# Implications of Defense & Security spending across sectors

## EY-Parthenon analysis

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DI Danish Defence and Security Industries

EY Parthenon

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# Executive summary

1. Europe faces a readiness gap after decades of under investments into defense & security

2. Small stockpiles, outdated technology, a fragmented industry and procurement setup, insufficient supply chains, and vulnerability in critical infrastructure are among the resulting key challenges

3. A multi-hundred-billion Euro investment drive is needed and foreseen – to rebuild capability, capacity, resilience, and credible deterrence

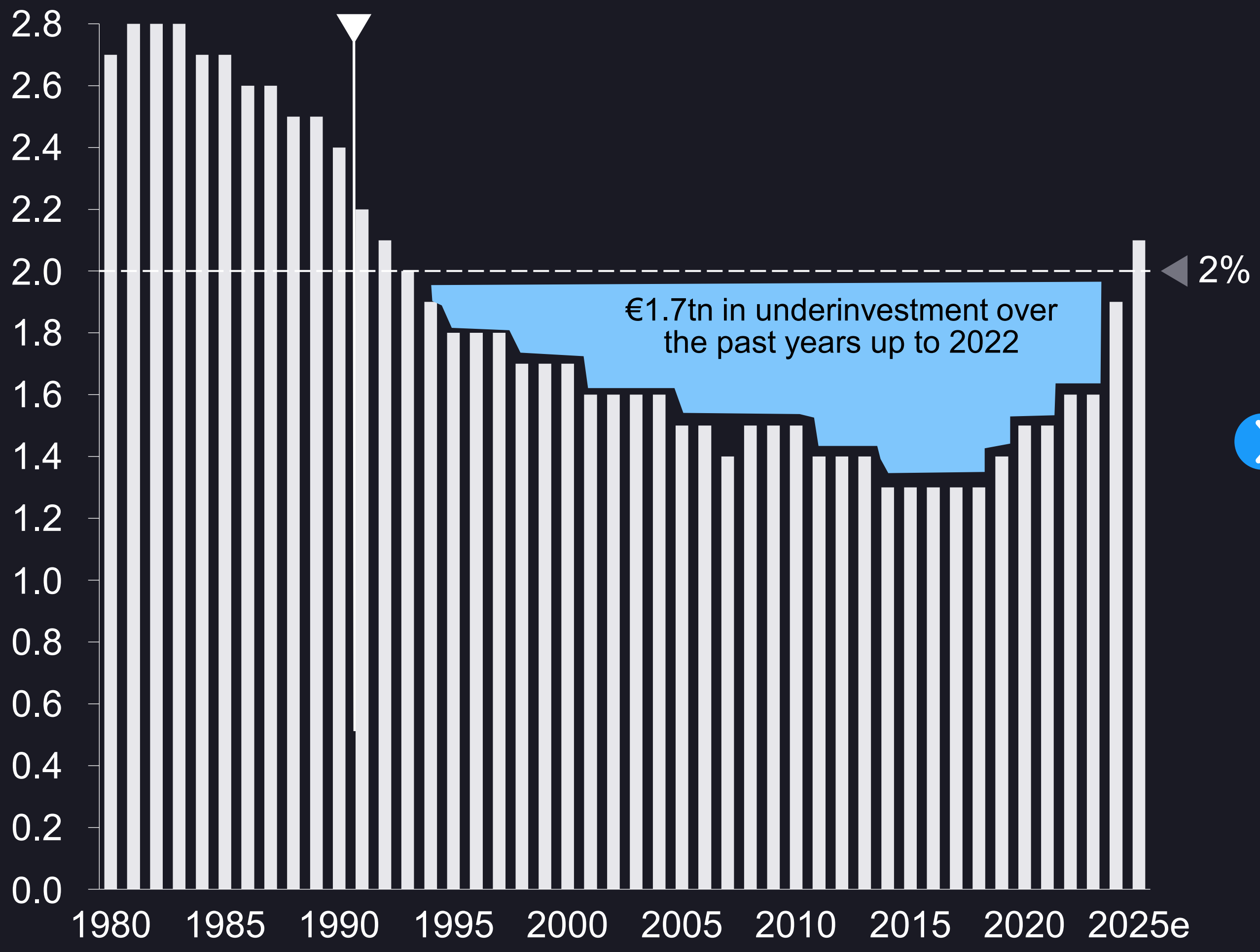
4. For European and Nordic business, this means a new era of sustainable demand to address the gaps and future needs – which can have material impact across industries, sectors, and value chains

