Grow London

How London is primed to capitalise on an era of rapid change

Strategy& Value Creation
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Foreword

In this report, we examine:

- Why London is primed to attract and sustain innovative businesses across frontier industries.
- The size of the economic benefit that could be delivered by stronger productivity growth across these industries, driven by rapid technological advancement and supported by London.
- The action which needs to be taken by firms and institutions to capitalise on the opportunity available.

Sources: PwC UK analysis, ONS

As the UK takes steps to level up its regions, it has become harder – and at times almost unfashionable – to talk confidently about the Capital. London is too often framed as a city apart, competing with other regions for attention and investment.

The reality is, London's success is not separate from the UK's success – it is central to it. London is home to just 13% of the UK population but generates almost a quarter of UK output and around a fifth of national tax revenues. In doing so, it supports national supply chains and contributes towards public service provision across the country.

Given its importance, addressing questions that linger around London's economy is firmly in the national interest. By tackling slowing productivity growth, rising business costs, and tightening household finances in the Capital, pay-offs can be generated from Caithness to Cornwall.

The key question, then, is whether London is well positioned to address some of the growth challenges it faces. In this report, we explore this – answering one simple question.

Does London have the ingredients to succeed in an era of rapid change?

The answer? A resounding yes.

The next phase of economic growth is likely to be driven by firms that can adopt technologies, scale ideas, and convert innovation into productivity.

London provides the conditions that matter most for these firms to succeed: talent, capital, and a dense ecosystem of universities, investors, and institutions.

Our analysis suggests that innovation-led productivity growth across Finance, Technology, and Science and Research industries could add up to £40bn to London's economic output in 2030, and £76bn across the UK.

But potential does not convert itself into progress. Businesses need to build on the platform that London offers to accelerate innovation, and public institutions need to help create the conditions for innovative firms to start, stay, and scale in the UK.

It's clear that London has the ingredients for future success. The task now is to turn those strengths into productivity, investment, and growth. If business and policy combine behind this ambition, a new era of economic potential can be unlocked for both the capital and the country as a whole.

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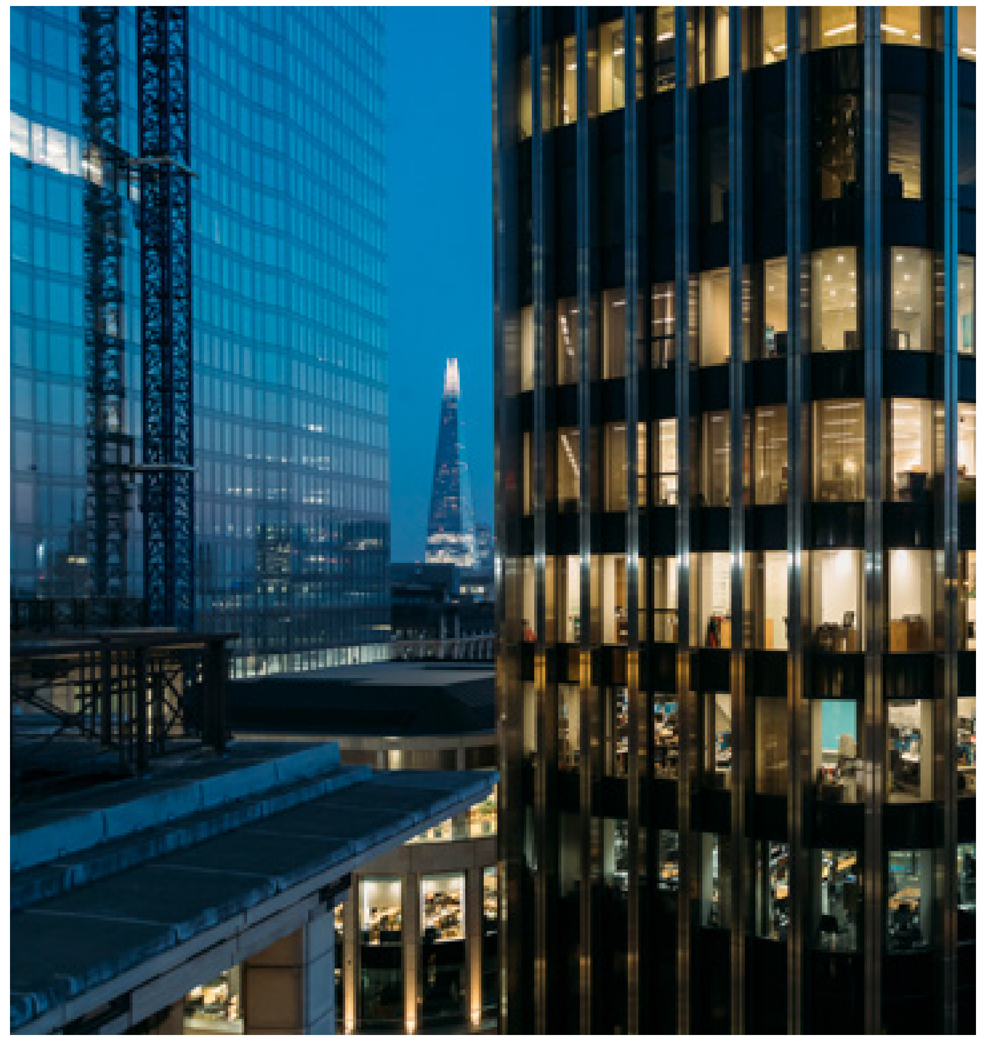
Executive Summary

City regions that enable ‘frontier industries’ to succeed are more likely to deliver accelerated economic growth

Rapid advances in technology are opening a new era of economic opportunity, with three ‘frontier industries’ primed to capitalise. Regions that enable these industries to thrive are likely to realise accelerated economic growth.

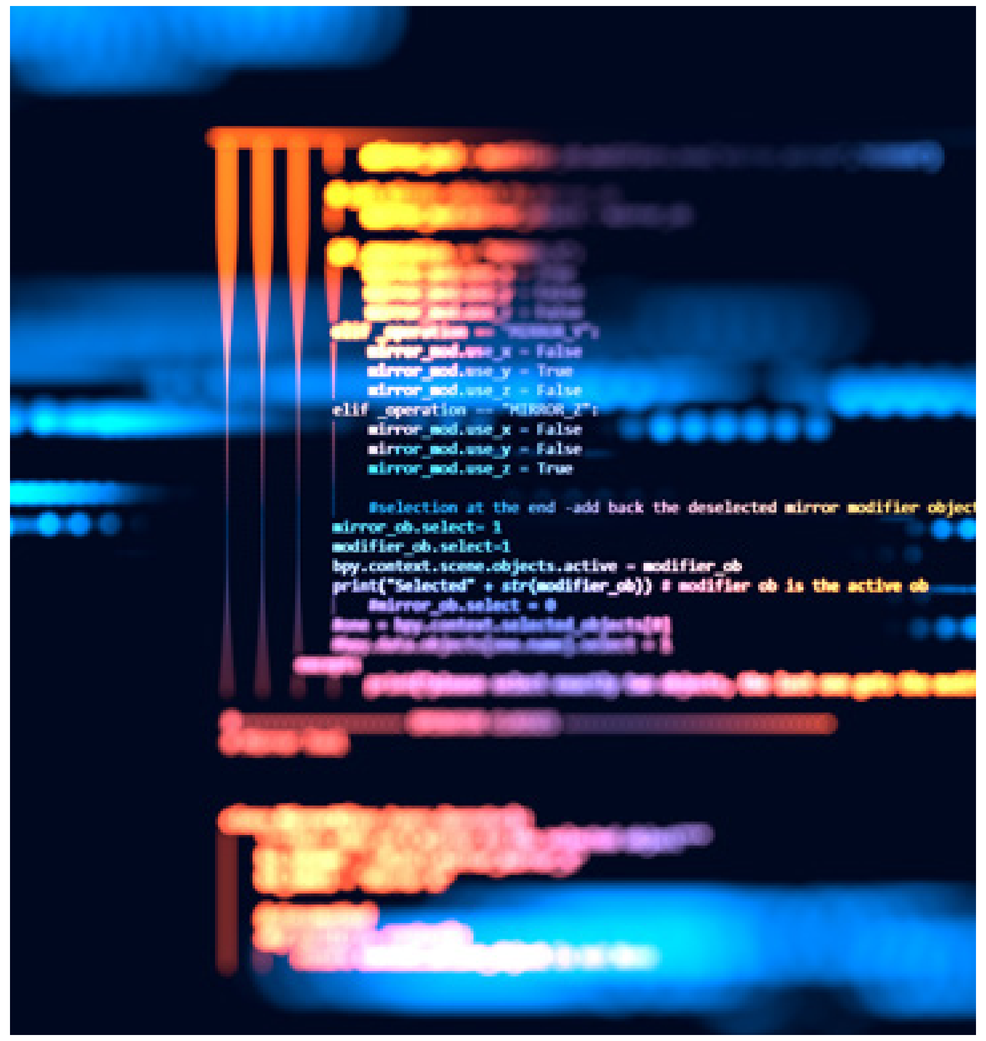


Finance

High-value, data-rich and heavily regulated, the Finance sector is primed to capitalise on tech-enabled opportunity. It’s estimated that advances in technology could drive up to a 15ppt improvement in the efficiency ratio of businesses in AI and Fintech sectors by lowering the cost of payments, insurance, risk and compliance. As an export-oriented sector, improved productivity may also bolster trade competitiveness.

Technology

Technology is both a stand-alone industry and an integrated layer. As tools advance, efficiencies are created within the technology sector, and opportunities to embed new cloud, cyber and software practices across other sectors also emerge. Such diffusion of these tools lifts productivity across the wider economy.



Science and Research

Emerging technologies can accelerate discovery and experimentation cycles across life sciences, materials, and engineering, positioning the sector to capitalise on the new era of opportunity. Life sciences and clean energy are identified as two of the eight highest-potential sectors in the UK’s Modern Industrial Strategy.

Notes: AI = Artificial Intelligence | Sources: PwC analysis, UK Department for Business and Trade

London is primed for success, hosting the conditions that frontier industries need to thrive

London provides the key ingredients for frontier industries to thrive; hosting the necessary Talent, Capital and Ecosystem.

Talent

1st

Global talent magnet

London is one of the most desirable cities to live and work, ranking 1st in IPSOS's World's Best Cities Index 2026.

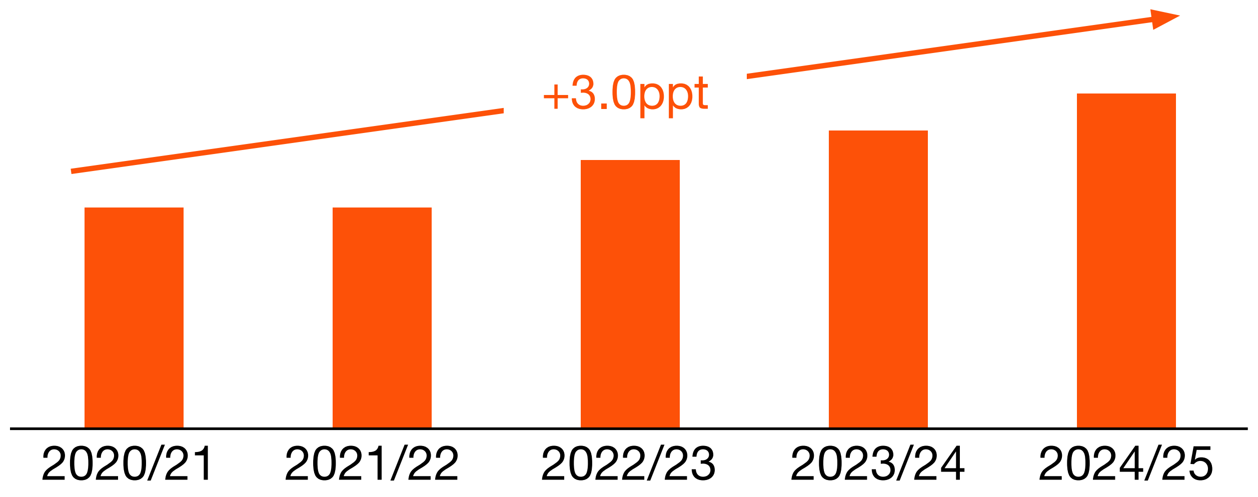
15%

Future-ready workforce

Increase in the share of the population with frontier industry related skills, 2012 – 2023.

Tech talent pipeline

3 percentage point increase in the share of students at London universities studying technology-related majors.



Capital

7,000

Venture Capital heavyweight

Over 7,000 VC deals were made in AI and Fintech markets between 2019-2025, second only to New York.

60%

Forward-thinking investment

AI and Fintech account for 60% of VC deals made in London since 2019.

38%

Foreign exchange hub

London is a global hub for foreign exchange trading, with 38% of total forex turnover occurring in the UK.

14%

Global lending gateway

14% of total global cross-border lending currently flows through the UK, with London at its core.

Ecosystem

£13bn

Innovation hotspot

Value of business R&D performed, the largest of any UK region.

2nd

Strong governance

London comes second only to Bern, Switzerland, for institutional stability and low corruption in IESE's Cities in Motion Index.

Clustering

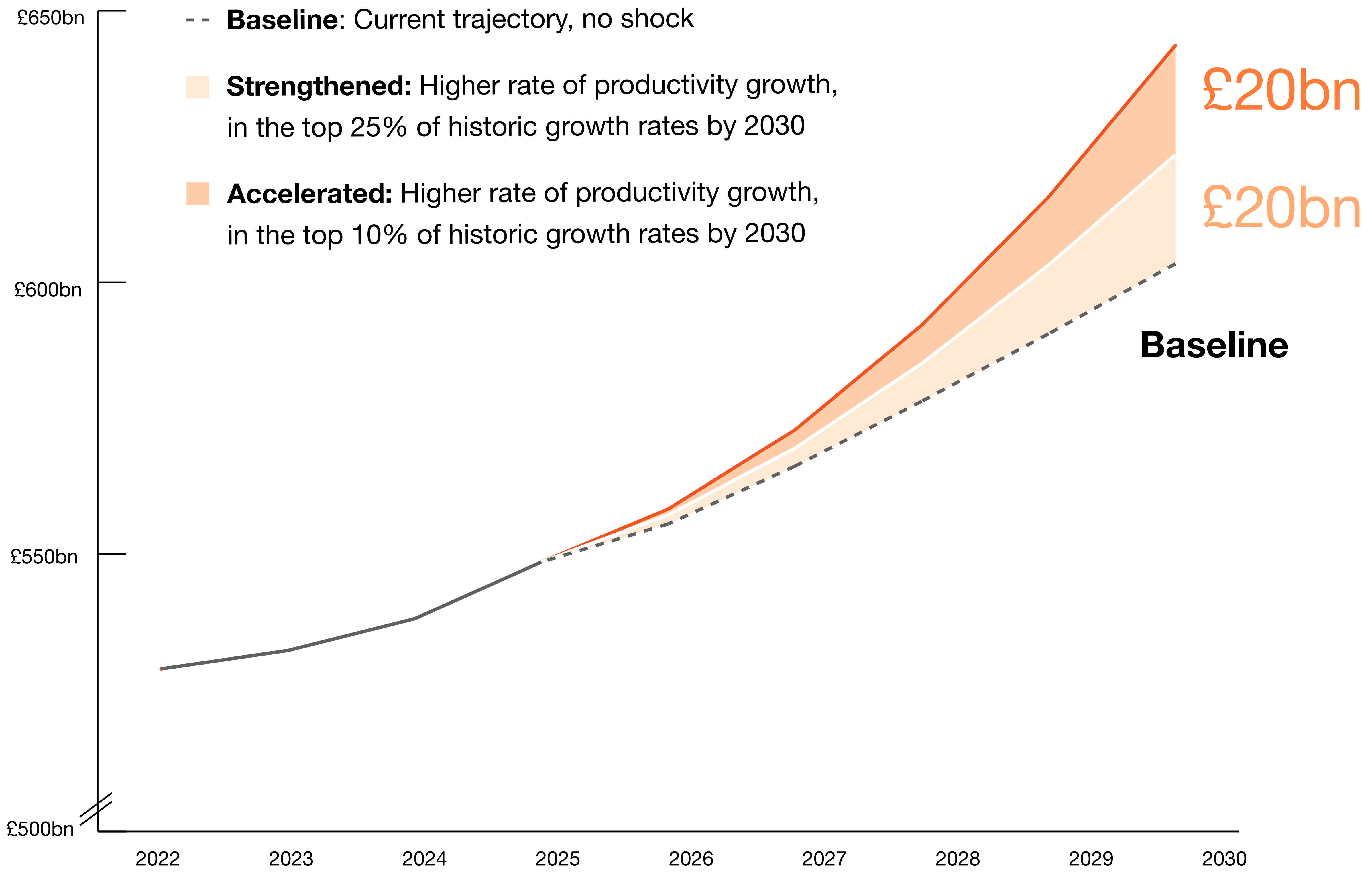
Innovation powerhouse

Having several 'frontier' industries in proximity is a unique strength. If firms from different sectors can share knowledge between them (shared data, shared pilots, faster procurement, shared supply chains), the path from research to deployment can significantly shorten.

