

Tech Nation Report 2019: UK leads Europe in scaleup investment

- Scaleup tech investment 2.5x higher than expected based on the relative size of the UK economy in 2018
- UK leads Europe and fourth in the world for scaleup investment after US, China and India
- UK remains hotbed for tech talent - employing 5% of all high-growth tech workers globally - placing the UK ahead of Japan, France and Indonesia
- To date, 35% of Europe and Israel's tech unicorns (\$1bn valued businesses) have been created in the UK
- UK number one in the world for scaleup investment into fintech firms - generating £4.5bn in funding between 2015 and 2018

Tech Nation, the leading scaleup-network for UK entrepreneurs, has today announced the release of its annual [Tech Nation Report](#) with data from partners including Companies House, PitchBook, GitHub, the OECD and Streetbees, and in association with the World Economic Forum.

The report provides a comprehensive look into the evolution of the UK's tech ecosystem, exploring the drivers that underpin and power economic growth within the sector.

For the first time, the report explores the wider international landscape, looking specifically at international and national tech investment, areas of potential growth and related specialisms, talent hubs and more.

Investment

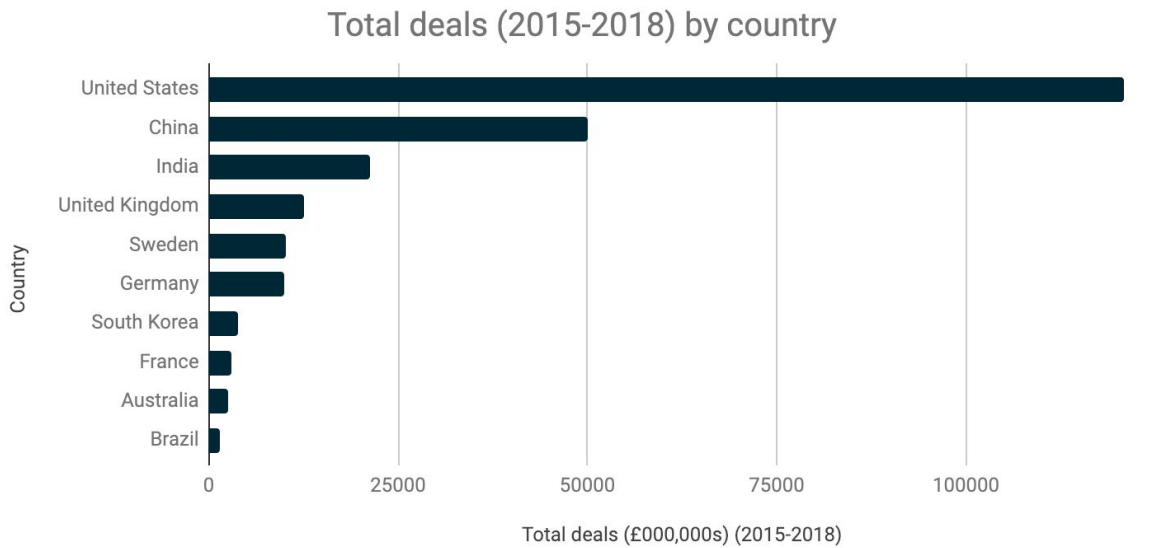
The UK tech sector performed particularly well in investment last year. In 2018, the UK managed to attract 5% of global high-tech scaleup investment, placing it fourth in the world - ahead of Germany, France and Sweden (*see Figure 1*).

Investment for UK high-growth digital tech firms also grew 61% between 2017 and 2018 – driven in large part by ambitious UK tech scaleups (tech scaleups delivered the majority of all tech investments in the UK in 2018 - £5bn of £6.3bn).

The UK's strongest tech sub-sector, and where it currently ranks as number one in the world, is fintech, with investment in UK high-growth fintech firms achieving £4.5bn between 2015 and 2018.

London continues to remain the UK's leader in attracting high-growth tech investment, receiving £9bn from 2015 to 2018. Cambridge is second, at £583m, with other UK cities continuing to make considerable ground.

Figure 1.



(Source: Tech Nation/ Pitchbook, 2019)

Looking beyond high-growth tech companies, the last 12 years have seen a much greater distribution of investment across the UK.

