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There is one Background Quality Report for this publication. This report, covering International Comparisons, can be found [here](#).

If you would like to be added to our contact list, so that we can inform you about updates to these statistics and consult you if we are thinking of making changes, you can subscribe to updates by emailing:
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Statistical Bulletin Series 1 provides figures on the composition and scope of the Department's expenditure, information on the impact of defence spending on the wider economy, and compares the MOD's spending to that of other departments and other countries.

Statistical Bulletin 1.02 presents comparison information on UK defence spending with other countries. This includes details on defence expenditure by each of the NATO member states in Constant 2013 Prices and Exchange Rates (US\$) as well as each member's defence expenditure as a percentage of their GDP. It also details the top 15 military spenders worldwide, ranked using Market Exchange Rates and Purchasing Power Parity rates. The bulletin finishes by providing a focus on trend analysis and aggregate defence comparators for the UK, Germany, France and the USA.

Key Points and Trends

- In 2013 the UK remained the second largest military spender in NATO after the USA¹ (using comparisons based on constant prices and exchange rates).
- The UK remains one of only three NATO countries which meet the NATO target of spending the equivalent of 2% or more of GDP on Defence. The others are USA and Greece.
- In 2013, total worldwide military expenditure was estimated to be over US\$1.7 trillion at current prices and exchange rates. The USA was the world's largest military spender accounting for almost 37 percent of worldwide expenditure in 2013, although the proportion has fallen gradually for the last decade.
- In 2013, the UK was the sixth largest military spender, accounting for just over 3 percent of worldwide military expenditure, behind the USA, China, Russia, Saudi Arabia and France (using comparisons based on Market Exchange Rates). The UK was also sixth, based on Purchasing Power Parity comparisons, after USA, China, India, Russia and Saudi Arabia.

1. Calculations based on NATO definition of Defence Expenditure – see Background Quality Report 'International Comparisons' for more details.

Further Information

Defence Economics welcomes feedback on statistical products. If you have any comments or questions about this Statistical Bulletin or about our statistics in general, you can contact us at:

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If you require information which is not available within this or other available publications, you can submit a Request for Information under the Freedom of Information Act 2000 to the Ministry of Defence via the following link:

<https://www.gov.uk/government/organisations/ministry-of-defence/about/statistics#freedom-of-information-requests>

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National Statistics Publication

The United Kingdom Statistics Authority can designate statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007, signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- Meet identified user needs;
- Are well explained and readily accessible;
- Are produced according to sound methods; and
- Are managed impartially and objectively in the public interest.

However, as the data contained within this Bulletin have been obtained from organisations outside of the UK Government Statistical Service the bulletin cannot be classified in this way. Further information about the limitations of International Defence data can be found on pages 6 and 7 and the sources of the information contained within the bulletin can be found referenced within the tables and in the footnotes.

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Symbols and Conventions

Symbols

}	categories merged for some years
	discontinuity in time series
~	fewer than five
*	not applicable
..	not available
p	Provisional
r	Revised
rp	revised but still provisional
e	Estimate
–	Zero or rounded to zero

Italic figures are used for percentages and other rates, except where otherwise indicated.

Rounding

Where rounding has been used, totals and sub-totals have been rounded separately and so may not equal the sums of their rounded parts.

Revisions

There are no regular planned revisions of Bulletin 1.02, although amendments to figures for earlier years may be identified during the annual compilation of Bulletin 1.02. This will be addressed in one of two ways:

- i. Where the number of figures updated in a table is small, figures will be revised and identified with the symbol "r". An explanation for the revision will be given in the footnotes to the table.
- ii. Where the number of figures updated in a table is substantial the revisions to the table, together with the reason for the revisions, will be identified in the commentary at the beginning of the relevant chapter / section, and in the commentary above affected tables. Revisions will not be identified by the symbol "r" since where there are a large number of revisions in a table this could make them more difficult to read.

Occasionally updated figures will be provided to the editor during the course of the year. Since this bulletin is now published electronically it is possible to revise figures during the course of the year. However to ensure continuity and consistency, figures will only be adjusted during the year where it is likely to substantially affect interpretation and use of the figures.

Abbreviations

See Glossary.

Introduction

This Bulletin provides data on Defence Spending by NATO member states, top military spenders by Market Exchange Rates (MER) and Purchasing Power Parity (PPP) rates, as well as retrospective trend analysis and aggregate defence comparators for the UK, USA, France and Germany. It is produced as part of the transparency and accountability of the Ministry of Defence to Parliament and the public.

Section Contents

Table 1.02.01 details defence expenditure by each of the NATO member states in Constant 2013 Prices and Exchange Rates (US\$ Billion).

Table 1.02.02 presents defence expenditure as a percentage of national GDP for each of the NATO countries.

Chart to 1.02.01 and 1.02.02 presents spending in US\$ amongst NATO member countries. It also shows those countries Defence spending as a percentage of their national GDP.

Table 1.02.03 details the Top 15 Worldwide Military Spenders in 2013. Countries are ranked separately using MER and PPP rates.

Chart to 1.02.03 presents defence expenditure of the Top 15 Military Spenders in 2013 by MER.

Chart 1.02.04a presents aggregate defence expenditure for the UK, USA, France and Germany as a percentage of GDP from 1980 - 2013.

Chart 1.02.04b presents trends in real defence spending per capita between 1980 and 2013.

Chart 1.02.04c presents trends in real defence spending per Serviceman between 1980 and 2013.

Chart 1.02.04d presents the number of military personnel per thousand population from 1980 to 2013.

Data Quality

A Background Quality Report containing further information about the quality of methods and underlying data, along with the uses and limitations of these statistics, can be found at the following:

[Background Quality Report – International Defence Statistics](#)

Sources of International Defence Data

International Defence statistics are available in a variety of publications and on a substantial number of websites. The UK Ministry of Defence has no control over the quality, reliability and coverage of data contained within these sources and does not endorse any specific output.

Data provided in this publication fall outside the scope of National Statistics and as such, must be regarded as illustrative only.

Limitations of International Defence Data

Making international comparisons of defence presents a number of widely documented issues relating to the comparability and granularity of the international source data. Making direct comparisons will never be straightforward because:

- Defence expenditure data are merely input measures which give them only limited usefulness as an indicator of military strength, capability or burden.
- Whilst there are standardised definitions of defence spending and accounting conventions used by international organisations, principally the UN and NATO, not all countries record and publish their defence spending in accordance with such definitions and conventions.
- Some countries actual defence expenditure may be very different from their budgeted expenditure.
- Differences in national tax regimes and the treatment of pension contributions can lead to significant distortions in expenditure.
- Departments other than defence departments may be deemed to contribute to defence whilst some spending by defence departments can be categorised as supporting other activities.
- The choice of conversion method (e.g. Market Exchange Rates (MER) or Purchasing Power Parity (PPP)) used to convert to a common currency or from current to constant (real terms) prices can result in significantly different rankings of global defence spending. Using MER for instance tends to undervalue the currency and hence the scale of expenditure of lower income countries. Attempts are often made to circumvent this problem using PPP rates. These use currency conversion rates which equalise the overall price of a bundle of goods and services in each country. However PPP rates can be highly inaccurate because of the difficulty of allowing for differences in quality and devising appropriate and relevant “weighting” of individual goods and services. Civilian based PPPs may also not be representative of defence goods and services. [Click here](#) for more information on the measurement and uses of PPP rates.

