

What challenges lie ahead for the tech world?

A new report published by scaleup accelerator Tech Nation has highlighted the triumphs for the tech sector during what was otherwise a challenging 2020. But what challenges are yet to come?

Temps de lecture : minute

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With UK tech going from strength to strength, the sector has become increasingly fundamental to the UK's economic growth. The rate of tech GVA contribution to the UK economy has grown on average by 7% per year since 2016 and, with the UK unemployment crisis high on the national agenda, data shows there are nearly three million jobs in the digital tech economy - more than either construction (1.9M) or financial services (1.2M).

But UK tech still faces significant challenges ahead in an increasingly competitive global landscape, with both challenges and opportunities presented by global capital flows, R&D shortfalls, and the levelling-up agenda.

Global capital flows

In 2020, non-UK investment represented 63% of total VC funding of UK tech. For later stage investments, this is even more pronounced, with two thirds (65%) of funding rounds between \$100M and \$250M and three-quarters (76%) of rounds \$250M+ included a non-European or UK investor in 2020.

While this does reflect the strength and burgeoning international reputation for investment returns in UK tech, it also surfaces the potential for national security concerns with UK tech firms to become increasingly majority-owned by non-UK actors in the future, while also signifying a shortfall of late stage domestic investors.



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[Annual Tech Nation Report celebrates UK tech boom in 2020](#)

VC investment into UK regions

VC investment continues to be gravitated towards London, with the gap growing over the past three years. The percentage of total UK VC investment made into London has increased from 73% to 88% between 2018 and 2021.

The UK is a world-leading tech centre because of the collective strength of its regional tech clusters, so they must be supported in their growth journey by the development of more targeted regional investment funds with the firepower and risk attitude to level the funding playing field for

companies outside London.

R&D shortfall

The UK is trailing on R&D, with some private overseas companies investing more in R&D than the UK does as a nation.

Data from the [ONS](#) finds that UK R&D expenditure (public and private spending) was just under £30B in 2018, whilst in the same year, the combined R&D expenditure of Amazon and Alphabet (on their own R&D activities) was £33B. Comparing this on the global stage, total US R&D expenditure in 2018 reached \$551B, while China's R&D expenditure reached \$463B.

As the potential of technologies like AI, machine learning and quantum computing become fully realised and applied at scale, the UK will have to find ways to ramp up the R&D intensive capabilities it possesses and capitalise on a record year for deep tech VC investment, which increased by 17% to just under \$4B in 2020.

Check out the new [Tech Nation Report 2021](#).