



International Institute for Strategic Studies

Global defence spending continues to grow amid geopolitical uncertainty

While growth in some regions has moderated, the upward trend in global defence spending continued in 2025, driven by uplifts in Europe, Asia and the Middle East and North Africa.

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24th February 2026

In 2025, global defence spending reached USD2.63 trillion – up from USD2.48trn in 2024. In real terms, year-on-year spending increased by 2.5%, which, though lower than the 7–8% growth seen in recent years, continued the upward trend from the previous year's [record spend](#).

Growth was uneven, however, particularly as reduced military aid to Ukraine and restrictions on outgoing United States president Joe Biden's final defence budget led to subdued spending in the US – a trend which the Trump administration has [sought to reverse](#). Growth was also muted in official Russian defence spending as Moscow realised efficiencies in its military-industrial complex, while also seeking to balance an already substantial defence burden with wider fiscal constraints.

Europe consolidates spending increases

In contrast, European spending continued to grow at record levels, with the region allocating almost USD563 billion to defence in 2025, almost USD100bn more than the year before. In real terms, this represents a 12.6% year-on-year increase, on a par with the real-term uplift seen in 2024. Crystallised by NATO members' [pledge](#) at

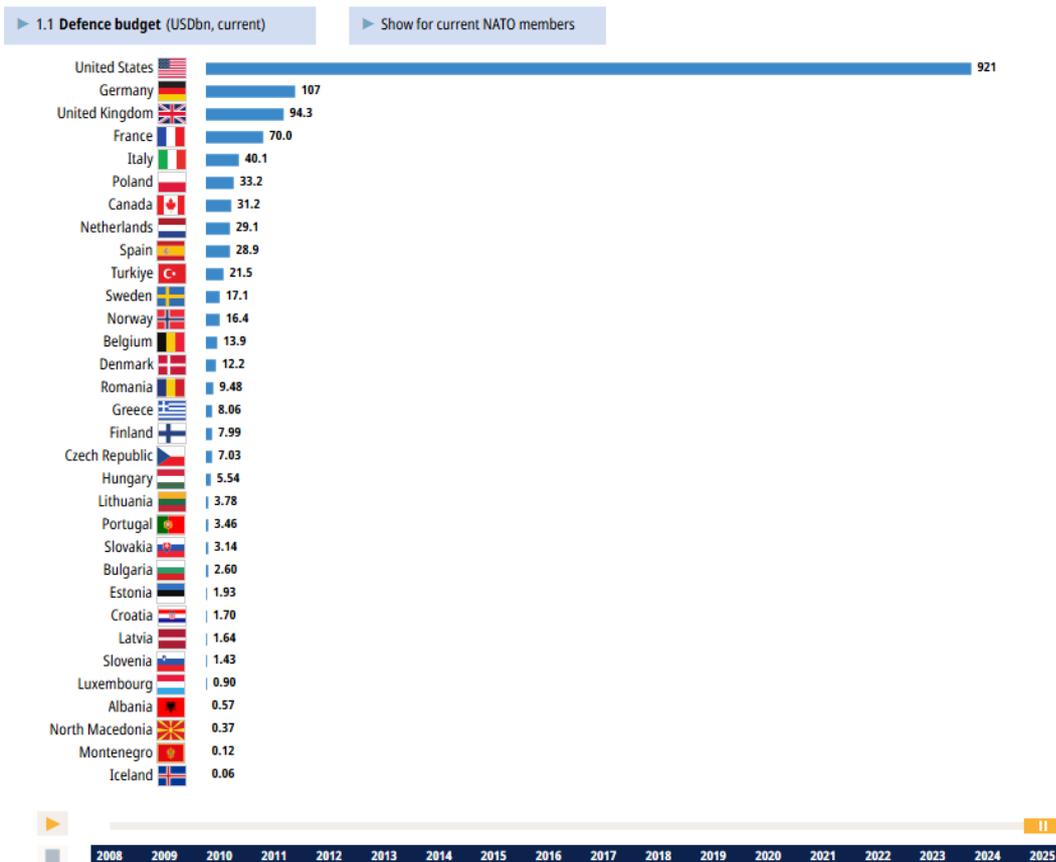
The Hague Summit in June to increase defence and security spending to 5% of GDP by 2035, such levels defied expectations that spending growth would slow after an initial spike. As such, European defence spending now accounts for over 21% of the global total, up from 17% in 2022. Based on current budgetary plans, growth is expected to remain elevated in 2026, indicating a sustained regional effort to bolster European defence capability rather than a short-term reaction to the turbulent security environment.