While these problems are less significant in relation to the comparison of defence spending between NATO members in **Table 1.02.01**, they are substantial in relation to the global comparison in **Table 1.02.03**.

Note on revised NATO definition

The NATO definition of defence expenditure differs from national definitions so the figures quoted may diverge considerably from those presented in national budgets. Expenditure is included for countries that provide Military Assistance; expenditure is not included for countries receiving assistance.

More information relating to the revised NATO definition can be found on the [NATO website](#).

Context

The information in this Bulletin has a wide range of users including the media, politicians, academic researchers and the general public who use the information to:

- understand the size and organisation of the United Kingdom's Armed Forces;
- set the context for other information on Defence;
- assist in understanding the impact of changes in Defence policy.

Table

1.02.01

NATO Countries' Defence Expenditure: 2009 - 2013

This table shows defence expenditure during the fiscal years 2009 - 2013 for NATO member states. **Figures are expressed at Constant 2013 Prices and Exchange Rates (US\$ billion)** using GDP deflators derived from the [NATO Press Release](#). Aggregate defence spending totals in local currencies have been obtained by Defence Economics from Table 1 in the [NATO Press Release](#). These figures are produced by Defence Economics in consultation with NATO.

The NATO definition of defence expenditure differs from national definitions so the figures quoted may diverge considerably from those given in national budgets. Expenditure is included for countries that provide Military Assistance; expenditure is not included for countries receiving assistance. Research and Development expenditures related to major equipment are included as are pensions paid to retirees. The fiscal year has been designated by the year which includes the highest number of months. For example, year 2012 represents the fiscal year 2012/13 for Canada and the United Kingdom and the fiscal year 2011/12 for the United States (where the financial year for the United States runs from October through to September).

Defence expenditures have been calculated on the basis of the revised NATO definition agreed in 2004. Most nations now report defence expenditures according to this definition. More information on the NATO definition can be found on **pages 6 and 7 of this bulletin**.

Differences between the totals and sums of the components are caused by rounding.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - International Defence Statistics](#).

The data in this table are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.

Constant 2013 Prices & Exchange Rates (US\$ billion)

Country	2009	2010	2011	2012	2013e
NATO - Total¹	1 144.0	1 150.5	1 067.3	1 043.4	1 023.3
NATO - Europe¹	297.7	293.5	278.6	273.2	269.7
Albania	0.2	0.2	0.2	0.2	0.2
Belgium	5.7	5.5	5.4	5.4	5.3
Bulgaria ²	1.0	0.9	0.8	0.8	0.7
Croatia	1.0	0.9	1.0	0.9	0.8
Czech Republic	3.1	2.7	2.3	2.2	2.1
Denmark	4.5	4.8	4.5	4.6	4.5
Estonia	5.9	5.8	0.4	0.5	0.5
France	54.8	54.4	52.6	52.7	52.2
Germany	48.0	48.6	47.6	49.0	48.7
Greece	9.6	7.8	6.3	5.7	5.7
Hungary	1.5	1.4	1.4	1.4	1.2
Italy	32.1	30.9	29.9	28.1	25.2
Latvia	0.3	0.3	0.3	0.3	0.3
Lithuania	0.4	0.4	0.3	0.3	0.4
Luxembourg	0.2	0.3	0.2	0.2	0.2
Netherlands	12.3	11.8	11.2	10.9	10.3
Norway	7.3	7.2	7.3	7.3	7.4
Poland	8.0	8.6	8.8	9.0	9.1
Portugal	3.6	3.6	3.5	3.2	3.3
Romania	2.4	2.3	2.4	2.3	2.6
Slovak Republic	1.4	1.2	1.0	1.1	1.0
Slovenia	0.8	0.8	0.6	0.6	0.5
Spain	16.3	14.9	13.4	14.5	12.7
Turkey	13.4	13.7	13.6	13.9	14.4
United Kingdom	63.8	64.7	63.5	58.3	60.3
NATO - North America	846.2	857.0	788.6	770.2	753.6
Canada	23.1	19.9	20.6	19.9	18.4
United States ³	823.1	837.1	768.0	750.3	735.2

Source: Defence Economics derived estimates from NATO data

1. Iceland is a member of the Alliance but has no armed forces.
2. Defence expenditure does not include pensions.
3. Figures are based on preliminary defence expenditure data for 2012 and 2013.

Table 1.02.02

NATO Countries' Defence Expenditure as % of GDP: 2009 - 2013

This table shows defence expenditure by NATO member states within the fiscal years 2009 - 2013 as a percentage of GDP. The figures are extracted from Table 3 in the [NATO Press Release](#). Figures are based on the NATO definition of defence expenditure and are stated at **Constant 2005 Prices**, where the effects of inflation have been removed.

The NATO definition of defence expenditure differs from national definitions so the figures quoted may diverge considerably from those given in national budgets. Expenditure is included for countries that provide Military Assistance; expenditure is not included for countries receiving assistance. Research and Development expenditures related to major equipment are included as are pensions paid to retirees. The fiscal year has been designated by the year which includes the highest number of months. For example, year 2012 represents the fiscal year 2012/13 for Canada and the United Kingdom and the fiscal year 2011/12 for the United States (where the financial year for the United States runs from October through to September).

Defence expenditures have been calculated on the basis of the revised NATO definition agreed in 2004. Most nations now report defence expenditures according to this definition. More information on the NATO definition can be found on **pages 6 and 7 of this bulletin**.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - International Defence Statistics](#).

The data in this table are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.

Constant 2005 Prices (Percentage of GDP)					
Country	2009	2010	2011	2012	2013e
NATO - Total¹	3.4	3.3 ^r	3.0	2.9	2.8
NATO - Europe¹	1.8	1.7	1.6	1.6	1.6
Albania	1.5	1.6	1.5	1.5	1.4
Belgium	1.2	1.1	1.1	1.1	1.0
Bulgaria ²	1.9	1.7	1.4	1.4	1.4
Croatia	1.6	1.6	1.6	1.5	1.5
Czech Republic	1.6	1.3	1.1	1.1	1.1
Denmark	1.4	1.5	1.4	1.4	1.4
Estonia ³	1.8	1.7	1.7	2.0	2.0
France	2.1	2.0	1.9	1.9	1.9
Germany	1.4	1.4	1.3	1.4	1.3
Greece	3.2	2.7	2.4	2.3	2.3
Hungary	1.2	1.1	1.1	1.1	0.9
Italy	1.3	1.2	1.2	1.2	1.1
Latvia	1.2	1.0	1.0	0.9	0.9
Lithuania	1.1	0.9	0.8	0.8	0.8
Luxembourg	0.4	0.5	0.4	0.4	0.4
Netherlands	1.5	1.4	1.3	1.3	1.3
Norway	1.6	1.6	1.6	1.6	1.6
Poland	1.7	1.8	1.8	1.8	1.8
Portugal	1.6	1.5	1.5	1.4	1.5
Romania	1.4	1.3	1.3	1.2	1.4
Slovak Republic	1.5	1.3	1.1	1.1	1.0
Slovenia	1.6	1.6	1.3	1.2	1.1
Spain	1.2	1.1	1.0	1.1	0.9
Turkey	2.0	1.9	1.7	1.7	1.7
United Kingdom	2.6	2.6	2.6	2.3	2.4
NATO - North America	4.9 ^r	4.8 ^r	4.4	4.1	4.0
Canada	1.4	1.2	1.2	1.1	1.0
United States ⁴	5.2	5.2	4.6	4.4	4.3

Source: NATO

1. Iceland is a member of the Alliance but has no armed forces.
2. Defence expenditure does not include pensions.
3. Estonia are close to meeting the target of 2% set by NATO, having spent 1.97% of national GDP in 2013.
4. Figures are based on preliminary defence expenditure data for 2012 and 2013.

Table 1.02.03 Top World-wide Military Spenders: 2013

This table shows the Top 15 Worldwide Military Spenders in 2013. **Figures are expressed at Current Prices and Exchange Rates (US\$ billion).** Countries are ranked separately using Market Exchange Rates (MER) and Purchasing Power Parity (PPP) rates. If a different base year were used, the rankings could change due to fluctuations in exchange rates. **The calculations of military expenditure using PPP rates and 'spending per capita' have been performed independently by Defence Economics but are sourced from data provided by the Stockholm International Peace Research Institute (SIPRI).**

The SIPRI definition of defence expenditure differs to the definitions used by NATO and the MOD. Further details on the SIPRI definition can be found [here](#).

Conversion into a common currency using MER tends to undervalue the currency, and hence the scale of expenditure of lower income countries. This may also be because a large part of the economy of a lower income country is domestically based rather than being based on internationally traded goods and services. Attempts are often made to circumvent this problem using PPP rates. These use currency conversion rates which equalise the overall price of a bundle of goods and services in each country. However, PPP rates can be highly inaccurate because of the difficulty of allowing for differences in quality and devising appropriate and relevant "weighting" of individual goods and services. Civilian based PPPs may also not be representative of defence goods and services. As such, this table must be regarded as providing only an illustrative ranking of world-wide military spending.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - International Defence Statistics](#).

The data in this table are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.

Market Exchange Rates		At Current Prices and Exchange Rates			Purchasing Power Parity Rates ¹		
Rank	Country	Spending US\$ billions	Spending Per Capita US\$ ²	World Share %	Rank	Country	Spending US\$ billions
1	USA ³	640.2	2 000	36.6	1	USA	640.2
2	China	[188.5]	[136]	[10.8]	2	China	[275.0]
3	Russia	[87.8]	[615]	[5.0]	3	India	124.3
4	Saudi Arabia ⁴	67.0	2 326	3.8	4	Russia	[106.3]
5	France	61.2	952	3.5	5	Saudi Arabia	84.3
Sub-total Top 5		1 044.7		59.8	Sub-total Top 5		1 230.1
6	UK	57.9	917	3.3	6	UK	54.6
7	Germany	48.8	590	2.8	7	France	50.9
8	Japan ⁵	48.6	382	2.8	8	Japan	46.6
9	India	47.4	38	2.7	9	South Korea	46.3
10	South Korea	33.9	688	1.9	10	Germany	43.4
Sub-total Top 10		1 281.4		73.3	Sub-total Top 10		1 471.9
11	Italy	32.7	535	1.9	11	Brazil	34.0
12	Brazil	31.5	157	1.8	12	Italy	28.5
13	Australia	24.0	1 028	1.4	13	Turkey	27.1
14	Turkey	19.1	255	1.1	14	Taiwan	20.0
15	UAE ⁶	[19.0]	[2 043]	[1.1]	15	Colombia	18.0
Sub-total Top 15		1 407.5		80.5	Sub-total Top 15		1 599.4
World Total		1 747.1		100.0	World Total		..

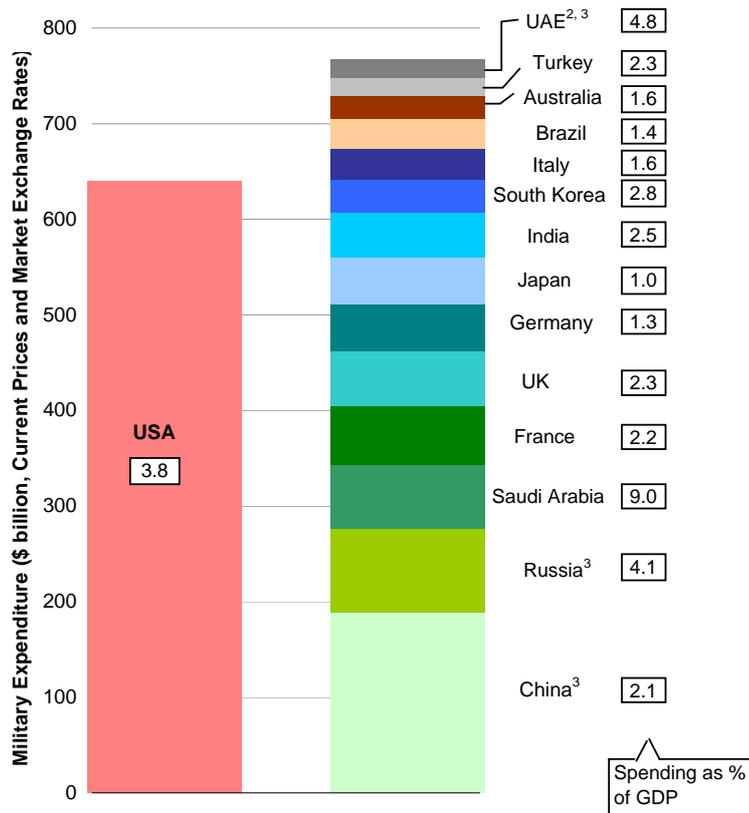
Source: Stockholm International Peace Research Institute (SIPRI)

- The figures in PPP dollar terms have been calculated by Defence Economics using estimated PPP rates (for 2013), based on price comparisons of the components of GDP published by the International Monetary Fund (IMF) in April 2014.
- Spending per Capita figures have been calculated using population estimates taken from the UN State of the World Population Report 2013.
- USA spending figures relate to the Fiscal Year October 2012 - September 2013. All other country figures relate to calendar year 2013.
- The figures for Saudi Arabia include expenditure on public order and safety, so might be slight overestimates.
- The figures for Japan do not include military pensions.
- The figure for United Arab Emirates (UAE) are for 2012, as those for 2013 are not available.

[] Indicates SIPRI estimate

Chart to Table
1.02.03

Top Worldwide Military Spenders Defence Expenditure and shown as % of GDP: 2013¹



Source: Stockholm International Peace Research Institute (SIPRI)

1. GDP figures shown in this table have been calculated using [SIPRI definitions of defence expenditure](#) and may differ from information shown in **Table 1.02.02** where the NATO definition has been used. Estimates for 2013 GDP are from the International Monetary Fund (IMF) World Economic Outlook database, April 2014.
2. Data for United Arab Emirates (UAE) are for 2012, as those for 2013 are not available.
3. Indicates SIPRI Estimate

Charts

1.02.04

Focus on NATO Allies

Charts 1.02.04a-d provide a retrospective trend analysis and aggregate defence comparators for the UK, Germany, France and the USA. These nations have been selected on the basis that they either have similar strategic postures, capabilities or force structures to the UK, or that the relative size of their respective defence budgets is comparable. **Figures are expressed at Constant 2013 Prices and Exchange Rates (US\$ billion).**

Definitions of defence expenditure have changed over time and differ between countries, this makes detailed comparison between countries difficult. In light of this fact data should only be used as an indication of trends and not as a definitive time series. Please refer to **pages 6 and 7 of this Bulletin** for more information about the limitations of making such comparisons.

From 2009 French defence expenditure excludes the Gendarmerie which is now financed separately by the Ministry of the Interior. This change more accurately reflects the NATO definition for defence expenditure but has led to lower levels of Defence spending (and as % of GDP) and personnel numbers for France, but a higher level of defence spending per serviceman. The definitional change explains the shift in the French data series on the charts below.

The sourcing of long run time series data from NATO has meant they we are now able to present Defence spending totals on a consistent basis using the NATO definition for military expenditure. **All four countries are now consistent with this standardised definition allowing for a more direct comparison.**

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - International Defence Statistics](#).

The data in these charts are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.

Chart

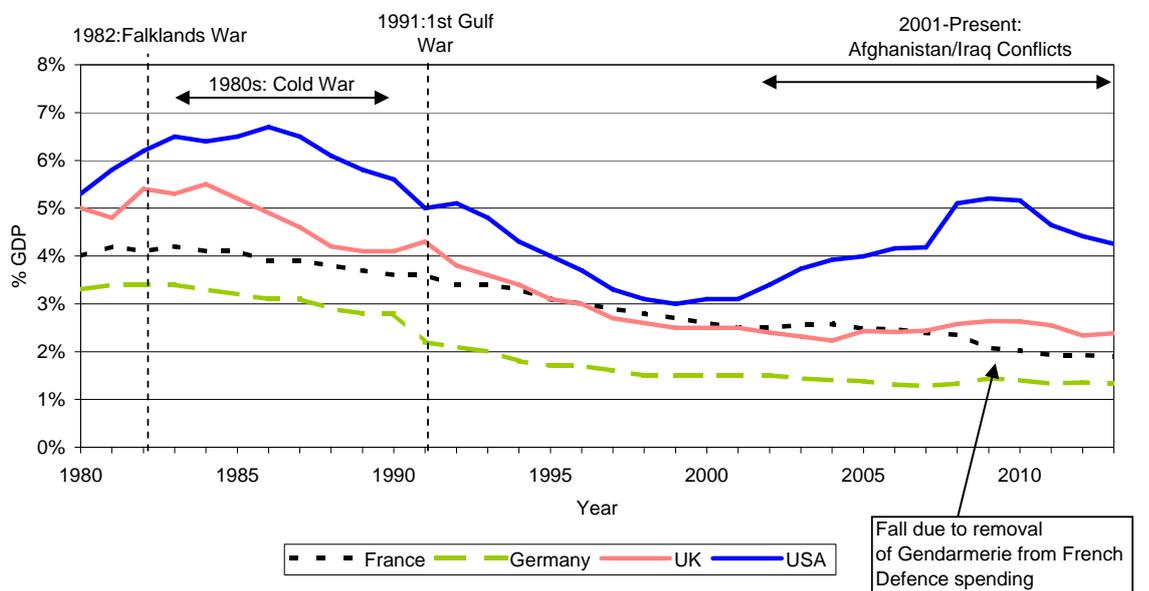
1.02.04a

Defence Spending as a % of GDP: 1980 - 2013^{1,2}

This chart shows aggregate defence expenditure for the UK, Germany, France and USA as a percentage of GDP from 1980 - 2013.

In 2013 the UK spent 2.4% of its national GDP on defence, France spent 1.9% and Germany spent only 1.3%.

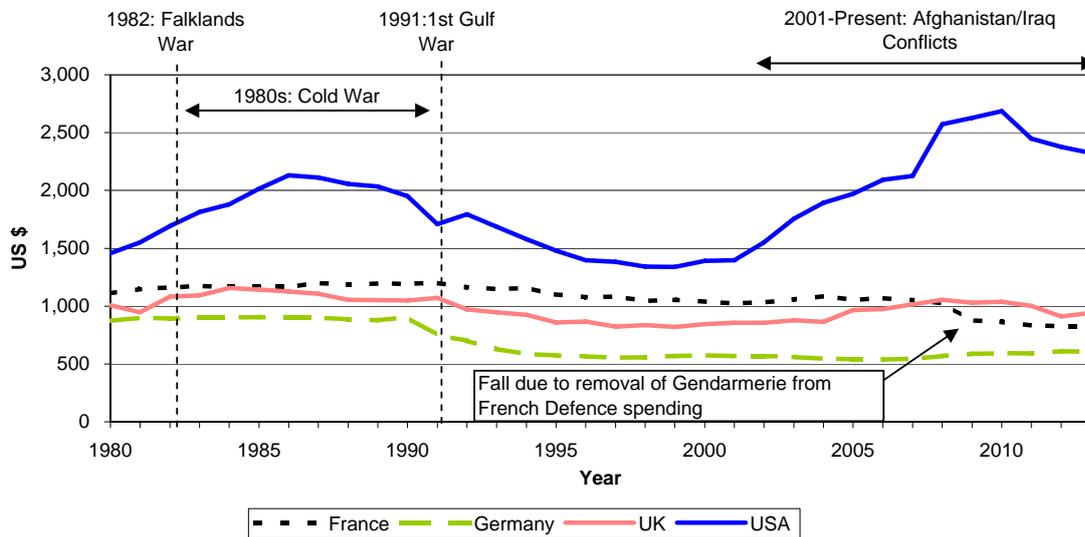
Levels of spending as a proportion of GDP in all countries fell between 1985 and 2000, since then levels in the UK, France and Germany have remained fairly static. USA defence spending rose steadily from 2000 to 2009, when it reached 5.2% of national GDP, however the figure dropped back to 4.3% in 2013.



Source: NATO

Chart 1.02.04b Real Defence Spending per Capita: 1980 - 2013^{1,2,3,4,5}

This chart shows trends in real defence spending per capita between 1980 and 2013. From 1998 to 2010, the USA significantly increased its defence spending per capita from around \$1,340 to \$2,640 per person, partly associated with the 2nd Iraq war, and the ISAF contribution in Afghanistan, although this figure has now dropped to c.\$2,320. In terms of defence expenditure per capita, in 2013 the UK spent around \$940 per person. France spent slightly less per capita than the UK (c.\$820) whilst Germany spent substantially less (c.\$600). The USA still spent nearly two and a half times that of the UK.



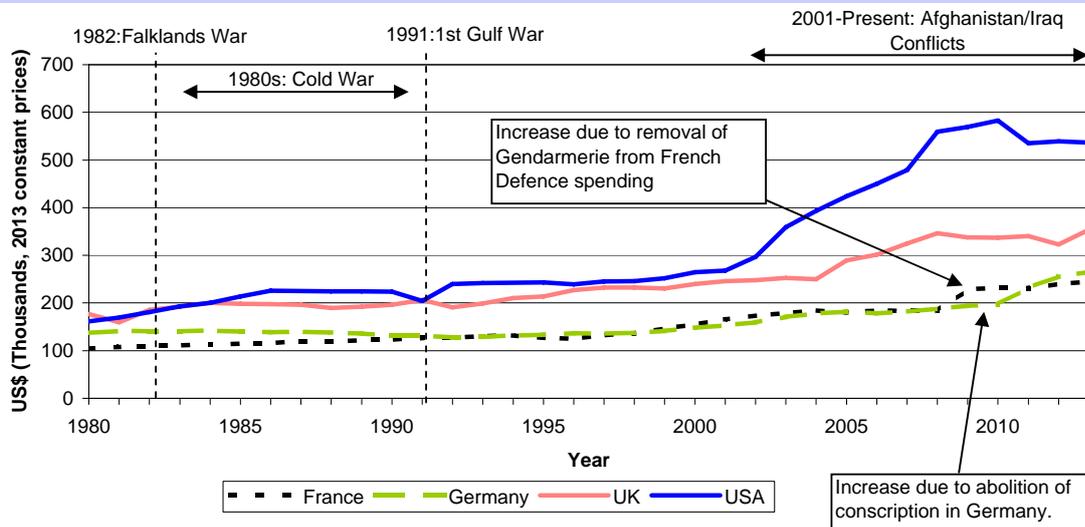
Source: Defence Economics derived from NATO and IMF World Economic Outlook Data

Chart 1.02.04c Real Defence Spending per Serviceman^{1,2,3,5,6}

This chart shows trends in real defence spending per Serviceman from 1980 - 2013. The number of active military personnel has been falling in both the USA and UK. Real defence spending in the UK has remained reasonably level meaning that spending per Serviceman has risen slightly in 2013, while a recent fall in real defence spending in the USA means that their spending per Serviceman has levelled out. The most dramatic increases in defence spending per Serviceman have been since 2000. The USA has increased spending per Serviceman by just over 100 percent between 2000 and 2013 whilst UK spending increased by nearly 50 percent over the same period. In 2013 the USA spent \$537,000 per Serviceman whilst the UK spent \$354,000.

Spending per Serviceman for Germany has been increasing gradually since the early 1990's with a large increase coming in 2011, which was as a result of conscription ending and the subsequent sudden drop in service personnel numbers. The removal of the Gendarmerie from French expenditure since 2009 and the abolition of conscription in Germany in 2010 makes a comparison between the 2 countries more difficult in recent years.

Of the three European nations listed the UK spends the most per Serviceman, followed by Germany (\$265,000) and France (\$245,000).



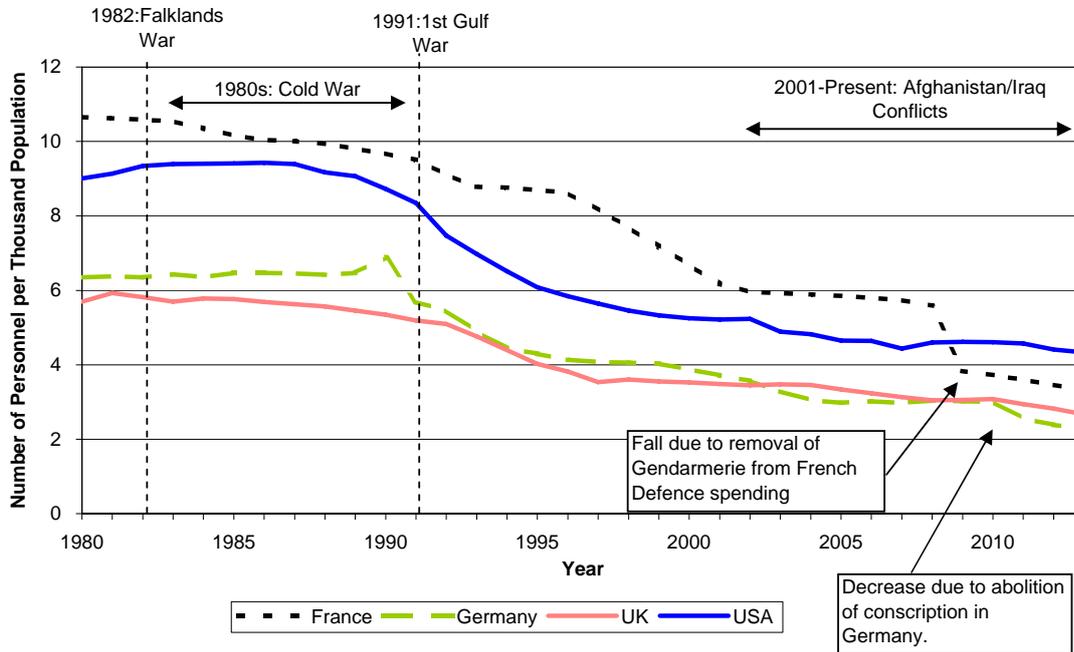
Source: Defence Economics derived from NATO and Defence Statistics Data
14

Chart

1.02.04d

Number of Military Personnel per Thousand Population^{2,4,6,7}

This chart shows the number of military personnel per thousand population from 1980 to 2013. In the UK there are currently around 2.7 servicemen per thousand population, whereas in France there are 3.3 and in the USA there are 4.3. Germany has the lowest number of military personnel per thousand population at 2.3.



Source: Defence Economics derived from NATO, Defence Statistics and IMF World Economic Outlook Data

Footnotes to Charts 1.02.04a - 1.02.04d

1. This chart uses Defence expenditure totals obtained from the [NATO publication Financial and Economic Data Relating to NATO defence](#). More details about what this definition covers and specific caveats for each country can be found in the footnotes to **Chart 1.02.01**.
2. From 2009 French Defence expenditure excludes the Gendarmerie. This change of definition has led to lower levels of Defence spending and personnel numbers but a higher level of defence spending per serviceman. This definitional change explains the shift in the French data series shown in the charts.
3. This chart uses National GDP figures and associated National GDP deflators obtained from the April 2014 version of the [IMF World Economic Outlook database](#).
4. This chart uses National population figures obtained from the April 2014 version of the [IMF World Economic Outlook database](#).
5. This chart uses National Defence expenditure figures (see Note 1) which have been converted to US dollars using an exchange rate implied from the US dollar defence expenditures in Table 1 of [NATO publication Financial and Economic Data Relating to NATO defence](#). National GDP deflators have been used to remove the effects of inflation in each country (See Note 3).
6. This chart uses military personnel strength figures obtained from several sources: Most recently, France, USA and Germany military personnel strength figures have been extracted from [Table 6 of the NATO publication Financial and Economic Data Relating to NATO defence](#) available online; UK military personnel figures have most recently been extracted from [Table 2.01.02 of Personnel Bulletin 2.01 - Service Personnel 2013](#).
7. In 1990 Germany signed 'The Treaty on the Final Settlement with Respect to Germany'. The treaty paved the way for German reunification but required Germany to limit its combined armed forces to no more than 370,000 personnel, this led to significant falls in German military strengths.

Glossary of Terms and Abbreviations used in Annual Statistical Series 1

AME see **Departmental Annually Managed Expenditure**.

Appropriation Accounts report the expenditure outturn on a cash basis for the previous financial year for each vote. Under resource accounting, from 2000/01 they were replaced by **Resource Accounts Codes**.

Appropriations-in-aid are receipts used to offset expenditure. They generally arise from the provision of repayment services, the sale of surplus goods or of equipment purchased on behalf of the Defence Export Services Organisation.

Arms Length Bodies From 2012/13, included within the Departmental Grouping are; the RAF Museum, the National Army Museum, the National Museum of the Royal Navy, the Royal Hospital Chelsea, the War Graves Commission, Independent Monitoring Board for the Corrective Training Centre Colchester, the Army Benevolent Fund, and the Council of Reserve Forces and Cadets Associations.

Assets can be financial or non-financial. Financial assets include monetary gold, bank deposits, IMF special drawing rights, loans granted bonds, shares, accounts receivable, and the value of the government's stake in public corporations. Non-financial assets consist of fixed capital (such as buildings and vehicles), stock, land and valuables.

AUC Assets Under Construction.

Balance of Payments MOD Balance of Payments (BoP) statistics support the ONS estimate of the value of the UK's BoP, which is a measure of the UK's trading account with the rest of the world and is one of the UK's key economic statistical series.

Balance Sheet The balance sheet is a financial statement showing the assets, liabilities, and net worth of a business on a specified date.

BIS The Department for Business, Innovation and Skills.

Capital Consumption is also called depreciation and represents the amount of fixed capital used up each year.

CLoS see **Clear Line of Sight**.

Clear Line of Sight The method for reporting and controlling defence spending changed in 2010/11 (for Budgets) and in 2011/12 (for Estimates & Accounts (Outturns)) following Treasury plans to simplify the control framework. The Clear Line of Sight (CLoS) Alignment Project aims to ensure consistency in presentation as well as promoting better value for money. [See [Resource Accounting & Budgeting Section](#) in Chapter 1 of UK Defence Statistics 2012 for further information.]

Commodity Blocks Under Clear Line of Sight the main MOD expenditure categories are now presented in Commodity Blocks. These provide a more meaningful description of the Department's planned and actual spend, and include categories such as Personnel Costs, Equipment Support Costs and Infrastructure Costs.

Conflict Pool consists of early warning, crisis management, conflict resolution, peacemaking, peacekeeping and peacebuilding activity, and associated strengthening of international and regional systems and capacity. It includes expenditure on both programme and operational expenditure.

Constant Prices indicates a value from which the effects of inflation have been removed. The constant prices will refer to a year as the basis for the calculation, e.g. "constant 2012/13 prices".

Core Department Entities within the MOD Departmental Boundary but excluding the 3 Trading Funds (DSTL, DSG and UKHO).

Cost of Capital Charge is an annual non-cash charge applied to each departments' budget. It is currently 3.5% of the net assets of the department and is used to make departments aware of the full cost of holding assets. From 2010/11, following a change in accounting policy by HM Treasury, the notional Cost of Capital Charge is no longer included in departmental accounts.

Current Prices See **Outturn Prices**.

DASA see **Defence Analytical Services and Advice**.

DBS see **Defence Business Services**.

DBS Finance provides expert information, advice and services to and on behalf of MOD business areas. They are responsible for payments to MOD suppliers totalling more than £27 billion a year, and for recovering £2 billion of receipts in respect of MOD invoices. See also **Defence Business Services**.

DE&S see **Defence Equipment & Support**.

Defence Analytical Services and Advice (DASA) was created in July 1992 and provides National Statistics on Defence and other corporate information, forecasting and planning and consultancy, advice and research services to the MOD. It ceased to be an Agency on 1 April 2008 and was renamed Defence Analytical Service and Advice. Following a further restructuring in Apr 2013 it was split into two directorates – Defence Statistics and Defence Economics. See also **Defence Economics**.

Defence Budget Under Cash Accounting, the amount of money planned to be spent during a financial year is the defence budget. Under Resource Accounting and Budgeting (RAB), the sum of resources planned to be consumed during a financial year is the defence budget. This *excludes* the additional expenditure on current operations that are funded from year to year by HM Treasury. See **Resource Budgeting**.

Defence Business Services was established on 4 July 2011 to transform the delivery of corporate services to the Department. The services delivered initially include: Civilian HR, Finance, Information Systems and some Information Services. On 1 Apr 2014 DBS merged with the Services Personnel & Veterans Agency and now has responsibility for managing HR processes for Military personnel including pay and pensions. Also see **DBS Finance**

Defence Economics From 1 April 13 the Directorate formerly known as DASA was split into two one-star analytical business areas within the Head Office Strategy Directorate - Defence Economics and Defence Statistics. Defence Expenditure Analysis (DEA) is part of the Economic Statistics & Equipment Support (ESES) Division within Defence Economics. See **Defence Analytical Services & Advice**.

Defence Equipment & Support (DE&S) At 1 April 2007, Defence Logistics Organisation and Defence Procurement Agency merged to form Defence Equipment & Support. DE&S equips and supports the UK's armed forces for current and future operations. It acquires and supports through-life, including disposal, equipment and services ranging from ships, aircraft, vehicles and weapons, to electronic systems and information services. DE&S satisfies ongoing requirements including food, clothing, medical supplies, maintenance and temporary accommodation, as well as operating HM Naval Bases and the joint supply chain for land, sea and air.

Defence Science and Technology Laboratory (DSTL) is a Trading Fund of the MOD created in July 2001. It supplies impartial scientific and technical research and advice to the MOD and other government departments.

Defence Support Group is a Trading Fund of the MOD created following the merger of Army Base Repair Organisation (ABRO) and Defence Aviation Repair Agency (DARA) on 1 April 2008. Its focus remains solely on the delivery of the Defence Industrial and Technology Strategies by being a flexible, responsive, operationally excellent organisation that provides a cost competitive in-house maintenance, repair, overhaul and upgrade capability in support of the Armed Forces.

DEL see **Departmental Expenditure Limit**.

Departmental Annually Managed Expenditure is spending that is outside the **DEL**, but included in departmental budgets. This includes the provision for Armed Forces Pensions and non-cash items such as depreciation, cost of capital charges, and provision. Non-cash items were not subject to the same controls and are included in AME, but from 2003/04 they are also included as part of the DEL.

Departmental Expenditure Limit is a firm plan for three years for a specific part of a department's expenditure. In general the DEL will cover all running costs and all programme expenditure except, in certain cases, where spending is included in departmental AME because it cannot reasonably be subject to close control over a three year period. DELs are divided into current resource and capital budgets.

Departmental Grouping From 2011/12 the MOD accounting boundary now includes, not just the Core Department, but also the Departments' Arms Length Bodies. See **Arms Length Bodies**.

Departmental Resource Accounts The Department is required to prepare resource accounts for each financial year detailing the resources acquired, held, or disposed of, during the year, and the way it has used them during the year.

Depreciation is also termed capital consumption. Total Managed Expenditure (TME) includes public sector expenditure gross of the depreciation of capital assets used to produce non-market services. Public sector net investment deducts an aggregate charge for all depreciation (market and non-market) from gross capital spending.

Donated Asset The notional cost of a donated asset is now treated as income and not a credit to the reserves. This better reflects the receipt of an asset that is essentially free to the Department.

DRAc see **Departmental Resource Accounts**.

DSG see **Defence Support Group**.

Dstl see **Defence Science and Technology Laboratory**.

Dun & Bradstreet (D&B) provides a global source of business information and insight. See **DUNS Number**.

DUNS Number A nine-digit DUNS Number is assigned to each business location in the D&B global database and is widely used for identifying, organising, and consolidating information about businesses.

Enabling Contract A contract which, once initially set up, can be used to procure goods and services where requirements arise on a regular basis, combining the benefits of reduced process costs and enhanced buying power resulting from a consolidation of requirements.

Estimated Prices used in the Estimates presented to Parliament, are forecasts of the prices expected to pertain when the expenditure occurs.

Frascati Manual is an internationally recognised methodology for collecting and using R&D statistics. It includes definitions of basic concepts, guidelines for collecting data and the classifications to be used in compiling statistics, which in turn allows for international comparisons to be made. See also **SSAP 13**.

GDP see **Gross Domestic Product**.

GDP Deflator see **Gross Domestic Product Deflator**.

Government Procurement Card was introduced in 1997 as a convenient and cost-effective way to make low-value purchases. The Card was made available to all public sector organisations, including central government departments, local authorities and NHS organisations.

GPC see **Government Procurement Card**

Gross Domestic Product GDP (at market prices) is the value of goods and services produced within a country's borders in a year. Economic data are often quoted as a percentage of GDP to give an indication of trends through time and to make international comparisons easier.

Gross Domestic Product Deflator is an implicit price deflator for the Gross Domestic Product and is derived by dividing the estimate of GDP at current prices by the estimate of GDP at constant prices. The GDP Deflator is commonly used as a measure of inflation in the economy for the country to which it refers.

Holding Company refers to companies which are full or part owners of other companies. For example subsidiaries and joint ventures.

HQ Contracts are formal contracts set up by MOD which require a Def Form 57 to be raised.

IFRS see International Financial Reporting Standard.

Intangible Assets Most if not all of MOD's intangible assets are development costs. Under Statement of Standard Accounting Practice 13 (SSAP 13), pure research costs, and applied research costs which are not immediately linkable to a product cannot be put in the Balance Sheet as assets. Only development costs which lead to the introduction into service of new products or systems can be put on the Balance Sheet. SSAP 13 defines "development" as "use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed."

International Financial Reporting Standard are principle-based standards, interpretations and the framework adopted by the International Accounting Standards Board (IASB). [See [Resource Accounting & Budgeting Section](#) in Chapter 1 of UK Defence Statistics 2012 for further information.]

Major Projects Report (MPR) is the National Audit Office (NAO) annual report to Parliament on progress in equipment procurement. It provides a summary of each projects' current status and progress to date. It also provides comparisons on current forecast costs and in-service dates

Market Exchange Rate is a currency exchange rate determined largely by market forces.

Ministry of Defence (MOD) is the United Kingdom Government Department responsible for implementation of Government defence policy and is the headquarters of the British Armed Forces. The principal objective of the MOD is to defend the United Kingdom and its interests. The MOD also manages day to day running of the armed forces, contingency planning and defence procurement.

Miscellaneous Contracts The payment method employed by DBS Finance (the MOD's primary bill paying authority) for running service items such as the provision of utilities. Such items are covered by "miscellaneous" transactions where no 'MOD HQ Contract' exists. These agreements for goods or services will have been set up locally between the MOD Branch and the supplier, and are legally binding.

MOD see **Ministry of Defence**.

NAO see **National Audit Office**.

National Audit Office (NAO) scrutinises public spending on behalf of Parliament. It is totally independent of Government and audits the accounts of all government departments and agencies as well as a wide range of other public bodies. It reports to Parliament on the economy, efficiency and effectiveness with which government bodies have used public money.

NATO North Atlantic Treaty Organisation.

NATO Eurofighter and Tornado Management Agency (NETMA) is the prime contractor for the Eurofighter Weapon System. The arrangements for the management of the Eurofighter programme were set out in the NATO Charter dated 18 December 1995 in which the international management agencies of the Tornado and Eurofighter programmes were integrated into a single agency, NETMA. This NATO agency is essentially a multi-nation HQ project office for these two collaborative projects involving the UK, Germany, Italy and Spain. In the UK, Eurofighter is now called 'Typhoon'.

NCR see **Net Cash Requirement**.

NDPB see **Non Departmental Public Bodies**

Near Cash describes departmental resource budgets less non-cash charges. The main non-cash charges currently included in budgets are depreciation and impairments, cost of capital, stock write-off, national audit fees, bad debts, profit and loss on disposal of fixed assets, and movement in provisions. The term near cash is used rather than cash because it remains on an accruals basis and does not reflect the timing of actual cash payments.

Net Cash Requirement (NCR) is the amount of actual money that MOD requires from the government in order to fund its activities. It takes account of the movements in working capital levels (debtors, creditors and stocks) but not non-cash costs.

NETMA see **NATO Eurofighter and Tornado Management Agency**.

Non-Cash Items in Annually Managed Expenditure (AME) include various notional transactions such as depreciation and cost of capital, that appear in the operating cost statement under RAB, and are recorded in AME for the period of the Spending Review, rather than in DEL.

Non-Current Assets, previously called Fixed Assets, is the term used to describe the assets owned by MOD, with the assets being valued on an annual basis and updated each year using indexation.

Non Departmental Public Bodies are the National Museum of the Royal Navy, National Army Museum, and Royal Air Force Museum. From 2011/12 these are included as **Arm's Length Bodies** within the **Departmental Grouping**.

Novated Contract A contract which has been taken on by a new Contractor/Supplier following an agreement with the original owner of the contract.

OCCAR (Organisation Conjointe de Cooperation en Matiere d'Armement) – the Organisation for Joint Armaments Co-operation was originally set up in November 1996 by France, Italy, Germany and the UK with the aim of improving the efficiency and lowering the cost of managing co-operative defence equipment programmes involving European nations (e.g. A400M). Belgium and Spain are also now members.

OECD Organisation for Economic Co-operation and Development.

Office for National Statistics (ONS) is responsible for the production of a wide range of independent economic and social statistics, to improve our understanding of the United Kingdom's economy and society, and for planning the proper allocation of resources, policy-making and decision-making. It is the executive office of the UK Statistics Authority, a non-ministerial department which reports directly to Parliament. ONS is the UK Government's single largest statistical producer.

ONS see **Office for National Statistics**.

Operating Cost Statement is the statement in departmental resource accounts that shows the current income and expenditure on an accrual basis. It is similar to the profit and loss statement on commercial accounts. It is now called the Statement of Comprehensive Net Expenditure (SOCNE).

Outturn and Estimated Outturn describes expenditure actually incurred, whereas estimated outturn describes estimated expenditure on the basis of actual expenditure to date.

Outturn Prices are the prices of the period when the expenditure actually occurred; also described as **Current Prices**.

Parliamentary Annual Estimates The 'Main Estimates' start the supply procedure and are presented to Parliament around the start of the financial year to which they relate. Main Estimates are contained in the annual Departmental Reports and can be found on departmental websites.

PES Public Expenditure Survey.

PESA see **Public Expenditure Statistical Analyses**.

PFI see **Private Finance Initiative**.

Pink Book Detailed annual estimates of the UK Balance of Payments including estimates for the current account (trade in goods and services, income and current transfers), the capital account, the financial account and the International Investment position.

PPP see **Purchasing Power Parity**.

Private Finance Initiative (PFI) is a system for providing capital assets for the provision of public services. Typically, the private sector designs, builds and maintains infrastructure and other capital assets and then operates those assets to sell services to the public sector. In most cases, the capital assets are accounted for on the balance sheet of the private sector operator.

Public Expenditure Statistical Analyses (PESA) is a compendium that gathers recent outturn data, estimated outturns for the latest year, and spending plans over the entire range of UK public expenditure.

Purchasing Power Parity (PPP) is a method of measuring the relative purchasing power of different countries' currencies over the same types of goods and services. Because goods and services may cost more in one country than in another, PPP allows us to

make more accurate comparisons of standards of living across countries. The estimates use price comparisons of comparable items but since not all items can be matched exactly across countries and time, the estimates are not always “robust.”

QinetiQ Formerly part of the Defence Evaluation and Research Agency (DERA). From July 2001 a limited company, QinetiQ, is still partly owned by the MOD.

R&D Research and Development.

RAB see **Resource Accounting, Resource Budget, and Resource Budgeting.**

Real Defence Spending are Defence Spending figures adjusted for the effect of general price inflation relative to a base year, as measured by the GDP market price deflator.

Resource Accounting is the accounting system that has been used since 2001/02 to record expenditure in the departmental accounts and which replaced cash accounting. It applies Generally Accepted Accounting Practice (GAAP) used in private industry and other Government departments to departmental transactions. Spending is measured on an accruals basis.

Resource Budget is the sum of a department’s resource Departmental Expenditure Limit and resource Annually Managed Expenditure. It is the budget for current expenditure on an accruals basis.

Resource Budgeting is the budgeting regime adopted for the spending plans set in the 2000 Spending Review. It is derived from resource accounting rules, but there are several differences in treatment between resource accounts and resource budgets. [See [Introduction to Chapter 1 of UK Defence Statistics 2012.](#)]

RfR see **Request for Resources**

RfR Request for Resources: RfR1 = Provision of Defence Capability, RfR2 = Net additional cost of operations, RfR3 = War Pensions and Allowances. These terms ceased to be used in 2011/12.

SDSR10 see **Strategic Defence and Security Review 2010**

Small and Medium-sized Enterprises are organisations that have less than 250 employees and one of the following a) turnover less than 50 million euros b) Balance sheet total less than 43 million euros.

SME see **Small and Medium-sized Enterprises.**

SSAP 13 see **Statement of Standard Accounting Practices No.13**

SIC see **Standard Industrial Classification.**

Single Use Military Equipment are MOD held assets which are only suitable for military purposes (such as warships), as opposed to dual-use equipment, such as helicopters, which can also be used for non-military purposes.

Standard Industrial Classification (SIC) classifies business establishments and other statistical units by the type of economic activity in which they are engaged. The classification is maintained by the **ONS**.

Statement of Parliamentary Supply is the Parliamentary accountability statement. It reports to Parliament on resource outturn, a comparison of outturn against the ‘Supply Estimate’, and a summary of income not ‘Appropriated in Aid’ and payable to the Consolidated Fund.

Statement of Standard Accounting Practices No.13 gives guidance on the accounting policies to be followed in respect of Research and Development expenditure. This guidance aligns to the OECD Frascati definitions for measuring Research & Experimental Development. See also **Frascati Manual**.

Strategic Defence and Security Review 2010 was a review of the United Kingdom’s defence and security capability which was undertaken in 2010.

SUME see **Single Use Military Equipment.**

Supply Expenditure is expenditure financed by money voted by parliament in the annual Supply Estimates: also termed Voted in Estimates.

Terms of Business Agreement (TOBA) aims to create a more disciplined interface between the key acquisition parties (e.g. MOD and DSTL), strengthening the relationship between the main parties involved in acquisition.

TOBA see **Terms of Business Agreement.**

Total Managed Expenditure (TME) is a definition of aggregate public spending derived from notional accounts. It is the consolidated sum of current and capital expenditure of central and local government, and public corporations. TME is the sum of the Departmental Expenditure Limit and Annually Managed Expenditure.

Trading Funds were introduced by the Government under the Trading Funds Act 1973 as a “means of financing trading operations

of a government department which, hitherto, have been carried out on Vote". They are self-accounting units that have greater freedom, than other government departments, in managing their own financial and management activities. They are also free to negotiate their own terms and conditions with their staff and for this reason their grading structures do not always match that of the rest of the Ministry. Examples include the DSTL, UK Hydrographic Office and the Defence Support Group.

UKHO see **UK Hydrographic Office**.

UK Hydrographic Office was formed as a Trading Fund of the MOD in 1996 and is responsible for surveying the seas around the UK and other areas, to aid navigation.

UK Statistics Authority (UKSA) is an independent body, and is directly accountable to Parliament. It was established on 1 April 2008. The Authority's overall objective is to promote and safeguard the quality of official statistics that serve the public good. It is also required to safeguard the comprehensiveness of official statistics, and ensure good practice in relation to official statistics. The UK Statistics Authority has three main functions: oversight of the Office for National Statistics (ONS) (its executive office), monitoring and reporting on all UK official statistics, and independent assessment of official statistics.

UK Trade & Investment Defence & Security Organisation (UKTI DSO) works with industry and overseas governments to ensure UK equipments, products and services are promoted in the best possible way and that the overseas customer's requirements are appropriately met and supported by industry through life.

Urgent Operational Requirements (UoR) are equipment items that are required urgently for a specific military operation. Where the requirement is new or unforeseen, and specific to a particular operational theatre, it is funded from the Government Reserve rather than the Defence budget.

VAT Value Added Tax.