

# UK tech sector retains #1 spot in Europe and #3 in world as sector resilience brings continued growth

The UK tech sector will end the year as Europe's leading ecosystem, retaining its position as the main challenger to the US and China amidst a global backdrop of difficult economic conditions, according to new figures.

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During 2022, fast-growing UK tech companies raised £24B at near-record levels – some way above French companies, who managed £11.8B and those in Germany who brought in £9.1B. This takes the total raised over the past five years to nearly £97B.

The latest figures, compiled by Dealroom for the Digital Economy Council, underline the success of the UK tech economy and its progress as a source of global innovation. These elements are guiding the expansion of its tech ecosystem, which now employs 3 million people across the country.

## Sustained investment and growth have forged a global tech powerhouse

Consistent growth across UK tech saw the industry reach the \$1T in value milestone earlier this year, making it only the third country ever to hit this

valuation after the US and China. This means the UK tech industry is ahead of its European peers and is worth more than double Germany's (\$467.2B) and three times more than France's (\$307.5B) as well as retaining the lead when it comes to overall funding, unicorns and startups numbers.

This has enabled the UK to produce almost 400 high-growth startups since 2000 (worth more than \$250M in value). This includes 144 unicorns, and 237 soonicorns. The new figures showcase how the ecosystem is expanding, up from 116 unicorns and 204 soonicorns at the same time last year.

## Laying the groundwork for value-driven growth

Part of the UK's strength in creating such a wide-ranging and expansive tech ecosystem is down to its focus on combining innovation with standards and values. Earlier this year the UK unveiled a new approach to regulating AI – based on core principles like safety, transparency and fairness – to take a less centralised approach than the EU to reflect how AI is used in their sectors.

The Chancellor also announced that the government will bring forward legal powers for the Digital Markets Unit to drive up competition and level the playing field for challenger tech firms. All this goes towards creating the right environment to drive forward research, technology and growth.

## Introducing new generations to tech

Upskilling and reskilling have become a key part of the UK's dominance in tech with nearly 3,000 edtech startups having raised a collective £1.7B in funding. Companies such as Academy, Code First Girls, Immersive Labs and Multiverse are focused on enabling people of all ages to gain the skills they need to succeed in tech roles, from tech apprenticeships to coding, development and cyber security.

According to smarter job search engine Adzuna, UK companies are increasingly hiring for entry-level tech roles, up from 6,596 in November last year to over 15,000 this year, as they seek to bring in a new generation of tech talent and develop them into future leaders.

## Taking the lead in impact

Whilst the UK remains the dominant country outside the US for fintech investment (nearly £10B raised this year), it is also becoming a leading hub for

impact tech – companies creating technological solutions to reach the UN Sustainable Development Goals. There are nearly 1,200 impact tech companies in the UK which have raised \$3.8B in funding this year, ahead of last year's record £3B.

Green energy receives the bulk of investment, such as Newcleo, a startup that is developing technology to enable safe uranium recycling (£258M). Scaleups tackling healthcare inequality, such as Cera which bring technological innovation into social care raised £263M, while GrowUp Farms, a vertical farming company which uses technology to grow food more sustainably raised £100M. The steady influx of investment into impact tech means the sector now employs more than 53,500 people, up from 37,500 last year.

## Regional strengths make the difference

Innovation is spread out across the country with eight cities now home to two unicorn companies or more including Bristol, Cambridge, Edinburgh, Leeds, London, Manchester, Nottingham and Oxford. These high-growth businesses are using decades worth of science and tech research and development to revolutionise areas such as finance (Interactive Investor – democratising investing), sustainable travel (Vertical Aerospace – electric-powered aircraft), health research (Oxford Nanopore – portable DNA sequencing) and electronic device development (CSR – semiconductors).

Collectively, these cities are home to 112 unicorn businesses, more than France (36) and Germany (63) combined – demonstrating the strong pipeline of global tech leaders being created up and down the UK. In fact, Cambridge was recently named the number one university in the world for producing successful tech founders ahead of the likes of Harvard and MIT – with over 500 alumni founders raising more than \$10M in funding. Oxford came third with 410. Bristol (173), Nottingham (100) and London (98) all made it into the top 20, thanks to their deep tech and science focuses.

## Finding the next sources of global innovation

This is also what is attracting international investors to expand their footprint in London and the UK to access the growing network of entrepreneurs in the new Silicon Valley. US investors including General Catalyst, Sequoia and Lightspeed have increased their teams in the UK in 2022 after opening new offices here last year, and global firm New Enterprise Associates hired its first UK-based partner in October. Whilst European investor Earlybird VC has opened a new office in London earlier this year. This follows another strong year of

fundraising for UK-based funds, who have collectively raised £9.2B this year, up from £9B at the same time in 2021.

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