

TECHNOLOGY SPOTLIGHT 2026:

Ambition, Momentum and the Future

HSBC UK

WIRED Consulting.

Foreword

The UK's tech sector is a crown jewel of the economy. It has continued to grow in the face of an array of challenges, and the UK's status as a world-leading tech ecosystem is a credit to the hard work and determination of hundreds of thousands of tech companies and their founders.

AI is obviously the main narrative in the sector right now, and UK tech businesses are deriving enormous value both from the models themselves and the demand that advanced AI is creating. It's inspiring to see the country's AI ecosystem getting the global recognition it deserves, and I believe it will only gather momentum.

The UK can't rest on its laurels: there is more work to be done on skills, and in ensuring that the country's highest performing firms want to remain in UK ownership as they enter the top flight of global businesses. But the foundations are incredibly strong, and the entrepreneurial spirit is clearly alive and well. This report shines a light on the forces shaping the sector right now, and how it will evolve from here.

Roland Emmans

Head of Technology Sector & Growth Lending, HSBC UK



The State of UK Tech

The days when the epicentre of the UK startup scene was East London's self-effacingly named "Silicon Roundabout" don't seem all that long ago. But from those humble beginnings at the end of the noughties, the tech sector has become a cornerstone of the economy. Technology itself has come to play an increasingly central role in modern business and, since 2010, the sector's growth, in terms of output, has consistently **outpaced that of GDP**.

The pandemic proved a defining moment for the UK tech sector. While many startups struggled or **ceased trading**, a significant number of firms benefited as organisations across the economy digitised at pace and demand for technological solutions increased. Bolstered by rock-bottom interest rates and **targeted government support**, the sector's overall **growth rate increased in terms** of output. In 2020, the number of tech jobs advertised in the UK outweighed major European countries by an average **259 percent**, and by early 2022 the UK's tech sector was worth more than **$1 trillion**, joining the US and China as the only three countries ever to pass that threshold.



UK tech is now valued at $1.6tr

That resilience has continued, in spite of considerable headwinds. The flux of the post-Brexit, post-pandemic world has been compounded by ongoing geopolitical tensions and shocks. In 2022, UK interest rates hit a **14-year high**, inflation became **hard to control**, and, in 2023, the country slid into a shallow **recession**. The tech sector has not been immune to this by any means. In particular, it has been more challenging for scale-ups to secure VC investment – a marked contrast to the pandemic period. However, the recurring-revenue business model of many tech firms – combined with persistent demand stemming from ongoing digital transformation and innovation efforts across the economy – supported continued growth. The **combined enterprise value** of the UK tech ecosystem grew 30 percent between 2022 and 2025 and is in generally good health.

Indeed, Dealroom's 2026 Global Tech Ecosystem Index, which ranks 325 locations worldwide across benchmarks spanning investment, talent, innovation, and outcomes, named London the **top technology centre** in Europe, reclaiming the crown from Paris. UK tech is now valued at **$1.6tr**, has passed the **200-unicorn** milestone, and 2025 was a **record year** for the number of new UK tech incorporations.

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> *Head of Technology Sector & Growth Lending, HSBC UK*

The rebound in the VC market, **albeit concentrated in fewer, higher-quality deals** has also been taken as a positive signal for the sector's overall wellbeing. Most current activity is in AI and AI-enabled business models, which increasingly describes many UK tech businesses. "AI is a potentially transformative technology," says Roland Emmans, Head of Technology Sector & Growth Lending at HSBC UK. "We need to have some perspective – it is just the latest in a long line of innovations that have reshaped how people live and work, from the telephone, to the personal computer in the 1970s, to the Apple iPhone in 2007 – but it has nevertheless become the biggest story in tech given its revolutionary potential for firms and the wider economy."

AI: A New Strategic Story for the UK

A recent report shows that AI businesses are a crucial dynamo for the UK tech sector, accounting for 32 percent of its total market value, and ranks the UK as Europe's number one AI ecosystem. Standout domestic businesses such as ElevenLabs and Nscale are category leaders that are expanding globally.

Digital transformation has long been the organising dynamic for the UK tech economy, and in many ways AI is effectively its latest incarnation. Many believe momentum will persist, and – if the **energy and compute can be put in place** to enable ongoing AI-led growth – that the UK can continue to ride that wave. HSBC's July 2026 **Funding the Future Survey** showed that net sentiment for the future of the tech sector had improved since April.

