



# Tech Confidence Index 2025

Marc Hardwick



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Market  
View



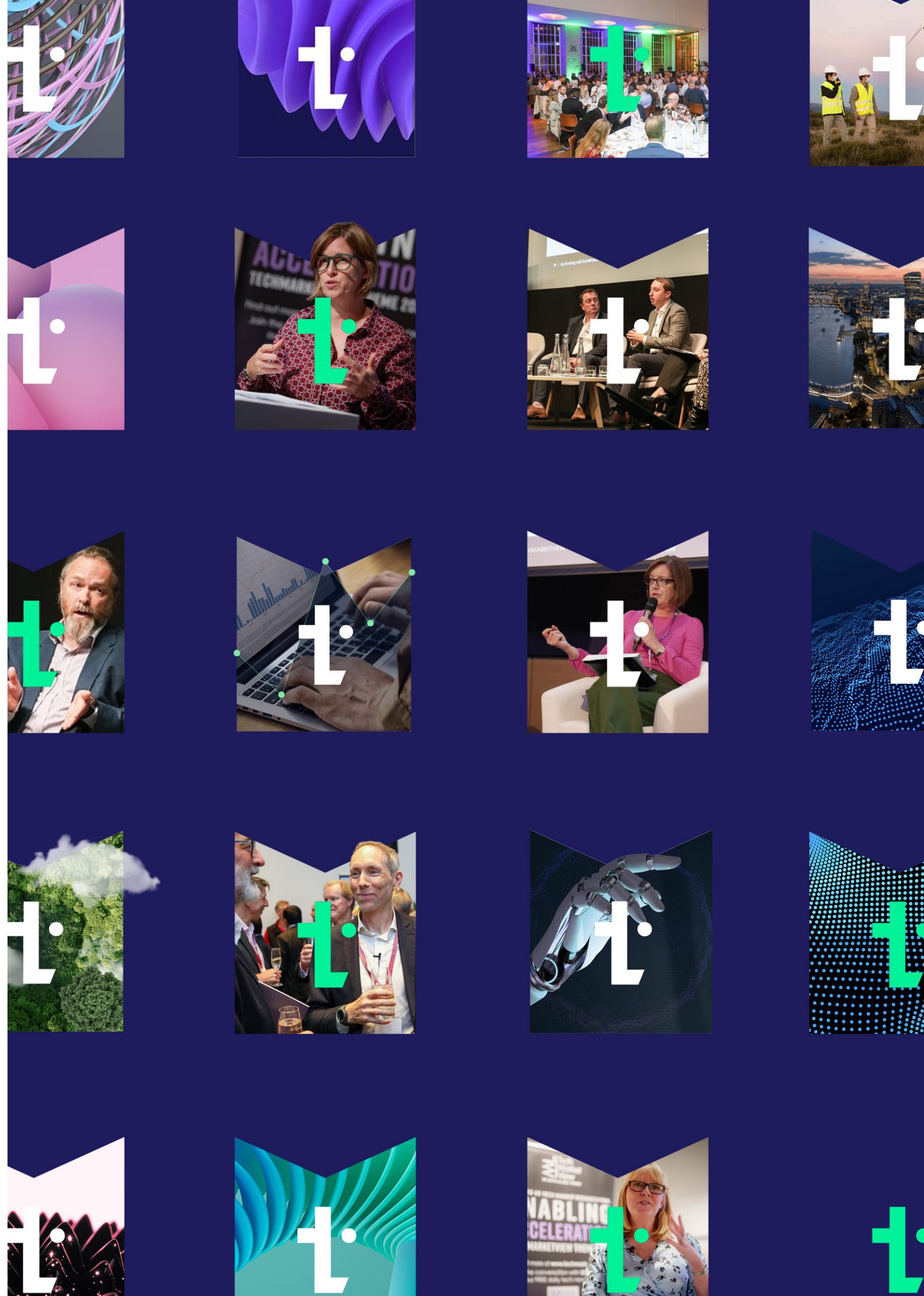
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# TechMarketView enables smart decisions by providing data-driven insights into the UK tech market and its suppliers.

We're an influential analyst and advisory firm focused on the UK tech market. A trusted advisor to tech suppliers – from global market leaders to innovative start-ups – and to tech users and investors, as they navigate change and identify opportunities.

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## Welcome

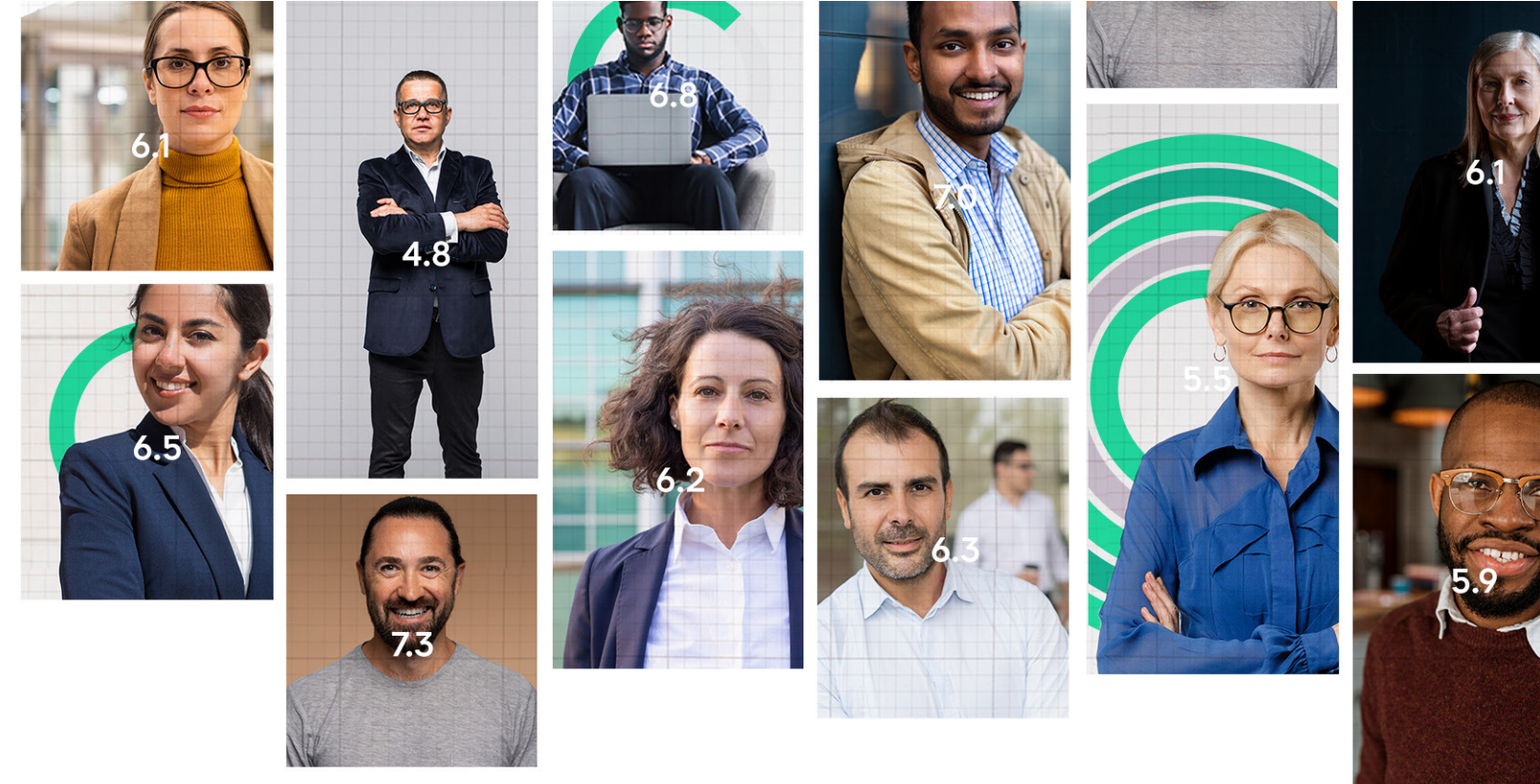
# Measuring the confidence and market sentiment of the UK tech sector