Notably, the East of England has seen the greatest increase in capital invested across all tech companies, at 206%, followed by the West Midlands (54%) and Yorkshire and the Humber (51%).

On an international scale, UK cities continue to attract investment on the global stage. The table below shows international hubs with shared scale-up investment patterns. (see Figure 2):

Figure 2.

| UK cluster | Tech scaleup investment twins |
|----------------|-------------------------------|
| Belfast | Calgary, Frankfurt |
| Birmingham | Atlanta, New Delhi |
| Brighton | Perth, Siheung |
| Bristol/Bath | Oslo, Marseille |
| Cambridge | Istanbul, Prague |
| Cardiff | Atlanta, Pune |
| Coventry | Washington, Mölndal |
| Dundee | Buenos Aires, Boulder |
| Edinburgh | Herzliya, Strasbourg |
| Glasgow | Sofia, Montreuil |
| Leamington Spa | Saint-Denis, Zug |
| Leeds | Oklahoma City, Malmo |
| Leicester | Clearwater, Orsay |

| | |
|---------------------|---------------------------|
| London | San Francisco, Beijing |
| Luton | Louisville, Santa Barbara |
| Manchester | St. Petersburg, Budapest |
| Newcastle upon Tyne | Montreal, Fortaleza |
| Nottingham | Gothenburg, Grenoble |
| Oxford | Paris, Helsinki |
| Reading | Philadelphia, Leuven |
| Sheffield | Jakarta, Nashville |
| Wakefield | Alexandria, Ottawa |
| Watford | Toronto, Milan |
| Worcester | Limoges, Clichy |
| York | Cannes, Lund |

(Source: Tech Nation/Pitchbook, 2019)

Employment

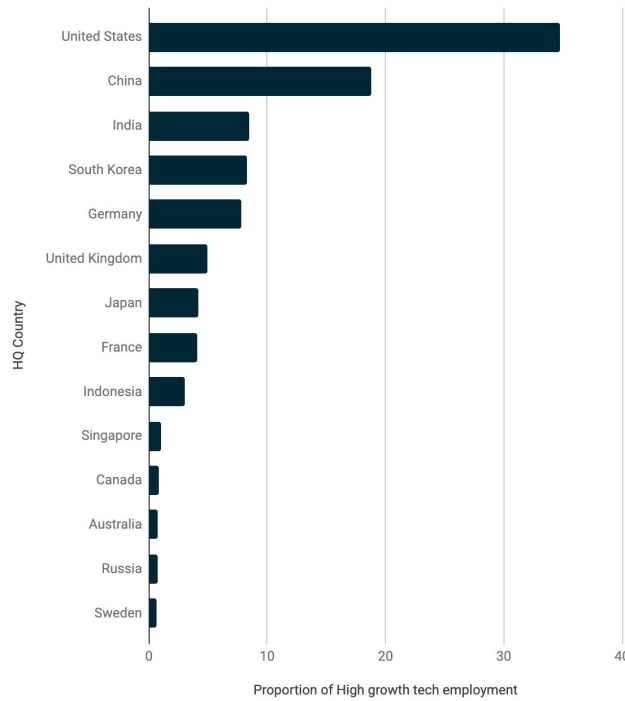
In 2018 the UK continued to remain a hotbed for tech talent, employing 5% of all high-growth tech workers globally. This places the UK ahead of Japan, France and Indonesia (see *Figure 3*).

In the UK, Insurtech and Fintech were the biggest employers among high-growth digital tech firms in 2018, employing 24% and 18% of the high-growth workforce respectively.

Cyber, AI, and Cleantech all feature in the top ten sectors for employment in high-growth tech firms. Investment data shows that AI, Cyber and Big Data are growing in importance for UK tech scaleups. This means that the UK may be about to see more jobs generated in these sectors.

Figure 3.

