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Market Report

AUTUMN 2024 BUDGET  
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# Autumn Budget: This Year's Announcements Unpacked and Explained



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## Overview

**On Wednesday 30th October, Chancellor of the Exchequer Rachel Reeves offered us our closest look yet at the Labour government's ambitious vision for the UK economy.**

More of a tightrope walk than a traditional statement, the Treasury now has the unenviable task of balancing a programme of transformative, long-term investment against the bridging of a fiscal '*black hole*' that they estimate is £22 billion deep. As such, it was a budget of contrasts: landmark investments, such as a £240 million funding package to safeguard public services, offset by a volley of '*hard but fair*' cost cutting initiatives to '*prevent devastating austerity*'.

In response, [Defence Contracts International](#) (DCI) – the leading platform for defence contracts business intelligence – asks: how will the Autumn Budget impact the UK defence sector in real terms? Have the government's initial objectives been achieved? Most importantly, how can suppliers eager to access the dynamic, highly specialised defence marketplace capitalise on a raft of newly announced opportunities?

In answer to these questions, our analysts have outlined the major announcements and opportunities below to give you a clearer picture of the changing state of the UK defence sector, the government's current direction of travel and, ultimately, what it all means for you.

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## The Defence Sector Opportunity Under the Microscope

This year's Autumn Budget, Labour's first in 14 years, sought to address long-term fiscal challenges public sector wide – and the UK defence and aerospace sector was no exception.

According to the Chancellor, £2.9 billion of additional total funding is to be made available to the Ministry of Defence compared to 2024-25, increasing the defence budget by 2.3% per year on average in real terms compared to 2023-24. According to the Treasury, this increase underscores the government's 'commitment to strengthening the Armed Forces and protecting national security during a period of geopolitical instability'.

In practice, this means that the UK defence budget is now set to grow in line with the UK economy in 2025-26, ensuring the UK 'comfortably exceeds' the NATO spending target of 2% of GDP. While the path to spending 2.5% of GDP on defence will be discussed at a future fiscal event, the Chancellor confirmed that the funding will:

- Modernise the UK Armed Forces, enabling them to play a leading role in NATO via the 'nuclear deterrent, combat and surveillance aircraft, surface and submarine fleets, forward land forces, Special Forces and cyber and space capabilities'.
- Guarantee continued support to Ukraine, with a firm committing £3 billion per year planned for 'as long as it takes'.
- Provide additional funding to DCMS to commemorate the 80th anniversary of VE and VJ day.

Additionally, the Single Intelligence Account (SIA) will see a £340 million funding increase between 2023-24 and 2025-26, to boost the UK's national security and ensuring that the UK intelligence community maintains its world-leading capabilities.

Finally, as part of the proposed Industrial Strategy's, due for publication next year, £975 million has been allocated to the aerospace sector over a five year period to fund vital research and development for the latest aerospace technology.



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## The Supplier Outlook

Overall, this budget ensures the UK's readiness in response to evolving global threats. For the supplier community, particularly firms in defence and aerospace manufacturing, government contracts and R&D incentives remain a significant opportunity with many avenues for collaboration.

Responding to yesterday's announcement, Grahame Steed – Director Public Policy and Research at BiP Solutions – commented: *"The Autumn 2024 Budget and Spending Review has been highly anticipated since Labour came into power. While we recognise the challenges that many of the measures and initiatives will present to public and private sector organisations, we are pleased to see much-needed investment into critical areas such as healthcare, education, defence and infrastructure. This investment is vital to deliver services that the UK can be proud of – and we are excited for the opportunities that they present to the public sector supply chain."*

**For more insight on the Autumn Budget, the evolving defence procurement landscape or the importance of fostering closer ties between public and private sector stakeholders, contact [DCI](#) today or [connect with us](#) via LinkedIn.**

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