



The Tech Sector in the UK economy

**Understanding its critical contribution
to economic growth**

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The Growth Commission

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Introduction and summary

The UK tech sector is a critical element in UK economic growth as is demonstrated by recent data for Q1 2026. What is less certain is the scale of its contribution because definitions of the tech sector vary.

This short paper shows how the tech sector is contributing to growth using different measurements, with suggestions as to which measurement is most appropriate for which purpose.

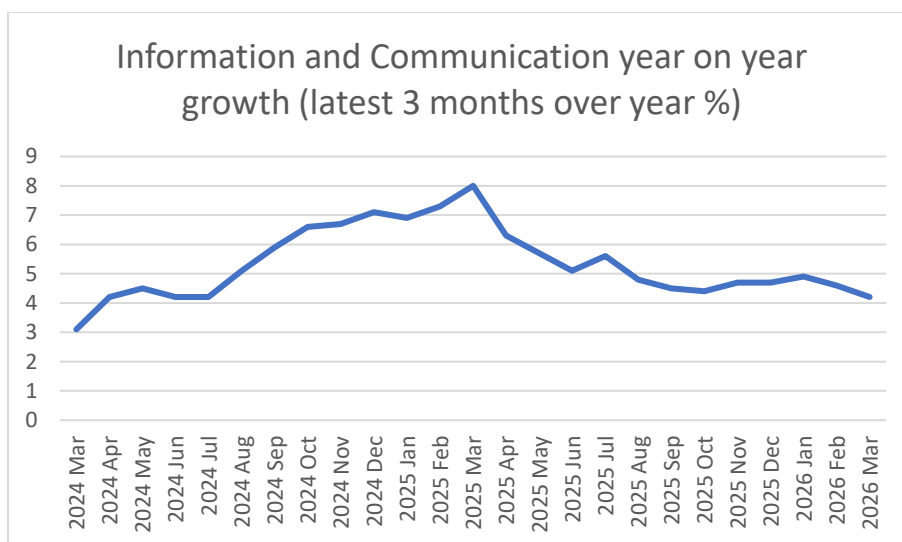
What it shows is that the sector is very much driving the UK economy. Even on a narrow definition of the sector, it was responsible for a quarter of GDP growth in the past year – effectively punching four times above its sectoral weight. On a broader definition, its contribution to service sector turnover growth is as much as 35%. Because the service sector accounted for more than the whole of GDP growth in the year to Q1 2026, it would not be unfair to claim that tech’s contribution to GDP growth on this definition was 35%, more than a third.

Meanwhile the sector, although increasing its headcount by 2% per annum, is also showing annual productivity growth of 3.8%.

These figures show the importance of this sector underpinning the future of UK growth – and how it is vital that policies permitting the growth of the sector continue.

An output-based measurement of the UK tech sector¹

Figure 1



¹ Data source:

<https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/monthlygrossdomesticproductbygrossvalueadded>

Section J is the Standard Industrial Classification (SIC) definition of the ‘Information and Communication’ sector. It covers:

- **58: Publishing activities:** Books, newspapers, journals, software
- **59: Motion picture, video, television and sound recording:** Production, post-production and distribution
- **60: Programming and broadcasting:** Radio and TV stations
- **61: Telecommunications:** Wired, wireless and satellite communications
- **62: Computer programming, consultancy and related activities:** Software, hardware and IT services
- **63: Information service activities:** Data processing, hosting and web portals

Data is presented in chained volume terms.

This sector amounted to 6.1% of Gross Value Added (GVA) in 2023. For Q1 2026, its growth was 4.2% over a year earlier. Total UK GVA over the period rose by 1% – of which section J accounted for 0.26%, more than a quarter of the growth. This shows the extent to which the sector is punching above its weight – 6% of GVA accounted for 26% of growth.

A turnover-based measurement of the UK tech sector²

My insight when writing *The Flat White Economy*³ was that the benefits of tech were much more to boost the tech-using sectors than just the tech-producing sectors. Indeed this insight harked back to debates I used to have with my IBM colleagues when I was its UK Chief Economist in the mid-1980s: I argued that the story that they were selling to their customers in fact happened to be true – that their main impact on the UK economy was not tech production (useful and enabling as it was), but tech consumption by those user sectors – their customers – that were being transformed.

I therefore coined the phrase ‘the flat white economy’ to cover the myriad SIC codes most influenced by using tech and often located in East London and drinking the eponymous drink. If you include all the sectors in Table 1 below, the size of the tech sector roughly doubles when measured by turnover.

The monthly data for the sector on this basis is in value terms and measures turnover. The latest data shows Q1 2026 up 6.2% on a year earlier. This accounts for 25% of the

² Data source:

<https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/monthlybusinesssurvey/bsturnoverofservicesindustries>

³ McWilliams, D. (2015), *The Flat White Economy: How the Digital Economy is Transforming London and Other Cities of the Future*. London: Duckworth Overlook

turnover of the index of services; and the recent growth accounts for 35% of the total index of services turnover growth over the past year.

Various assumptions have to be made to estimate the impact of the sector on GDP on this definition. A simple assumption is that the sector’s share of value added growth is the same as the sector’s share of turnover growth.

Making that assumption, as the service sector accounted for more than all the GDP growth in the year to Q1 2026, it would not be unfair to attribute 35% of total GDP growth to the tech sector on the Flat White Economy definition.

Figure 2

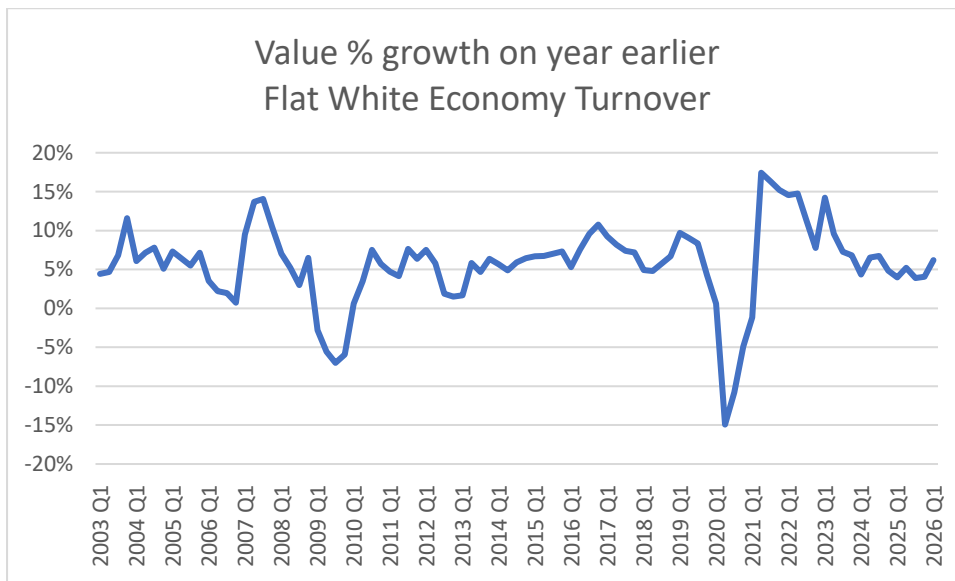


Table 1

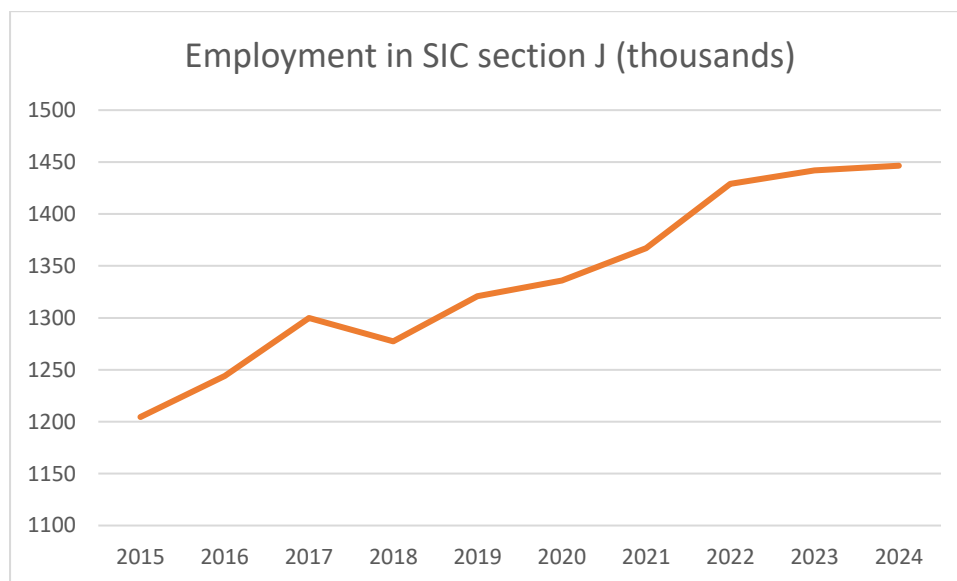
SIC Section	Name
18	Printing publishing and recording
59	Film, video and TV production
60	Broadcasting
61	Telecoms
62	Software and IT services
63	IT information and data services
70	Office admin
72	Research and scientific experiments
73	Advertising and marketing
74	Film and photography and other scientific
82	Office admin, call centres etc
90	Creative performance
95	Repair of IT and other equipment

Employment in the UK tech sector⁴

While the value added of section J has shown strong growth, employment has grown more sluggishly, implying a good productivity performance. For example, for the years for which there is comparable data, value added grew by 18.4% from 2021-24 while employment grew by 5.8% over the same years. This implies annual productivity growth in the sector of 3.8% over this period.

As is appropriate for a leading sector, it is generating both employment and productivity growth for the economy.

Figure 3



Conclusions

For most purposes, the official SIC definition of the sector, Section J, is sufficient to give an impressionistic picture of the scale of the growth of the sector.

But to understand more fully the scale how tech is affecting GDP and GDP growth, the Flat White Economy definition is much more useful. And this is the definition that should be used for policy analysis to derive an understanding of the impact of the success or otherwise of the sector.

Between one quarter and one third of UK GDP growth in the year to Q1 2026 has come from the tech sector. This highlights the importance of policies to ensure the sector continues to grow.

⁴ Data source:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/dataset/s/broadindustrygroupsicbusinessregisterandemploymentsurveybrestable1>