Notes: VC = Venture Capital. R&D = Research and Development. 2024 data presented for R&D, global lending and foreign exchange figures. | Sources: PwC analysis, ONS, IPSOS, TheCityUK, UK Department for Business and Trade

The ‘size of the prize’ is significant; both for London…

A thriving frontier industry could deliver substantial economic benefits for London. We estimate that **improved productivity across Finance, Technology, and Science and Research sectors** could **boost London’s annual economic output by up to £40bn** by 2030.



Notes: London total GVA, real terms, 2025 prices. Projected from 2025 – 2030. Full methodology included in Section 3. Values for Finance, Technology and Science and Research do not sum to £40bn due to rounding. GVA = Gross Value Added | Sources: PwC analysis, ONS

Potential GVA uplift for London, 2030

Between

£20bn – £40bn

This £40bn of additional annual GVA is comprised of up to:

£28bn	£12bn	£1bn
Finance	Technology	Science and Research

...and the rest of the UK

Economic benefit will not be contained to London. Stronger productivity across London's frontier industries could deliver up to £76bn of additional GVA across the UK economy.

Channels through which London supports economic activity across the UK

01
A "buyer", creating jobs via national supply chains

02
A talent escalator to the regional economies

03
An innovation and R&D anchoring hub

04
A Foreign Direct Investment entry point to the UK

05
A net fiscal contributor, supporting public services nationwide

06
A capital markets epicentre, financing projects around the UK

07
A professional services centre with presence nationally

08
A service export hotspot, drawing on talent from across the UK

Notes: Values reported in 2025 prices.

Potential GVA uplift for UK, 2030

Between

£38bn – £76bn

Stronger productivity growth in London's frontier industries could **unlock £38bn - £76bn of annual GVA across the UK** by 2030. This is inclusive of the £20bn - £40bn impact estimated for London.

To secure productivity growth, targeted action is required

While London provides the **ingredients for success**, businesses and institutions must take necessary action to capitalise on the opportunity available and **secure productivity growth**.

For private sector

Action to secure **Productivity Growth**

For public institutions

01 Accelerate people-oriented skills

- Invest in leadership development
- Increase frequency of training
- Utilise capacity freed up by technology for higher-value activities

02 Form new partnerships

- Create cross-industry talent networks
- Partner on data and infrastructure
- Test and scale with others, drawing on London's mature testbed

03 Adopt AI tools with intent

- Be purpose-led with AI adoption
- Consider future technology when investing now
- Monitor success and scale usage when supported by evidence

04 Tackle high energy costs

- Expand and reform energy price mechanisms
- Invest in grid infrastructure and capacity building, and increase the number of grid connections

05 Support business retention

- Smooth frictions for business scaling
- Expand public co-investment funds and build new institutional investor partnerships

06 Mobilise London's young workforce

- Continue to strengthen health support and evolve education programmes to teach 'skills of the future' in communities with high NEET rates (Not in Education, Employment or Training)
- Incentivise employers to open their doors to early-career talent

07 Provide workable housing solutions

- Ensure new housing development are needs-aligned
- Expand alternative rent and ownership models
- Strengthen connectivity between residential areas and frontier industry clusters

Ingredients for success

London provides the platform for frontier industries to succeed

In this section, we show that London provides a strong platform for frontier industries to succeed; housing the Talent, Capital and Ecosystem necessary for rapid innovation.

01

Frontier industries are better equipped to innovate in city regions which provide talent, capital, and a supportive ecosystem.

Talent; Frontier industries are skills-intensive, requiring scarce technical, domain and commercial expertise, and a workforce able to reskill as technologies and business models evolve. Cities with deep talent pools are therefore better placed to help firms form, scale, and adapt quickly.

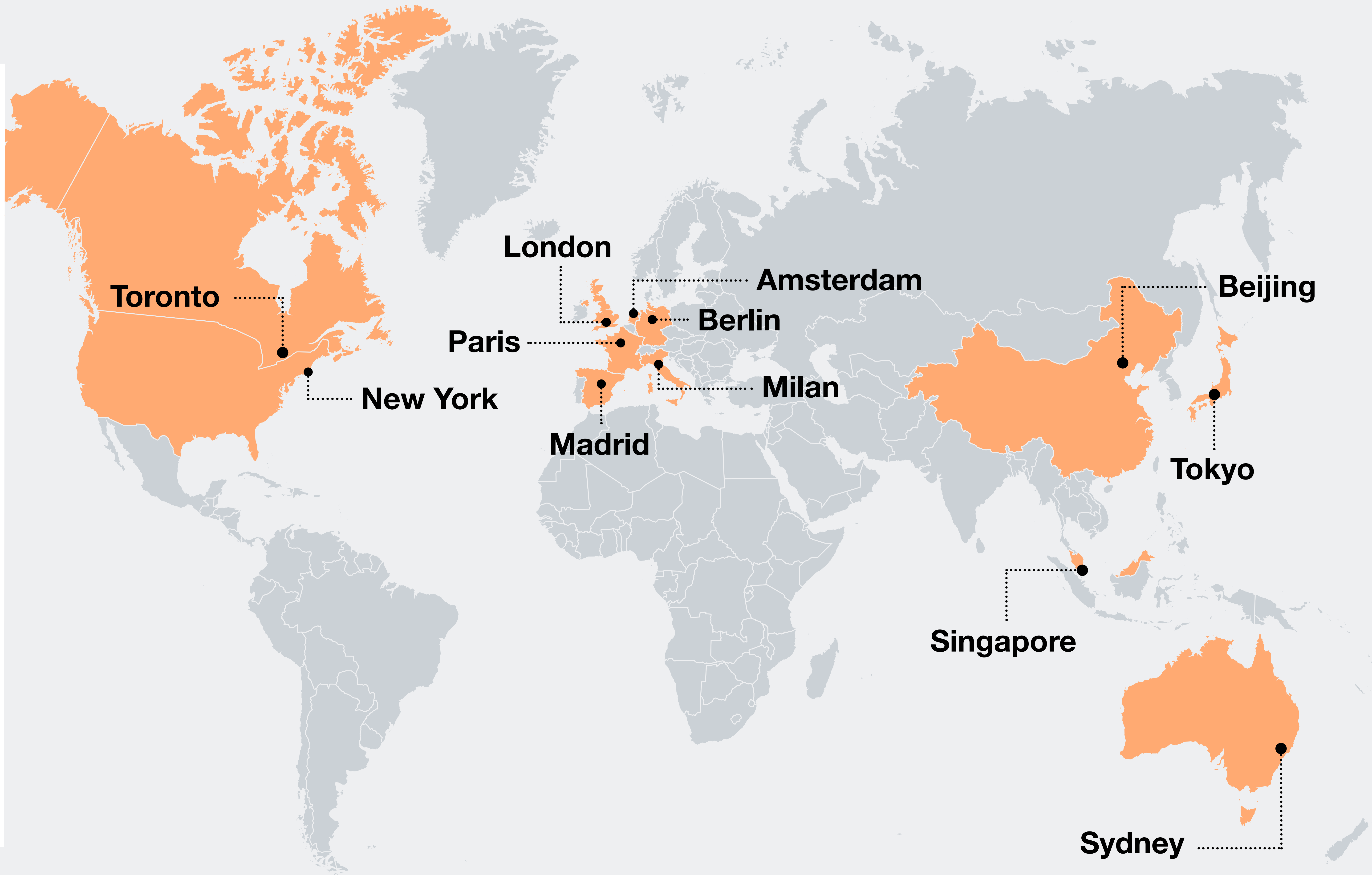
Capital; Innovation typically requires investment ahead of revenue. External capital is often required to fund R&D, develop specialist facilities and enable scaling before markets are fully proven. Cities with deep capital markets can support firms through the journey from idea to commercial scale.

Ecosystem; Frontier industries depend on rapid diffusion, with proximity to researchers, customers, regulators and advanced infrastructure helping firms to innovate more quickly. Cities able to form industry clusters are better placed to accelerate change.

02

We assess London's ability to provide each of these attributes, benchmarking against global peers.

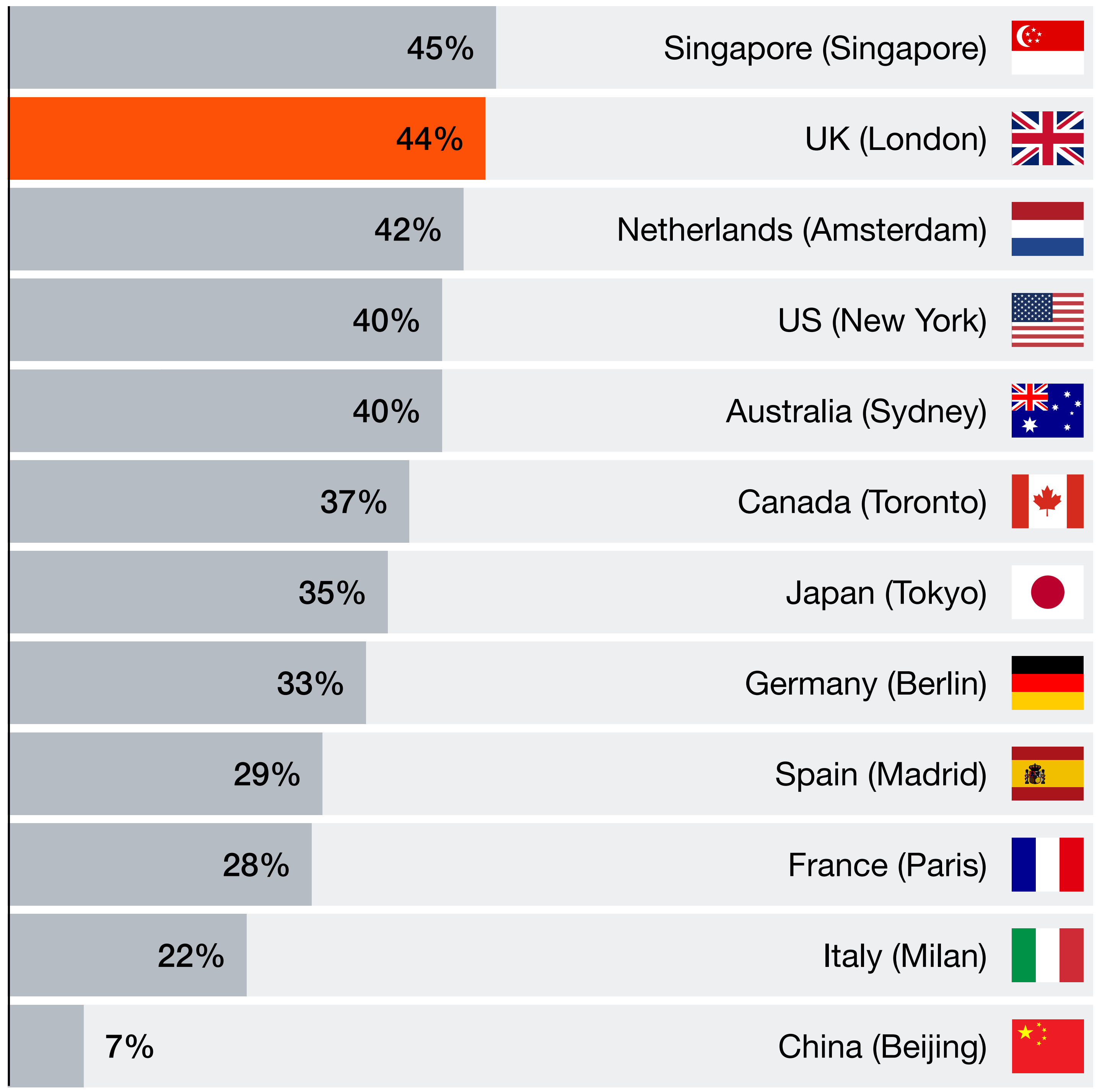
Map illustrating the 12 cities included within subsequent analysis



London hosts a highly skilled labour force, and the share of workers equipped with ‘skills of the future’ continues to grow.

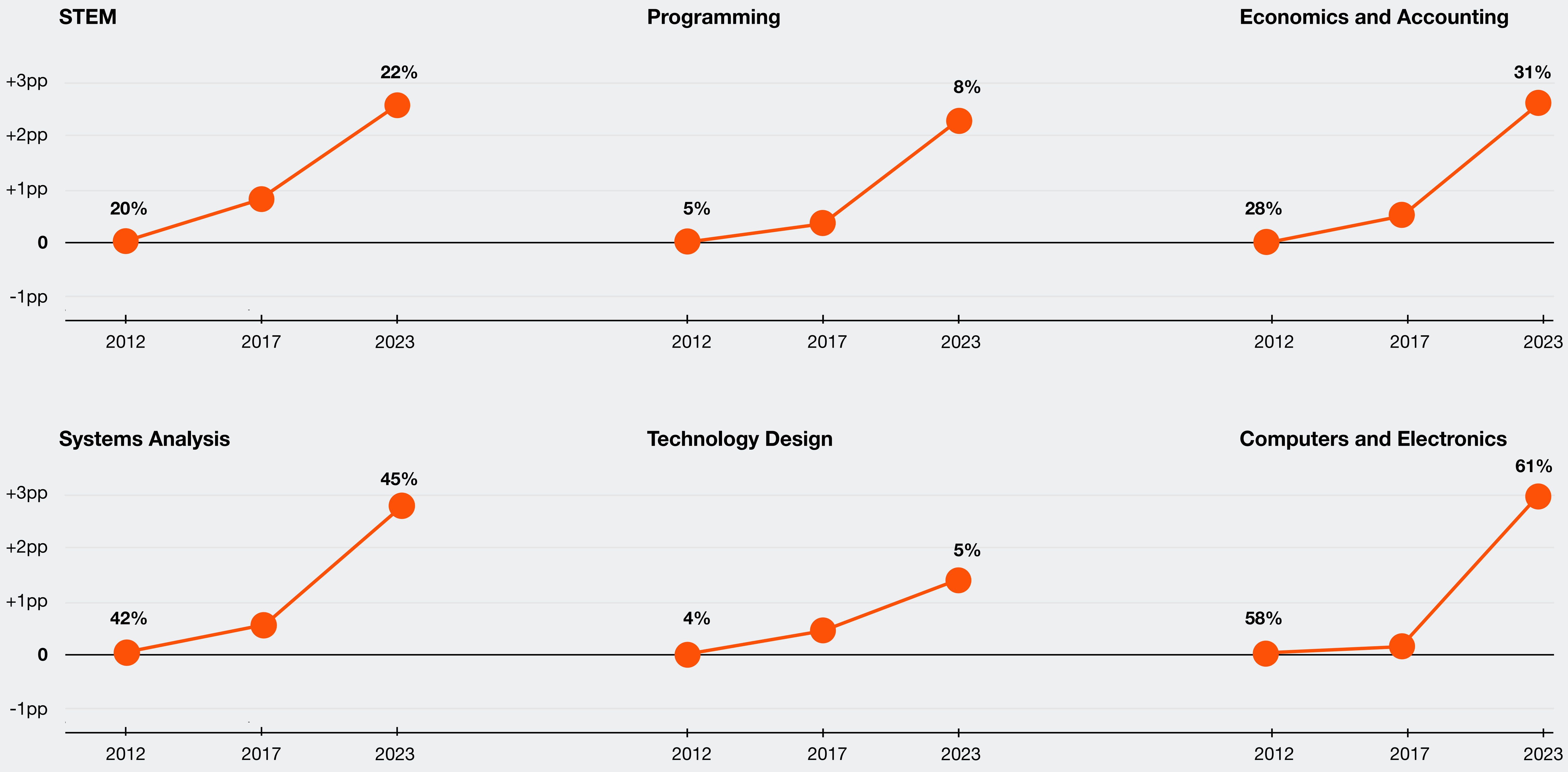
01

A significant share of the UK’s population hold a Bachelor’s degree or higher qualification.
% of each country’s working age population with a Bachelor’s degree or higher (2023)



02

London’s active workforce continues to become better equipped with skills needed to work in frontier industries.
Share of London’s employed population estimated to have the following skills

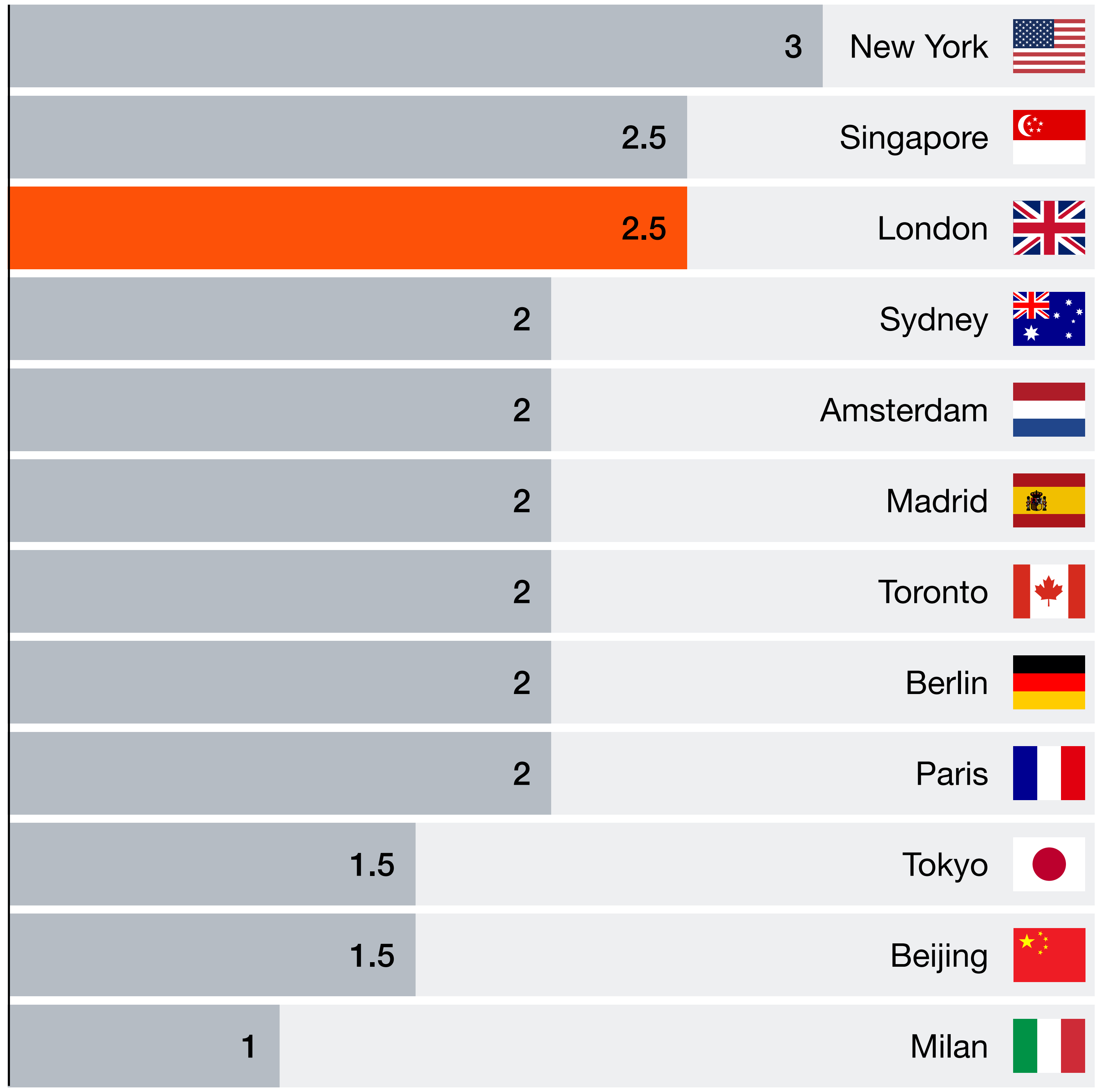


Notes: Country-level educational attainment data is used as a proxy for city-level data, as major hubs typically attract skilled workers from across their national labour markets.
Share of population with the listed skills calculated by averaging the share of individuals with a set of relevant sub-skills. Figures rounded to 0dp. | Sources: CBRE, ONS

The concentration of ‘tech talent’ is particularly high, supported by a growing pipeline of students studying technology related majors.

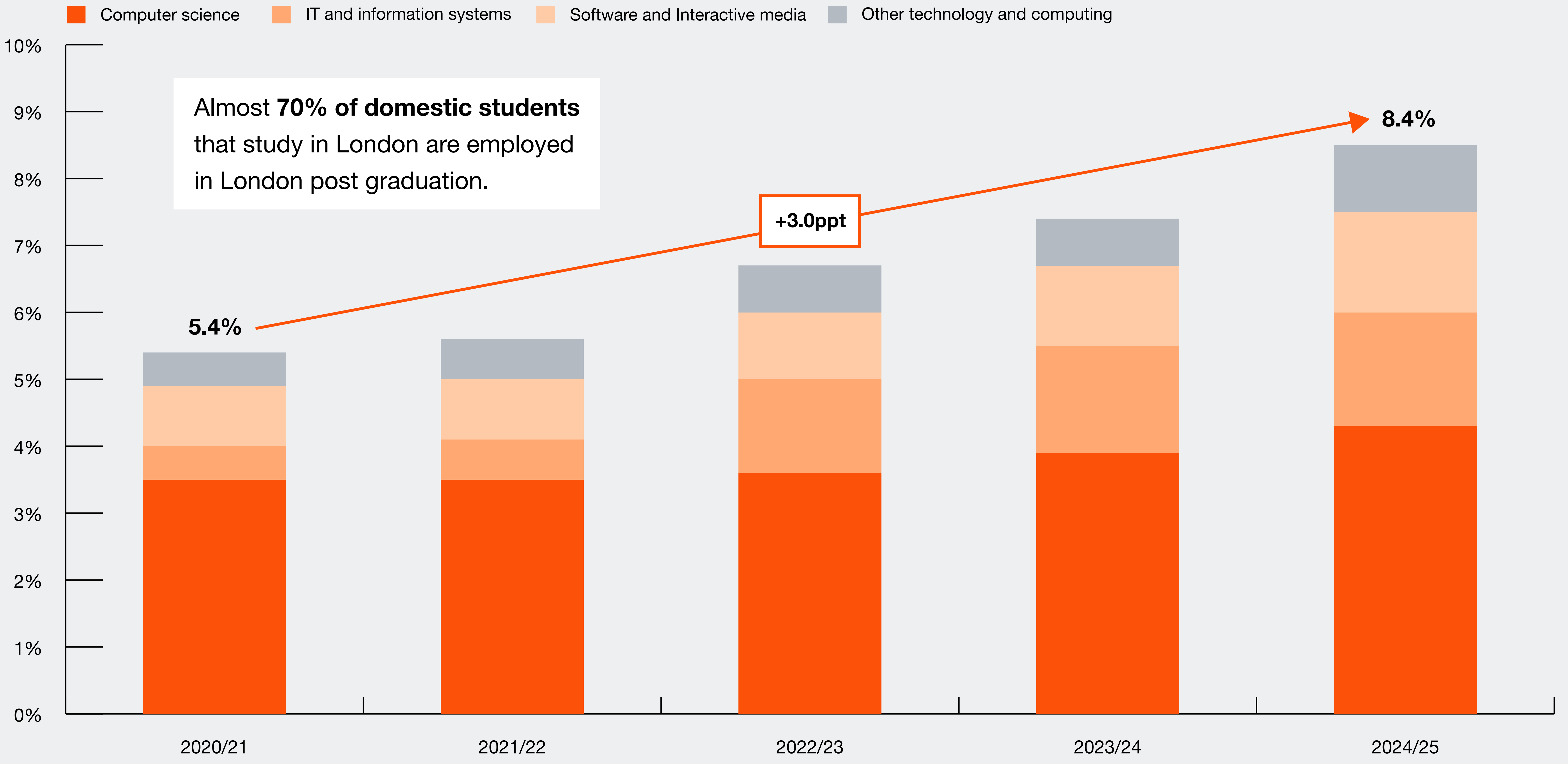
03 London is a top global market for tech talent, combining scale and concentration.

Colliers Global Tech Markets Labour Index (2025)



04 The volume of tech talent in London should continue to increase, as the share of students studying technology related majors grows year-on-year.

Share of students in London based universities studying each subject, technology related majors only

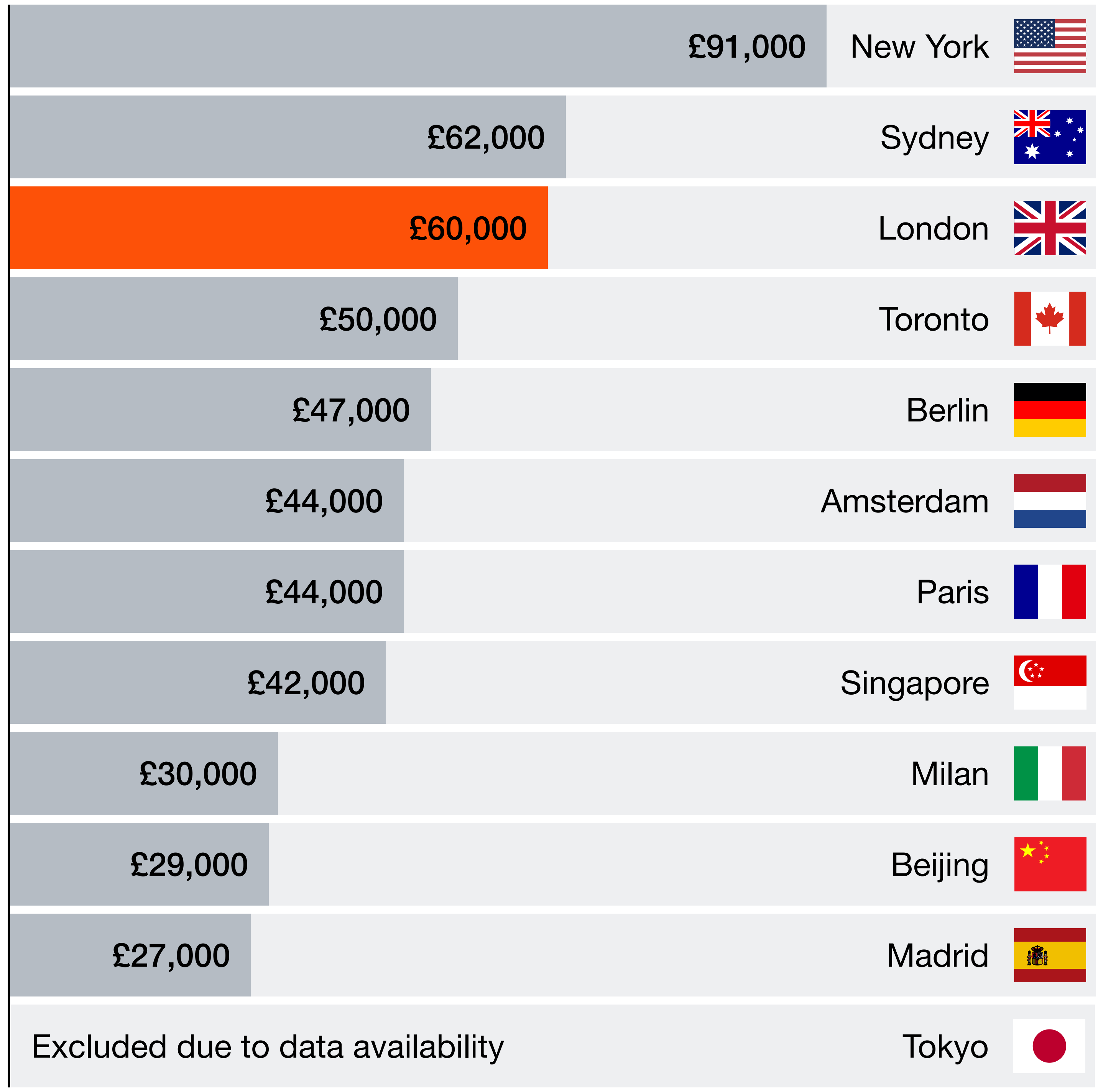


Notes: Colliers Global Tech Markets Labour Index calculated using a combination of tech talent pool size and talent density for 10 high growth tech occupations. | Sources: Colliers Top Tech Talent locations, HESA

However, businesses recruiting into London face higher wage costs than the rest of Europe, with the greatest ‘cost premium’ observed in frontier industries.

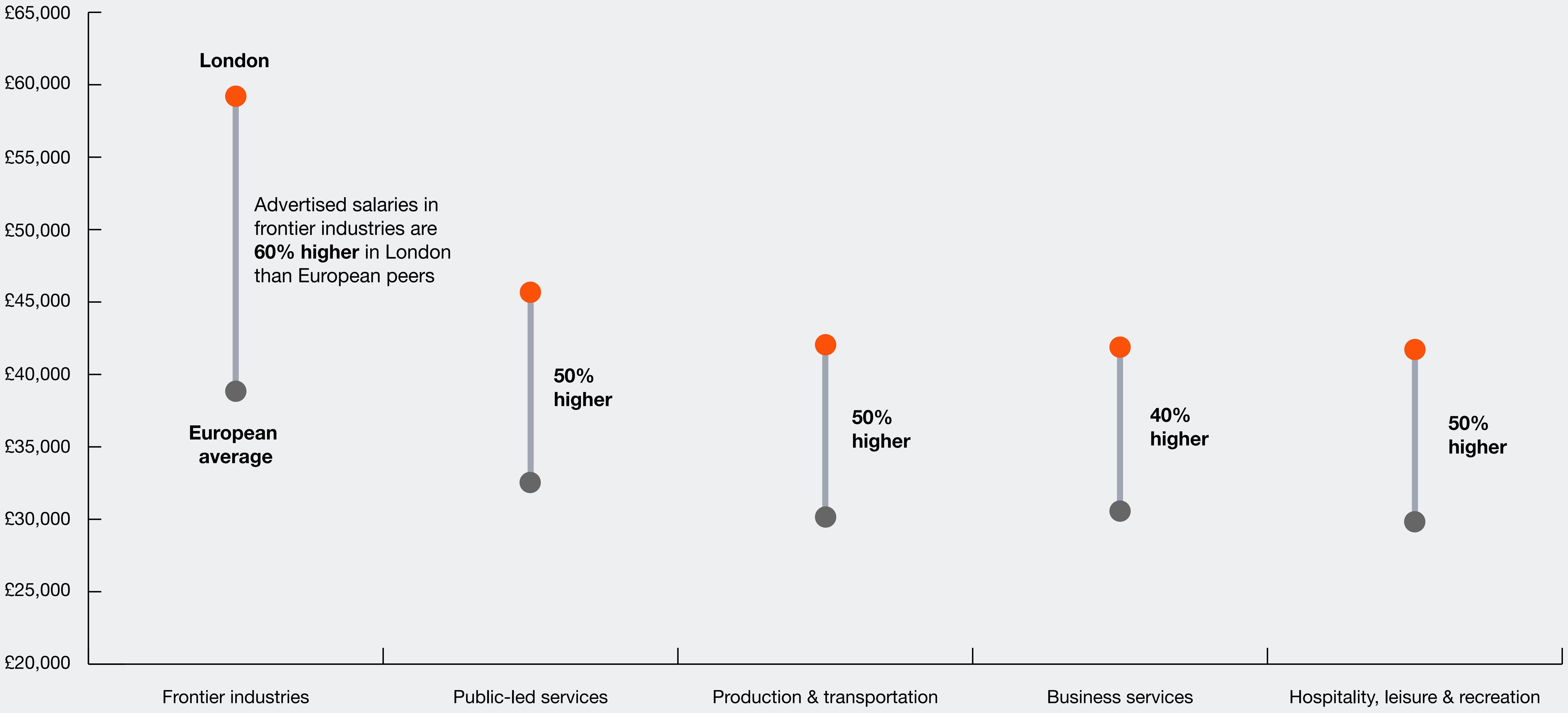
05

Businesses face high wage costs when recruiting talent in London.
Average advertised annual salary across frontier industries, GBP (2025)



06

The wage differential between London and the rest of Europe is largest in frontier industries, where advertised wages are 60% higher in London than the average across selected European cities.
Average annual advertised salary (GBP) by career grouping, London versus peer average (Europe only) (2025)