The primary source of regional growth has been, and will continue to be for the foreseeable future, Germany, where defence funding increased by 18% in real terms in 2025 to reach EUR95.0bn (USD107bn). This followed a 23% rise in 2024 and means that Berlin accounted for a quarter of all European defence-spending growth over the last two years. Nordic countries also drove spending increases, with Denmark, Finland, Norway and Sweden reaching a combined spend of USD53.7bn in 2025 – more than double 2020 levels.

Growth was also observed in more fiscally constrained countries, such as the United Kingdom and France, though the limitations varied. Countries are utilising various measures to support increases in defence spending, including wider public-spending cuts, broadening the definition of ‘defence’, using off-budget supplementary budget mechanisms, and galvanising private financing for defence. Countries are also navigating the balance and treatment of spending as they seek to fulfil the 3.5% of GDP commitment for core defence, with 1.5% allocated to spending that supports defence. In contrast, the Spanish government was more [ambivalent](#), with Prime Minister Pedro Sánchez reported to have written to NATO Secretary-General Mark Rutte in the lead-up to the June summit, saying that the 5% pledge was ‘unreasonable’ given higher debt levels, associated inflationary pressures and opportunity costs to investment in other sectors.

Much of the recent increases in Europe’s defence spending can be credited to pressure from the US, with President Donald Trump repeatedly expressing frustration over perceived ‘free-riding’. That said, recent uplifts are the latest examples of a wider trend, where European defence spending has continually increased since 2014, when Russia invaded Crimea. Indeed, 2026 will be the 12th consecutive year of real-terms growth.

Figure 1: Defence budget for current NATO members, 2008–25 (USDbn, current)



USD figures reflect IISS currency adjustments of national budget figures.
Source: [The Military Balance 2026](#) and [Military Balance+](#)

Russian spending moderates

Russia's war against Ukraine [entered a new phase of conflict](#), although spending growth slowed compared to previous years. In 2025, Russia had an official defence budget of RUB13.5trn (USD161.2bn), with spending rising to an estimated RUB15.6trn (USD186.2bn) using NATO's broader definition of defence. In real terms, this military expenditure grew by just 3%, compared with 2024's 56.9% jump. Nonetheless, expenditure still accounted for over 7.3% of GDP, more than twice the 3.6% in 2021, before Russia launched its full-scale invasion.

According to the 2026 budget, military spending will fall this year but may reflect successful efforts to reduce waste and inefficiencies and should also be considered in the context that military spending has effectively trebled since 2021. Furthermore, even with NATO's broader measure, such estimates are likely to understate the true financial cost of the war, with many other expenses hidden within classifications of central spending, such as social care, and decentralised spending in regional budgets. In comparison, Ukraine's defence budget of

UAH1.88trn (USD44.4bn) reached over 20% of GDP, with defence funding now a critical matter for Kyiv and its allies.

