

VITAL SIGNS 2022

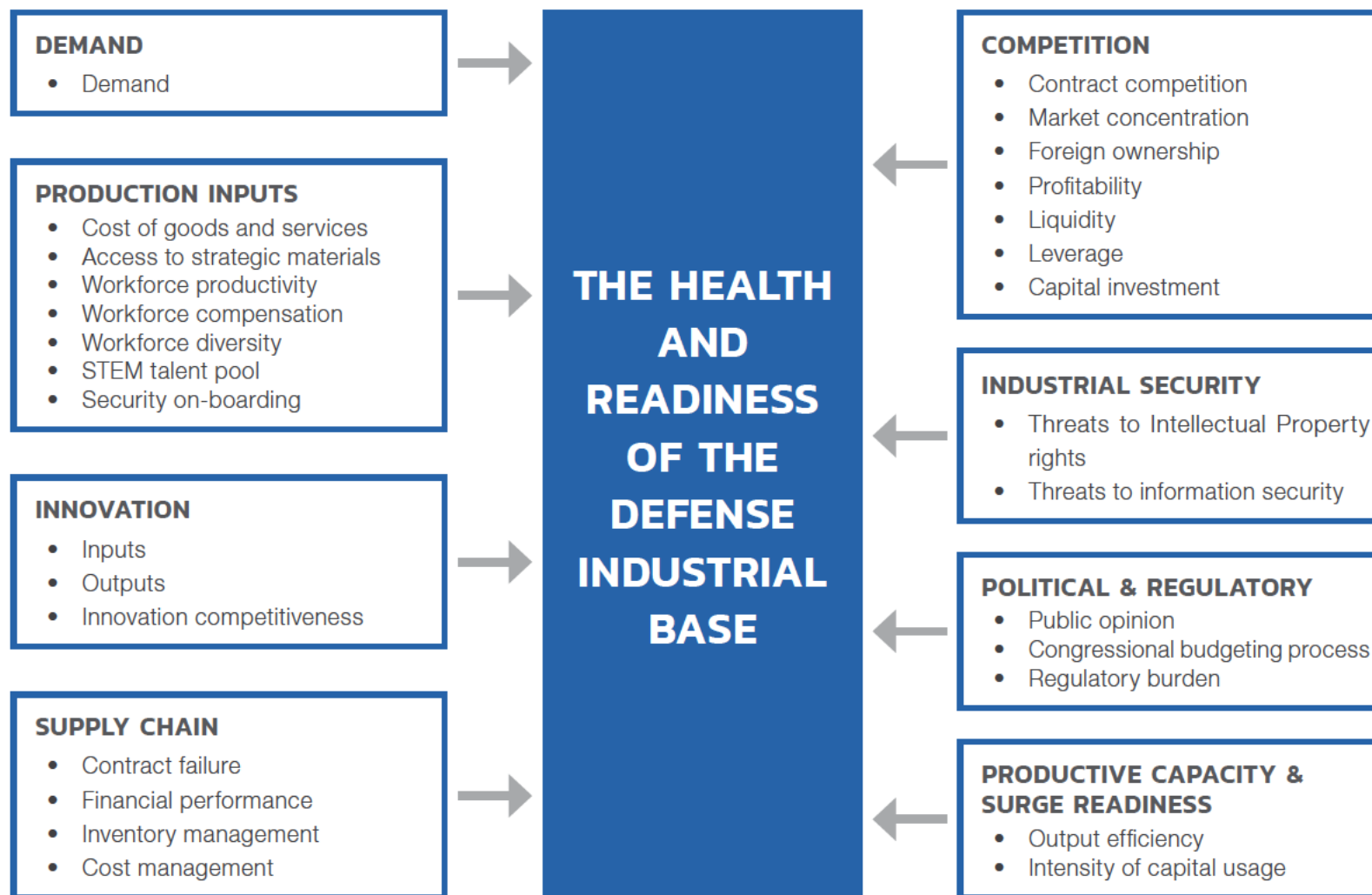
Report Launch
February 2022



Our Method

- This is the only report in the market that offers an annual unclassified assessment of the Defense Industrial Base. This report focuses particularly on the health of the defense industrial base as it relates to military readiness
- We assessed eight signs that serve as proxies for the health of the defense industrial base and business environment
- Overall, we scored 54 statistical indicators on a scale of 0 (critical failing) to 100 (outstanding)
- Scores are determined by comparing 3-year averages to a baseline peak figure
- We averaged indicator scores together
- Research assistance from NDIA's Junior Policy Fellows and data science company Govini

