CITY OF LONDON | THE GLOBAL CITY

The UK Investment Landscape

Unlocking capital for growth

Foreword

Chris Hayward
Policy Chairman,
City of London Corporation

Capital underpins our shared prosperity. To fulfil our national growth ambitions and spur the ingenuity and entrepreneurship of our unrivalled talent, we must mobilise greater investment into the UK.

This new analysis from the City of London Corporation affirms the strength and dynamism of the UK financial services (FS) industry. Indeed, our groundbreaking research maps the sources and destinations of £3.9tn of investment capital in the UK.

But more than a record of success, this work has identified opportunity: specifically, £150bn of much-needed investment in fast-growing British scale-ups and critical UK infrastructure.

In close collaboration with HM Government and the financial services industry, the City Corporation has been working to address this investment gap. By 2030, our initiatives are expected to result in an increase in UK investment by £35bn, comprising:

- £10bn of international investment through the Investment Hub we proposed in our flagship report, Vision for Economic Growth. Now adopted by HM Government as an approach, we stand committed to delivering this model for the FS industry, in partnership with the government.
- £25bn of domestic investment through the Mansion House Accord, which is channelling pensions capital into high-growth sectors.

Together, these initiatives should fulfil one fifth of the investment need. But that leaves a gap of £115bn. We can and must do more to ensure domestic and international investment can find a home in the UK.

For innovation and invention, scale and security, talent and technology – the UK offer to investors is quite simply world-leading. Our rule of law system, combined with a highly skilled labour force and a long tradition of entrepreneurship have seen the UK rise to global pre-eminence in a range of high-growth sectors.

From fintech to biotech, film to fashion – there's just nowhere better to invest. But formulating a clear pipeline of readily investible opportunities will prove essential if we are to better match investors with opportunities.

Our industry has a critical role to play ensuring that private capital supports public prosperity. Working together, we can boost economic growth and unlock this country's extraordinary potential. There isn't a moment to lose.

Introduction

In this analysis we have identified the major sources of domestic and international investment capital in the UK, and where that investment is made. A thriving economy depends on the effective flow of investment, yet an unmet investment need of £150bn continues to limit the full potential of growth in the UK.

The investment gap is particularly acute at the scale-up stage of company growth and in the UK's underfunded infrastructure needs. Despite a £3.9tn pool of capital, high growth companies struggle to access the investment they need to expand, innovate, and create high-value jobs. Meanwhile, chronically underfunded investment of UK infrastructure constrains productivity and growth across the UK.

Addressing this gap requires not only a shift in domestic capital, but also a concerted effort to attract investment from global business and international investors.

To unlock the next generation of high-growth businesses, we need to harness the power of domestic investment, with pension funds playing a pivotal role. DC pension funds invest £298bn in the UK. This represents a significant opportunity to bridge the scale-up funding gap, providing capital for growth.

At the same time, foreign direct investment (FDI) remains a cornerstone of the UK's economic competitiveness on an ever more competitive world stage. Concerted efforts to attract more of this investment will help to catalyse long-term economic growth and vital funding for key sectors across the UK.

- UK scale-up businesses require £15bn a year to meet their growth potential. Contributing to UK economic growth and creating highly productive jobs.
- The UK's infrastructure investment deficit is a drag on economic growth and pressuring public finances. To meet government targets of £80bn of annual infrastructure investment in 2030, investment must rise by £5bn year-on-year for the next five years.
- Combined, these critical contributors to economic growth require £150bn of investment by 2030.

Fulfilling these investment gaps will boost UK economic growth and productivity. This analysis acts as a benchmark to monitor the UK's investment needs, identify sources of investment capital, and further opportunities for growth.

The City of London Corporation supports UK growth

The City of London Corporation supports the government's plans for economic growth. We are working with HM Government and the Financial Services industry to boost investment across the UK.

The City of London Corporation made a recommendation to HM Government to launch an Investment Hub in the 2023 report Vision for Economic Growth. HM Government adopted the proposed blueprint for this initiative, which could unlock £10bn of investment. We are committed to delivering this model for the FS industry in partnership with the government.