Proportion of High growth tech employment by country (2015-2018)



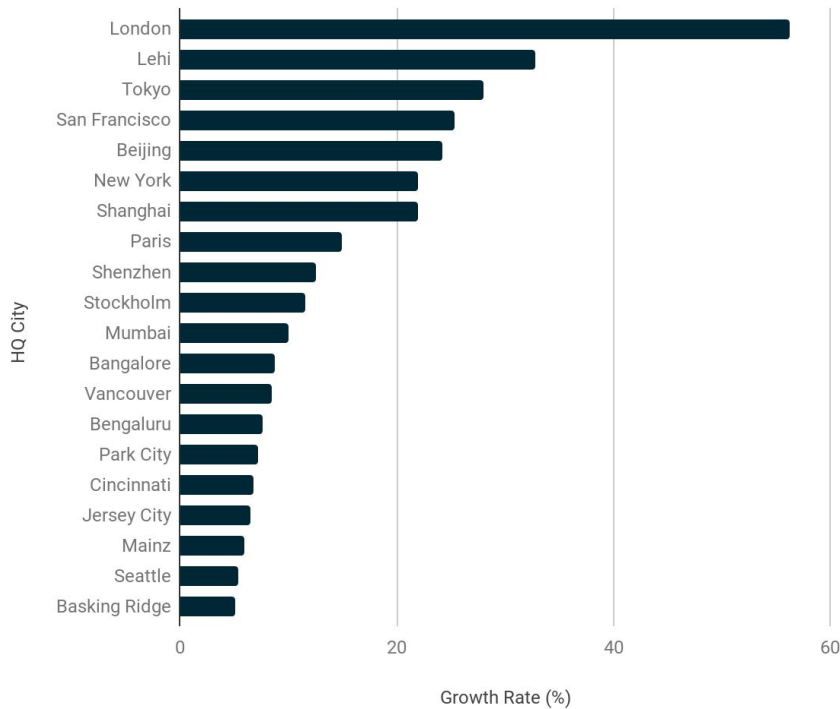
(Source: Tech Nation/Pitchbook, 2019)

Growth

From December 2018 to February 2019, high growth firms in London grew by over 56%, more than anywhere else in the world (see Figure 4).

Figure 4.

High growth company, average 8 week growth rate by top 20 global cities



(Source: Tech Nation/Pitchbook, 2019)

Innovation

R&D expenditure in the UK in 2016 represented 1.67% of gross domestic product (GDP).

Businesses and government have put significant financial resources towards the development of a knowledge-based economy. Based on the most recent data from 2016, the UK was ranked 7th globally for R&D expenditure, with spending up £1.4bn to £33.1bn, an increase of 4.3%. This is above the long-term annual average increase of 4.1% since 1990.

Quotes

UK Prime Minister, Rt Hon Theresa May MP, commented: “The UK is a global tech powerhouse. I am immensely proud of our country’s ambitious tech scaleups. These companies are delivering significant economic value to the nation through the investment they raise, the jobs they create and the innovative products and services they deliver”.

UK Chancellor of the Exchequer, Rt Hon Philip Hammond MP, commented: “The UK tech sector continues to grow strongly with UK firms attracting the most venture capital funding in Europe and investment in digital scaleups growing by almost two-thirds in a year. We are supporting British innovation so we can drive growth, jobs and higher living standards, including through £2.5 billion for the British Business Bank. This funding will help high-growth firms to access the finance they need to succeed.”

UK Secretary of State for Digital, Culture, Media and Sport, Rt Hon Jeremy Wright MP, commented: “This report confirms the UK is one of the world’s leading digital economies, with some of the best minds globally working here and strong investment in the tech sector right across the country. We are working hard to continue this success and remain committed to making Britain the best place to start and grow a digital business.”

Scottish Secretary, Rt Hon David Mundell MP, commented: “Scotland has a well-deserved reputation for world class innovation and design and it is great to see our multi-billion pound digital tech sector continue to thrive and make a vital contribution to our economy. This report shows Scottish expertise – backed by UK Government funding - provides the perfect environment for companies to flourish here and there are now 9,000 businesses employing almost 60,000 people in this area. We are at the forefront in pushing the boundaries in areas such as artificial intelligence, big data, cyber security, fintech and gaming and the UK Government will continue to champion the digital tech sector and support its growth.”

Secretary of State for Northern Ireland, Rt Hon Karen Bradley MP, commented: "Today's findings illustrate the strength of Northern Ireland's booming digital economy, enabled by a skilled local workforce which positions the region at the cutting edge of global tech advancements. Through measures such as the £50m Derry City and Strabane City Deal investment, which has the potential to create a Centre for Industrial Digitisation, Robotics and Automation and a programme of digital and smart cities interventions, the UK Government is committed to ensuring that Northern Ireland remains at the forefront of digital innovation."

UK Government Minister for Wales, Kevin Foster MP, commented: “Wales’ tech sector is growing rapidly – creating jobs, boosting economic growth and confirming our position as a global hub of excellence. The innovation of our tech start-ups is fuelling this growth, with many companies coming from collaborative communities of passionate entrepreneurs. Innovative Welsh companies pushing forward new technologies in data, AI and cybersecurity will ensure that we are positioned to thrive

in the economy of the future. This report shines a spotlight on the exciting tech scene in Wales and its impact on the UK and global economy. The UK Government remains committed to supporting the ambition and innovation of our businesses as we create a world leading digital economy.”

Eileen Burbidge, Partner, Passion Capital & Chair of Tech Nation commented: “The UK has an incredibly pivotal role in the global tech scene. Nowhere is this more evident than in the Fintech sector where the UK is ranked number one in the world; an enviable position that has been established with decades of hard work, entrepreneurial talent, innovation and supportive policymakers. I'm confident that we have all the ingredients needed for continued success and even greater acceleration of the tech sector here in the UK.”

Gerard Grech, CEO, Tech Nation commented: “The UK continues to exceed all predictions when it comes to tech growth. This report shows how the UK is a critical hub when it comes to global technology developments, with scale-up tech investment being the highest in Europe, and only surpassed by the US, China and India. This is a testament to the innovation, ambition and tenacity of tech entrepreneurs across the UK. These valuable findings will help inform how the UK as a nation can continue to foster competition and collaboration in an increasingly interconnected world.”

David Richards, CEO and co-founder of WANdisco commented: “The UK tech sector is going from strength to strength, with no sign of slowing down. On an international scale, the UK attracts more investment than anywhere else in Europe and is ranked fourth globally – a seriously impressive achievement. I find it especially promising that the distribution of this investment across the country is improving, with a significant increase in capital invested across the regions, such as the West Midlands and Yorkshire and Humber, meaning that more of the country is contributing to, and reaping the benefits of, the UK tech ecosystem.”

Adam Hale, Board Member Tech Nation, commented: "These findings demonstrate that we are building a community of success in the UK which sits at the heart of Tech Nation's mission and is reflected in programmes, such as Future Fifty and sector specific programmes such as Cyber. These programmes facilitate the passing on of knowledge through each cohort, and the know-how of growing a tech or tech-enabled business - which has been crucially lacking from the UK landscape. In the South East this community of success is really powerful - including companies like Fairsail and Open Cosmos - which enables Reading, the UK's largest town to compete on the global stage with cities such as Philadelphia and Leuven."

Tugce Bulut, CEO & founder, Streetbees commented: "As a scaling company that embodies many of the trends within this report, I'm delighted that our research in it illustrates the UK tech sector's diverse strengths - from the supportive ecosystem and culture, to the deep expertise in AI, fintech, e-commerce, and elsewhere – so categorically. The UK is an incredible place not only for founding a start-up, but also for growing it into a company capable of taking on the world.”

Hayden Wood, CEO & Co-founder, Bulb commented: "The UK is a great place to build a technology company. We wouldn't have been able to use tech to reinvent energy without the access we get in the UK to talent, investment and community. We're also proud to be part of a growing number of companies developing tech for good. We're excited to see how investment at this scale can accelerate the growth of these companies."

Ends

Notes to the editor

You can download a summary PDF version of the report [here](#).

In creating this report, the Tech Nation Insights team used data from Companies House, Dealroom, GitHub, Meetup.com, the OECD, Pitchbook, Stack Overflow, Streetbees and World Economic Forum. To find out more about the findings and the methodology used in this report, visit technation.io/report2019

The World Economic Forum are a partner of the Tech Nation Report 2019. They provided advice, data and access to their network to enable global reach for the report.

We would like to thank: The Department for Digital, Culture, Media and Sport, World Economic Forum and The Department for International Trade.