



DEFENSE & SECURITY

UK Defence Sector Delivers Economic Boost Amid Record Military Spending

by [OpenVoice UK News Team](#) — on July 3, 2025 — [Edit](#)



Britain's defence industry is experiencing a significant upswing as rising government



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Latest Market Prices



Bitcoin

\$110,113.85

BTC ▲ 2.12%



Ethereum

\$2,626.83

ETH ▲ 7.20%



NEO \$5.74

NEO ▲ 5.12%



Waves \$1.00

WAVES ▲ 4.13%



Monero \$324.10

XMR ▲ 0.79%



Nano \$0.87

NANO ▼ -0.03%








ARK \$0.38

ARK ▼ -3.30%

and NATO military investments generate a so-called “defence dividend.” Major UK contractors are reporting increased profits, growing order backlogs, and renewed dividends, signs of a sector thriving on the back of the country’s largest sustained rise in defence spending since the Cold War. The boost reflects Prime Minister Keir Starmer’s strategy to tie national security to economic growth, job creation, and technological innovation.

Babcock International, one of the UK’s leading defence firms, has seen its operating profit jump by 51% to £364 million and its revenue rise by 11%. The company’s £10.4 billion order backlog, including work on Type 31 frigates and nuclear-powered submarines, highlights the scale of upcoming contracts tied to domestic defence programs and international partnerships like Aukus. The company’s strong performance triggered a 13% share value surge and the reinstatement of shareholder dividends.

Prime Minister Starmer has committed to raising UK defence spending to 2.5% of GDP by 2027, with ambitions to hit 3% in the next Parliament. He has framed defence not just as a strategic necessity but as an engine for economic development. Drawing

	Pirate Chain	\$0.14
	ARRR	▼ -0.61%
	DogeCoin	\$0.17
	DOGE	▲ 7.49%
	Litecoin	\$91.28
	LTC	▲ 7.55%
	Chainlink	\$13.96
	LINK	▲ 6.69%
	Cardano	\$0.60
	ADA	▲ 7.64%

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comparisons to the United States, where military research led to civilian innovations like GPS and the internet, Starmer argues that robust investment in defence can drive productivity and technological leadership across sectors.

Analysts note that the broader economic impact will depend on the allocation of new defence funding. Of the £25 billion increase, only £400 million per year is currently set aside for innovation. Some economists have raised concerns that prioritising equipment procurement over research and development could limit long-term economic gains.

Several communities across the UK are already seeing economic effects. A Royal United Services Institute report found that defence sector jobs tend to offer higher wages than local averages and support wider economic activity in areas such as Yeovil and Edinburgh. These roles have been linked to improved social mobility and more stable employment in regions affected by industrial decline.

Recent developments include a £563 million contract awarded to Rolls-Royce for maintaining RAF Typhoon engines and BAE Systems' plans to expand domestic production of the M777 howitzer. While

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questions remain about supporting innovation and avoiding inefficiencies, the defence sector appears to be entering a phase where it contributes to national security and economic development.



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