This includes £7.7bn of additional investment from Sovereign Wealth Funds encouraged to open an office in the UK. City of London research shows sovereign investors that open an office in the UK will, on average, increase their investment by a multiple of 2.2.

Signatories to the Mansion House Accord have pledged to allocate 10% of their portfolios to private assets. This could increase investment into UK infrastructure, private assets and property by £25bn.

£10bn
Expected boost to the UK from the Investment Hub

£25bn
Investment committed to UK growth through the Mansion House Accord

The £150bn investible opportunity

HM Government and the FS industry must work together to match investors with UK investible opportunities.

This new analysis from the City of London Corporation has identified an unmet investment need of £150bn across UK infrastructure and British scale-ups. Our initiatives, with HM Government and industry partners - the Investment Hub and the Mansion House Accord - could raise £35bn in the next five years to meet 1/5th of that need. This leaves an investment gap of £115bn across fast-growing British business and critical UK infrastructure.

A key part of addressing these unmet investment needs is ensuring capital is effectively deployed. Large UK investors identified in this analysis, such as pension funds and annuity providers looking to increase investment in the UK, need a pipeline of readily investible projects.

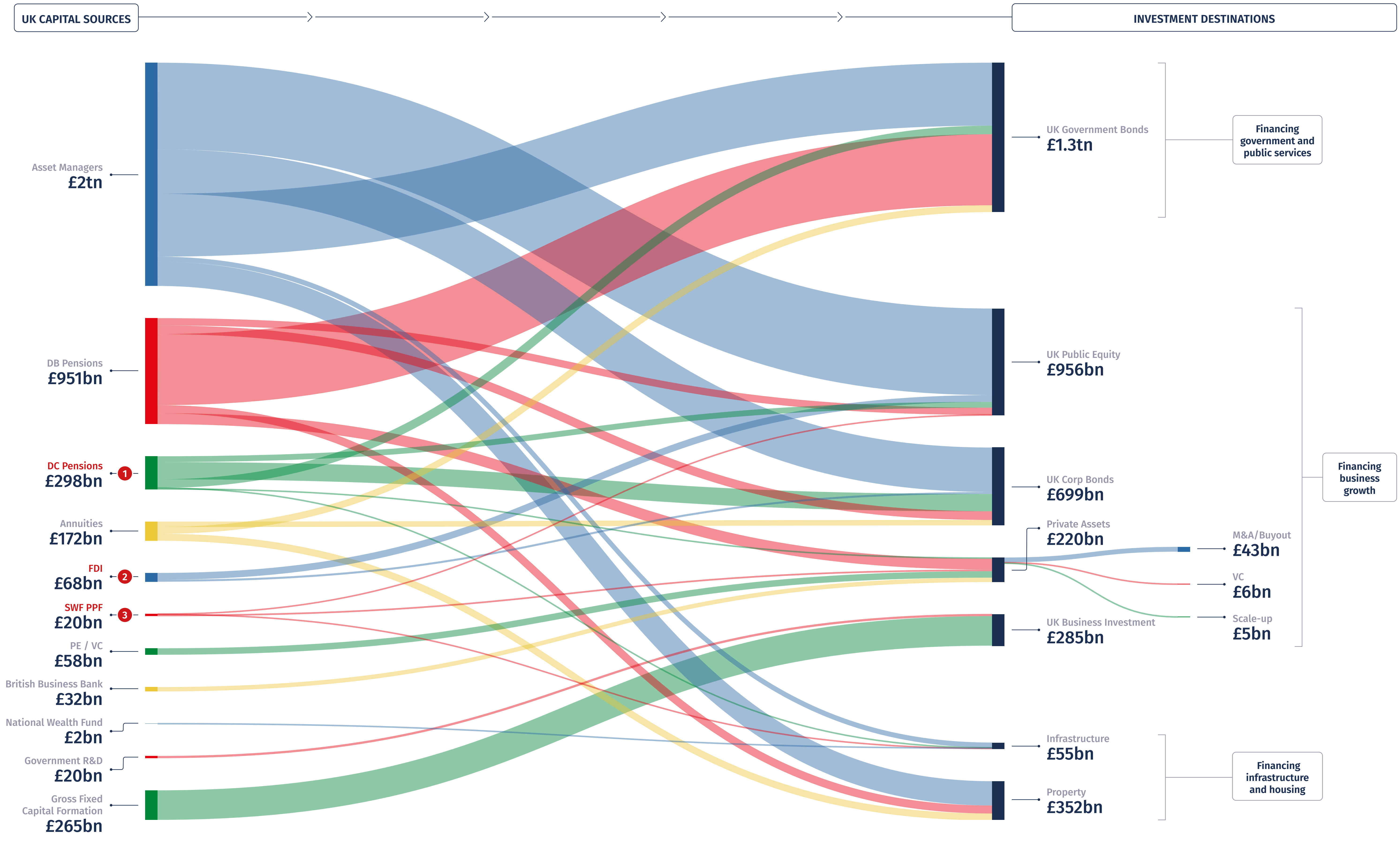
The lack of a clear funding model, an unattractive regulatory regime, and a moratorium on PPP, are some of the barriers to meeting infrastructure investment targets. While UK scale-ups often fall between a gap of being too large for smaller UK pension funds, and too small for large international pension funds. Solving these issues requires effective collaboration between HM Government, regulators, and the FS industry to ensure capital is allocated efficiently in support of UK economic growth.

