Europe’s road to readiness 2030

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Key Takeaways

- Europe’s shift to long-term defence planning offers investors rare visibility into sustained military spending.
- Scarce defence components like energetics and guidance technology are driving pricing power for key suppliers.
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European governments have entered a new era of security and defence planning. From 2025 to 2030, there will be a deliberate shift from short term rearmament towards structural, long term readiness. This involves strengthening industrial capacity, investing in joint procurement, building strategic stockpiles and operationalising rapid response forces. For investors, this marks a period of durable spending visibility, stronger public–private partnerships and consolidation within the defence supply chain.

Policy and institutional anchors

At the European Union (EU) level, the European Defence Industrial Strategy (EDIS), published in March 2024, established the framework for strengthening Europe’s self reliance in defence. Central to this strategy is the proposal for a European Defence Industry Programme (EDIP), which aims to move the EU from temporary, crisis driven initiatives towards a structural mechanism supporting defence industrial readiness. If adopted in 2025–2026, EDIP will create multi year incentives for joint procurement, cross border production and the de risking of critical supply chains.

The European Defence Fund (EDF) continues to be the EU’s flagship funding tool for collaborative research and development. The 2025 work programme has opened calls focused on priority areas such as munitions, intelligence, surveillance and reconnaissance (ISR), air and missile defence, and digital resilience. Alongside EDF, the Act in Support of Ammunition Production (ASAP), enacted in 2023, is driving a rapid ramp up of ammunition output, with the target of producing approximately two million 155mm artillery shells annually by the end of 2025.

Operationally, the EU is also fielding the Rapid Deployment Capacity (RDC), a 5,000 strong modular force designed to be fully operational by the end of 2025. This is an essential step in ensuring that industrial readiness translates into deployable capability.

At the transatlantic level, the North Atlantic Treaty Organisation (NATO) provides the complementary framework. The Industrial Capacity Expansion Pledge, agreed at the Washington Summit in July 2024, commits allies to long term rearmament and reporting cycles, making 2% of gross domestic product (GDP) the minimum rather than an aspirational defence spending benchmark. NATO has also updated its Defence Production Action Plan (DPAP) in early 2025, with the NATO Support and Procurement Agency (NSPA) rolling out multi year contracts to support predictable demand for munitions, air defence systems and other critical enablers.

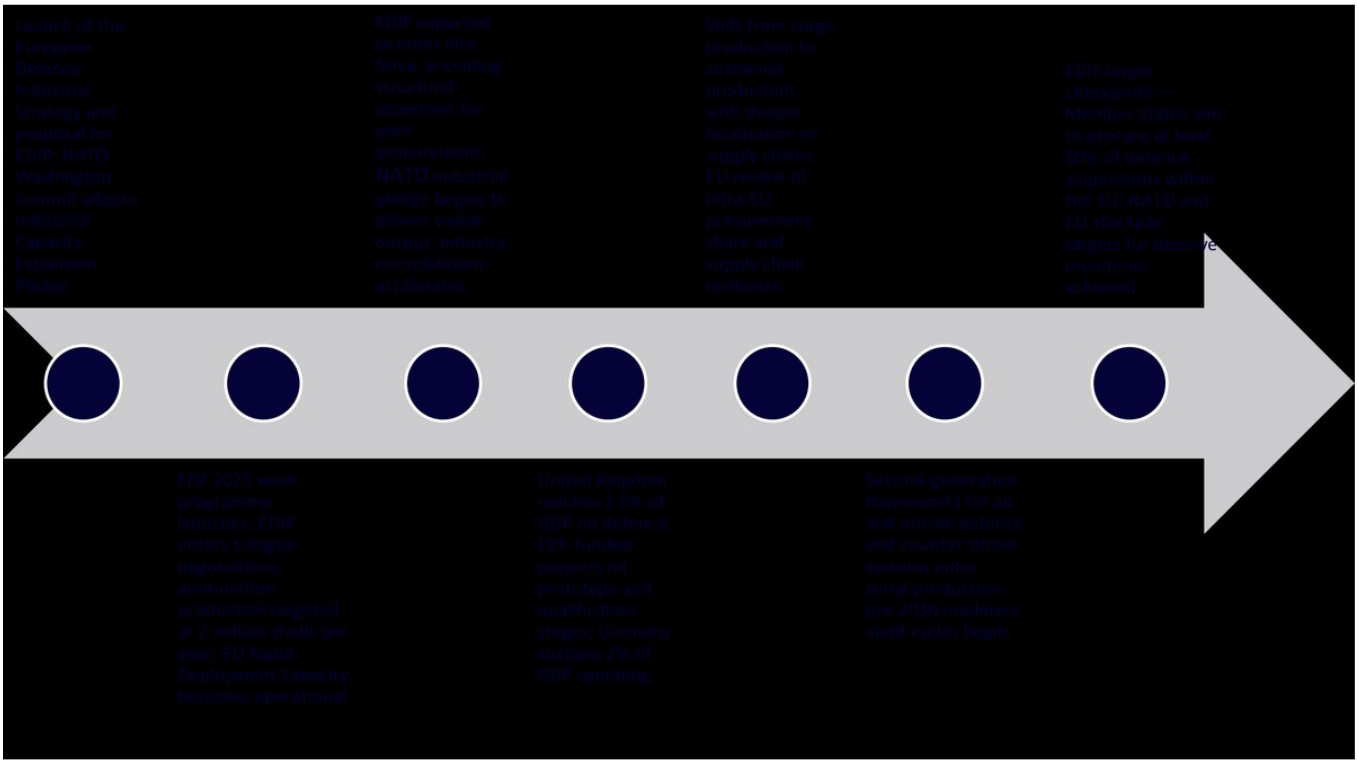
National governments are reinforcing this effort with their own policy shifts. Germany's Zeitenwende commits to sustained spending of at least 2% of GDP, supported by the special Sondervermögen fund. The United Kingdom has set a pathway to reach 2.5% of GDP on defence by 2027, linking this to industrial 'growth deals' designed to stimulate local supply chains.

Step by step timeline (2024–2030)

By the end of 2025, Europe must demonstrate that emergency measures have matured into operational readiness. This means that ammunition output has scaled to 2 million1 shells annually, supply chain bottlenecks for explosives and powders are being resolved, and the EU RDC is fully fielded. At the same time, NATO framework contracts for munitions and ground based air defence should begin to deliver.

The adoption and implementation of EDIP will be crucial between 2026 and 2027. Member States must align procurement rules to unlock genuine cross border orders and collaborative production. EDF projects launched in 2025 should begin moving into prototype phases, with industrial throughput and cross border joint ventures accelerating. The United Kingdom's 2.5%2 spending milestone and Germany's sustained 2%3 commitment will provide credibility to investor expectations of durable demand.

From 2028 to 2030, the focus will shift to scaling up production in high priority domains such as ground based air defence, precision munitions and counter drone systems. By 2030, the EU is targeting at least 50%4 of procurement within Europe, ensuring that industrial capacity and supply resilience are embedded as permanent features of European security.



Positioning for Europe’s road to readiness

For investors, Europe’s defence transformation creates a unique investment environment. Multi year national and EU level pledges establish predictable spending visibility across the value chain, from munitions and sensors to command and control systems**Rheinmetall** (Germany) and **BAE Systems** (United Kingdom) are well positioned to benefit from sustained demand for munitions and armoured systems.

Bottlenecks in energetics, rocket motors, seekers and test infrastructure mean that firms with scarce capabilities enjoy sustained pricing power and competitive advantage. Examples include **Nammo** (Norway) in energetics and rocket motors, and **MBDA** (a European joint venture) in missile seekers and guidance systems.

The push for cross border collaboration, driven by the European Defence Industry Programme and European Defence Fund, favours firms able to aggregate demand and integrate small and medium sized enterprises into wider supply networks. Companies such as **Airbus Defence and Space** (France) and **Leonardo** (Italy) play this role by anchoring joint ventures and pan European programmes.

At the same time, elevated working capital and inventory requirements highlight the need for investors to assess backlog quality, contract terms and advance payments. Firms such as **Thales** (France), with its diversified order book in command and control and cyber, demonstrate how backlog visibility can underpin long term resilience.

European Investment Bank financing for dual use infrastructure, such as logistics hubs, rail, and energy storage, provides a complementary environmental, social and governance (ESG) aligned investment channel. Infrastructure linked defence primes such as**Kongsberg Gruppen** (Norway) or large integrators like **Saab** (Sweden) illustrate exposure to this dual use dimension.

Conclusion

Europe's 'road to readiness 2030' represents both a structural policy shift and a durable investment opportunity. Multi-year commitments from the European Union, NATO and national governments underpin unprecedented visibility in defence spending and industrial output, creating strong tailwinds for companies positioned along the supply chain. For investors, this offers access to themes that combine security imperatives with long-term revenue visibility, cross-border industrial collaboration, and the prospect of consolidation gains.

At the same time, risks should not be underestimated. Political shifts could alter budget priorities, while industrial bottlenecks in energetics, skilled labour or testing capacity may slow delivery timelines. Geopolitical volatility could accelerate or compress spending cycles, creating performance dispersion between companies.

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5WisdomTree, FactSet, Bloomberg, as of 29 August 2025

Important Risks Related to this Article

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