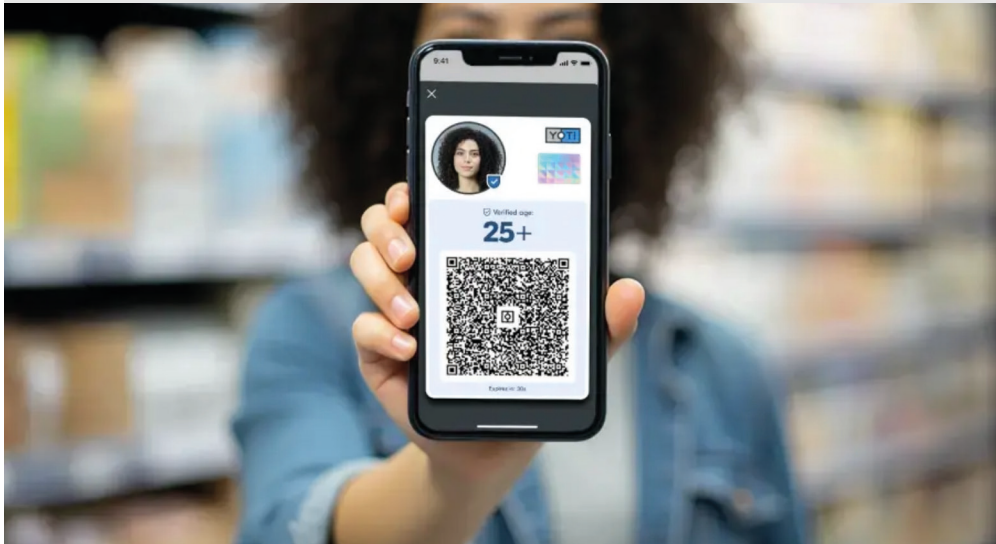
The most optimistic industry projections see the UK AI market reaching **over $1tr in value** over the next decade. Investor confidence reflects these expectations: AI currently attracts a substantial valuation premium of up to **27 times** annual revenue. While some interpret this as unwarranted exuberance, others argue the long-term opportunity justifies the hype. As Steve Rigby, CEO of Rigby Group, Europe's largest private investor in technology, puts it: "The target addressable marketplace for tech companies could be about to expand significantly, with AI potentially going after virtually all knowledge work as a category."

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> *CEO, Rigby Group*

How HSBC Helps UK Tech Grow

Founded in 2014, **Yoti** is a London-headquartered company that provides privacy-focused identity and age assurance solutions. Its face-based age estimation tool is used by major technology platforms to check the ages of millions of people every week, while its identity verification tools process thousands of document types and digital IDs.

To fund its growth, Yoti secured a debt facility with HSBC UK based on an IP-backed evaluation. "We missed the big investment boom, which in retrospect was probably the best thing that ever happened to us," says CFO and COO Hugh Godsal. "We went to market during a period when it was really hard to raise the money, and instead secured £12.5m from HSBC Growth Lending. The beauty of that was we weren't diluted – and HSBC was prepared to take the risk that equity providers were not prepared to take."



The Reality On the Ground

The macro figures can be helpful for taking the pulse of UK tech, but they can give a distorted impression of what day-to-day working life is like for the majority of founders. For most, it is not a tilt-a-whirl of megaround fundraising and newspaper coverage. The relatively narrow range of companies that dominate the national conversation can make it easy for outsiders to forget that the UK tech sector is made up of a vast plurality of businesses – **hundreds of thousands** in all. The engine room of UK tech is not VC darlings but mid-market scale-ups, **many of them** bootstrapped, founder-led operations.

A closer examination of this cohort shows how things are playing out at ground level. The businesses that are faring best are not doing this by making audacious bets or chasing the latest shiny thing, but by doggedly tackling the everyday challenges of **flat IT budgets, extended sales cycles, and customers who demand to see clear ROI** from their tech expenditure. This has required a renewed emphasis on **resilience – not just growth** – and doubling down on differentiation and commercial discipline. The customer's perception of value is in focus like never before. As one **recent report** puts it: "Performance reflects well-run businesses carving out strong vertical niches, executing consistently in demanding market conditions, and supporting customers through ongoing digital transformation requirements."

A further nuance is that success is not evenly distributed. There is an increasing **divide** between the highest performing companies and the rest. Looking once more at those mid-market businesses, the top 50, according to tech sector intelligence firm Megabuyte, account for a total value of **£14.8bn** and, within that cohort, value skews towards particular **sub-sectors**, such as business process outsourcing, IT consulting, and financial services – a microcosm of the wider picture. Many of these companies are the ones doing "picks and shovels"-type work of the AI era: data management, cloud, security, networking, and infrastructure.