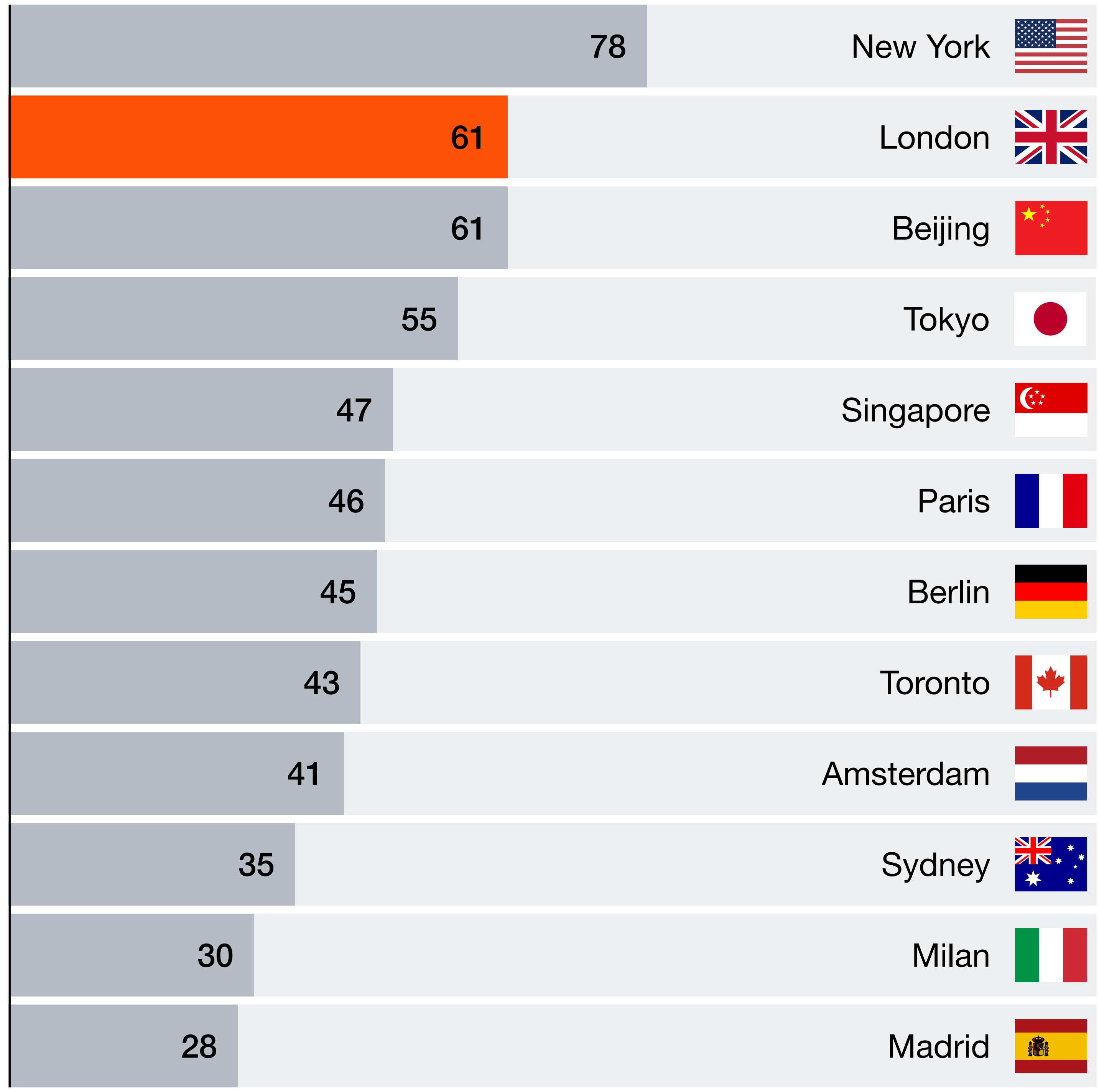


Notes: Annual salary in 2025 nominal terms, calculated as an unweighted average across the three frontier industries (Finance, Technology, and Science and Research). Career groupings have been established by aggregating individual career areas. European average calculated by averaging data from Madrid, Milan, Paris, Amsterdam, and Berlin | Sources: PwC analysis, Lightcast

London continues to attract private capital, ensuring external finance is available if required.

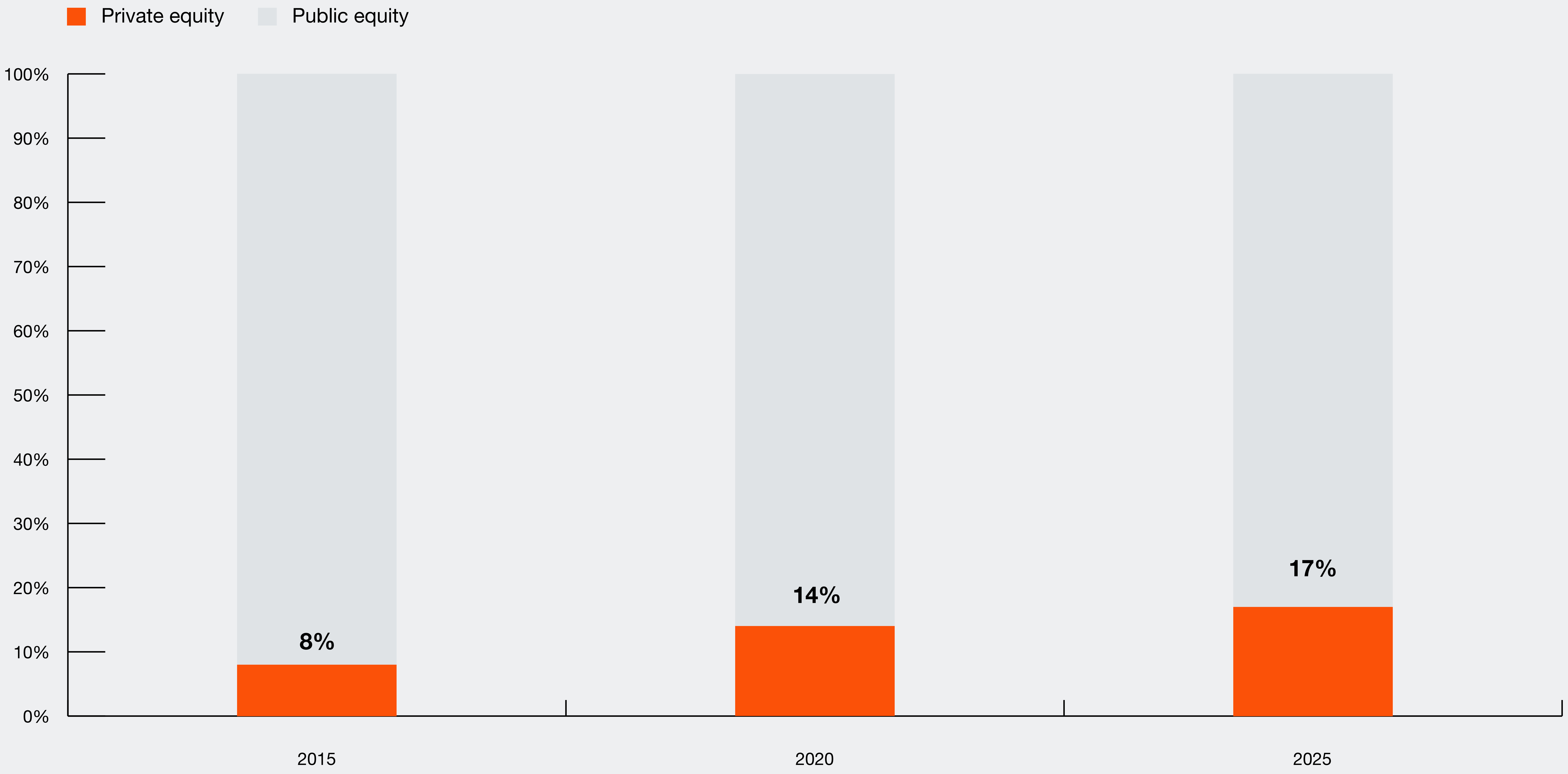
01

London has the second most established VC market ecosystem, behind only New York.
PitchBook Venture Capital market ecosystem score (for period Q4 2019 – Q3 2025)



02

The UK's private equity market continues to grow in both size and share, supporting London to serve as a leading conduit between private capital and businesses seeking investment.
Total value of UK private equity as a share of the UK public equity market (%)

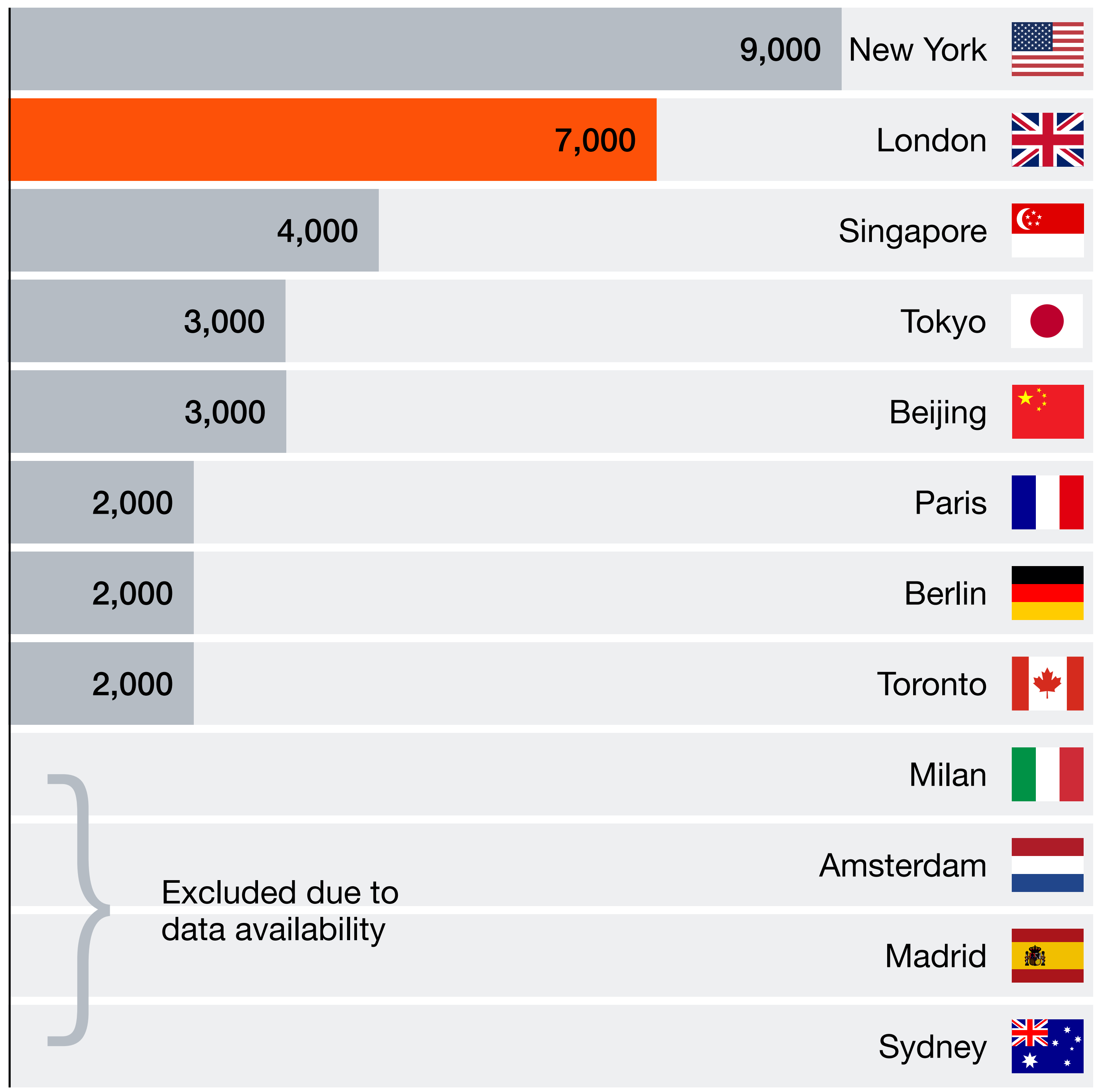


Notes: VC = Venture Capital. PitchBook's Venture Capital market ecosystem score provides a numerical value for the relative maturity, growth, and size of the Venture Capital market in specific cities across the globe. | Sources: PwC Analysis, Pitchbook

Investors in London appear increasingly attracted to frontier industries, with a high share of deal activity in AI and Fintech markets.

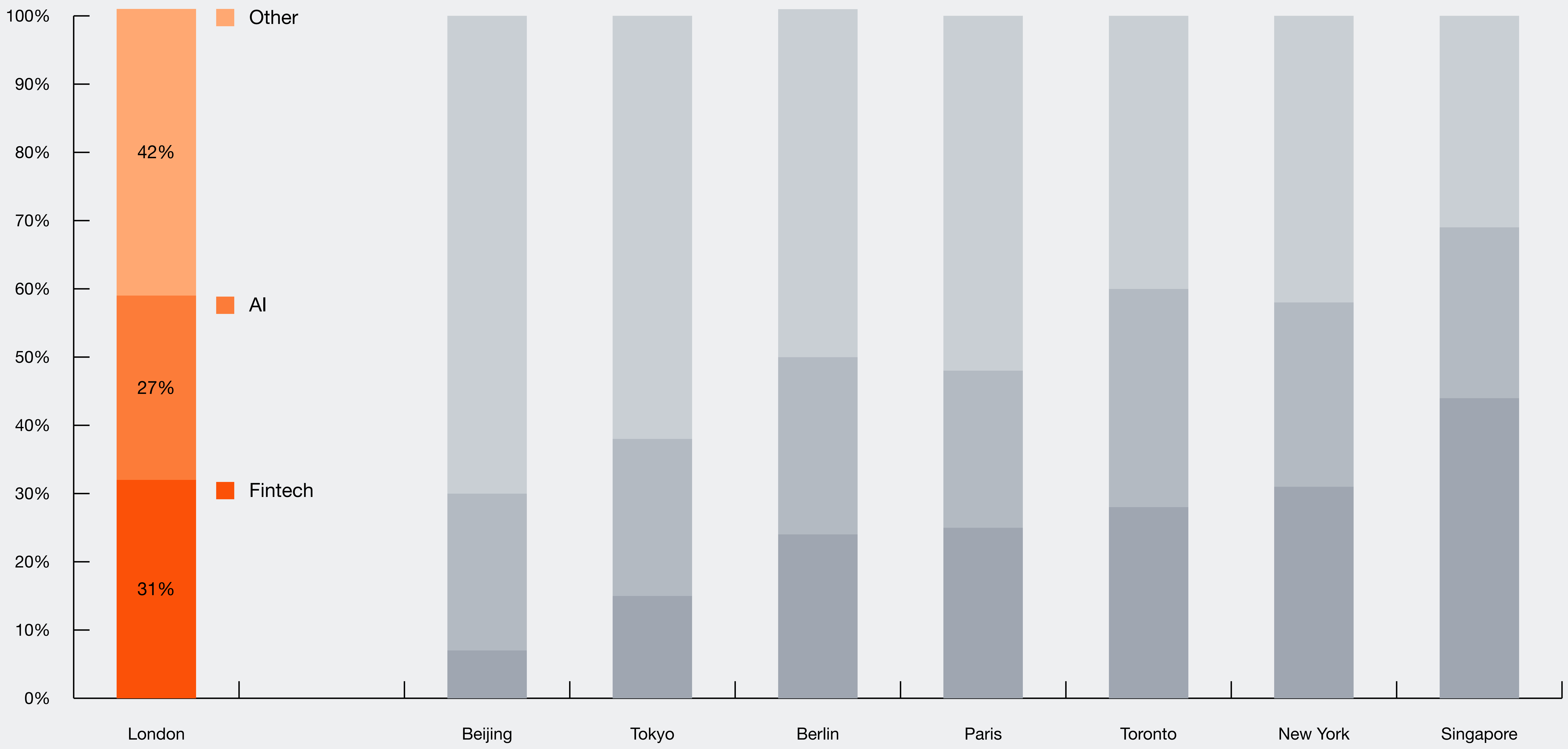
03 **VC funds are increasingly investing in frontier industries, such as AI and Fintech.**

Total VC deal count, AI and Fintech markets (Q4 2019 – Q3 2025)



04 **London has a particularly high share of investment in these markets, with AI and Fintech accounting for almost 60% of deals since Q4 2019.**

Share of total VC deals by market (Q4 2019 – Q3 2025)



Notes: Results rounded to 1 significant figure. Values may not sum to 100% due to rounding.
| Sources: PwC Analysis, Pitchbook

However, London’s capital markets appear somewhat risk averse; prioritising proven entrepreneurs and supporting comparatively few start-ups from pre-seed to seed.

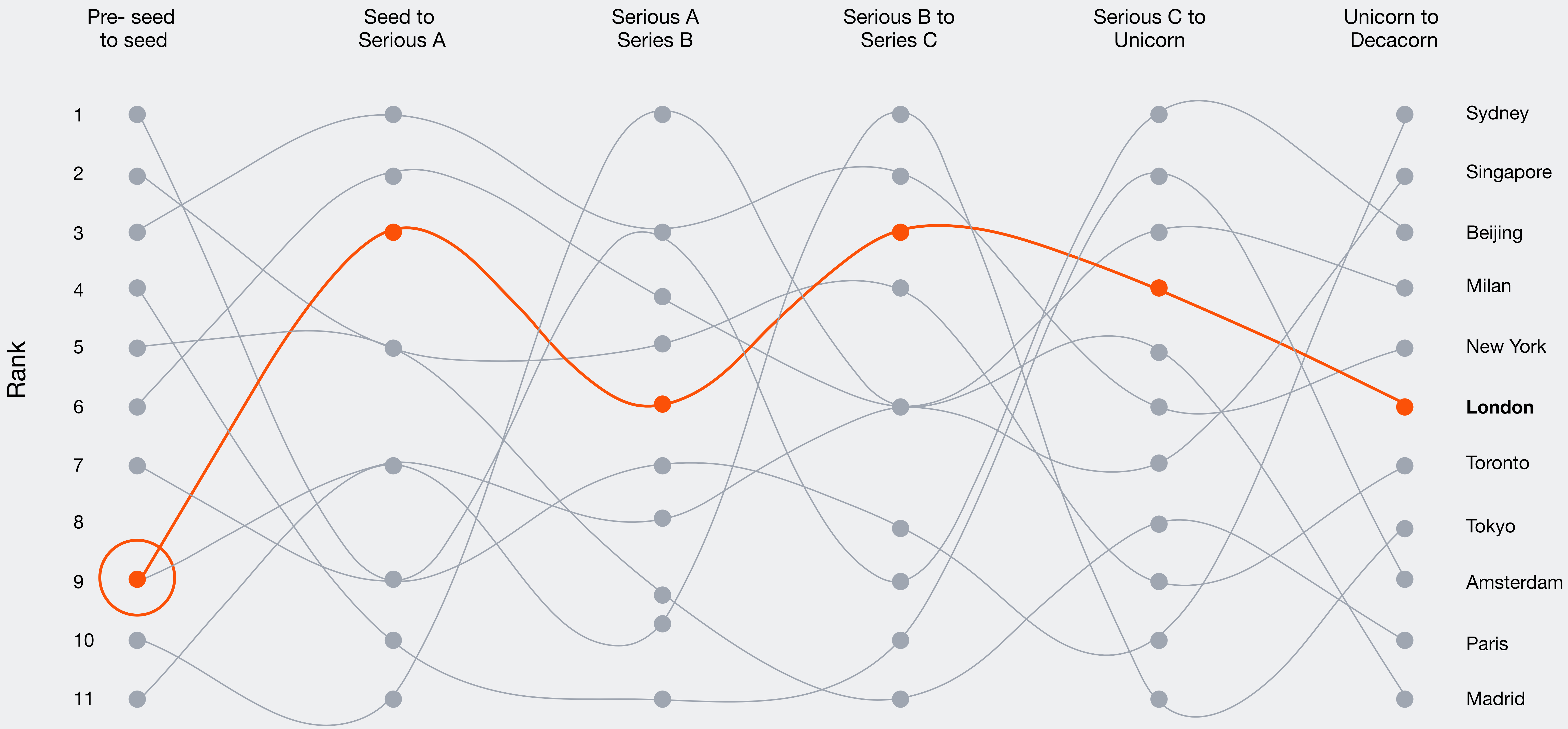
05

Only one quarter of London’s recent VC deals were “first time financing”.
Share of total VC deal count classified as “first-time financing” (Q4 2019 – Q3 2025)

Singapore	37%
Amsterdam	36%
Sydney	36%
New York	31%
Tokyo	30%
Berlin	30%
Beijing	28%
Milan	28%
Madrid	27%
London	26%
Toronto	26%
Paris	24%

06

London ranks 9th of the 12 cities for pre-seed to seed conversion rate, and 6th for Unicorn to Decacorn. Its strength lies in the mid-series, from Seed to Series C.
Conversion rate of start-ups through funding rounds, ranked by city (2025)

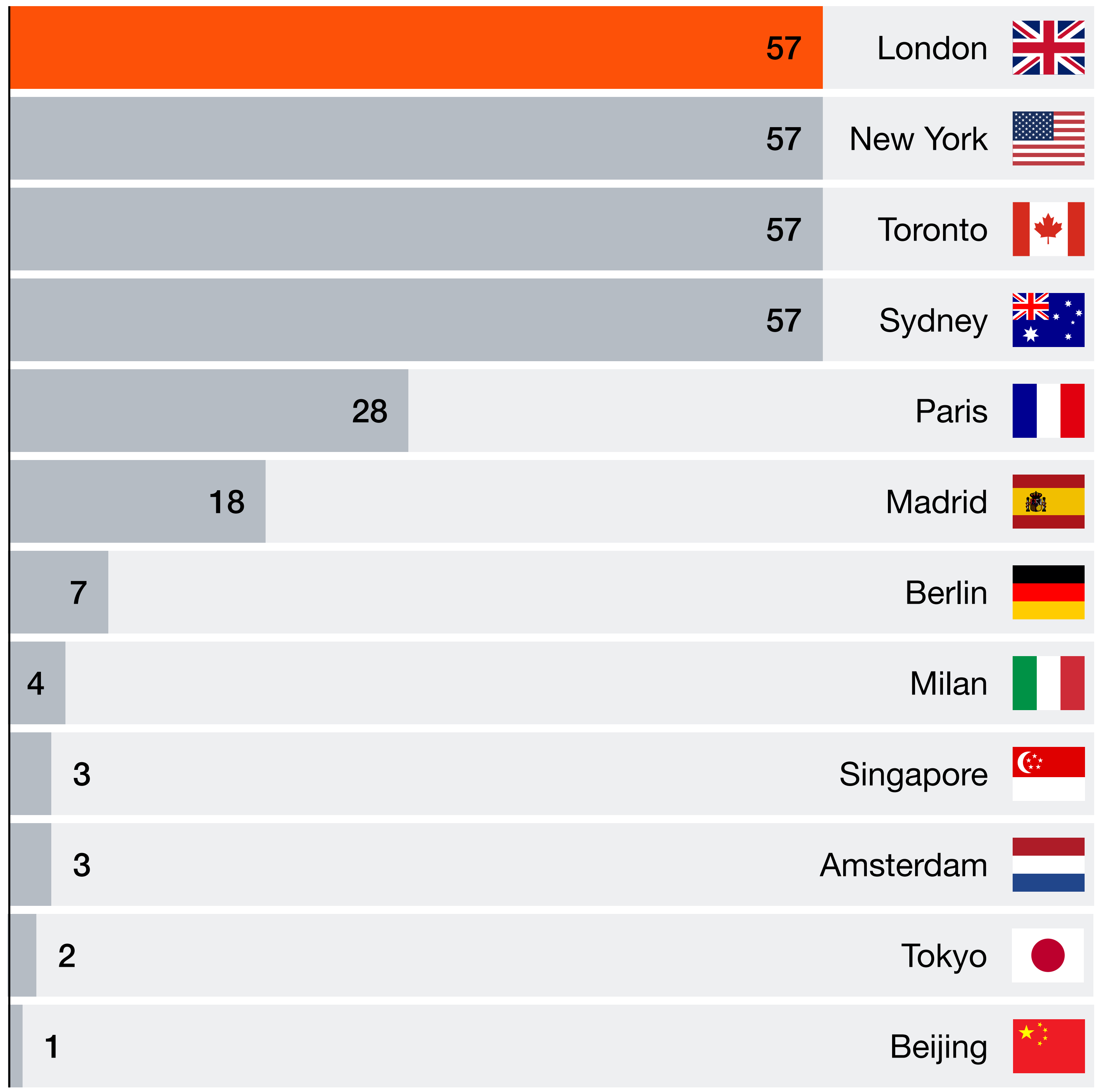


Notes: Conversion rate measured using the percentage of companies that progress to the next funding round. | Sources: PwC analysis, Pitchbook, Dealroom

London provides foundational attributes for success that are often taken for granted, such as an enforceable Rule of Law and globally adopted language.

01

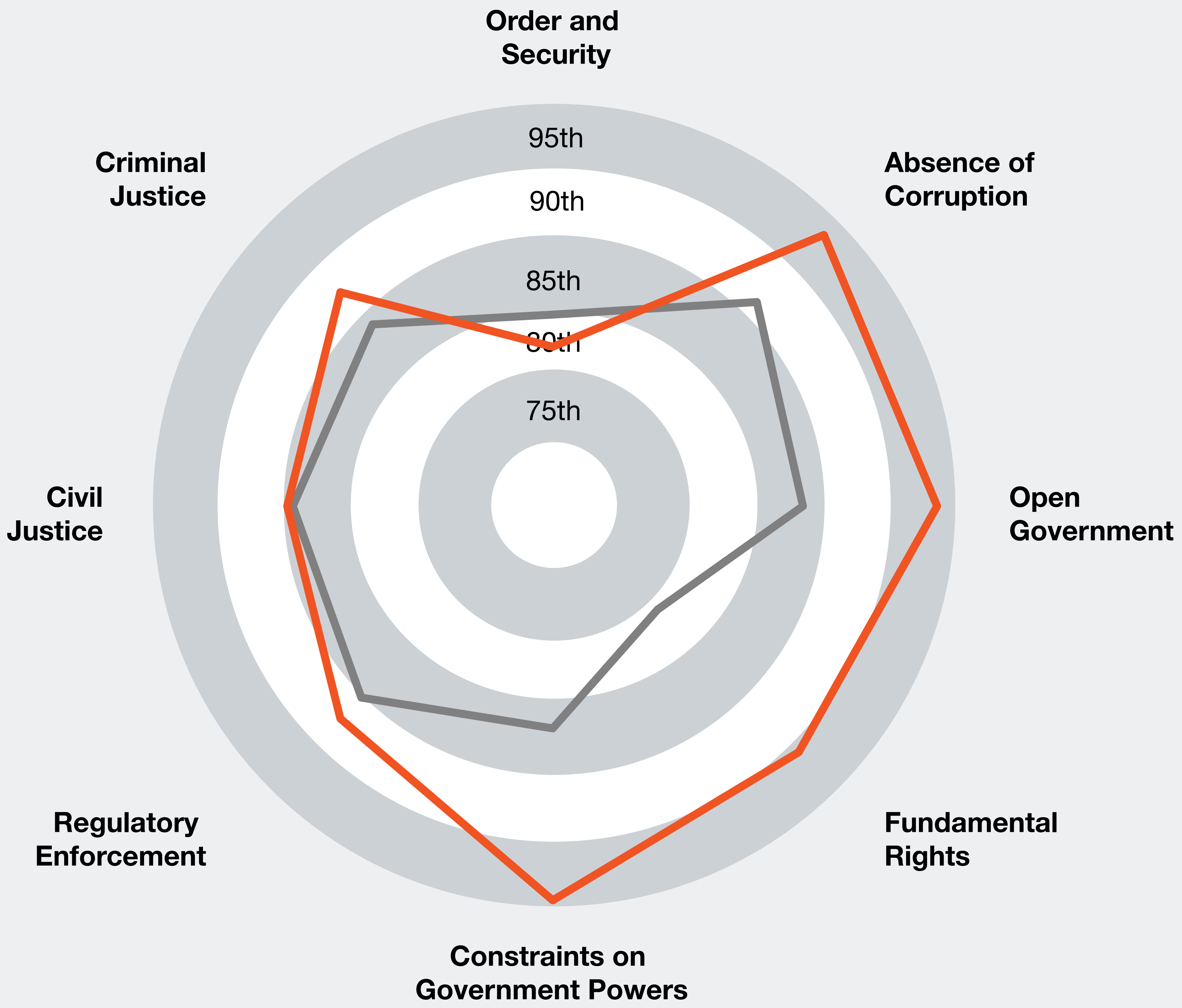
English is an official language of 2x more countries than French and 3x more than Spanish.
Number of countries that share the official language of each city



02

The UK scores higher than its peers on core facets of Rule of Law, providing a stable environment that minimises financial risk and uncertainty for the businesses operating within.
World Justice Project's Rule of Law index, percentile ranking for UK and peer average (2025)

UK
Peer average

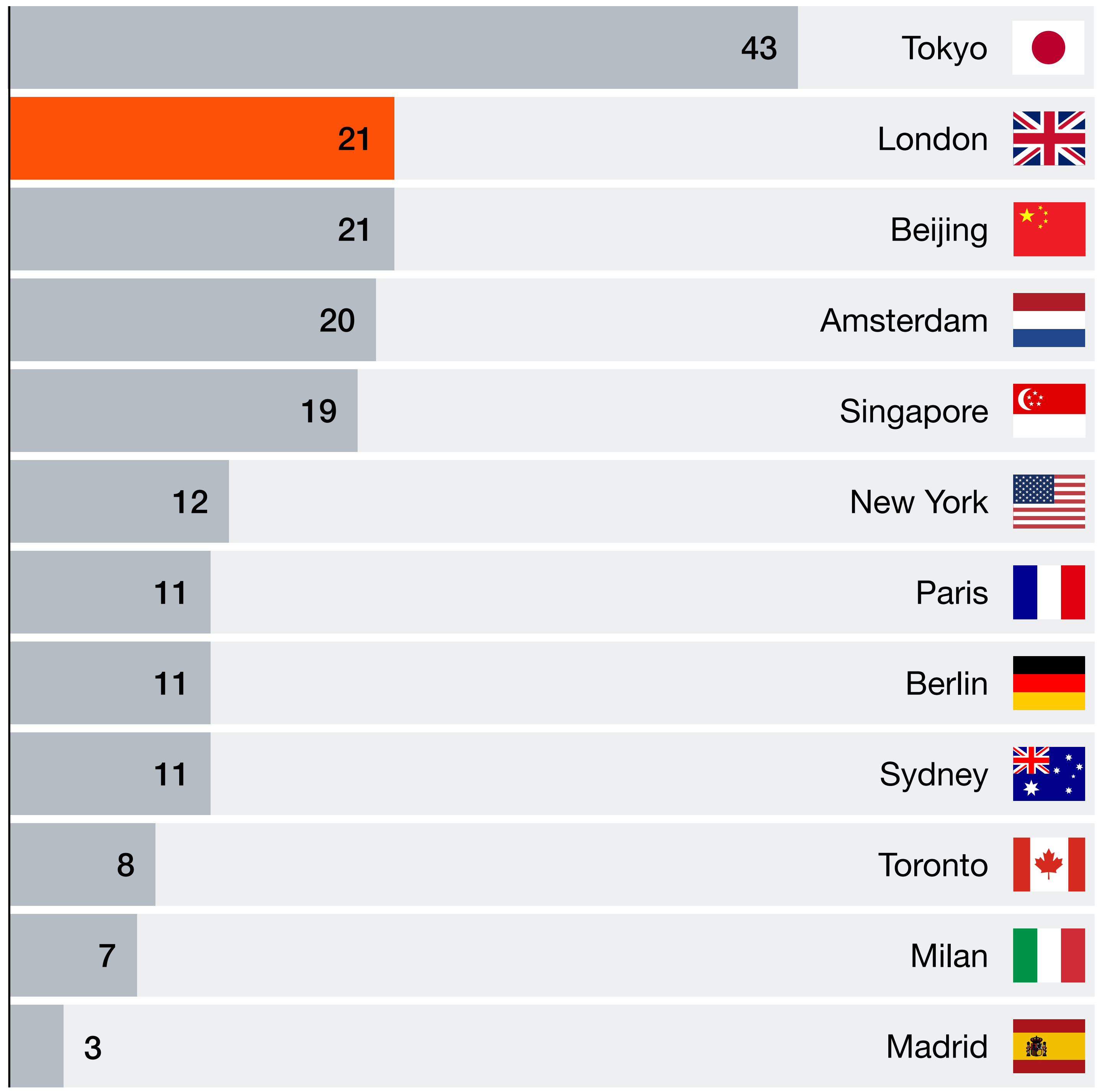


Notes: Peer average calculated using the 12 countries that the peer cities are part of (United States, Canada, Australia, France, Spain, Germany, Italy, Singapore, Netherlands, Japan, China) | Sources: PwC Analysis, World Justice Project, World Population Review

Proximity to the newest technologies also provides London with a clear pull. The Capital is a particular hotbed for new AI tools applicable to frontier industries.

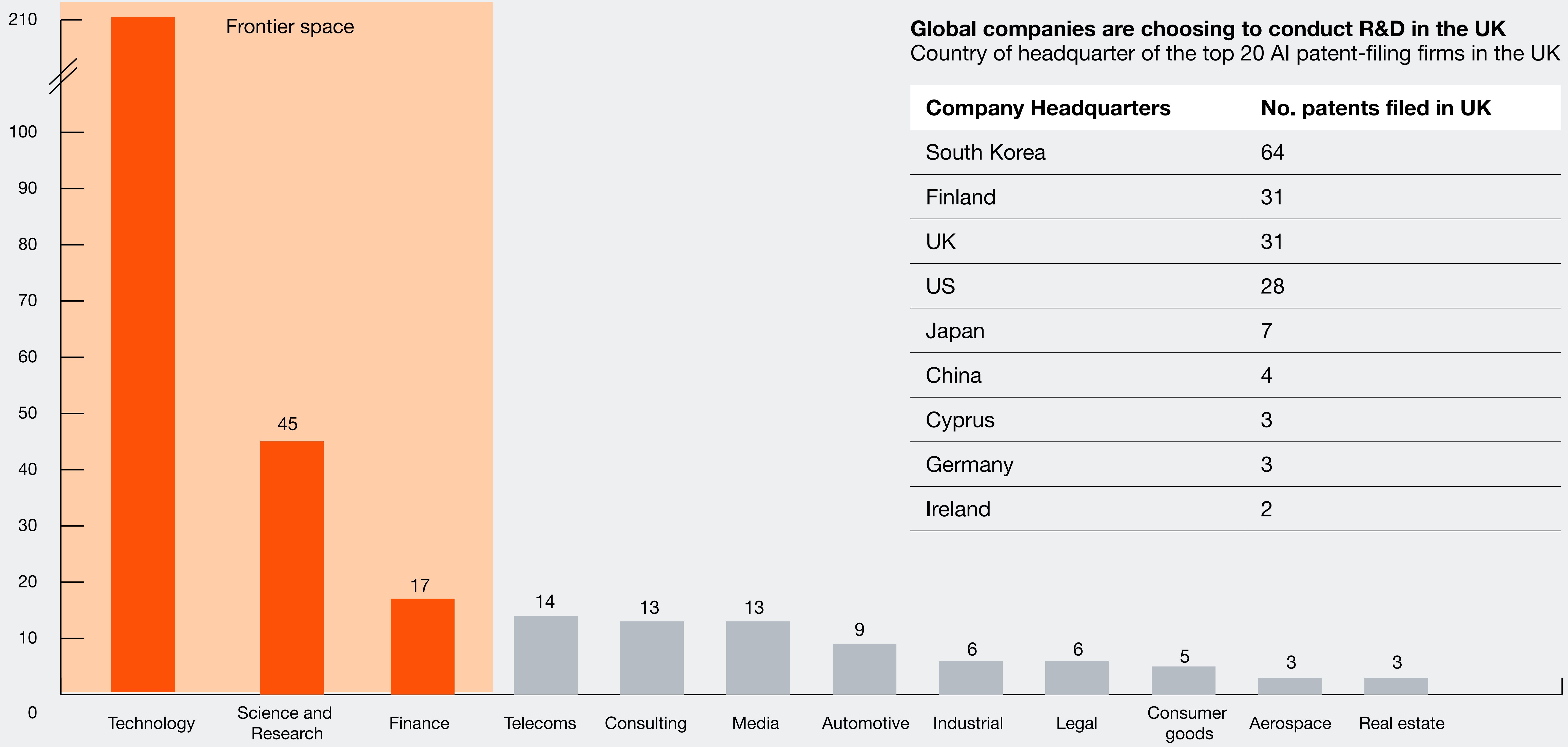
03

London has a high concentration of AI patents per million workers.
AI patents per million working age population (2024)



04

These patents have clear applications across frontier industries. Proximity to emerging tech helps London-based firms act as early adopters.
Total number of AI patents filed in the UK by corporations, disaggregated by sector (2020-2025)



Global companies are choosing to conduct R&D in the UK
Country of headquarter of the top 20 AI patent-filing firms in the UK

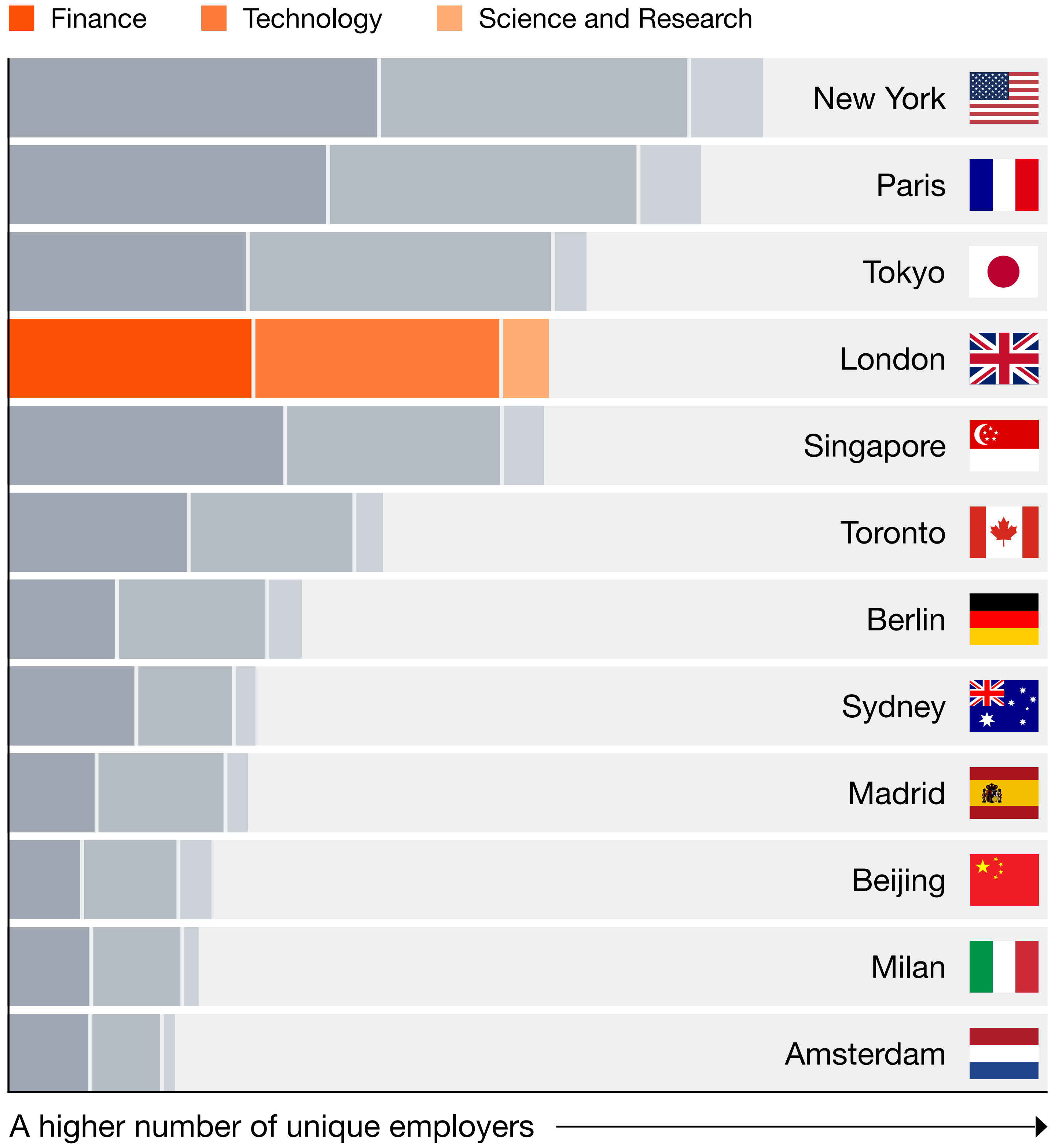
Company Headquarters	No. patents filed in UK
South Korea	64
Finland	31
UK	31
US	28
Japan	7
China	4
Cyprus	3
Germany	3
Ireland	2

Notes: Top 20 refers to the top 20 companies where country of headquarter can be identified.
| Sources: PwC Analysis, AI World, UK Government Intellectual Property Office

Localised ecosystems are just as important as city ecosystems in supporting success. Clustering of frontier industries across London can help businesses to share, match, and learn.

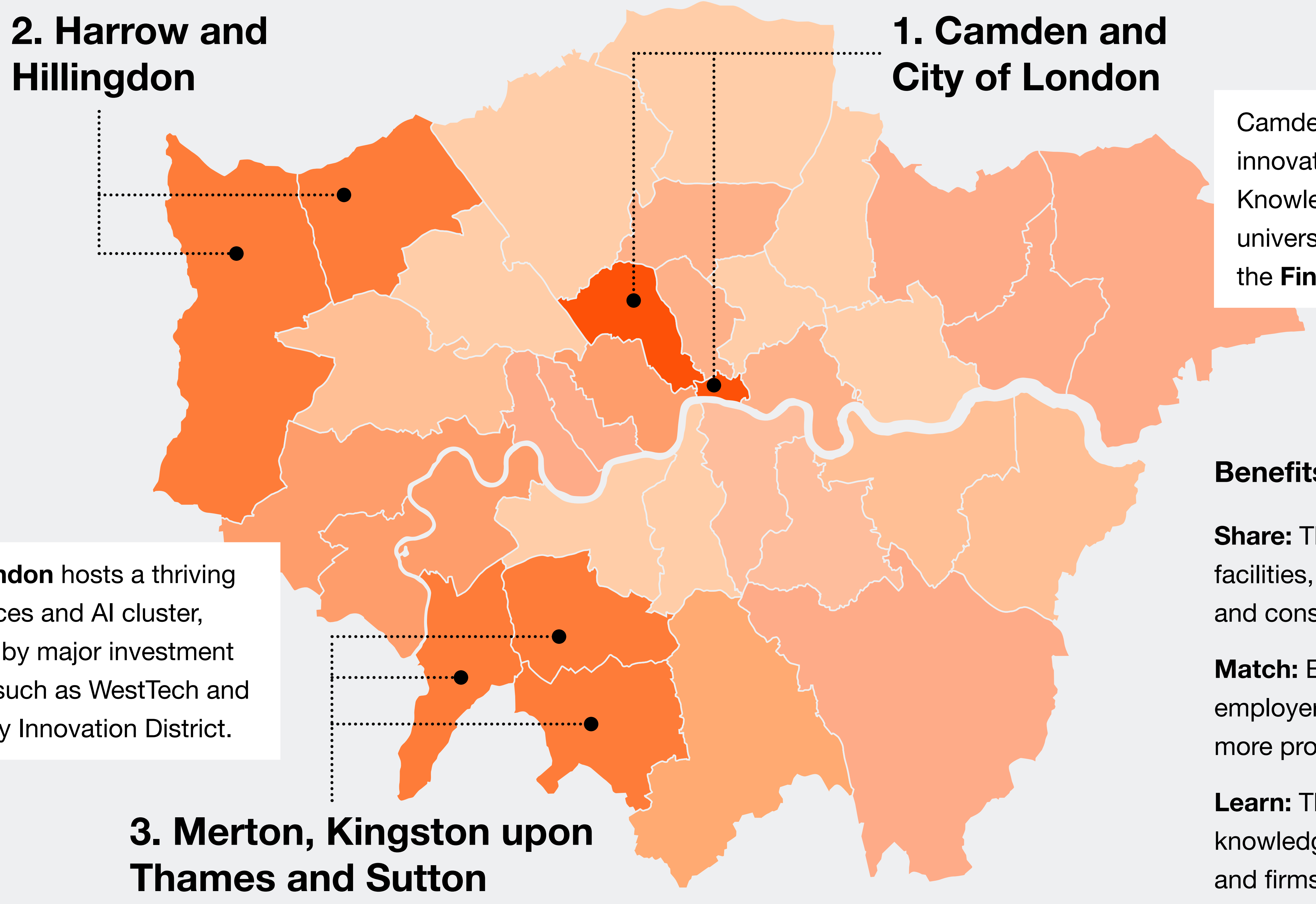
05

London hosts a diverse range of employers across frontier industries.
Estimated number of unique employers in each frontier industry, by city (2025)



06

These employers are generating jobs across London, but clusters of 'frontier' activity are appearing in the City and the West.
Total job postings in frontier industries by London borough (2025)



Camden is home to London's innovation district - the Knowledge Quarter - and top tier universities, whilst being close to the **Fintech hub** in the City.

West London hosts a thriving life sciences and AI cluster, enforced by major investment projects such as WestTech and White City Innovation District.

Benefits of clustering

Share: The ability to share facilities, infrastructure, suppliers, and consumers.

Match: Ease with which workers and employers can find each other, enabling more productive job-worker matches.

Learn: The transfer of information, knowledge and skills between people and firms.

Notes: Unique employers considers only employers hiring in 2025. The number of unique employers in each frontier industry cannot be aggregated to generate a 'total' number of employers across all frontier industries as firms hiring across multiple frontier careers areas would be considered twice. | Sources: PwC analysis, Lightcast

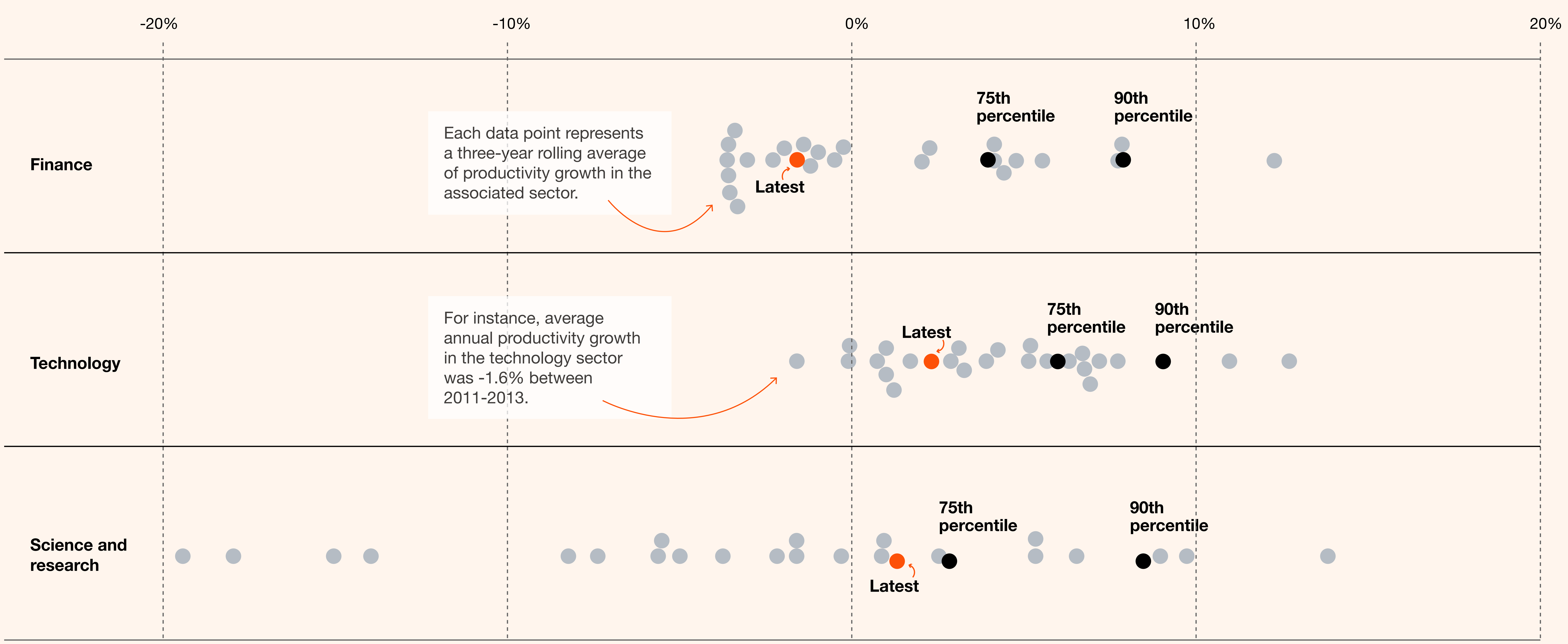
The economic opportunity

A thriving frontier industry can deliver sizeable economic benefit for both London and the UK

If frontier industries across London embrace productivity-enhancing technology, the opportunity for growth is enormous.

Recent productivity growth across frontier industries has fallen short of historic benchmarks. Emerging technology presents an opportunity to restore strong growth.

Historic productivity growth rates in frontier sectors, London (1998 – 2025e).
Each data point represents a three-year average of 'annual growth in average productivity per worker'



Notes: London region as defined by the ONS. Latest datapoint reflects annual average between 2023-2025. 2024 and 2025 values are estimated using Autoregressive Integrated Moving Average model with Exogenous Variables (ARIMAX) | Sources: PwC Analysis, ONS

We estimate the economic benefit that could be realised if productivity growth strengthens across all frontier industries.

Economic Modelling: We estimate the additional Gross Value Added (GVA) that could be delivered if productivity growth strengthens amongst frontier industries, driven by rapid technological advancement and supported by the strong foundations offered by London.

Methodology

Productivity projections (baseline)	We use GVA and employment data to estimate sector-level output per worker in London from 2026 – 2030. Sector productivity trends are modelled using econometric analysis, accounting for relevant external factors. We calibrate projections to GLA growth forecasts for 2026-27 and PwC London growth projections for 2028-29.
Productivity projections (alternative scenarios)	We model two alternative scenarios, each with a higher rate of productivity per worker growth (table, right). The modelled growth rates have been selected based on each sector's historical productivity distribution, with the 2030 rate aligned to either the top quartile ('strengthened' scenario), or top decile, ('accelerated' scenario) of the historic data.
Economic impact, London	We estimate the total GVA impact of stronger productivity growth across London's frontier sectors by applying the uplift to London's baseline GVA forecast.
Economic impact, UK	We estimate the indirect and induced impacts likely to be generated by the uplift in London's GVA, combining these with the direct London impact to estimate the total economic impact across the UK.

Notes: Productivity defined as GVA per worker. GLA forecasts have been distributed across frontier industries based on each sector's historical growth performance and share of total GVA. Historic growth distribution uses data from 1998 – 2023. Specifically, we employ an Autoregressive Integrated Moving Average framework with Exogenous Variables (ARIMAX).| Sources: PwC Analysis, ONS, GLA

Modelled rate of annual productivity growth

Average annual change in GVA per worker by industry, London only.
2026 – 2030 average annual growth rate.

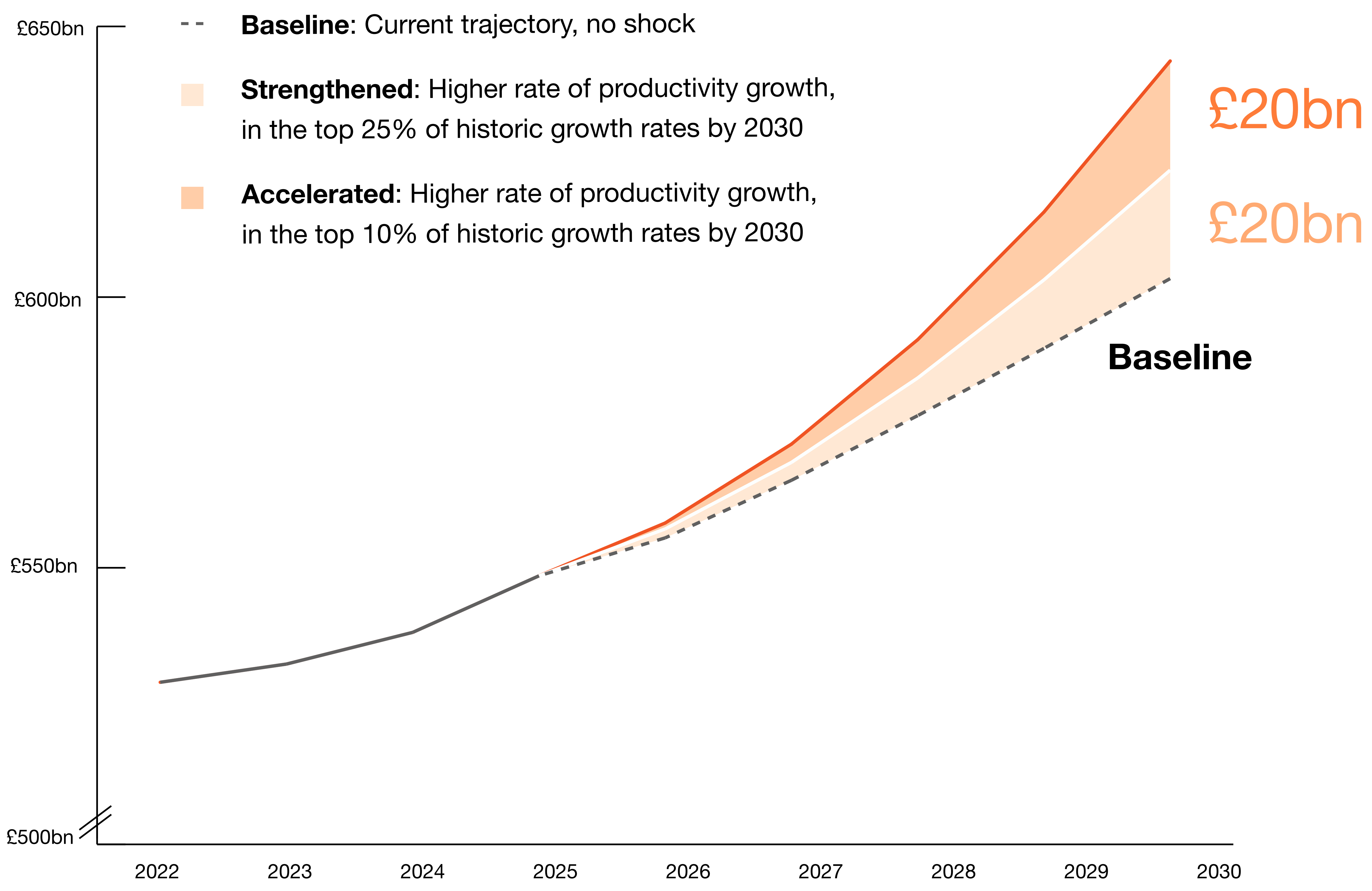
Industry	Baseline	Strengthened	Accelerated
Finance	0.6%	2.8%	4.8%
Technology	4.1%	5.8%	7.6%
Science & Research	-0.6%	1.5%	5.1%

Productive potential varies by industry. As such, assumptions for future productivity growth have been determined based on the historical distribution of annual productivity growth rates in that same industry, using both the top quartile (strengthened) and top decile (accelerated) of growth from the last 25 years.

We estimate that improved productivity across Finance, Technology and Science & Research sectors could boost London's economic output by up to £40bn in 2030.

Higher productivity in frontier industries could unlock material GVA growth

London real GVA. Baseline, strengthened, and accelerated scenarios.



Notes: £20bn - £40bn are in 2025 price terms. Numbers do not sum due to rounding. Actual data 2022 – 2024, projections from 2025 onwards. Total number of employees increases in each year from 2025 but is held consistent across all scenarios, with changes only in productivity per worker. | Sources: PwC analysis, ONS

Potential GVA uplift for London, 2030

Between

£20bn – £40bn

Stronger productivity growth in London's frontier industries could unlock **up to £40bn of additional annual GVA in London** by 2030, comprised of:

Up to	Up to	Up to
£28bn	£12bn	£1bn
Finance	**Technology**	**Science and Research**

Importantly, economic benefit will not be contained to London. Stronger productivity growth could deliver an additional £76bn of annual GVA across the UK economy.

Channels through which London supports economic activity across the UK

01 A “buyer”, creating jobs via national supply chains

Businesses buy from regional suppliers and support jobs beyond the capital.

02 A talent escalator to the regional economies

London develops talent that carries skills and networks nationwide.

03 An innovation and R&D anchoring hub

Frontier institutions turn ideas into IP and innovations that scale across the UK.

04 A Foreign Direct Investment entry point to the UK

London channels global investment into UK firms, funds, and infrastructure.

05 A net fiscal contributor to public services nationwide

London generates more than it spends, with the surplus helping to fund public services around the UK.

06 A capital markets epicentre, financing projects around the UK

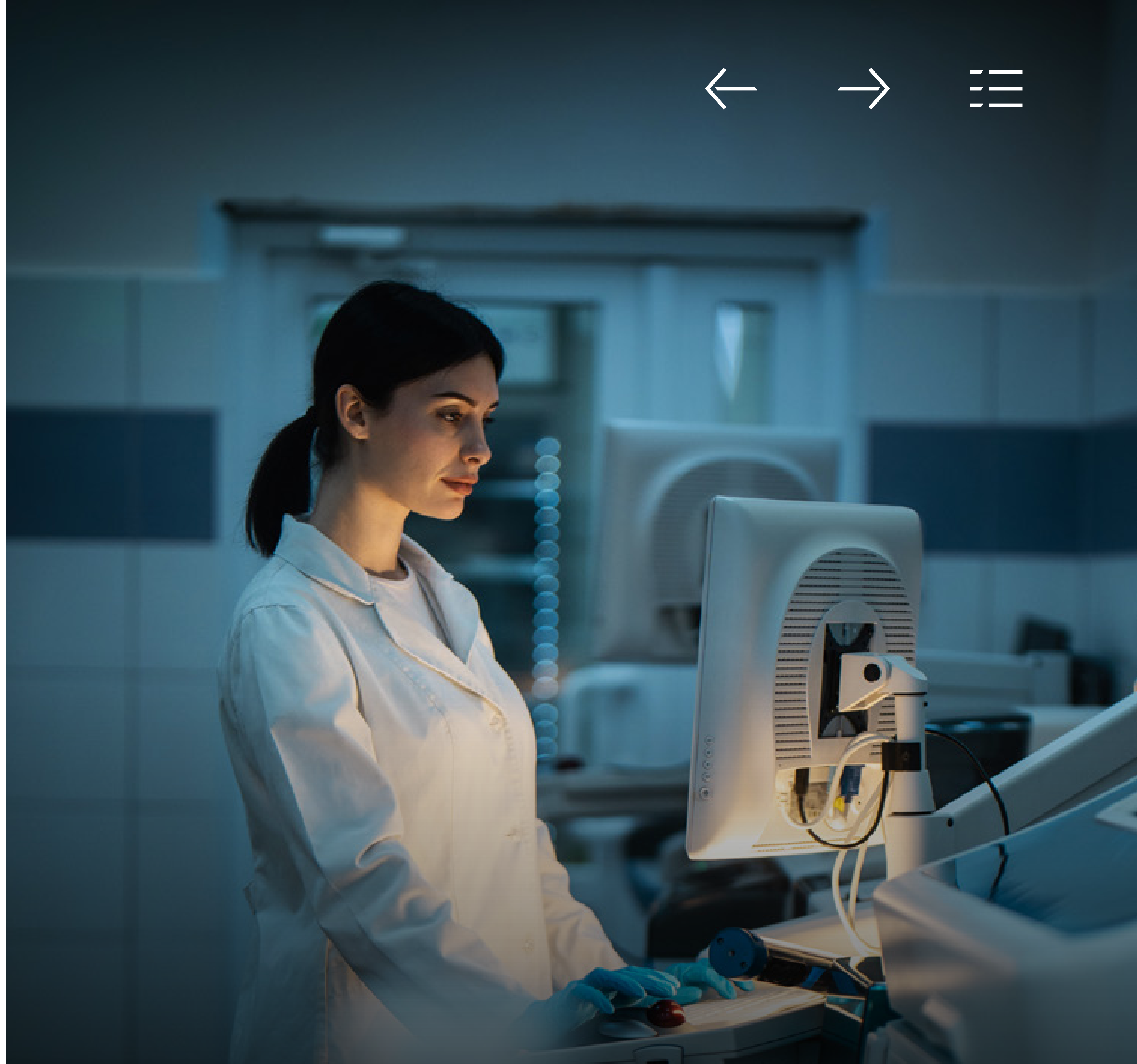
London’s deep and liquid capital markets connect businesses with equity they need to grow.

07 A professional services centre with presence nationally

London has a high concentration of professional services firms, with offices across the UK.

08 A service export hotspot, drawing on talent from across the UK

London is the centre for UK service exports, but talent is housed across the UK.



Potential GVA uplift for the UK, 2030

Between

£38bn – £76bn

Strong productivity growth in London’s frontier industries could unlock **up to £76bn of additional annual GVA across the UK** by 2030. This includes the £20bn - £40bn impact for London, as specified on the previous slide.

Notes: IP = Intellectual Property. £38-76bn are in 2025 price terms. | Sources: PwC analysis, TfL, HESA, HMRC, ONS

Taking action

Businesses and institutions can secure productivity growth by taking decisive action

Action 1: Accelerate people-oriented skills

Equip workforces with skills that allow them to work alongside, rather than be replaced by, technology.

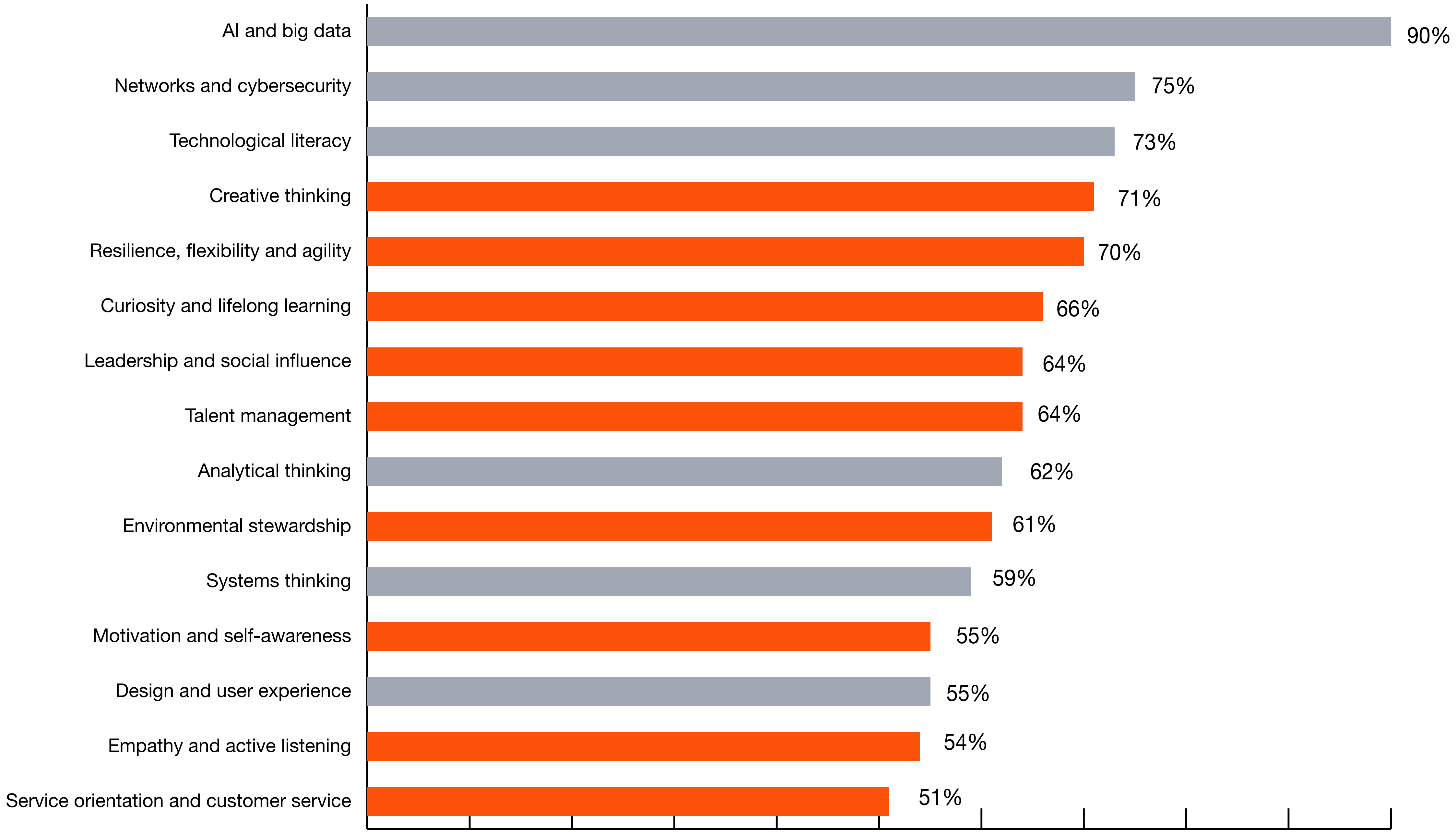
01

Employers expect demand for people-oriented skills to increase, with 9 of the top 15 predicted growth areas relational rather than technical.

% of employers surveyed that expect skills to increase in use, 2025-2030

People skills: how people think, adapt and collaborate

Technical skills: measurable abilities required to perform tangible tasks



Notes: Skills derived from the World Economic Forum survey. The top 15 skills are presented here (of 26 total). These are ranked on net increase, where the difference between employers who consider a skill category to be increasing versus decreasing is the greatest. Precise phrasing of the skills adjusted for interpretability. | Sources: PwC Analysis, World Economic Forum, PwC Netherlands

02

Equipping employees with strong people-skills and increasing the regularity of technical training best positions businesses to succeed in an era of rapid change.

Agenda for Action

Invest in leadership development across middle levels

As AI replaces many junior roles, mid-level employees lose the natural opportunities to develop leadership and people management skills. Businesses should proactively invest in structured leadership development programmes for mid-tier roles to ensure these skills continue to be developed.

Increase the frequency of training for existing staff

Firms which allocate a higher share of time to training that focuses on problem-solving, design thinking and broader interpersonal skills will ensure their employees are able to adapt to periods of rapid change, adopting new technology with greater ease.

Use technology as an enabler, not a replacement

Businesses should create workflows where time freed up by technology (such as using AI for data analysis) is instead used for higher-value creative and strategic thinking.

