

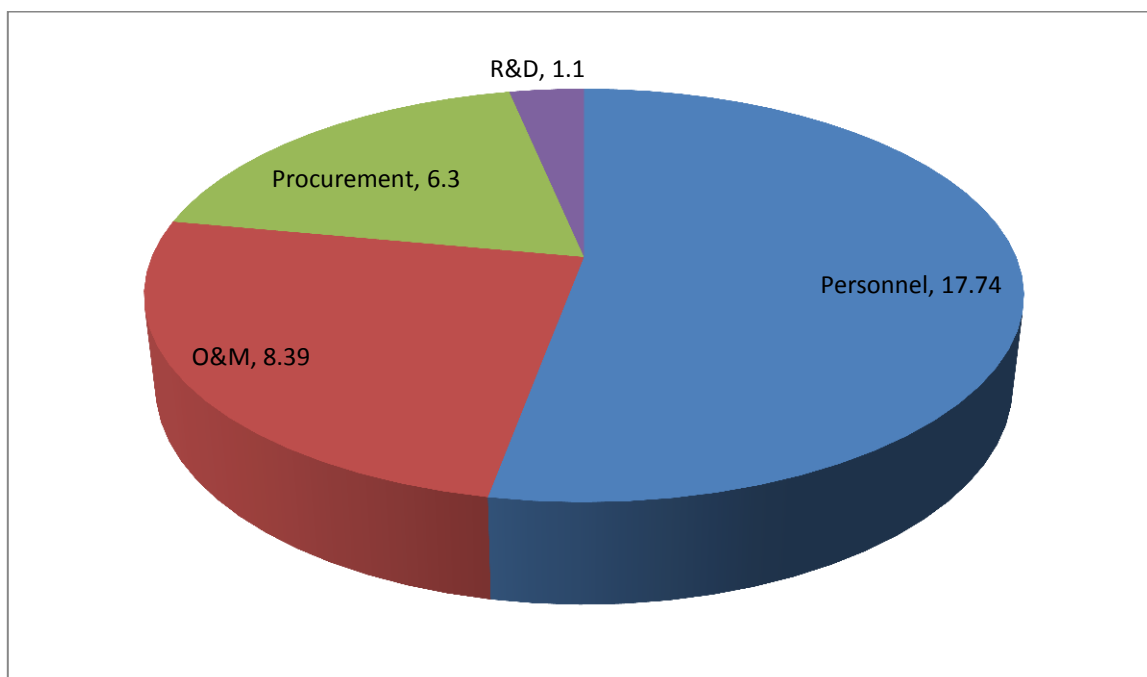
GLOBAL DEFENSE BUDGETS

COUNTRY SNAPSHOT GERMANY

COUNTRY SNAPSHOT - GERMANY

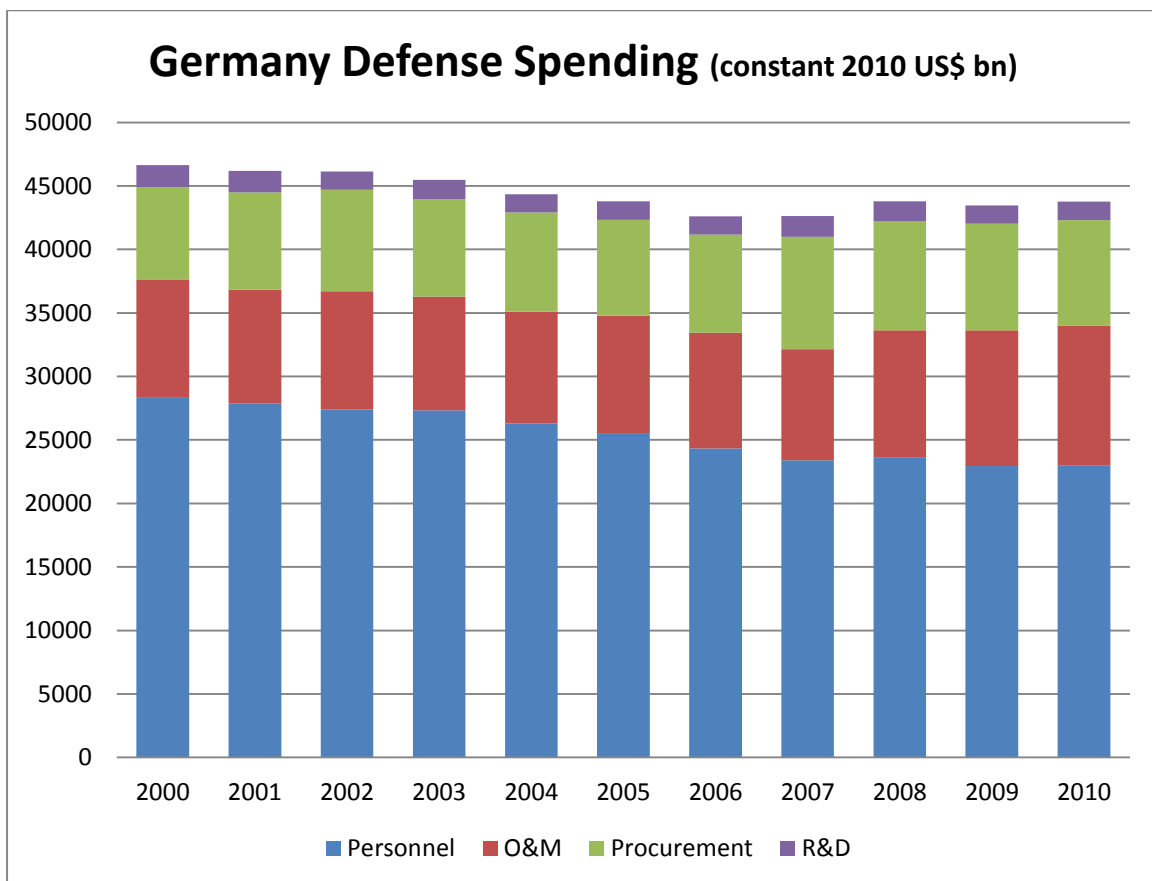
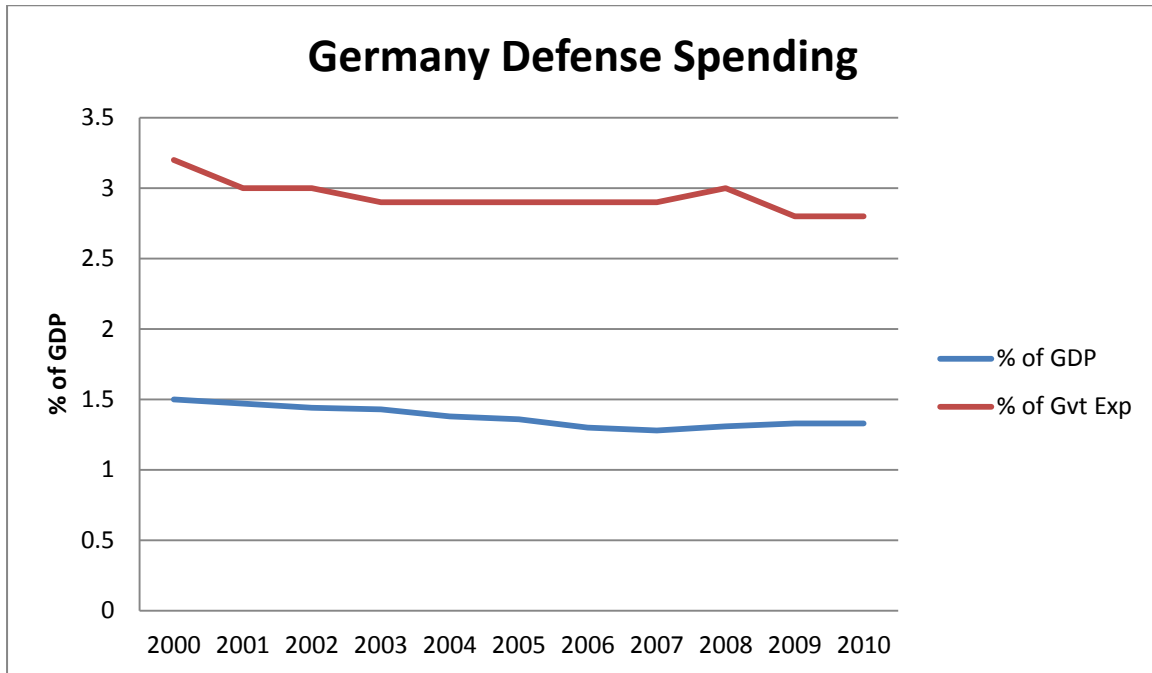
- Germany defense spending declined by 6.1% in real terms between 2000 and 2010.
- The impact of the global financial crisis together with on-going instability in the Eurozone has resulted in legislation (National Debt Brake) to rebalance the governments finances
- Downward economic pressure has prompted the implementation of a major overhaul of the Bundeswehr in an effort to cap defense spending.
- Under the country's current financial plan the Ministry of Defence is scheduled to cut spending by €8.3bn by 2015
- Personnel costs remain the largest sector of the defence budget, accounting for over 50% of total outlays
- Current plans call for a cut in uniformed personnel to 185,000
- The fate of certain major procurement programs – A400M transport aircraft, NH90 helicopter, Tiger attack helicopter and the Eurofighter Typhoon – is uncertain.
- Some military-related expenditure including certain R&D activities and the national border police are not funded from the defence budget.
- Germany has indicated interest in improved EU-cost sharing and interoperability

