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PRESS RELEASE

techUK's latest survey shows members are cautiously optimistic but difficult economic headwinds could hurt growth

- *After a difficult 2022 there is cautious optimism among techUK members as businesses look for opportunities to grow and invest in the UK*
- *Economic challenges, staffing costs, and the UK's trade relationship with Europe are a cause of concern for the sector*
- *To secure long term growth the tech sector is looking for greater incentives to invest in R&D, a more competitive tax regime and a more stable regulation*

LONDON, 25 July 2023: Following a challenging downturn in 2022, the latest edition of the Digital Economy Monitor published today by techUK reveals that the tech sector remains cautious yet optimistic about the outlook for the sector improving by this time next year.

However, economic uncertainty, concerns over investment, infrastructure, and the effects of regulation are still weighing heavily on UK tech businesses.

The Digital Economy Monitor, which aims to regularly survey techUK members about the economic outlook of the sector, found that looking towards the longer term, tech businesses aspire to scale and grow their businesses, expand into new markets, and improve efficiency, competitiveness, and meet sustainability targets. To achieve these ambitions, they emphasise the need for greater incentives to invest in research and development (R&D), a more competitive tax regime, and regulatory stability.

While a majority of members believe they are on track to achieve these goals, economic challenges, staffing costs, and continuous concerns about the UK's trade relationship with Europe have been identified as key barriers.

The Digital Economy Monitor is being published shortly after the launch of techUK's UK Tech Plan, which stressed the need for greater government support for the tech industry to achieve the sector's growth ambitions.

According to techUK members, increased support for R&D and innovation, investment in infrastructure, and regulatory or government policy changes are key factors that would improve the outlook for their businesses.

Notably, investment in infrastructure has experienced a large increase in responses, from just 4% in 2022 to 24% in this edition. Members have highlighted challenges related to securing sites for manufacturing or operations, increased energy costs for energy-intensive sectors, and limited digital infrastructure hindering access to talent and consumers.

Despite these concerns, the outlook for the tech sector over the next 12 months is trending upwards. Nearly half (48%) of techUK members expect conditions to 'improve moderately', marking a significant increase of 16 points from the previous edition of the Digital Economy Monitor [published in October 2022].

Respondents also indicated that investment plans are cautiously looking up, demonstrating the industry's resilience, although members' headcount plans reveal a greater focus on

efficiency due to economic challenges. While a majority of members (57%) plan to increase headcount, there has been a shift from significant increases previously reported to moderate increases. However, plans for decreasing headcount have also grown, reflecting the burden of economic challenges faced by member companies.

techUK's assessment of the industry's medium-term ambitions showcases a sector that is ready to contribute to the future of the UK economy, provided the policy and regulatory landscape is favourable. Scaling and growth, expansion into new markets, and improving efficiency and competitiveness are key longer-term ambitions identified by techUK members. Almost half of respondents (46%) believe they are on track to achieve most of their ambitions, while an additional 43% indicated they are on track to achieve some of their ambitions, demonstrating a positive outlook for the sector's future.

If the UK tech sector is appropriately supported, it can increase its contributions to the UK economy to £200 billion per year by 2025, as indicated by techUK's UK Tech Plan published in June 2023.

Julian David, CEO of techUK, said:

"2022 presented significant challenges for the tech sector, as soaring energy prices and a talent shortage resulted in a major drop in confidence. However, 2023 has the potential to end on a brighter note, as techUK members revealed a cautious optimism about their growth and investment plans, with many saying they are on track to meet their company's ambitions.

"Still, the tech sector is grappling with uncertainties surrounding the UK's economic outlook, the impact of regulation, and concerns regarding infrastructure. To unlock the tech sector's full potential, close collaboration and robust government support are imperative. Together, we can fuel the sector's growth and supercharge the UK economy, by bringing an additional £200 billion every year."

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The results of the Digital Economy Monitor can be found [here](#).

The UK Tech Plan can be read in full [here](#).

[techUK's Digital Economy programme](#)

About techUK

techUK is the technology trade association that brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve.

With around 1000 members (the majority of which are SMEs) across the UK, techUK creates a network for innovation and collaboration across business, government and stakeholders to provide a better future for people, society, the economy and the planet.

By providing expertise and insight, we support members, partners and stakeholders as they prepare the UK for what comes next in a constantly changing world.