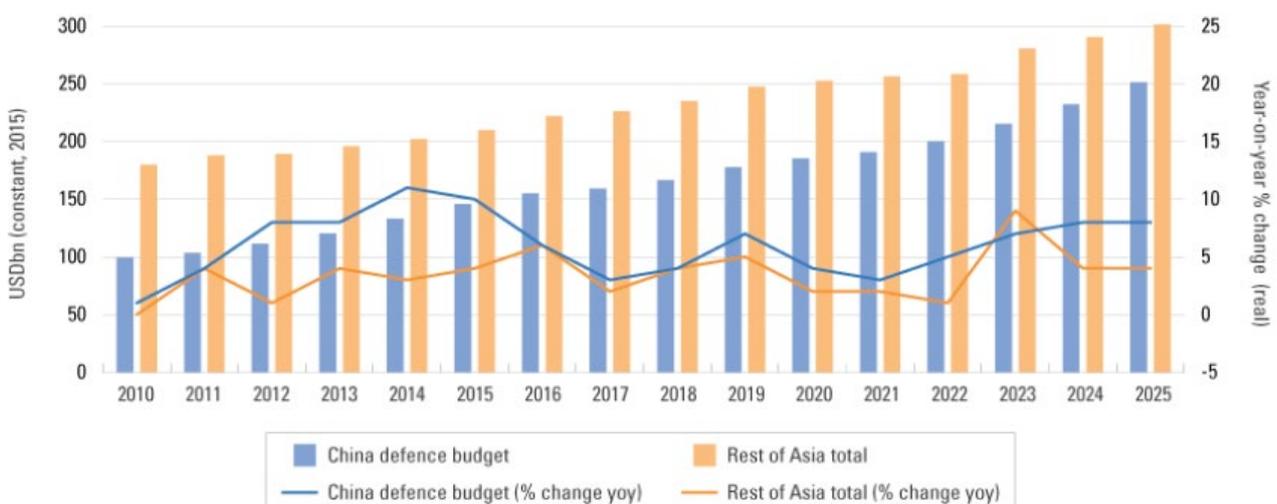
Asian spending shifts

In Asia, defence spending also continued to increase, with the combined total reaching USD573bn. In real terms, 2025 saw an uplift of 5.7%, which was slightly higher than 2024’s year-on-year increase of 5.5%. However, excluding China – which *The Military Balance* estimates to have a baseline defence budget of CNY1.81trn (USD251.3bn) – reduces real growth in Asia to just 3.7%.

China remains the major driver of the region’s defence spending, both through its own expanding defence budget and the resulting concern among its neighbours over Beijing’s strategic intentions. These anxieties have grown across Western-aligned states, such as Australia, Japan and South Korea, meaning that spending growth has shifted towards these countries and away from the region’s emerging economies. However, in 2025, growth also came from smaller defence spenders such as Indonesia and Singapore.

Nonetheless, despite recent spending, consistent uplifts in China over the last decade have outpaced growth in the wider region in most years. As a result, Beijing’s share of regional defence spending has grown to almost 44% in 2025, up from 39% in 2017.

Figure 1: **China: defence budget compared with the rest of Asia (total), 2010–25**
(USDbn, constant 2015 and real %change yoy)



MENA: continued troubles

Defence spending across the Middle East and North Africa (MENA) grew by 4.5% in real terms in 2025, with collective budgets reaching USD219bn, excluding Foreign Military Financing (FMF) from the US.

Growth was somewhat modest compared to 2024's real-term uplift of 10%, with 2025's aggregate increase representing the lowest since 2022. Nonetheless, growth across the year remains higher than historical trends, almost double the region's ten-year average of 2.3% between 2011 and 2021. The persistent and elevated growth reflects heightened instability in the region driven by the two-year Israel– Hamas war, the so-called [‘12-day war’ between Iran and Israel](#), as well as attacks by the [US and Israel on Iran's nuclear facilities](#) in 2025.

In 2025, Saudi Arabia remained the region's largest spender, although the Kingdom's share has fallen in recent years. As such, Algeria and Israel continue to drive regional growth, accounting for almost 70% of the 2025 uplift. As a percentage of GDP, defence spending has steadily increased, with the regional average rising to 4.3% in 2025, up from 3.5% in 2022.

Rest of the world

Defence spending also recovered elsewhere. In Latin America, nominal defence spending increased by 5.4%, continuing the return to growth seen in 2024 following years of COVID-19 pandemic-related declines. There was a recovery in real terms too, with aggregate spending now comparable to pre-pandemic levels. However, growth failed to keep pace in larger regional militaries, with low increases prompting operational cuts in Brazil and Colombia.

Meanwhile, in Sub-Saharan Africa, defence spending increased by 19% in real terms, the largest year-on-year increase in over a decade. Total defence spending rose to USD23.6bn as governments responded to a worsening security environment – including full-scale war in Sudan, increasingly fragile peace agreements in Ethiopia and South Sudan, as well as ongoing conflict in the eastern Democratic Republic of the Congo.

One of the most notable contributors to this increase is Nigeria, which has nearly doubled its defence budget from NGN1.58trn (USD1.07bn) in 2024 to NGN3.1trn (USD2.04bn) in 2025. This represents a 75% rise in real terms, which is all the more remarkable in the context of the country's severe cost-of-living crisis following years of high inflation and the removal of fuel subsidies.

In contrast, South Africa – the region’s top spender – saw a real-terms decline, with its 2025 allocation of ZAR56.8bn (USD3.15bn) rising just 0.9% in nominal terms. This meant a real-terms decrease of 2.5% compared with the previous year, continuing the long-term stagnation in the country’s defence spending and widening the gap between military capabilities and foreign-policy ambitions.

Outlook

Volatility in top-level US defence spending is distorting the global trend but growth in 2025 was widespread, driven by heightened regional security concerns. Revisions to spending plans were pervasive and significant in 2025, particularly in Europe in response to concerns over the trajectory of transatlantic relations. Supplementary budgets are still in use across the world as countries seek to bolster spending to meet immediate recapitalisation requirements. While Germany has restructured fiscal rules to allow core defence spending to surge when its special fund for defence runs out in 2027, countries like Poland, Japan and Taiwan are expected to continue using them in the short term.