Welcome to the second edition (Spring 2025) of TechMarketView's Tech Confidence Index (TCI), the leading bi-annual survey of UK technology leaders capturing both the confidence and market sentiment of the UK tech sector.

Since we launched the results of the inaugural edition of TCI last autumn, much has changed. Politically and economically, we find ourselves living in a very different world with Donald Trump's return to the White House and, closer to home, a rapidly rising tax base and slowing economy. We also continue to see geopolitical turbulence with the war in Ukraine and conflict in the Middle East both yet to be resolved. Added to that, early 2025 has signalled a shift away from globalisation towards a potential trade war.

However, we continue to witness healthy levels of innovation, especially in the field of AI, with rising levels of adoption now increasingly moving from augmentation to full automation of business processes. We are also witnessing maturing technologies as GenAI hype gives way to a better understanding of its limitations and an appreciation of how crucial the human connection remains for successful AI deployment.

Investment in digital foundations such as cloud, data, AI, and cyber are all coming under greater scrutiny, with increased pressure to demonstrate rapid ROI and with organisations seeking cost reduction, efficiency improvements, and revenue growth in a 'save to spend' environment. And with all this context in mind, our Tech Confidence Index remains a vital bellwether tool for the UK tech scene, helping both Software & IT Services (SITS) suppliers and end users understand market sentiment whilst planning and preparing for the period ahead.



## Capturing the view of the market over time

One of TechMarketView's unique strengths is our 'community' of more than 20,000 technology industry professionals who read the daily UKHotViews newsletter.

In the past, we have gauged opinions via our extensive conversations with CXOs within the industry. However, we would like to make sure we are casting the net wider and 'taking the temperature' of the UK tech market in a more consistent way, enabling us to monitor changes over time.

This report is the second edition of TCI and includes the results of a major survey of c.130 business leaders, including CEOs, VPs, MDs and Sales and Finance heads, serving all major SITS sectors and end user industries. The online survey was conducted between 3rd March 2025 and 21st March 2025.

# View from the Chief Analyst



**Georgina O'Toole**

Chief Analyst & Partner  
TechMarketView

## The UK tech sector faces a notably more challenging landscape as we enter the second quarter of 2025.

Our Spring Tech Confidence Index reveals a marked decline in sentiment from the cautious optimism we observed just six months ago, with our headline confidence score falling to 6.1 from 6.5 last autumn.

This cooling of confidence reflects a perfect storm of domestic and international pressures. Politically, the initial hopes placed in the UK's new government have faded somewhat, with just 24% of respondents now believing the government will have a positive impact on the UK tech industry – a significant drop from the 43% who held this view in autumn 2024.

The October budget, which included increases to National Insurance contributions and adjustments to Capital Gains Tax taking effect this month, has influenced business sentiment. There's also an underlying concern that if economic conditions remain challenging, the government may have little choice but to introduce further tax measures to meet fiscal targets. Yet the economic picture remains remarkably mixed, with inflation falling to 2.6% in March and wage growth running at 5.6%, some economists suggest UK consumers could be well-positioned if global trade tensions don't escalate further. This conflicting economic data creates a market that's particularly difficult to read, perhaps explaining the wide divergence in confidence levels we're seeing across different sectors and business sizes.

Internationally, the economic horizon has darkened considerably with President Trump's implementation of tariffs on UK exports. While our survey was conducted shortly before these tariffs officially came into force, the impending threat was already casting a long shadow over market confidence.

This uncertainty is reflected in respondents' views of the current business environment, with 61% describing conditions as either neutral or poor. More concerning is the shift in forward expectations – while 60% of respondents were optimistic about the year ahead in our autumn survey, that figure has fallen to just 45% today.

Despite these headwinds, AI and GenAI remain at the forefront of investment priorities, with 84% of respondents planning to invest in these technologies, up from 71% six months ago. This represents a notable shift in sentiment; whereas six months ago 65% of respondents believed GenAI was over-hyped, organisations now appear to have developed a more nuanced understanding of its capabilities and limitations. As the technology matures and early experiments yield tangible results, we're seeing a transition from initial scepticism to more practical implementation strategies. However, funding will increasingly come from reallocation within existing budgets rather than expanded technology spending, as organisations seek to deliver concrete business value rather than merely experimenting with emerging technologies. Skills shortages continue to constrain growth, with 54% of respondents citing it as a barrier to meeting demand. Technical skills remain most in demand, with software development (29%) and AI skills (19%) experiencing particularly acute shortages.

Looking ahead, TechMarketView's "Sink or Sprint" theme for 2025 has never seemed more apt. The gap between digital leaders and laggards is set to widen further as economic pressures force organisations to make more selective technology investments. Those with strong digital foundations who can connect technology investment to measurable business outcomes will continue to advance despite the headwinds.

For technology suppliers, this environment demands both sensitivity to clients' shifting priorities and agility in evolving propositions to address their most pressing needs. The numerous government strategic reviews and white papers—in particular, the NHS 10-Year Plan and the Strategic Defence Review, which respondents identified as major opportunities—could provide crucial avenues for growth amid broader economic challenges. While the coming months will undoubtedly present challenges, they will also separate the genuinely transformative technologies from those that merely promise transformation.



## Tech Confidence score

Considering the economic, political and technological outlook, how would you rate the prospects of your firm's UK operations over the next 12-months?

(0 = Poor and 10 = Excellent)

A fall in UK tech confidence in early 2025 reflecting a toughening economic environment with increasing levels of domestic and international uncertainty.

The overall Tech Confidence Score for Spring 2025 is 6.1 compared with the equivalent score for Autumn 2024 of 6.5.



Confidence takes a hit

When considering the economic, political and technological outlook, firms were slightly less confident overall about the prospects of their UK operations over the next 12-months than they were when we asked them last, six months ago.

This is reflected in TechMarketView’s Tech Confidence Index score which averaged 6.1/10 this Spring and compares to a higher score of 6.5/10 last Autumn.

The rating is based on businesses’ confidence in their prospects over the next twelve months and is published bi-annually as part of the TCI report.

Whilst overall confidence has dropped the decline was most marked in small to medium sized firms.

0-9 employees - 6.3 (Spring 2025) Vs 5.4 (Autumn 2024)

10-49 employees - 5.7 (Spring 2025) Vs 6.1 (Autumn 2024)

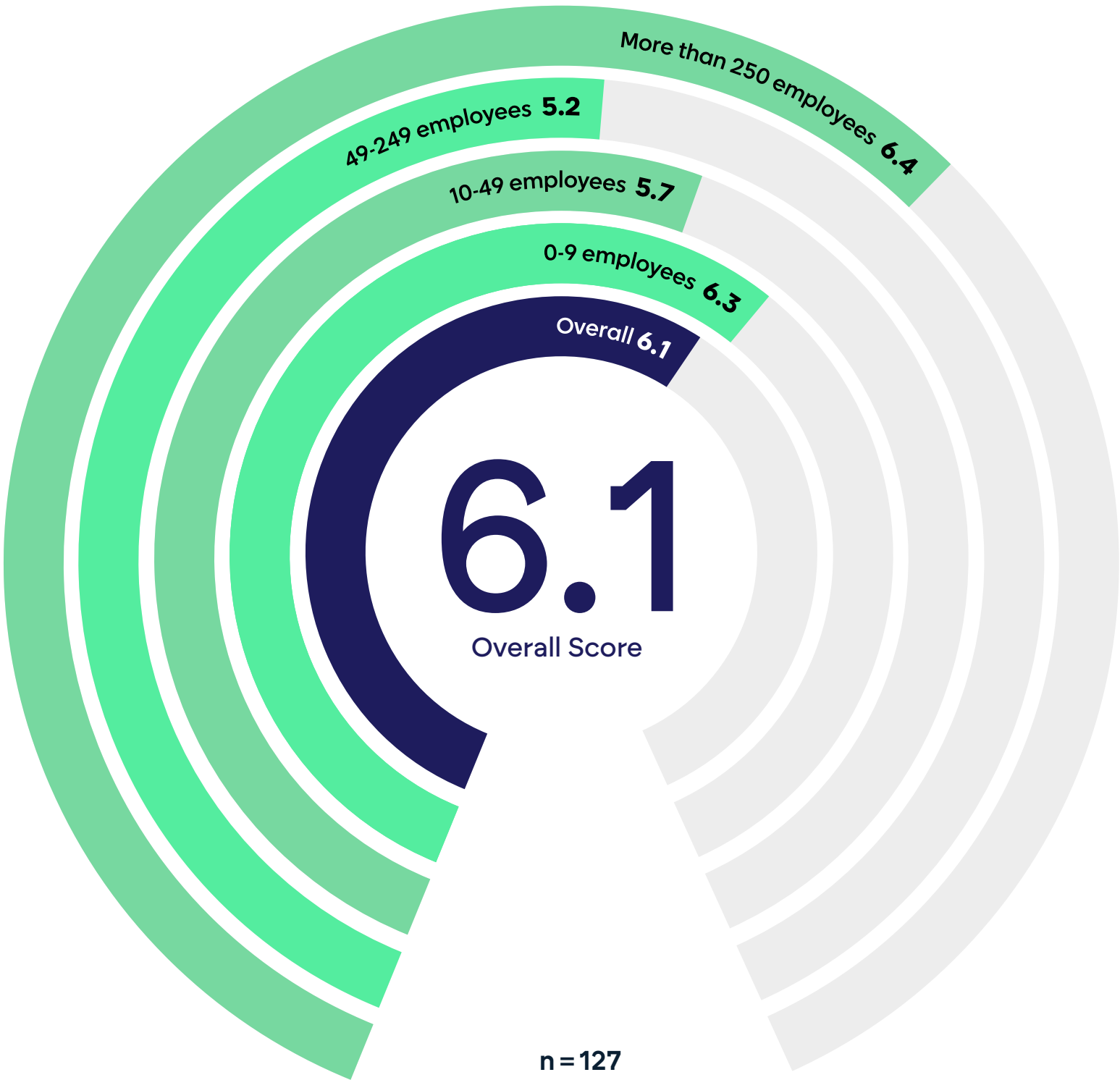
50-249 employees - 5.2 (Spring 2025) Vs 7.4 (Autumn 2024)

More than 250 employees - 6.4 (Spring 2025) Vs 6.6 (Autumn 2024)

We also noted that confidence was slightly lower in firms that are headquartered outside London.

TCI by HQ of firm

London HQ = 6.2      Vs      Outside London HQ = 6.0



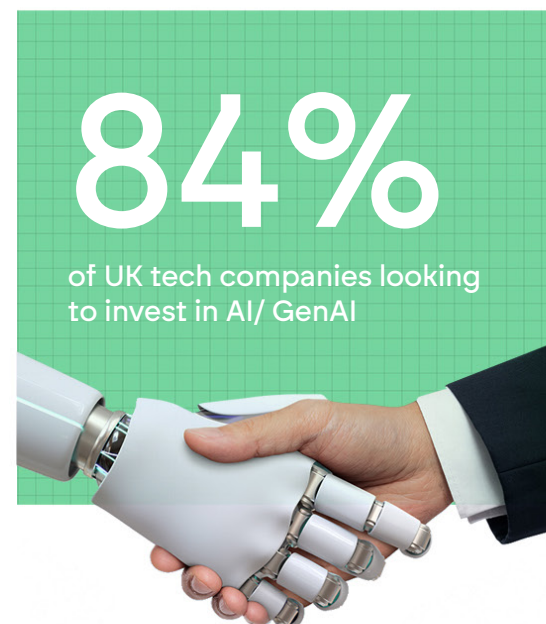
## Headlines

### Business conditions

- Asked about the current business environment, well over half (61%) believe that business conditions to be either neutral or poor, whilst 39% report current UK business conditions as good (only 6% rated it very good).
- 43% of respondents said that conditions were unchanged in the last three months. Those perceiving a change were evenly split with 28% saying that conditions had improved whilst 28% also said they had declined.
- Optimism appears to be declining in the UK tech sector with less than half of respondents (45%) believing that conditions will improve over the next 12 months compared to 60% when we ran the survey last Autumn. 20% of respondents now expect things to decline compared to only 13% when surveyed in Autumn.

### The role of government

- UK tech industry sentiment towards the new UK Government has declined in the last six months with less than a quarter of respondents (24%) believing their impact to be positive. This compares to a respective figure of 43% six months ago. Indeed just 2% thought that their impact was very positive this time around.



### Skills and labour

- When asked about skills shortages, 54% of those that had an opinion stated that it was an issue for their business restricting their ability to compete or meet demand, versus 46% who felt that IT and skills shortages were not an issue currently.
- In particular, demand for data & analytics, cyber, AI and automation is increasingly placing ever more pressure on the level of skills in the market. As such, it's perhaps no surprise that those respondents citing labour/skills issues has increased from 54% six months ago to 57% this time around.
- Looking into the specific areas of labour/skills shortages we can see that technical skills remain in high demand with three quarters (75%) of respondents mentioning a shortage. Within Technical skills the shortage of Software Development (29%) and AI (19%) were the most frequently mentioned.





Headlines

# Technology investment

- Key areas where UK tech companies are looking to invest over the next twelve months include AI/GenAI (84%), Business/Digital transformation (51%), Automation (48%) and Sales and Marketing (47%).
- Other areas of investment cited include Cybersecurity (40%) and the need to respond to the very public impact of breaches that are rarely out of the news. The increasing prominence of Sales and Marketing investment (47%) perhaps reflects a more competitive sales environment whilst investing in one's partner ecosystem (27%) remains key to reaping the benefits of transformation and AI.

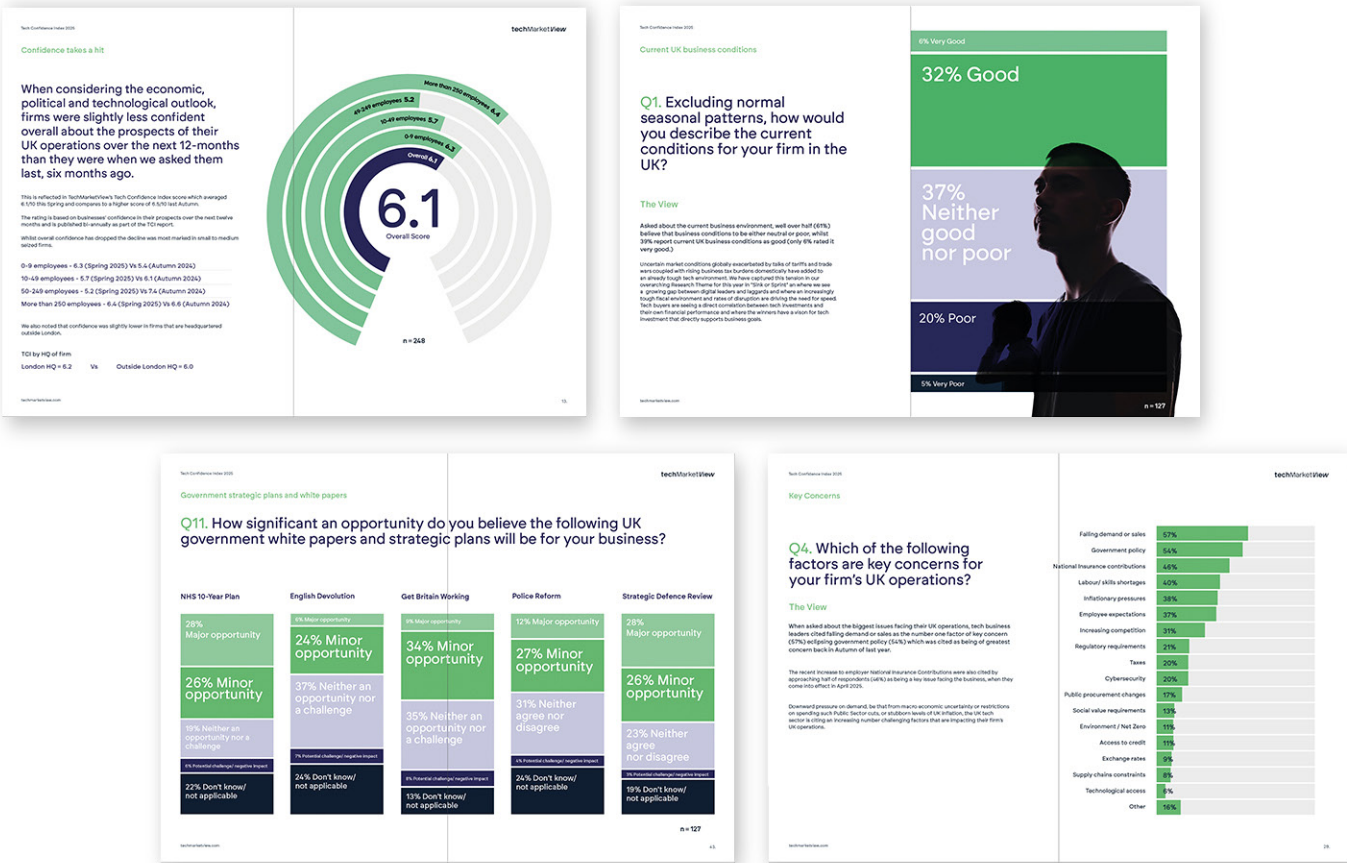
# Tech industry concerns

- When asked about the biggest issues for their UK operations, UK tech business leaders cited falling demand or sales as the number one factor of key concern (57%) eclipsing government policy (54%) which was cited as being of greatest concern back in Autumn of last year.
- Increasing National Insurance Contributions were also cited by approaching half of respondents (46%) as being a key issue facing their business when they come into effect in April 2025.

# The Tech Confidence Index

- We have seen a fall in UK tech confidence in early 2025 reflecting a toughening economic environment with increasing levels of domestic and international uncertainty.
- When considering the economic, political and technological outlook, respondents rated the prospects of their firm's UK operations over the next 12 less favourably than six months previous.
- The overall Tech Confidence Score for Spring 2025 is 6.1. The equivalent score for Autumn 2024 was 6.5.

Where 0 = Poor and 10 = Excellent



## Current UK business conditions

### Q1. Excluding normal seasonal patterns, how would you describe the current conditions for your firm in the UK?

#### The View

Asked about the current business environment, well over half (61%) believe that business conditions to be either neutral or poor, whilst 39% report current UK business conditions as good (only 6% rated it very good.)

Uncertain market conditions globally exacerbated by talks of tariffs and trade wars coupled with rising business tax burdens domestically have added to an already tough tech environment. We have captured this tension in our overarching Research Theme for this year in "Sink or Sprint". We see a growing gap between digital leaders and laggards and where an increasingly tough fiscal environment and rates of disruption are driving the need for speed. Tech buyers are seeing a direct correlation between tech investments and their own financial performance and where the winners have a vision for tech investment that directly supports business goals.

6% Very Good

32% Good

37%  
Neither  
good  
nor poor

20% Poor

5% Very Poor

n = 127

## Current UK business conditions

# Challenges at home and away

## UK Government action

UK tech sentiment towards the new government has taken a dip since we last surveyed back in September. Cautious optimism appears to have given way to disappointment that October's budget introduced some very tough measures for UK businesses.

In particular, the National Insurance rises coming into effect in April 2025 were cited as a key concern. Government policy which also includes proposed tightening of Labour laws, was put down as the second largest concern of respondents after falling sales and demand.

That said, at the time of writing it looks like the government is looking to deregulation as a way of helping UK business address the impact of the Trump tariffs. This may in turn provide opportunities further down the line.

## Falling demand

Falling demand or sales was cited by more than half of respondents as the number one concern, up nearly 10% points on Autumn 2024.

Domestic demand in early 2025 is proving fragile, whilst the economy has continued to grow, growth has been relatively benign by historical standards, held back by cost rises, public spending cuts and fragile business and consumer confidence.

This has translated into a 'save to spend' mentality within SITS end users and a need for investment to quickly correlate to and demonstrate business value. The impact of US tariffs and declining financial markets will only likely make this situation worse.

## Trump and tariffs

Whilst the fieldwork for the Spring 2025 survey predates the US imposition of a 25% tariff on cars and 10% on other UK exports, tariffs have been in discussion since Trump returned to the White House with the 'direction of travel' clear for many to see.

It looks like tariffs and trade uncertainty can be added to market sentiment already weakened by Brexit, COVID-19, and energy crises that have all threatened tech spending and investment patterns.

Market volatility and economic uncertainty will likely drive further cuts to discretionary spending, though strategic technology investments with clear ROI are likely to continue. Looking forward, suppliers with a heavy lean towards the public sector and UK-EU focused manufacturers face lower exposure than those serving US-exporting manufacturers or with high private sector concentrations (particularly in manufacturing, retail, and logistics).

## Tech industry disruption

UK SITS is going through a period of disruption with most suppliers grappling with the opportunities and challenges of AI-led innovation.

Suppliers are addressing the need to monetise AI investment that risk cannibalising tried and tested business models all while differentiating in an increasingly competitive landscape.

SITS customers are having to save to spend whilst ensuring that existing and planned investment in cloud, data and AI is all delivering value for money and remain wedded to business goals.

As outlined in TechMarketView's 2025 theme "sink or sprint" there is a growing gap between digital leaders and laggards and where organisations without proper digital foundations are struggling to keep pace in a market where tough operating environments and rate of disruption is driving a desperate need for speed.



## The past three months

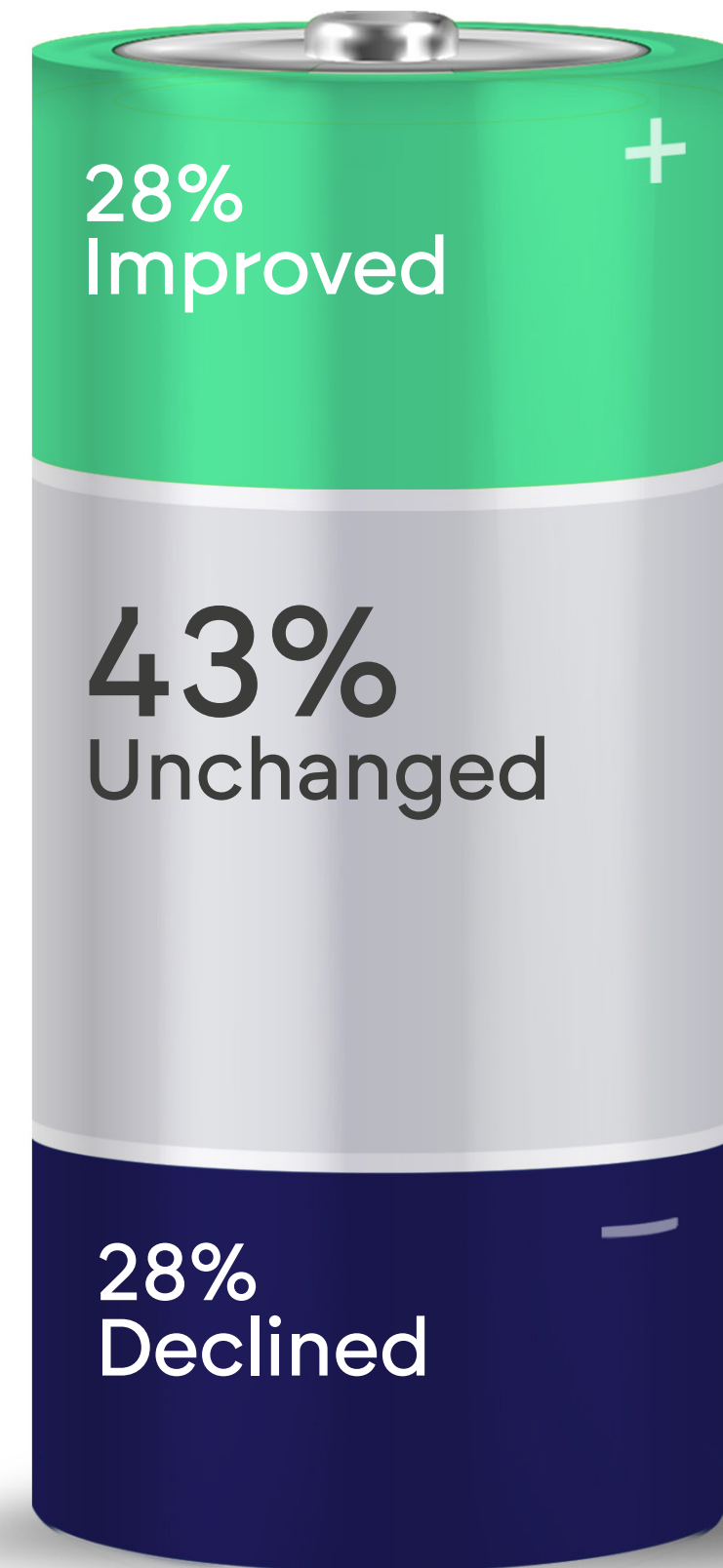
### Q2. Over the past three months, how has this situation changed?

#### The View

43% of respondents said that conditions were unchanged in the last three months. Those perceiving a change were evenly split with 28% saying that conditions had improved whilst 28% also said they had declined.

Back in the Autumn more respondents said that conditions over the previous three months were improving Vs those seeing a decline (31% Improved Vs 25% Declined). Wind forward six months and sentiment has swung more negative with a smaller number seeing improvement and a greater number seeing decline (now 28% Improved Vs 28% Declined).

Conditions since the turn of the year have been problematic for several reasons. The Trump administration has increasingly looked to increase tariffs on trading partners as well as rivals in a way that is creating increasing uncertainty in global markets. There is also the UK's disappointing GDP figures and forecasts that have been coupled with increasing tax rises on businesses of all sizes that are sure to play on the minds of owner and managers of UK technology businesses.



n = 127

## Looking forward to next year

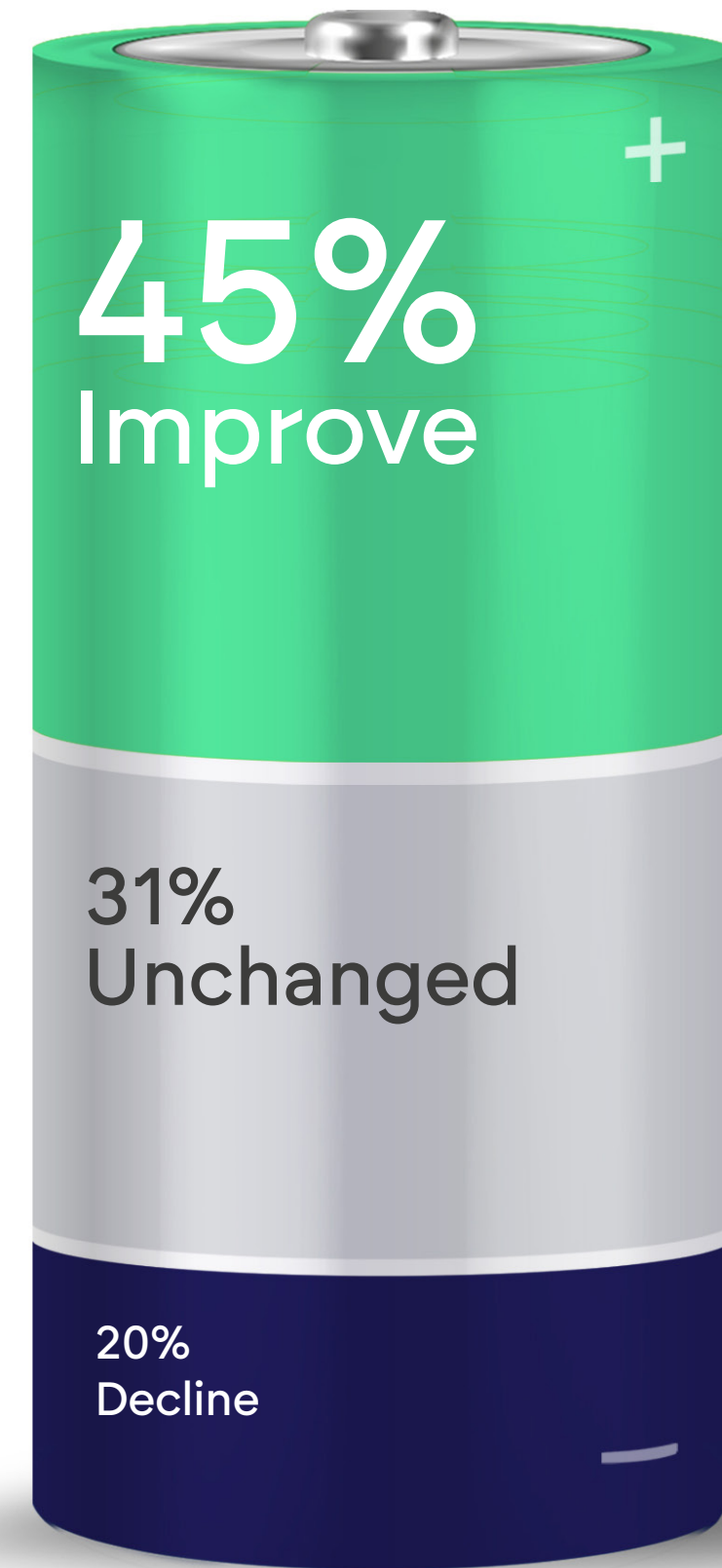
## Q3. Over the next 12 months, how do you expect this situation to change?

### The View

Optimism appears to be falling back in the UK tech sector with less than half of respondents (45%) believing that conditions will improve over the next 12 months compared to 60% when we ran the survey last Autumn. 20% of respondents now expect things to decline compared to only 13% when surveyed in Autumn.

Increasing pessimism is likely to be driven by a number of different reasons. The Macro economic environment, particularly around global trade and the economy has become increasingly uncertain since the start of 2025 with some of the Trump Administration measures around tariffs signaling that globalisation is under threat.

On the domestic front it can be argued that tax and labour laws are heading in the 'wrong direction' from an employer's perspective with the corresponding fiscal environment tightening significantly. Added to this many firms are experiencing a weakening sales environment. On the plus side, some 45% of respondents are still expecting an improving environment perhaps looking to reap the rewards from AI-led investment patterns.



5% responded 'Don't know / Not applicable'

n = 127

Key Concerns

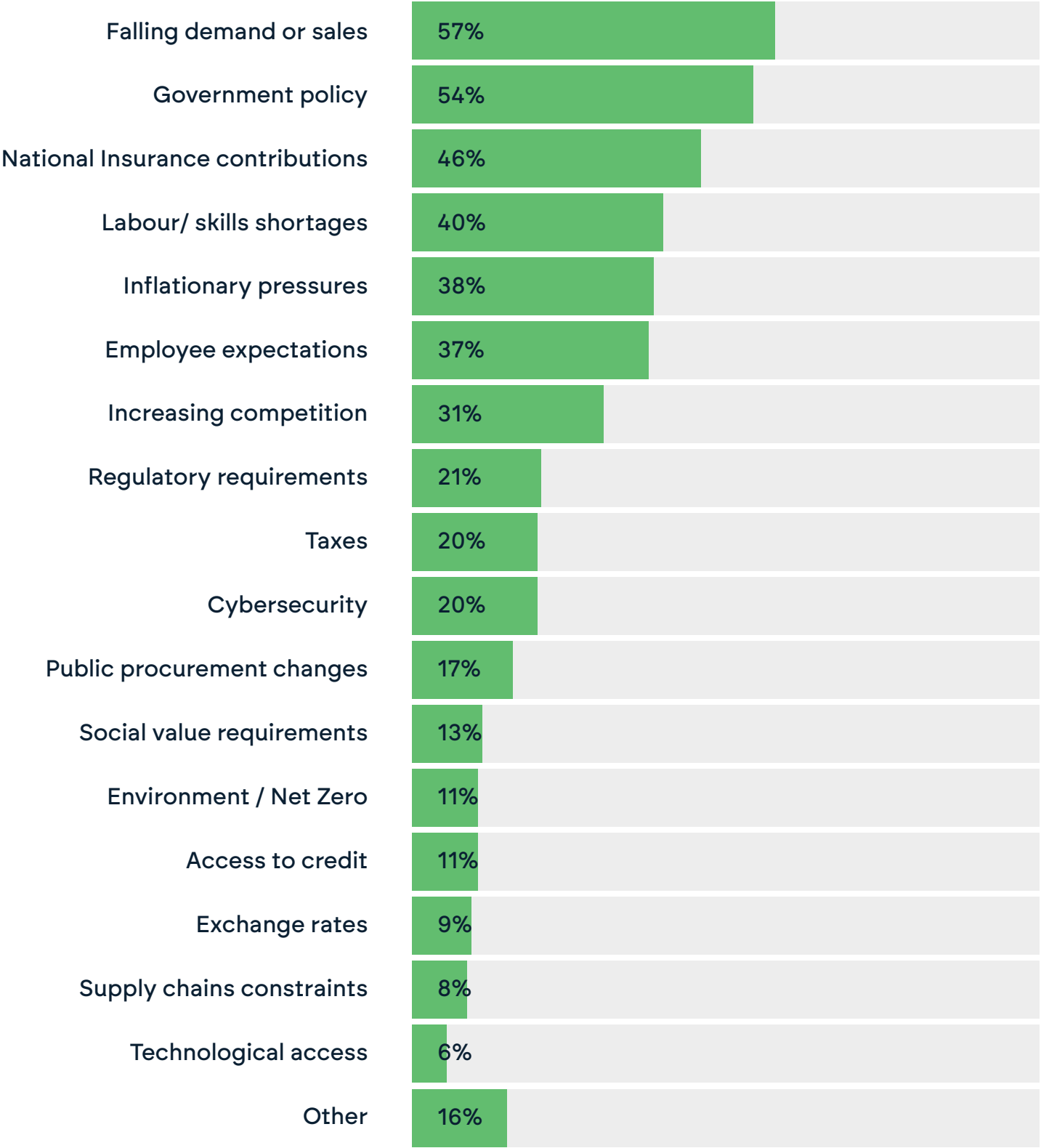
Q4. Which of the following factors are key concerns for your firm’s UK operations?

The View

When asked about the biggest issues facing their UK operations, tech business leaders cited falling demand or sales as the number one factor of key concern (57%) eclipsing government policy (54%) which was cited as being of greatest concern back in Autumn of last year.

The recent increase to employer National Insurance Contributions were also cited by approaching half of respondents (46%) as being a key issue facing the business, when they come into effect in April 2025.

Downward pressure on demand, be that from macro-economic uncertainty or restrictions on spending such as Public Sector cuts, or stubborn levels of UK inflation, the UK tech sector is citing an increasing number of challenging factors that are impacting their firm’s UK operations.