£150bn
Investment need identified to boost high growth companies and meet infrastructure needs.

£115bn
Investment gap that could be filled through a clear pipeline of investible opportunities presented to investors.

1/5th
The share of the identified investment need potentially met by City of London Corporation-led initiatives with HM Government and FS industry partners.

The UK's capital sources and investment destinations[15]



Raising UK investment capital

City of London Corporation analysis has identified UK investment capital of **£3.9tn**. This analysis can be used to benchmark the scale of annual UK investment growth, identify untapped capital pools, and demonstrate the benefits of policy interventions.

City of London Corporation-led initiatives, in partnership with HM Government and the FS industry, could increase UK investment capital by a further **£35bn** by 2030 to help meet investment opportunities.

Asset Managers

Asset Managers are a stable inflow of capital of significant scale. In 2023 asset managers held over £2tn in UK assets. In recent years, the sector has demonstrated notable stability and adaptability amid a changing investment landscape.[1]

DB Pensions

DB pensions are largely closed to new contributions and de-risked to meet pensioner needs. They are an important investor in UK Government Bonds.

DC Pensions

1 THE MANSION HOUSE ACCORD

DC pensions represent a significant opportunity to grow long-term UK investment. £38bn was contributed to UK pensions in 2023/24. If pension contributions continue to grow at the same rate, annual pension contributions could increase to £57bn annually in 2030. But UK DC funds allocate only 8% to domestic equities, compared to 23% for Australian Superannuation funds. These funds also allocate only 2% to growth assets, compared to 34% for Canadian pensions.[2]

Annuities

Annuities are seeing a resurgence in popularity with the highest sales since the 2015 pension reforms. Annuities invest almost two-thirds (62%) of assets domestically. Regulatory adaptations could allow annuity providers to invest more in critical UK infrastructure.[3]

Foreign Direct Investment

2 INVESTMENT HUB

Foreign Direct Investment (FDI) increased to £68bn in 2024, with the UK being an attractive proposition in an ever more competitive landscape for inward investment.[4]

Sovereign Investors

3 INVESTMENT HUB

Sovereign investors committed £20bn to UK projects in 2024. City of London research shows the importance of attracting sovereign investors to the UK. These investors will, on average, more than double their UK investment after opening an office here.[5]

PE/VC

PE/VC investment in the UK doubled in 2024 to £58bn. Private asset investment is skewed toward M&A/Buyout deals, more so than in the US. Boosting private investment into UK growth companies is a critical path to economic growth.[6]

HMG-Backed Investment

HMG-Backed Investment marked a milestone with the establishment of the National Wealth Fund in 2024 alongside the British Business Bank's new growth objective to deploy increased capital over the coming years.

Filling the UK's investment gaps

The UK has unmet investment needs of **£150bn** in the next five years.

Our analysis shows the UK has an investment need of £150bn in the next five years.

