THE TECH NATION REPORT 2026

THE NEXT WAVE OF UK AI

KEY FINDINGS

The state of the nation report on UK tech.



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KEY FINDINGS



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The UK tech sector has reached a combined market valuation of **$1.6 trillion** in 2026, and AI companies now account for a **third** of that value.



AI's share of total UK tech market value has more than doubled in the last five years to **32%**, reaching a combined market value of **$518b** in H1 2026.

UK AI is growing at a CAGR of **32%**, compared with **10%** for UK tech overall.

$255b was added to the UK AI sector in the past year alone, with UK AI growing **3x** faster than France and **2x** faster than Germany.

The UK ranks **third globally** for AI talent, boasting an AI workforce of **56,000** and more than **10,000** AI researchers.

UK AI startups have raised more than **$11b in VC investment** in H1 2026, setting a new annual record **in just six months**.



3 in 4 venture dollars invested in the UK in H1 2026 have gone to AI companies.

AI startups have **raised more** in the past 18 months than in the previous four years combined.

At **$14.5b**, UK tech startups overall raised more in H1 2026 than all other major European markets combined

While **30%** of UK tech leaders say AI is a bubble, those **fears may be overstated**: valuation multiples are less stretched than they were during the 2021 investment boom.

30% of UK tech founders say their business would not exist without AI as the major AI model providers **reshape the ecosystem**.



1 in 2 UK founders say the rise of major AI platforms is creating new opportunities in their industries.

40% have introduced entirely new products or services due to AI; **32%** have built domain-specific AI agents; only **9%** have made redundancies due to AI.

However, there are concerns around **competition** and **dependence**: **1 in 4** founders say the rise of OpenAI and Anthropic is forcing them to change their strategy.

30% are reducing platform dependence by building their own AI tools.

The next wave of UK AI growth will centre on **finance**, **biotech**, **transport**, and **defence tech**.



AI startup creation in the UK is booming: **680+** AI startups were launched in 2025.

Finance and **pharma & biotech** are the UK's clearest **AI growth sectors**, combining strong employee growth with meaningful funding bases.

Defence tech and **renewable energy** are seeing the fastest AI workforce expansion, while traditional companies in **education** and **pharma & biotech** are adopting AI the fastest.

Beyond London, the **East of England**, **Scotland**, and the **North** are seeing the most significant AI growth. The South leans towards AI in **software**, **health**, and **biotech** while the North is more focused on **industrial AI**.

To unlock AI's full potential, founders call for the government to prioritise **energy infrastructure**, **talent**, and **AI safety**.



UK AI is heavily dependent on US capital: **57p** of every exit pound flows back to the US, and **1 in 2** VC dollars come from across the Atlantic.

To shift that balance, **1 in 2** UK founders say tax changes to incentivise AI investment would most support their business.

40% want investment in energy infrastructure and talent to support UK AI development.

London-based founders place more emphasis on **compute** and **commercialisation**, while founders outside London prioritise **AI safety** and **regional growth zones**.