

# BAE Systems set for growth amid higher global military spending

Defence giant [BAE Systems](#) has enjoyed stronger sales as countries increase military spending amid the [Russian](#) war in [Ukraine](#).

The FTSE 100-listed company said that many of the countries it operates in have either announced increases in defence spending, or are making plans to lift spending “to address the elevated threat environment”.

Most major defence programmes tend to be long-lasting and involve contracts trading for many years, which means the firm expects to grow in the long-term, it said.

BAE, which builds ships, submarines and fighter jets, reported £18 billion in orders secured in the first half of the year, and a further £10 billion since then.

It said it is on track to have a “very strong” year of orders and expects margins to grow into the new year.

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Furthermore, the recent strengthening of the dollar against the pound could propel its reported earnings by a significant amount, with sales expected to increase by 7%-9% for the full year.

Charles Woodburn, BAE's chief executive, said: "Looking forward, our large order backlog, diverse portfolio position and focus on programme performance position us well for another year of top-line growth and margin expansion in 2023.

"We see sales growth coming from all sectors and opportunities to further enhance the medium-term outlook as our customers address the elevated threat environment."

Sophie Lund-Yates, an equity analyst at [Hargreaves Lansdown](#), said: "There are a few things that BAE is beholden to, and one of those is government defence budgets.

"We've learned today that many of the countries the defence giant operates in are upping their defence spending in response to the more threatening geopolitical climate.

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"This should feed into a sticky source of revenue for the group.

"New government contracts tend to be long-term in nature, giving BAE exceptional visibility over demand, which is hard to find in today's uncertain environment."

Ms Lund-Yates added that the group is still grappling with

supply chain issues, particularly in areas of production that rely on microelectronics.

“For now, BAE is able to offset the worst of these issues, operating in a sector with high barriers to entry means margins can enjoy a certain level of protection.

“However, an extremely protracted bout of disruption could cause pain.”

[Shares](#) in BAE were up by about 3% on Tuesday.