- Scale-up companies in the UK need £15bn of annual investment to meet their growth potential. This amounts to £75bn over five years.[7]
- The National Infrastructure and Service Transformation Authority (NISTA) has forecast an annual need for £80bn of infrastructure investment in the 2030s. Infrastructure[8] investment should therefore increase by £5bn year-on-year. This also totals £75bn over five years.

Our initiatives, the Investment Hub and Mansion House Accord, could increase annual investment into growth companies and critical UK infrastructure by £35bn. This leaves an unmet investment need of £115bn by 2030.

Our proposal for a credible investible pipeline could help to fill this significant investment need.

Financing government and public services

Enables funding for essential public services and national priorities.

- Government borrowing is set to increase to support day-to-day spending and investment. UK investors hold £1.3tn of UK government bonds.[9]
- An over-reliance by DB pensions on gilts has crowded capital from productive assets and leaves pensions open to inflation risk, thus reducing pension pots and retirement wealth.

Financing business growth

Provides capital for companies to innovate, expand, and create jobs, boosting productivity and economic growth.

Public equities – weak retail and institutional participation in UK public equities.

- Around 11% of UK households own shares, down from nearly 25% two decades ago.[10]
- Investment in UK equities through asset managers has reduced by 10% in the past 10 years.[1]

UK Business Investment – the UK has a lower portion of GDP as business investment than other competitor countries worth £50bn a year.[11]

- Business investment drives productivity by expanding firms' capacity and innovation. Low business investment in the UK translates into weaker productivity.

Private Assets – an acute lack of financing for the UK's fastest growing companies

- There are 34k scale-ups employing 3.2m people across the UK. Scale-ups have an average turnover of £449k per employee and contribute £1.4tn to the UK economy. But 70% of scale-ups can't access the investment they need to meet their full potential.[7]
- A £1.5tn[12] funding gap (over the next 20 years) for high-growth firms in the UK.
- A £15bn annual shortfall in scale-up funding.[7]
- The UK private investment market is concentrated in early-stage, growth and buy-out deals. The OECD ranks the UK 3rd in the world for startups, but 13th for scale-ups.[11]

£35bn

Additional investment through City of London Corporation-led initiatives, with HM Government and FS industry partners. Making up **1/5th** of the identified UK investment need.

Financing infrastructure and housing

Delivers investment in housing, transport, energy and infrastructure which all supports growth and improves people's living standards.

Infrastructure investment in the UK has been rising in recent years but is still a relatively low share of GDP (1%) compared to the EU average (5%).[14]

- NISTA forecasts a need for UK infrastructure investment to increase to £80bn a year by 2030. To meet this, infrastructure investment must increase by £5bn year-on-year.[8]
- A lack of visible project pipeline, an unattractive regulatory regime, the lack of clear funding models, and the moratorium on Public Private Partnerships (PPP) in the UK, are all hurdles to attracting investment in UK infrastructure.

UK housing construction has slowed, and commercial property investment is in decline.

- The prohibitively high cost of house building, along with higher interest rates, has caused a mismatch in supply and demand for new homes.
- The National Housing Bank is to be capitalised with an extra £16bn to help deliver 580k new homes.[13]

References

1. The Investment Association, 2024
2. HMRC, 2025
3. ABI, 2025
4. FDI Markets, 2025
5. GlobalSWF, 2025
6. S&P Capital IQ, 2025
7. Scaleup Institute, 2025
8. National Infrastructure and Service Transformation Authority, 2025
9. Debt Management Office, 2025
10. ONS, 2025
11. OECD, 2025
12. Lakestar Capital, 2022
13. HMT, UK Infrastructure a 10-year Strategy, 2025
14. ONS/ECB, 2025
15. Chart sources: The Investment Association, Pensions Policy Institute, ABI, Legal & General, FDI Markets, GlobalSWF, British Business Bank, National Wealth Fund, HM Treasury, ONS, 2025.

Acknowledgments and thanks

The City of London Corporation would like to thank the following organisations for their support of this work.

ABI, BVCA, AEGON, AIG, Aquis, AustralianSuper, Aviva, LSEG, NinetyOne, Robinhood.

Contact us at:
financialservices@cityoflondon.gov.uk

Scan to find out more: