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Rise in SIPRI Top 100 Arms Sales Revenue Delayed by Production Challenges and Backlogs

By SIPRI

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Global Research Editor's Note

We bring to the attention of our readers, this carefully researched report of SIPRI which documents the surge in weapons production which has contributed to feeding a war economy, to the obvious detriment of World Peace.

World Peace is not addressed in this report.

The impact of increased demand for weapons Worldwide has in recent years resulted in a crisis of the civilian economy. Massive so-called "defense expenditures", particularly in the US and NATO member countries have indelibly contributed to a collapse civilian infrastructure as well as social services (health and education).

What we are witnessing is a multi-trillion war economy which is conducive to mass poverty and the demise of the Welfare State.

Michel Chossudovsky, Global Research, December 7, 2023

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Revenues from sales of arms and military services by the 100 largest companies in the industry totalled $597 billion in 2022, 3.5 per cent less than 2021 in real terms, even as demand rose sharply, according to new data released today by the Stockholm International Peace Research Institute (SIPRI), available at www.sipri.org.

Read this press release in Catalan (PDF), French (PDF), Spanish (PDF) or Swedish (PDF).

Click here to explore the interactive table of the SIPRI Top 100 ranking of arms producers and military services providers.

Click here to explore the SIPRI Top 100 interactive map.

Download the SIPRI Fact Sheet here.

The decrease was chiefly the result of falling arms revenues among major companies in the United States. Revenues increased substantially in Asia and Oceania and the Middle East. Outstanding orders and a surge in new contracts suggest that **global arms revenues could rise significantly in the next few years.**

Demand for Weapons Grows but Production Lags Behind

Russia's full-scale invasion of Ukraine and geopolitical tensions around the world fuelled a strong increase in demand for weapons and military equipment in 2022. However, despite receiving new orders, many US and European arms companies could not significantly ramp up production capacity because of labour shortages, soaring costs and supply chain disruptions that were exacerbated by the war in Ukraine. In addition, countries placed new orders late in the year and the time lag between orders and production meant that the surge in demand was not reflected in these companies' 2022 revenues.

> 'Many arms companies faced obstacles in adjusting to production for high-intensity warfare,' said Dr Lucie Béraud-Sudreau, Director of SIPRI's Military Expenditure and Arms Production Programme.'However, new contracts were signed, notably for ammunition, which could be expected to translate into higher revenue in 2023 and beyond.'

In contrast to the major US and European suppliers, companies in Asia and Oceania and the Middle East saw their arms revenues grow significantly in 2022, demonstrating their ability to respond to increased demand within a shorter time frame. This was especially true in countries where companies maintain responsive 'ever-warm' manufacturing capabilities, such as Israel and South Korea, and those where companies tend to rely on short supply chains.

Arms Revenues Fall in USA Due to Production Challenges

The arms revenues of the 42 US companies in the Top 100 fell by 7.9 per cent to $302 billion in 2022. They accounted for 51 per cent of the total arms revenue of the Top 100. Of the 42 US companies, 32 recorded a fall in year-on-year arms revenue, most commonly citing ongoing supply chain issues and labour shortages stemming from the Covid-19 pandemic.

> 'We are beginning to see an influx of new orders linked to the war in Ukraine and some major US companies, including Lockheed Martin and Raytheon Technologies, received new orders as a result,' said Nan Tian, SIPRI Senior Researcher. 'However, because of these companies' existing order backlogs and difficulties in ramping up production capacity, the revenue from these orders will probably only be reflected in company accounts in two to three years' time.'

Asia Outperforms Europe on Back of Military Modernization Drives

The arms revenues of the 22 companies from Asia and Oceania listed in the ranking rose by 3.1 per cent to reach $134 billion in 2022. This was the second consecutive year where Top 100 arms revenues for Asia and Oceania were higher than those for Europe.

> ‘Domestic demand and reliance on local suppliers shielded Asian arms companies from supply chain disruptions in 2022,’ said Xiao Liang, a researcher with the SIPRI Military Expenditure and Arms Production Programme. ‘Companies in China, India, Japan and Taiwan all benefited from sustained government investment in military modernization.’

The combined arms revenues of the four South Korean companies in the Top 100 fell by 0.9 per cent, primarily due to an 8.5 per cent drop recorded by the country’s biggest arms producer, Hanwha Aerospace. Two South Korean companies reported revenue growth, most notably LIG Nex1. South Korean companies are likely to see increased revenues in coming years due to a surge in booked orders after signing major arms deals with Poland and the United Arab Emirates.

Modest Revenue Growth in Europe as Ukraine-linked Demand Starts to Filter Through

The arms revenues of the 26 companies in the Top 100 based in Europe rose by 0.9 per cent to reach $121 billion in 2022.

> ‘The war in Ukraine created demand for materiel suited to a war of attrition, like ammunition and armoured vehicles. Many European producers of these items saw their revenues grow,’ said Lorenzo Scarazzato, a researcher with the SIPRI Military Expenditure and Arms Production Programme. ‘They included companies based in Germany, Norway and Poland. For instance, Poland’s PGZ increased its arms revenue by 14 per cent, benefiting from the accelerated military modernization programme the country is pursuing.’

Trans-European companies Airbus and KNDS were among the main sources of arms revenue growth in Europe, largely due to deliveries against long-standing orders.

Turkish Companies Drive Significant Increase in Middle Eastern Arms Revenue

The Middle East saw the largest percentage rise in arms revenue of any region in 2022, as all seven Middle East-based companies in the Top 100 recorded substantial growth. Their combined arms revenues of $17.9 billion marked an 11 per cent year-on-year increase. The four Turkish companies’ total arms revenues reached $5.5 billion—22 per cent more than in 2021. The aggregate arms revenues of the three Israeli companies in the ranking reached $12.4 billion in 2022, a 6.5 per cent increase compared with 2021.

> ‘Middle Eastern companies that specialize in less technologically sophisticated products were able to scale up production faster in response to surging demand,’ said Dr Diego Lopes da Silva, SIPRI Senior Researcher. ‘A case in point is Türkiye’s Baykar, producer of the Bayraktar TB-2 drone. Baykar entered the Top 100 for the first time after its arms revenue rose by 94 per cent, the fastest growth rate of any company in the ranking.’

Other Notable Developments

- In 2022 China accounted for the second largest share of combined Top 100 arms revenues by country, at 18 per cent. The aggregate arms revenues of the eight Chinese arms companies in the ranking increased by 2.7 per cent to $108 billion.
- The arms revenues of the seven companies in the United Kingdom listed in the

Top 100 grew by 2.6 per cent to reach $41.8 billion, or 7.0 per cent of the total.

- Due to a lack of data, only two Russian companies were included in the Top 100 for 2022. Their combined arms revenues fell by 12 per cent to $20.8 billion. Transparency among Russian companies continues to decline. Despite being a holding entity with no direct manufacturing capacity, Rostec is included in the 2022 ranking as a proxy for the companies it controls.
- The only Ukrainian company in the Top 100, UkrOboronProm, saw a 10 per cent real-terms drop in its arms revenue to $1.3 billion. Although its arms revenue increased in nominal terms, this was more than offset by the country's high inflation.

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