5. Achieving this goal requires scaling industrial capacity, accelerating procurement, securing financing and strengthening infrastructure – while maintaining public and political support across borders

# As a result of decades of underinvestment, the state of the European defense & security sector is fragile and fragmented

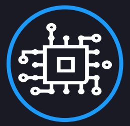
Defense investment in the European Union

## EU share of GDP spent on defense, 1980-2025 (% of GDP)




## Effects of decades of under investments

**Hollowed-out inventories and low readiness**



**Obsolete platforms and technology lag**

**Fragmented industrial and procurement base**

**Insufficient operational backbone and supply chains**

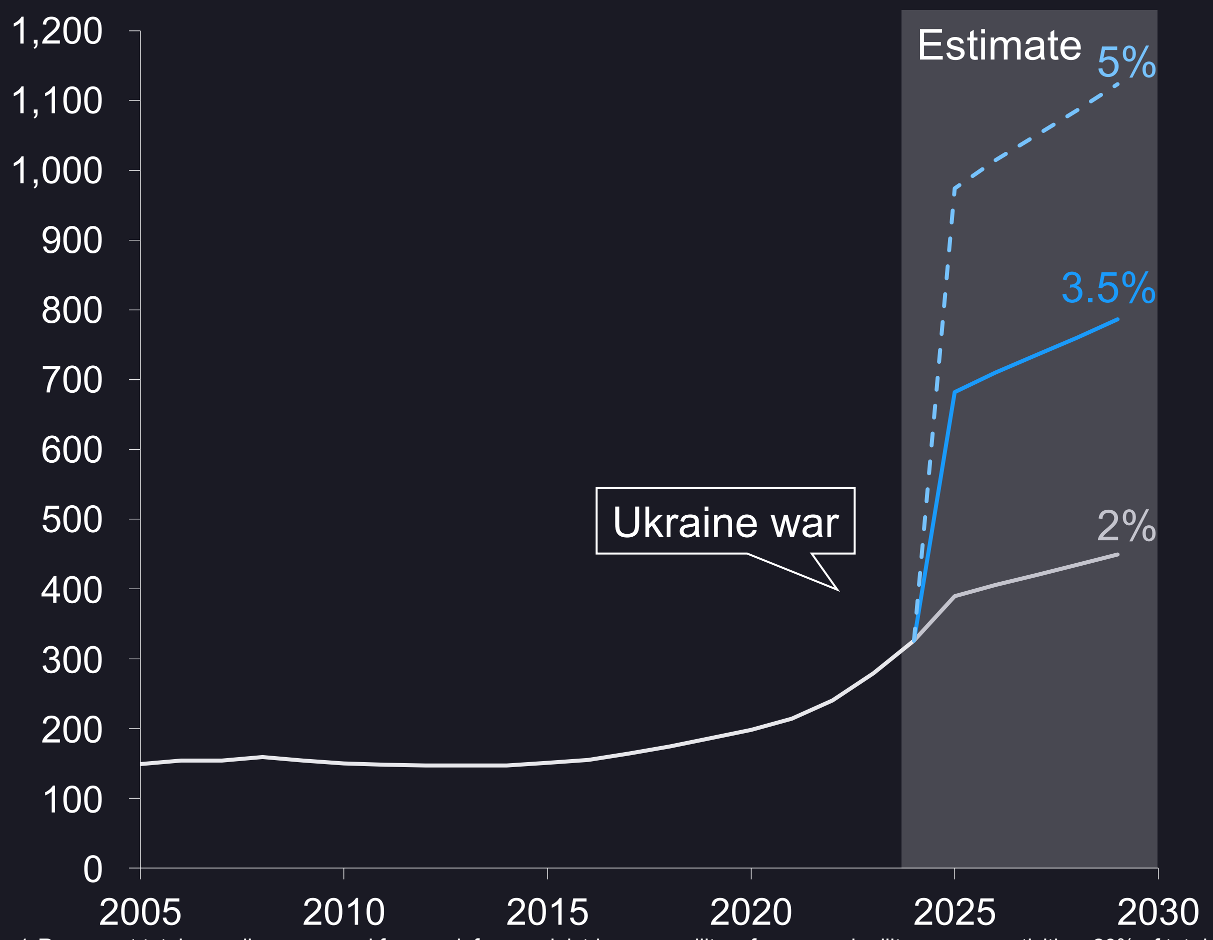
**Critical infrastructure vulnerability**

