

Budapest is on the verge of an arms boom



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Wars, drone threats and growing European armaments: as the continent shifts course towards security, Budapest could quietly enter the gates of a new industry. An Israeli investor plans to build a defense industrial hub in the Hungarian capital that would bring not only technology but also jobs, manufacturing and a slice of the multi-hundred-billion-euro European market.

Budapest is preparing for a new role: the Hungarian capital is poised to become a potential hub for the burgeoning European defense industry. An Israeli investor, long active in Hungary, would build a model that simultaneously responds to geopolitical tensions, European capacity shortages, and the transformation of the domestic industrial structure.

Arie Yom-Tov, who recently gave a major interview to Index, is organizing the creation of a defense industry hub in Budapest, which would bring together at least 20 Hungarian-Israeli joint ventures within five years. The goal is not just technology transfer: according to the plans, about 800 high-value-added jobs would be created, while the total revenue could reach 70 billion forints. The essence of the construction is that the high-tech developments of the Israeli defense industry would be physically closer to the European market – that is, instead of bringing the customers to Israel, the technology would have to be brought to Budapest, the businessman told **Telex**.

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Europe must act, Budapest must act too

The project stands on two legs.

- One is a practically completed demonstration center in Budapest, where the products of Israeli companies will be presented to potential partners.
- The other, more important element is bringing production capacities to Hungary.

A company called Kaboom Technologies is working on this: it would organize production in Hungary for Israeli companies, partly because some of the companies there are already facing capacity constraints.



Arie Yom-Tov on September 25, 2025

Photo: Zsófi Szollár / Index

This model fits perfectly into the trend that has become increasingly visible in recent years: the defense industry has emerged as a strategic sector in Europe. The ongoing demand for equipment in the Ukraine war, especially in the ammunition and drone markets, has highlighted the scarcity of European manufacturing capacities. Meanwhile, a perceived strategic shift on the part of the United States, which sees Washington less keen to directly guarantee Europe's security, is further increasing the need for independent European defense capabilities.

The numbers also support this turn: the European Union's defense spending is already approaching 600 billion euros, and an increasing part of this is intended to be covered by EU production. In this environment, production in Hungary not only represents a cost advantage, but also a market access advantage. The equipment manufactured here is automatically classified as a "European product".

Arie Yom-Tov sees demand as driven not only by traditional military needs, but also by a changing perception of security. “The events of October 7, 2023, and the subsequent tensions in the Middle East and globally, have fundamentally changed the way the developed world thinks about prevention and defense. Israeli technologies – especially early detection and prevention systems – have become increasingly valuable worldwide, to the point where waiting lists for certain products have already reached one and a half years,” he explained.

Security risks in Europe are not theoretical either. In recent times, airports have had to be closed several times due to drone movements, which clearly shows that hybrid threats are becoming more and more imminent on the continent. In this environment, not only states, but also companies operating critical infrastructure can become potential customers: for a power plant or industrial facility, it can now be a matter of business rationality to build its own defense systems.

One of the key elements of the Budapest hub is that it does not rely exclusively on government orders. The goal is primarily to reach Western European markets, and Budapest appears more as a stable, predictable base in this strategy. According to the businessman, it is now more difficult to build similar projects in several Western European countries due to social tensions, protests or security incidents.

Hungarian industry could be placed on a higher shelf

The project is also interesting from an industrial policy perspective: Yom-Tov pointed out that there are many companies in Hungary that were previously part of the automotive supply chain, but are struggling with excess capacity due to the decline in demand. These companies – with appropriate technological and quality adaptation – can potentially be integrated into defense industry production. This also means that part of the Hungarian industry could move into a segment with higher added value and more stable demand in the future. All this would also fit into the **Hungarian economy**, which has been struggling for years, and which is also strongly holding back the performance of the **economy as a whole**.

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An important difference, however, is that the plans do not involve mere assembly. Part of the research and development activities of the Israeli partners may also be transferred to Hungary, which would mean not only an industrial but also an innovation position.

The companies to be presented at the Budapest headquarters include several technologically cutting-edge companies. Faception develops AI-based facial recognition and behavioral analysis systems that can identify potential threats even without a previous database. Xtend is strong in drone technology with integrated unmanned systems, while Capture Systems deals with surveillance and anti-drone solutions. Masobi Armour produces protective equipment, and RT LTA Systems develops aerial reconnaissance and intelligence systems.

Does not conflict with 4iG

Arie Yom-Tov said that the project's political exposure appears to be limited for now. The businessman said that he has been continuously informing the Hungarian authorities through official channels and is also cooperating with the Israeli state and the embassy in Budapest. He stressed that he does not consider the initiative to be election-related, and although he is personally acquainted with the management of **4iG**, the two projects operate in different market segments.

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The question is rather whether Budapest is truly capable of becoming a regional defense industrial hub. Some of the conditions are given: a skilled industrial workforce, automotive supplier background, EU membership and geographical position. On the other hand, there are security policy, regulatory and market risks, which are particularly sensitive in such a sector.

(Cover photo: In our illustrated photo, a worker repairs machine guns on November 7, 2025. Photo: Danylo Antoniuk / Ukrinform / NurPhoto / Getty Images)

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