Business Environment & Performance Indicators



VS22: An Overall “Unsatisfactory, Failing” Grade

OVERALL SCORES				
Condition	2019	2020	2021	Change, 2020 – 2021
Demand	82	88	94	● +6
Production inputs	66	66	67	● +1
Innovation	69	69	69	● 0
Supply chain	60	71	63	● -8
Competition	92	88	88	● 0
Industrial security	49	49	50	● +1
Political & regulatory	78	76	72	● -4
Productive capacity & surge Readiness	80	67	52	● -15
Overall health and readiness	72	72	69	● -3

Score Index

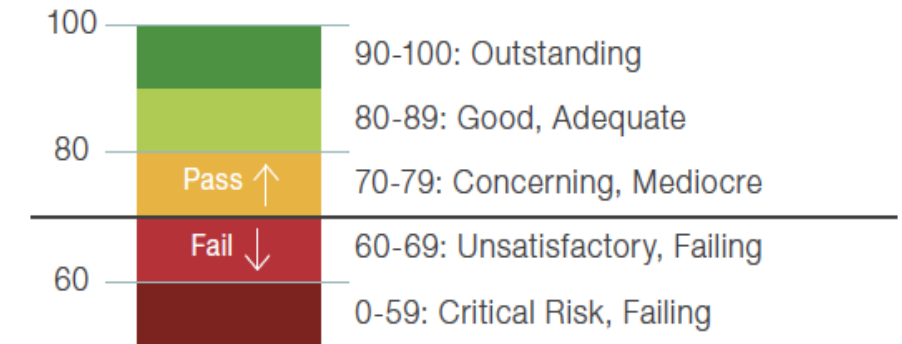


Figure 0.3, Source: NDIA



VS22: An Overall “Unsatisfactory, Failing” Grade

Political & Regulatory

Demand

Supply Chain

Production Inputs

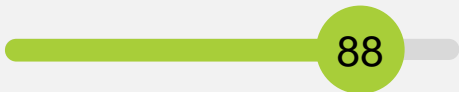


Competition

Innovation

Industrial Security

Production Cap & Surge



An Overall Score of 69 ●

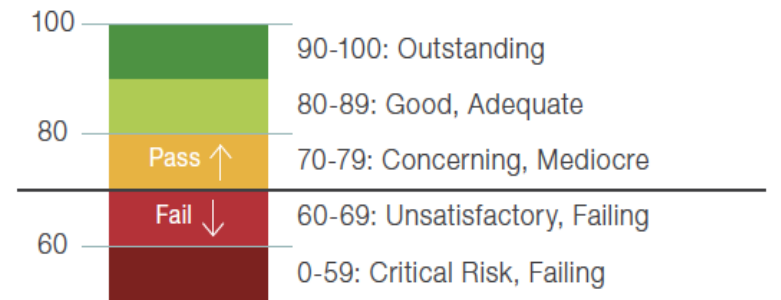


Figure 0.3, Source: NDIA

Critical Risk Areas

Risk Area	Description
COVID-19	COVID-19 impacted both Supply Chain and Surge Readiness within the DIB. These Vital Signs experienced the most significant declines from last year, which is indicative of COVID-19's continued disruption within the U.S. economy.
Competition	<u>New entrants</u> : This year saw another decrease in new entrants, <i>an all time low in our dataset</i> . This is a risk to innovation, as new entrants represent the infusion of new talent and capabilities. This significant decline marks a drop of over 28% from two years ago.
Emerging Technologies	For FY20, Congressional focus in key technologies such as microelectronics and biotechnology increased from the previous year, while hearings that mentioned hypersonics and space — among others — dropped from FY19.
Industrial Security	Industrial security continued to be the worst performing Vital Sign, driven primarily by cybersecurity vulnerabilities. Known vulnerabilities continue to rise at a very high rate, while the severity of each known vulnerability has slightly decreased on average since 2016.
Workforce	Members reported difficulties finding skilled and cleared labor. Without access to a diverse talent pool, DIB companies will struggle to produce the necessary goods and services that maintain our dominance in all domains of warfare. Our study reflects the state of the DIB before the high U.S. quit rates observed in 2022
Survey Results	Survey Results revealed businesses struggling with the ramifications COVID-19, including protracted labor difficulties. The DIB continues to identify budget stability and acquisition streamlining as top areas the government can address.

Download the report

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We welcome your feedback.

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