4.9%

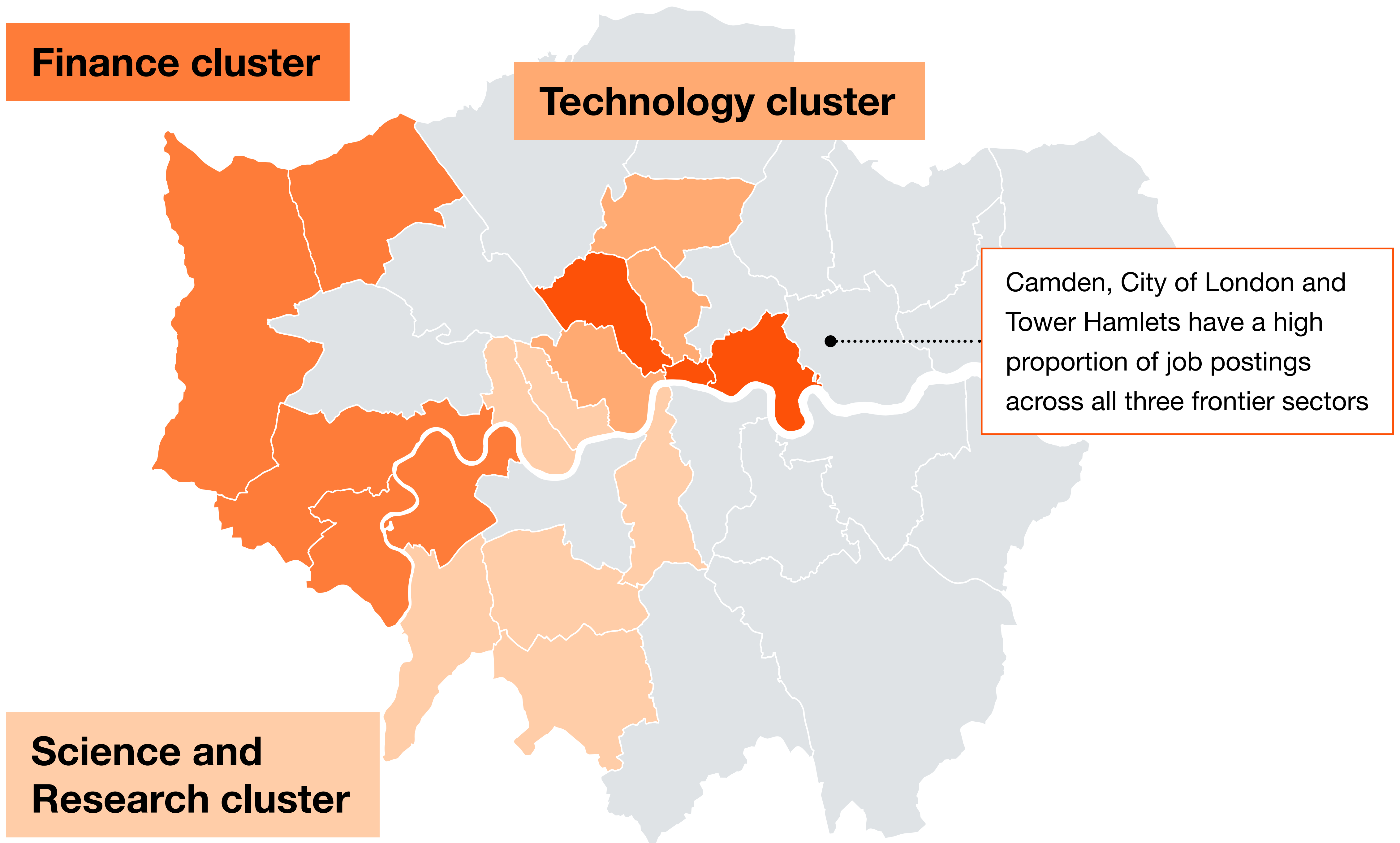
potential return on investment from investing in developmental opportunities, training and wellbeing for staff.

Action 2: Form new partnerships

Capitalise on the opportunity offered by London's ecosystem; building mutually beneficial partnerships with firms across other industries.

01

London's unique strength lies in the breadth of its frontier industries and the knowledge clusters they have formed.
Boroughs with the highest concentration of frontier industry job postings, 2025



Notes: Clusters were defined by identifying boroughs with the highest share of job postings in a given frontier industry, relative to the share in other boroughs. Some boroughs, such as Camden, City of London, and Tower Hamlets had a high concentration of job postings across all frontier industries | Sources: PwC Analysis, Lightcast, Impact.com

02

Closer collaboration across frontier industries could deliver benefit for individual businesses and the London city-region.
Agenda for action

Create cross-industry talent exchange networks

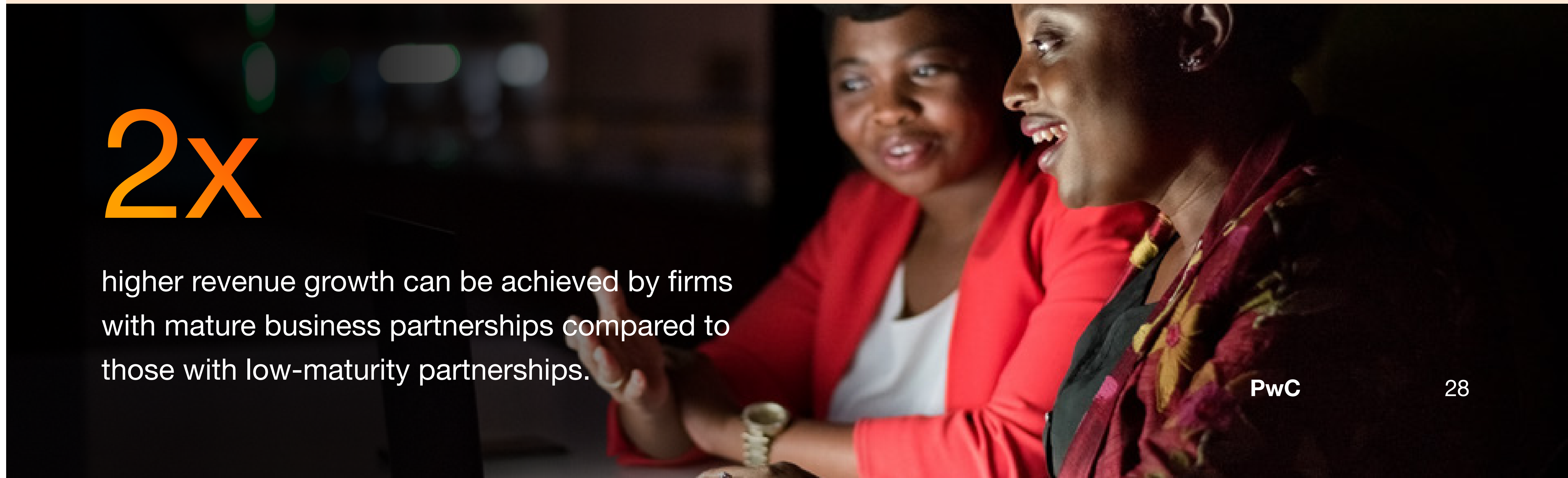
Smaller firms may lack the headcount or budget to recruit specialist skills permanently. By formalising secondment or rotation arrangements with peers across frontier industries, firms can access interdisciplinary expertise on a flexible basis and with fewer permanent hires.

Partner on data and infrastructure

Businesses can form new partnerships that provide access to secure datasets, additional compute capacity, and testing environments that would not be accessible in isolation. For example, financial institutions could use data clean rooms to collaborate on optimising operations and driving innovation.

Test and scale with others

Businesses can pair sandbox participation with launch partners that can provide real-world feedback, credibility and a route to market. For example, digital-asset firms could work with banks through the Financial Conduct Authority's Digital Securities Sandbox to test tokenised issuance or settlement before commercial rollout.



2x

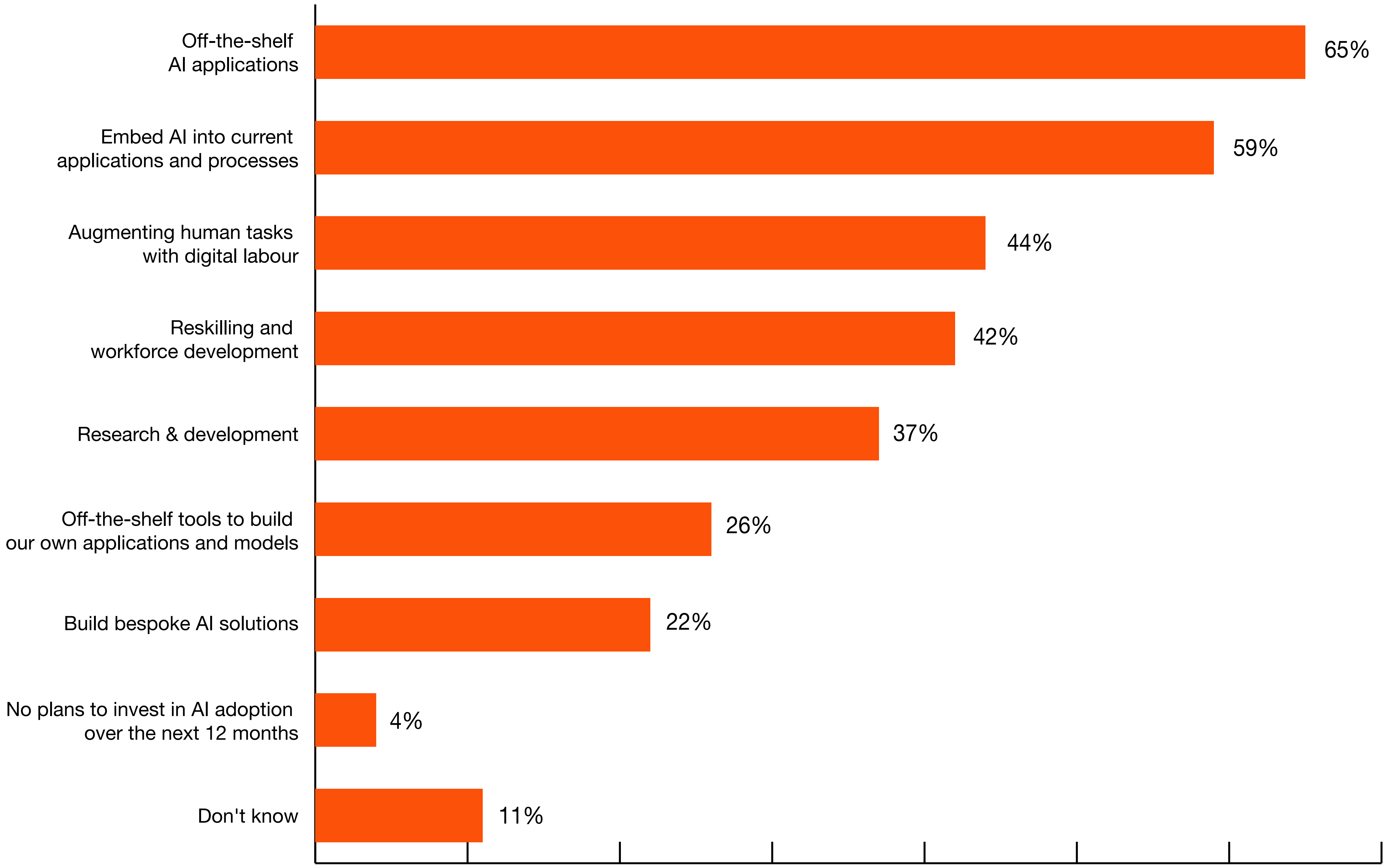
higher revenue growth can be achieved by firms with mature business partnerships compared to those with low-maturity partnerships.

Action 3: Adopt AI tools with intent

Be purposeful in selecting and implementing AI technologies, adopting tools that address known challenges.

01

96% of UK businesses plan to invest in AI in the next year, but many remain reliant on off-the-shelf applications. How UK businesses plan to invest in AI. Share of survey respondents offering each answer (February 2026)



Notes: Survey responses from 3,500 private sector businesses based in the UK, carried out as part of the UK Governments AI adoption research. 8% is the weighted average of the productivity improvement that businesses across all sectors adopting AI were experiencing, as part of the UK government's AI Adoption Research | Sources: PwC Analysis, UK Department of Science, Innovation and Technology

02

Firms that are problem-led when selecting, implementing and scaling AI tools are likely to realise the greatest productivity benefit.
Agenda for Action

Be purpose-led in AI adoption

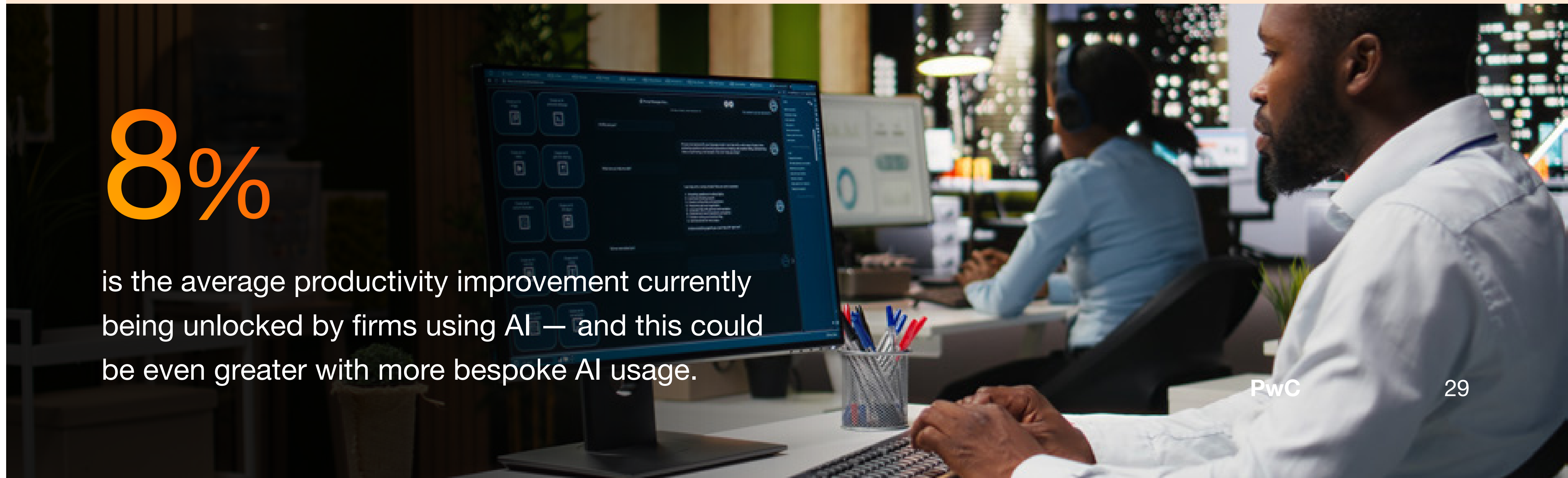
Businesses need to adopt AI tools that intersect with the problems of their business, rather than attempting to leverage all tools that come to market. Doing so minimises wasted spend on AI that offers limited efficiency gains.

Decide when to adopt

Businesses must consider the trade-off between rapid implementation of new technologies and waiting to invest in future technologies. Firms should capitalise where AI tools offer clear and immediate potential, but delay where emerging technology isn't yet fit-for-business.

Scale selectively

Firms should avoid treating AI adoption as a one-time investment decision. Instead, outcomes should be measured and monitored, with tools scaled only when there is clear evidence of innovation, productivity or revenue gains.



8%

is the average productivity improvement currently being unlocked by firms using AI — and this could be even greater with more bespoke AI usage.

Effective public-private collaboration is key to success

A number of London's challenges can't be solved by the private sector alone. Measured policy action in these areas will support frontier industries to thrive and maximise the productivity gains that can be realised.
Agenda for Action

Tackle high energy costs

UK energy prices are amongst the highest in Europe. Action has already been pledged to lower energy costs, with expansion and reform of energy pricing mechanisms, investment in grid infrastructure and accelerated grid connection approvals all integral to improving long-term price competitiveness. Successfully reducing energy costs to the EU median would halve UK businesses energy bills on average.

Mobilise London's young workforce

The percentage of 16-24 year-old's Not in Education, Employment or Training (NEET) has risen 2ppt in London since 2021. Policy action which supports young people to acquire the skills required by frontier industries, strengthens health support, and incentivises firms to open their doors to early-career talent can smooth the pathway from education to employment; improving long-term outcomes for young people.

Support businesses to scale

Nearly 6,000 high growth businesses have left the UK over the past two years. Policy choices which smooth frictions for scaling, such as difficulties accessing growth-stage financing, could increase the retention of innovative firms. For instance, expansion of already successful public co-investment funds or development of additional institutional investor partnerships.

Provide workable housing solutions

London has a median house price to income ratio of 9.1, far higher than many other major cities including New York (7.4). Difficulties moving from rental to owned property may encourage workers in frontier industries (who typically have above average salaries and strong international mobility) to seek employment elsewhere. Ensuring new housing developments are needs-aligned and providing suitable buying schemes are two possible remedies, while improving connectivity between residential areas and frontier industry clusters may also support improved quality of life and employee retention.

Notes: ppt = percentage points. Sources: PwC Analysis, London Chamber of Commerce and Industry, Energy UK, ONS, Financial Times, Department of Work and Pensions, Chapman University

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Simon Oates
UK Economics Leader

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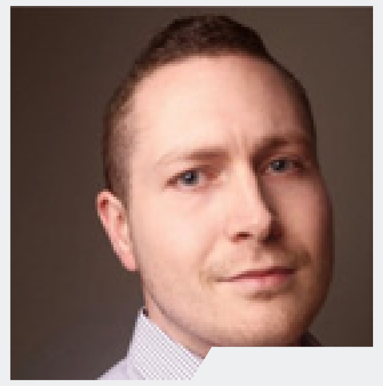
Barret Kupelian



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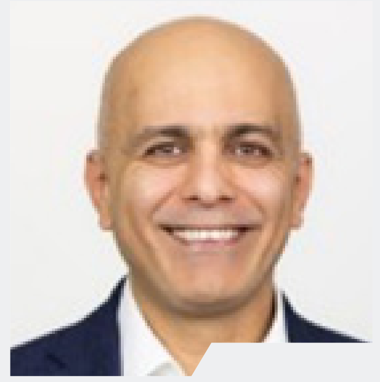

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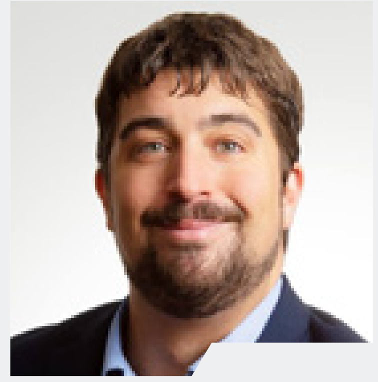

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