2010 Defence Budget Breakdown € bn



Germany Defense Spending Data

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| GDP € bn | 2,029 | 2,081 | 2,145 | 2,163 | 2,207 | 2,241 | 2,321 | 2,422 | 2,488 | 2,446 | 2,483 |
| Govt Exp € bn | 930 | 1,005 | 1,031 | 1,049 | 1,041 | 1,050 | 1,052 | 1,059 | 1,086 | 1,139 | 1,164 |
| Fiscal Balance | 1.3 | -2.8 | -3.7 | -4.0 | -3.8 | -3.3 | -1.6 | 0.3 | 0.1 | -3.0 | -3.3 |
| Defense as % of Govt Exp | 3.2 | 3.0 | 3.0 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 3.0 | 2.8 | 2.8 |
| Defense as % of GDP | 1.50 | 1.47 | 1.44 | 1.43 | 1.38 | 1.36 | 1.30 | 1.28 | 1.31 | 1.33 | 1.33 |
| € bn (current) | | | | | | | | | | | |
| Personnel | 18,602 | 18,536 | 18,514 | 18,667 | 18,152 | 17,839 | 17,338 | 17,068 | 17,692 | 17,239 | 17,448 |
| O&M | 6,142 | 5,968 | 6,288 | 6,101 | 6,079 | 6,472 | 6,507 | 6,375 | 7,522 | 8,023 | 8,390 |
| Procurement | 4,773 | 5,114 | 5,384 | 5,249 | 5,388 | 5,259 | 5,492 | 6,446 | 6,417 | 6,302 | 6,315 |
| R&D | 1,146 | 1,122 | 983 | 1,043 | 992 | 1,030 | 1,028 | 1,201 | 1,193 | 1,068 | 1,104 |
| Total | 30,645 | 30,740 | 31,168 | 31,060 | 30,610 | 30,600 | 30,365 | 31,090 | 32,824 | 32,633 | 33,257 |
| US\$ bn (constant 2010 prices) | | | | | | | | | | | |
| Personnel | 28,315 | 27,853 | 27,407 | 27,334 | 26,290 | 25,531 | 24,328 | 23,410 | 23,605 | 22,955 | 22,958 |
| O&M | 9,322 | 8,968 | 9,309 | 8,934 | 8,805 | 9,263 | 9,130 | 8,744 | 10,036 | 10,683 | 11,039 |
| Procurement | 7,266 | 7,684 | 7,971 | 7,686 | 7,804 | 7,527 | 7,706 | 8,841 | 8,562 | 8,392 | 8,309 |
| R&D | 1,744 | 1,686 | 1,455 | 1,527 | 1,437 | 1,474 | 1,442 | 1,647 | 1,592 | 1,422 | 1,453 |
| Total | 46,647 | 46,191 | 46,142 | 45,482 | 44,335 | 43,795 | 42,697 | 42,643 | 43,795 | 43,453 | 43,759 |



Sources:

German government documents, Economist Intelligence Unit, UN, NATO, IMF, Industry Journals