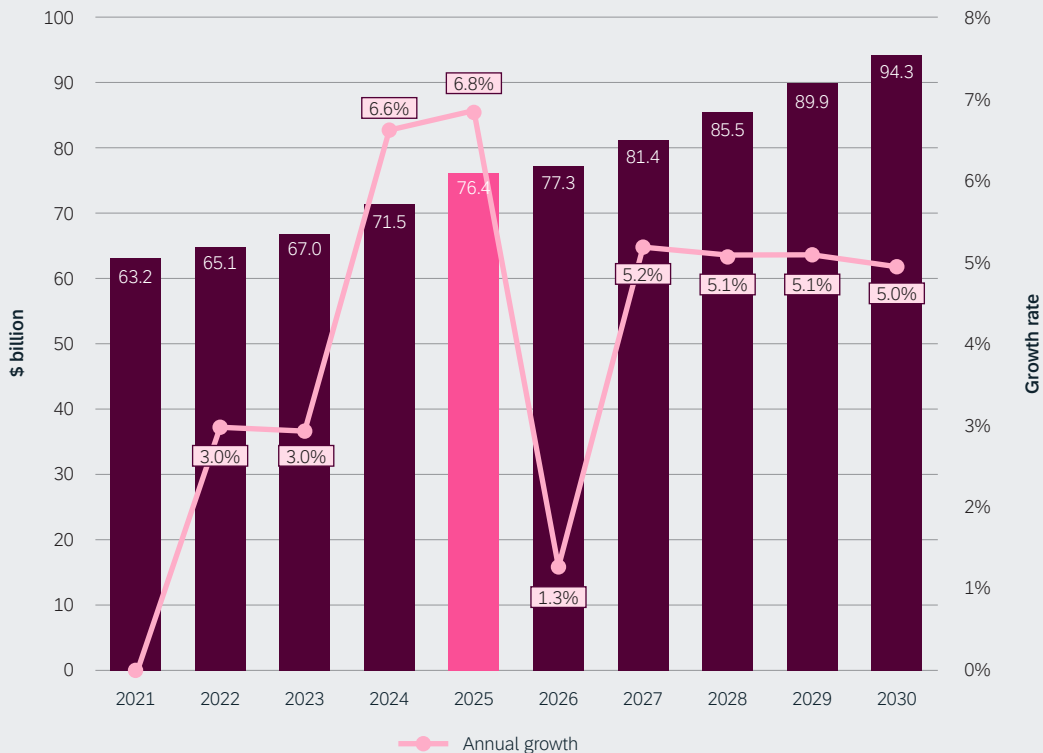
United Kingdom

Defense market size

As with France and Germany, the UK defense budget has also seen a significant increase, reflecting the same shift in focus to geopolitical tensions. In 2025, the UK's defense budget rose by 6.8% to \$76.4bn, up from \$71.5bn in 2024⁴. This increase comes after a low point in 2021, which was influenced by financial constraints from the COVID-19 pandemic. The forecast indicates a commitment to further increases, with aspirations set by British Prime Minister Keir Starmer to reach 5% of GDP on defense spending by 2035.

In 2025, the UK's defense budget rose by 6.8% to \$76.4bn, up from \$71.5bn in 2024.

United Kingdom's total defense budget (\$B) and growth rate (%), 2021-30



Source: GlobalData Intelligence

Analysis of defense budget allocation

As with both France and Germany, the allocation of the UK defense budget is heavily influenced by the need to modernise military capabilities and respond to evolving security threats. The UK Government has also emphasised the importance of supporting the rules-based international order and providing military aid to Ukraine, which has shaped budget priorities. The focus is now on enhancing conventional capabilities and preparing for high-intensity warfare scenarios.

Key market trends and insights

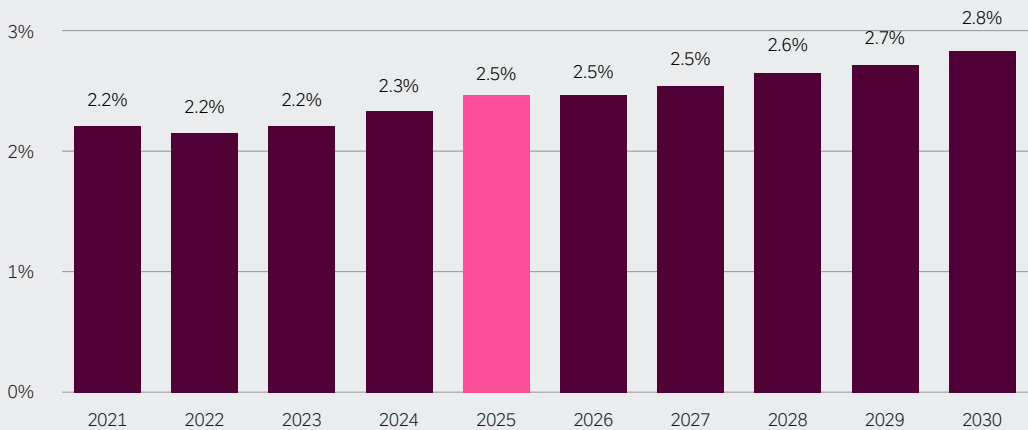
Modernization of military capabilities: There is a strong emphasis on modernizing conventional military capabilities to prepare for state-on-state conflicts. This includes significant investments in new technologies and platforms. Cyber, space, AI, and unmanned technologies continue to grow in importance. The UK is investing significantly in all these fields.

Focus on high-intensity warfare: The current geopolitical climate has also led to a renewed focus on preparing for high-intensity warfare, reflected in the allocation of resources and strategic planning.

Support for NATO allies: The UK is actively involved in supporting NATO allies, particularly in the context of military aid to Ukraine, which has influenced defense spending and procurement strategies.

Segments projected to experience significant growth: Military fixed-wing aircraft, cyber defense systems, Unmanned Aerial Vehicles (UAVs), and naval vessels.

United Kingdom's defense budget as a percentage of GDP, 2021-30



Source: GlobalData Intelligence

How supply chain finance can provide certainty for the defense industry and suppliers

Known for its substantial scale of operations and significant dependency on a multitude of suppliers for critical components and services, the defense sector stands to gain from a robust supply chain finance (SCF) setup, which can play a pivotal role in providing certainty to both defense contractors and their suppliers.

By utilizing financial technologies and engaging with fintechs – such as SAP Taulia – defense companies can optimize their financial operations across extensive supply networks more effectively over the long term.

This capability facilitates access to third-party finance for suppliers, irrespective of their size, which is critical in the defense sector where contractual obligations and delivery timelines are precise. Working capital and cash flow stability are necessary for sustained operations over the long term.

By utilizing financial technologies and engaging with fintechs – such as SAP Taulia – defense companies can optimize their financial operations across extensive supply networks more effectively over the long term.





Conclusion

NATO leaders France, Germany, and the UK are navigating a complex defense environment marked by rising threats and economic uncertainties. Their commitment to increased defense spending is a critical step towards enhancing military capabilities, although each country faces unique challenges that could influence future defense market dynamics. The integration of flexible payment solutions will play a vital role in ensuring that these nations can adapt and respond effectively to the changing global landscape.

The integration of flexible payment solutions will play a vital role in ensuring that these nations can adapt and respond effectively to the changing global landscape.



About SAP Taulia:

SAP Taulia's tech solutions increase the flexibility of liquidity options to create a more robust strategy for working capital.

To learn more about how SAP Taulia can help deliver greater certainty for your supply chain, visit: taulia.com