How HSBC Helps UK Tech Grow

Glasswall is a cybersecurity company founded in London in 2011. It specialises in patent-protected content disarm and reconstruction (CDR) technology. This disassembles files, strips potential malware, and rebuilds them safely. Challenging standard industry assumptions about selling internationally, Glasswall has successfully penetrated the US defence and intelligence markets on the strength of its capabilities.

HSBC's support allowed the firm to bridge the scaling gap and accelerate international expansion. "HSBC provided a very attractive debt facility that allowed us to think about how we might expand further internationally," says CEO Danny Lopez. "They really got it; they really understood what we were about as a company."



What's Next?

No economic story is simple. For all the good news, there are ongoing concerns about the future of the UK tech sector. A survey published in early 2026 showed that tech founders are increasingly of the belief that it is becoming **harder to operate** in the UK; **one in five** startups say they are likely to relocate abroad by 2028 in order to grow further. At the same time, there are **gripes** about lack of tech powerhouses in the FTSE 100, diminished talent pipelines, and **political uncertainty**.



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Proponents counter that there are plenty of reasons for optimism. The sector's fundamentals continue to stand it in good stead. There are the well established ecosystems, such as the "golden triangle" tech cluster of London, Cambridge, and Oxford (the UK is the undisputed European university **spinout leader**), as well as notable regional hubs such as Manchester. There are the homegrown tech giants such as Arm, Sage, and Revolut. And there is the presence of the US tech giants and their innovation centres, such as Google's new **Platform 37** space in London's King's Cross, which cultivate talent and strengthen the wider innovation environment. Plus, there is that solid bedrock of mid-market success stories – and the country's top-tier standing on AI.

Recent political developments have also been welcomed by the sector. Through its 2025 **Modern Industrial Strategy**, the UK government is supporting eight sectors that it deems "growth-driving". **Five** of these are tech sub-sectors. Financial support includes reforms to R&D tax credits, as well as several sector-specific funding packages, including a £2 billion quantum computing fund. The government is also seeking to create regulatory sandboxes, where participants would be able to test agreed innovations live in the market without having to adhere to rules that would otherwise stifle those activities.

Naturally, the Industrial Strategy has a number of key provisions for AI, too. The government is backing its **ambition** for the UK to be "an AI maker, not an AI taker" with a raft of initiatives such as a Sovereign AI Fund, AI Growth Zones, and an **£86bn** investment in British science and technology R&D.

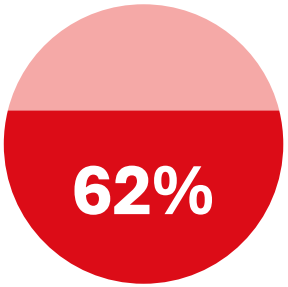
That is all based on the political conviction that AI will be "**the defining technology of our era**". But what else will determine how things play out for the sector?



Three Questions That Will Shape the Future of UK Tech

1. Can the UK Be More Than an Incubator Economy?

The UK might be the top tech location in Europe, but the sector naturally has bigger ambitions. A common theme is the need to close the scale-up gap: the structural shortfalls that make it hard for promising UK businesses to become leading global enterprises. In 2026, 62 percent of founders rated the UK as a good place to start a tech company, while a mere 20 percent said it was a good place to exit. The typical complaint is that UK buyers have shallower pockets, and UK IPOs are no longer a going concern.



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There's a view that to some extent the country needs to accept the reality of its position on the world stage. Given the relative depth of its capital markets and the size of its economy, many believe it is unrealistic to think the UK could become "the next Silicon Valley". But at the same time there are fears that the UK risks unnecessarily settling into a long-term role as an incubator economy that births fantastic companies which then relocate overseas when looking to scale or IPO.

For those that want to see more UK tech companies becoming global leaders without leaving these shores, there are reasons to be optimistic:

- Historically, 72 percent of the US's venture capital funding comes from pension funds, compared to just 10 percent from the UK. The government's pension reforms aim to change that, with funds being actively encouraged to invest in UK tech.
- IP-backed commercial loans are now available from HSBC and other banks, allowing knowledge-based tech companies to use intellectual rather than physical assets as collateral.
- Routes to private capital are also increasing, with US investors increasingly setting up a base in London, and the London Stock Exchange establishing the Private Intermittent Securities and Capital Exchange System (PISCES), a private stock market that gives investors more opportunity to buy stakes in growing companies before they go public (although this is only at a nascent stage).

Janet Coyle, managing director of Grow London, an initiative aimed at startups and scale-ups from the Mayor of London's growth agency London & Partners, is one of the optimists. "In the past, we've had challenges competing with the US when it comes to growth capital," she says. "However, I think things will look different three to five years from now. I feel as if we're all working together, with both public and private sector really rallying around this need to keep businesses here and help them to scale. It feels very strong."

2. How Will Tech Itself Be Disrupted?

When new general purpose technologies come along, the initial impacts are relatively predictable. Businesses tend to do the same things they always did but cheaper or faster, and this causes a wave of disruption. But longer term effects are harder to forecast, because disruption begets further successive waves of disruption. As this process unfolds it enables new things altogether: new kinds of products and services, new ways of organising work, new kinds of revenue models. This creates new challenges and opportunities for the tech sector, but these are hard to preempt, in the same way it would have been difficult to imagine TikTok Shop in the early days of Netscape.

The longer-term, paradigmatic shifts that AI brings may well reset the tech landscape, unseating longstanding incumbents and turning peripheral companies – or ones that don't exist yet – into the tech giants of tomorrow.

We are just at the start of that disruption cycle, but it is already making an impact. "AI is a very big risk for businesses that move too slowly, have failed to build agentic capability into their business, or do not transition their methodology away from selling time and materials," says Steve Rigby. In particular, businesses need to figure out how to reimagine processes and organisational structures to get humans and AI working together in the most effective ways. Those that learn quickest will have an advantage.

Here's how AI disruption is already changing competitive dynamics across several key tech subsectors:

SaaS

Early 2026 saw SaaS stocks plummet amid fears that AI would eat software. Fears of a so-called "SaaSpocalypse" may be premature, but AI coding tools stand to make the market more competitive, and possibly lead to lower margins. As a result, as many as 97 percent of B2B SaaS CEOs plan to retire per-seat pricing in the future, as they explore ways to compete on delivering measurable business outcomes instead.

Cybersecurity

AI makes cyberattacks easier and cheaper to carry out, and potentially harder to defend against. Cyber companies, large and small, will need to evolve their offer to keep up. There is a particular opportunity to focus on AI-native areas such as deepfake detection, machine identity governance, and autonomous offensive testing, where deep specialisation provides a competitive edge.

Consulting

AI is reducing the human hours required for routine engagements, forcing a rethink of fee structures. Yet AI also offers a significant opportunity: it's hard to work out how and where AI can add real value to an organisation, so consultants effectively have a whole new era of digital transformation work ahead of them.



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3. Will the Country Shore Up Its Skills Base?

The UK Institute for Technical Skills & Strategy **argues** that the UK's digital and technologies sector will require an additional 120,000 technical professionals by 2035, but states there is a "widespread" and "persistent" shortage of technical talent. A contributing factor is the **drop in skilled migration** to the UK. This is affecting particular areas of the tech sector more than others. A recent government **report** argues that the UK AI sector, for instance, "is facing a critical skills gap that threatens its long-term growth and global competitiveness", although arguably the abilities of AI itself may come to reduce the need for such a high volume of additional, deeply skilled professionals.

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> **Janet Coyle**
> *Managing Director, Grow London, London & Partners*

Ironically, the UK's tech talent pipeline has long been one of its strengths. "When I ask companies why they choose to expand into London, the number one reason is always talent," says Coyle, "and we need to make sure we maintain that incredible pipeline for the future."

There are a number of emerging solutions from the public sector, including a commitment to **£1.2bn** of additional investment in skills per year as part of the Industrial Strategy, as well as targeted **visa reforms**. But it will also be essential for employers to invest in reskilling their workforces. This has always been the case in the tech sector, but the halflife of technical skills has reduced to as little as **2.5 years**, with domains such as AI and cyber moving even faster.



£1.2 billion of additional investment in skills per year will be provided through the Industrial Strategy

The reward for helping employees develop AI skills is not just a fit-for-purpose workforce, but greater organisational agility. "We've transformed completely from a traditional software organisational structure to one built around agent-empowered teams of three, comprising leads from development, quality assurance and product," says Danny Lopez, CEO of cyber security firm Glasswall. "We're now able to develop products way faster than ever before." What's more, AI skills are increasingly seen to include softer skills involving curiosity, resilience, and emotional intelligence, so developing these qualities creates broader business value.

“The future of UK tech won’t be built by following the market, but by ambitious businesses creating it.

AI may be rewriting the rules, but talent, innovation and execution will continue to define the companies shaping what comes next.

Since 1865, HSBC has proudly backed the firms driving the next chapter, from first breakthrough to global scale.”

Roland Emmans
Head of Technology Sector & Growth Lending, HSBC UK



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