Source: SIPRI; European Council; World Bank; EY-Parthenon analysis

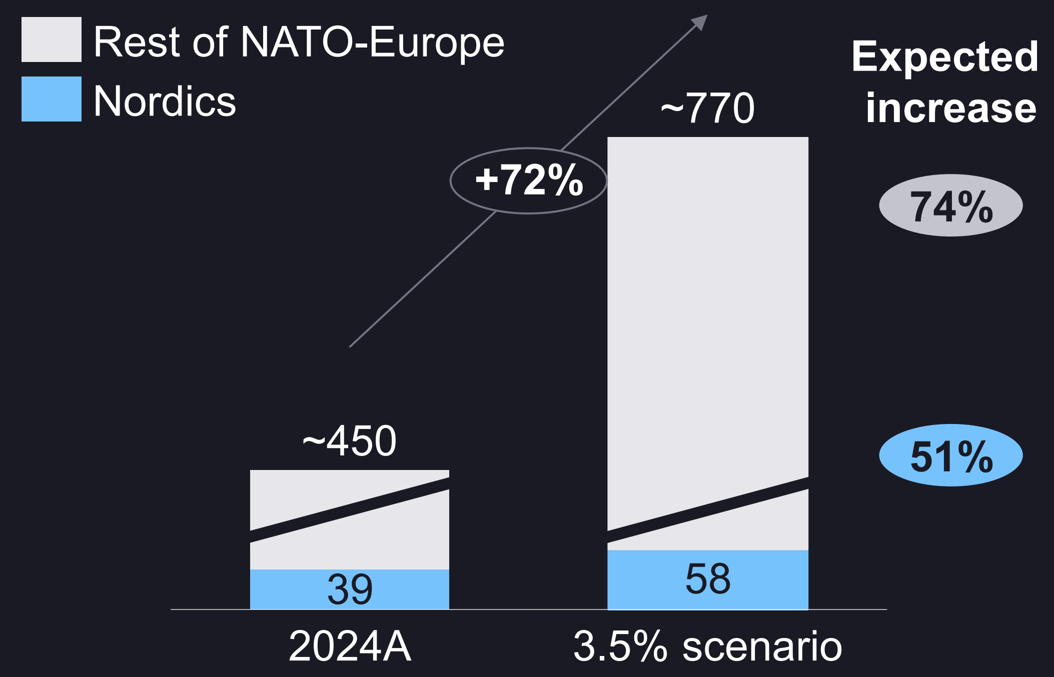
# Looking ahead, NATO-European defense spending is set increase to 5% of GDP - with 3.5% dedicated to core defense, leading to add. ~€320bn p.a. towards 2035

Defense investment in the European Union

## EU member states defense expenditure[1] (€bn)




## Current and projected annual defense expenditures[3] (€bn)




- Defense expenditures of all four Nordic countries **represented about 2.3% of national GDPs in 2024**
- In 2025, both **Denmark and Norway are expected to exceed defense expenditures of 3% of GDP**

1. Represent total spending on armed forces, defense ministries, paramilitary forces, and military space activities; 20% of total expenditures to be allocated to capital expenditures
2. Assumptions: 2024 US contribution is 68% of total NATO defense expenditures. Reducing this to 34% by 2030 would cover ~€0.6tn of the 2030 projected NATO defense expenditures of ~€1.8tn, leaving ~€1.2tn to be covered by other NATO member states
3. NATO-reported defense expenditures. National budgets may vary (significantly) due to difference in categorization of expenditures

Source: SIPRI; European Council; World Bank; EY-Parthenon analysis; EY-Parthenon calculations

***The money invested is not only for tanks and missiles – it is about re-building Europe’s industrial resilience and eco-systems, building on positions of strength***

# Investments will address critical gaps such as production capacity, readiness, strengthened critical and digital infrastructure, and modern defense systems…

Critical gaps addressed through defense investments

NON-EXHAUSTIVE

**Rebuild production**

- Expanding Europe's ability to produce and stockpile (particularly of missiles & ammunition) has proved crucial in light of the war in Ukraine

**Strengthen infrastructure resilience & readiness**

- Hardening infrastructure, energy grids, logistics, and (military) mobility networks in the Nordics

**Establish layered air, missile, & drone defense**

- Protecting people and infrastructure from modern threats through multi-layered aerial defense systems (air and missile defense, radars & sensors, drones, and counter-UAS capabilities

**Secure cyber, space, & information superiority**

- Securing networks, satellites, and data against electronic warfare, through strengthening command, data, and satellite resilience

**Modernize, digitize, & expand military platforms**

- Replacing of legacy air, land, and maritime systems and integrating digital systems across domains

**Accelerate innovation for technological superiority & dual-use capabilities**

- Harness emerging technologies - including quantum for defense - to advance military and civilian applications, securing Europe's technological independence and leadership

Source: EY-Parthenon analysis

# … that will unlock distinct industrial opportunities for Nordic companies within and beyond the core defense & security sector…

Areas of opportunity within and beyond defense & security

NON-EXHAUSTIVE – SELECT SECTORS

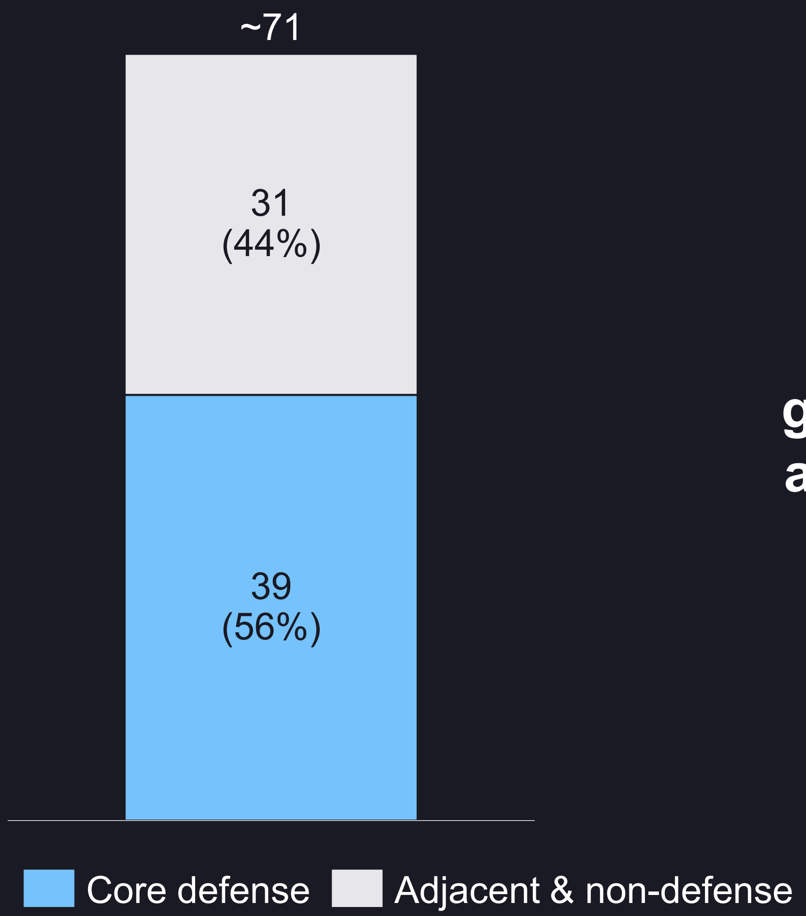
| | |
|---|---|
| **Manufacturing** | Core and adjacent defense opportunities, incl. for manufacturers of ammunition, missiles, air defense systems, and satellites, as well as sub-suppliers to the defense industry (e.g., steel providers) and producers of dual-use products |
| **Technology, media & telecom** | Opportunities within cybersecurity, secure IT systems, and communications networks for defense and critical infrastructure as governments are highly funding these areas |
| **Construction** | Opportunities for construction and engineering firms as vast spending is expected into physical infrastructure (e.g., expanding bases, ports, and transport links) |
| **Maintenance & services** | Opportunities for defense and civil MRO capabilities to tap into the heightened need for MRO services in the defense industry as fleets expand, e.g., industrial service firms & tech support providers |
| **Energy & utilities** | Opportunities for energy and other utilities as Europe is investing in energy security as part of defense readiness incl. building redundant connections, securing fuel supplies, and deploying backup power systems |
| **Logistics** | Opportunities for Nordic logistics firms to contract with defense agencies for transport and warehousing solutions, enabling increasing stockpiling and mobilization requirements |

Source: EY-Parthenon analysis

# … which will generate ~€71bn in revenues across the Nordics, whereof close to half is generated outside of core defense companies

Nordic annual revenue by sector

## Annual Nordics revenue by sector until 2035[1] (€bn)




**EUR ~71bn**

**generated in revenues across Nordic sectors**

**~45%**

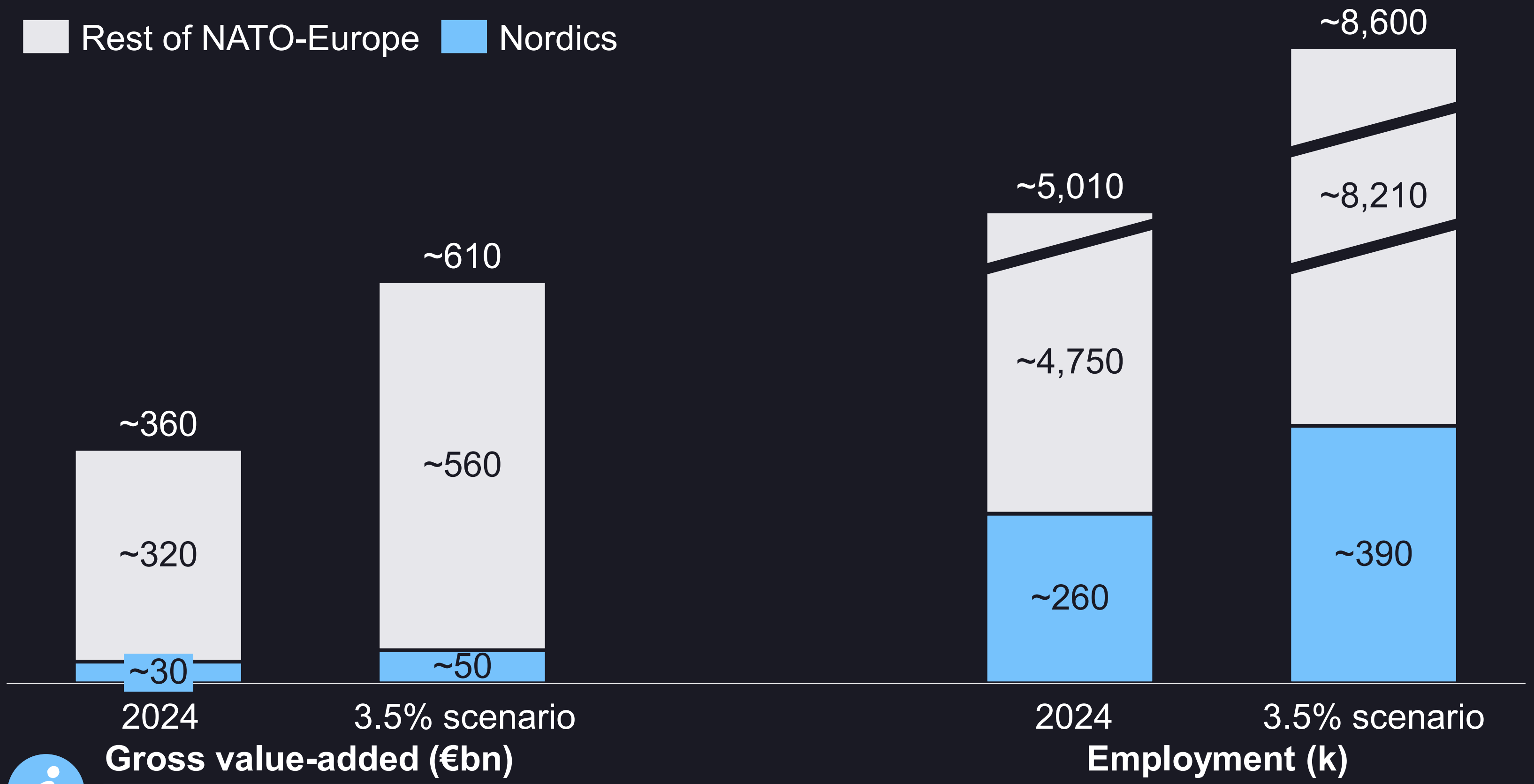
**of revenue generated by companies outside of core defense**

1. Excluding personnel revenues of ~€13bn (primarily wages)
2. Includes sectors: aerospace & defense, public administration, metal products (incl. weapons and ammunition)

Source: EY-Parthenon analysis; EY-Parthenon calculation

# Delivering on the ambition of a modernized defense and industrial renaissance will generate additional ~130,000 jobs and ~€20bn in added value across the ecosystem

Nordic societal and economic effects




**~130,000**

**Additional jobs secured in the Nordics tied to defense expenditures**

**~€20bn**

**Additional gross value-added generated in the Nordics from direct, indirect, and induced effects**

Gross Value Added (GVA) represents the value of goods and services produced minus the cost of inputs and raw materials. It measures the economic contribution of the project – in this case the economic contribution of defense expenditures, from direct (end-suppliers), indirect (along the supply chain), and induced effects (from additional consumer spending)

Source: EY-Parthenon analysis; EY-Parthenon calculation

# Key enablers for success include access to more capital, building strategic foresight, accelerating procurement, and scaling up industrial capacity

Key enablers for future success

- Secure raw materials and scale up industrial capacity
- Secure financing and sustain political support
- Strengthen digital and physical infrastructure
- Accelerate procurement and build cross-border integration
- Ensure supply chain strength and flexibility
- Secure supply of labor and build & retain critical skills

Source: EY-Parthenon analysis

# Methodology

| Analyses | Future expenditure | Revenue generated from expenditures | Macro-economic effects |
|---|---|---|---|
| **Overall logic & approach** | ▪ Future expenditures represent 3.5% of NATO-Europe GDP, following new NDPP goals | ▪ Expenditures on personnel, infrastructure, and operations & maintenance expected to only have domestic effects<br>▪ Equipment expenditures are based on expert assessment and follows historical tender data and actual price information<br>▪ Revenues reflect procurement with final OEMs and the impact throughout the supply chain | ▪ Economic impacts assessed by applying EY proprietary methodology, a global input-output model covering trade from supplying Tier 1 to Tier n industry |
| **Key assumptions & limitations** | ▪ Annual effects will likely not be observed in 2025 as full expenditure level is expected by 2035 | ▪ Expenditure shares (personnel, infrastructure, equipment, and operations & maintenance) based on 2024 split – may differ in future years<br>▪ Based on historic tender data - rising incentives to source more European and growing production capabilities entail that procurement likely will not follow historical patterns | ▪ Based on historic data<br>▪ Assumes production capacity can follow demand<br>▪ Likely conservative as Nordics are gaining more prominent position within defense |
| **Sources** | NATO / NDPP | NATO / NDPP, tender database, GTAP[1] | Tender database, GTAP[1] |

1. GTAP = Global Trade Analysis Project with cooperation partners from WTO, Worldbank, EU Commission, OECD

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