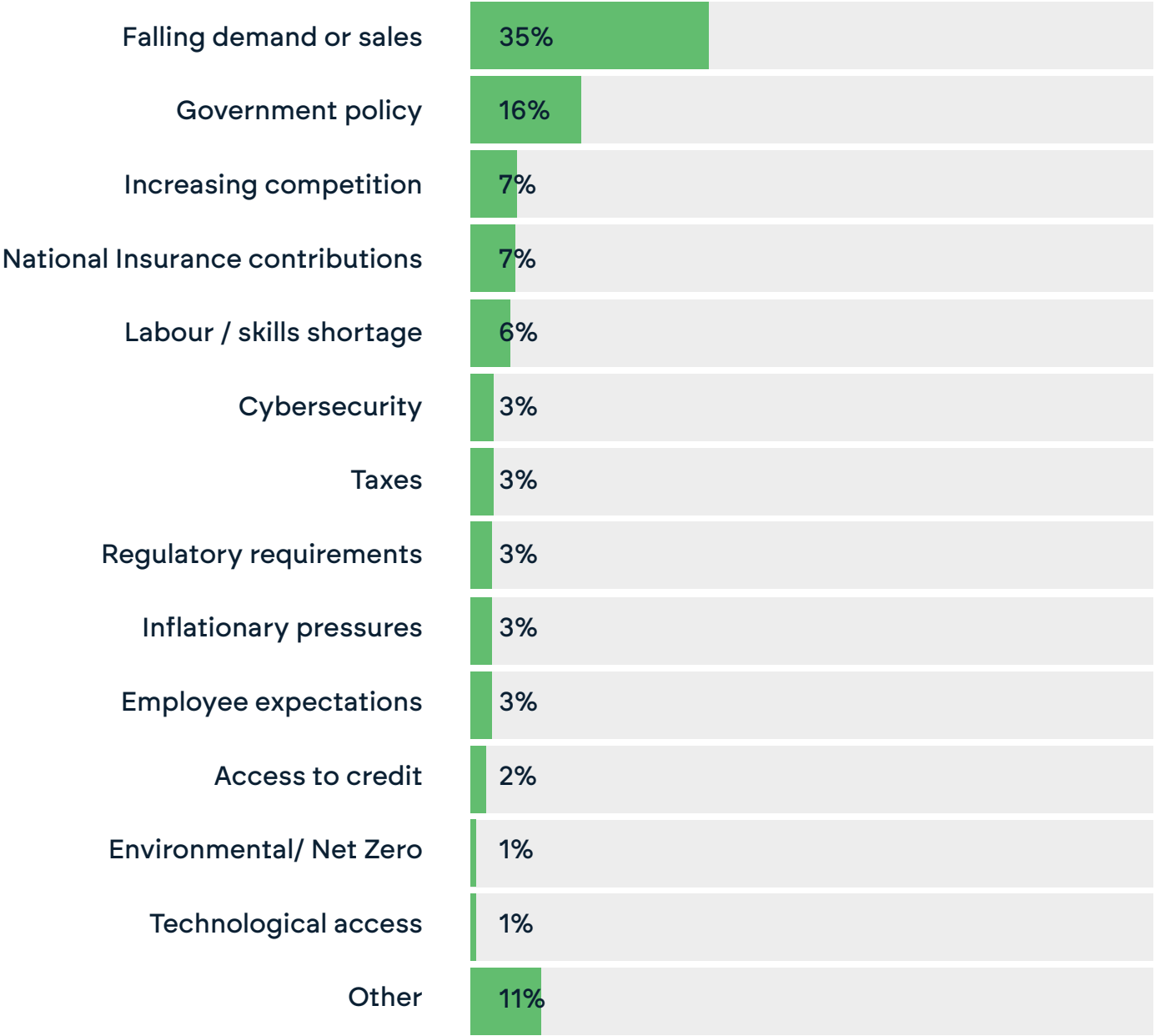
The most pressing concern

Q5. Which is the most pressing concern for your firm's UK operations?

The View

When asked to identify their single most pressing concern:

35% of respondents cited falling demand or sales as their firm's most pressing concern. Government policy (16%), Increasing competition (7%) and National Insurance Contributions (7%) were identified by respondents as the most pressing concerns.



n = 119

Key priorities for investment

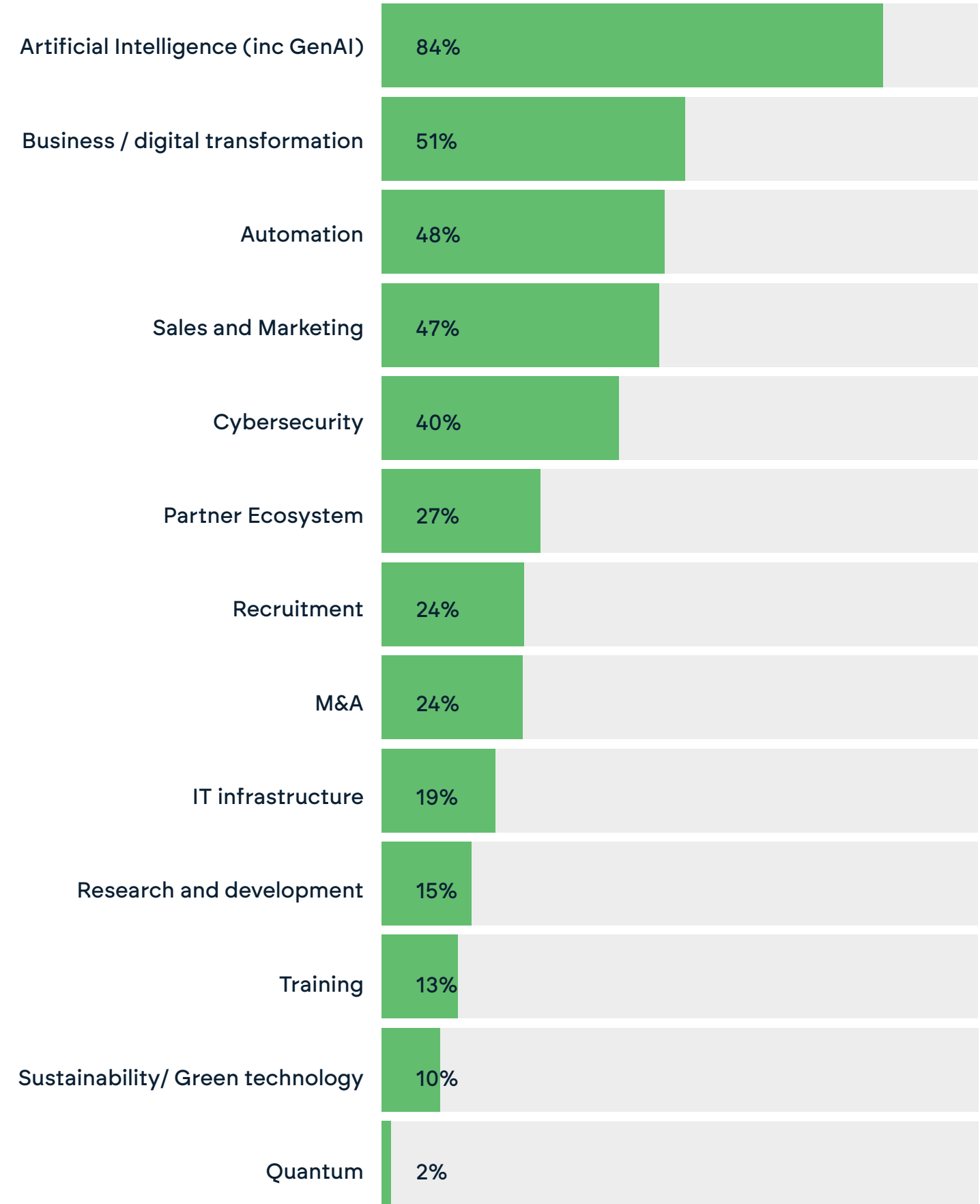
Q6. Over the next 12 months, which of the following are key priorities for investment?

The View

Key areas where UK tech companies are looking to invest over the next twelve months include AI/GenAI (84%), Business/Digital transformation (51%), Automation (48%) and Sales and Marketing (47%).

Not surprisingly, AI/GenAI investment plans were singled out as by far the most important priority area for investment with over 8 out of 10 respondents picking this as key over the next twelve months. Whilst a ‘save to spend’ mentality still exists within the UK tech scene, all of the top 3 investment priorities signal spending patterns that likely span cloud, data, AI/automation and associated consulting and services. We expect 2025 to witness a growing gap between digital leaders and laggards with those in a position to invest clearly at an advantage. Also expect greater scrutiny on return on investment with many tech buyers seeking a direct correlation between tech investment and their own financial performance.

Other areas of investment cited include Cybersecurity (40%) responding to the very public impact of breaches, recently rarely out of the news. The increasing prominence of Sales and Marketing investment (47%) perhaps reflects a more competitive sales environment whilst investing in one’s partner ecosystem (27%) remains key to reaping the benefits of transformation and AI.



Key growth drivers

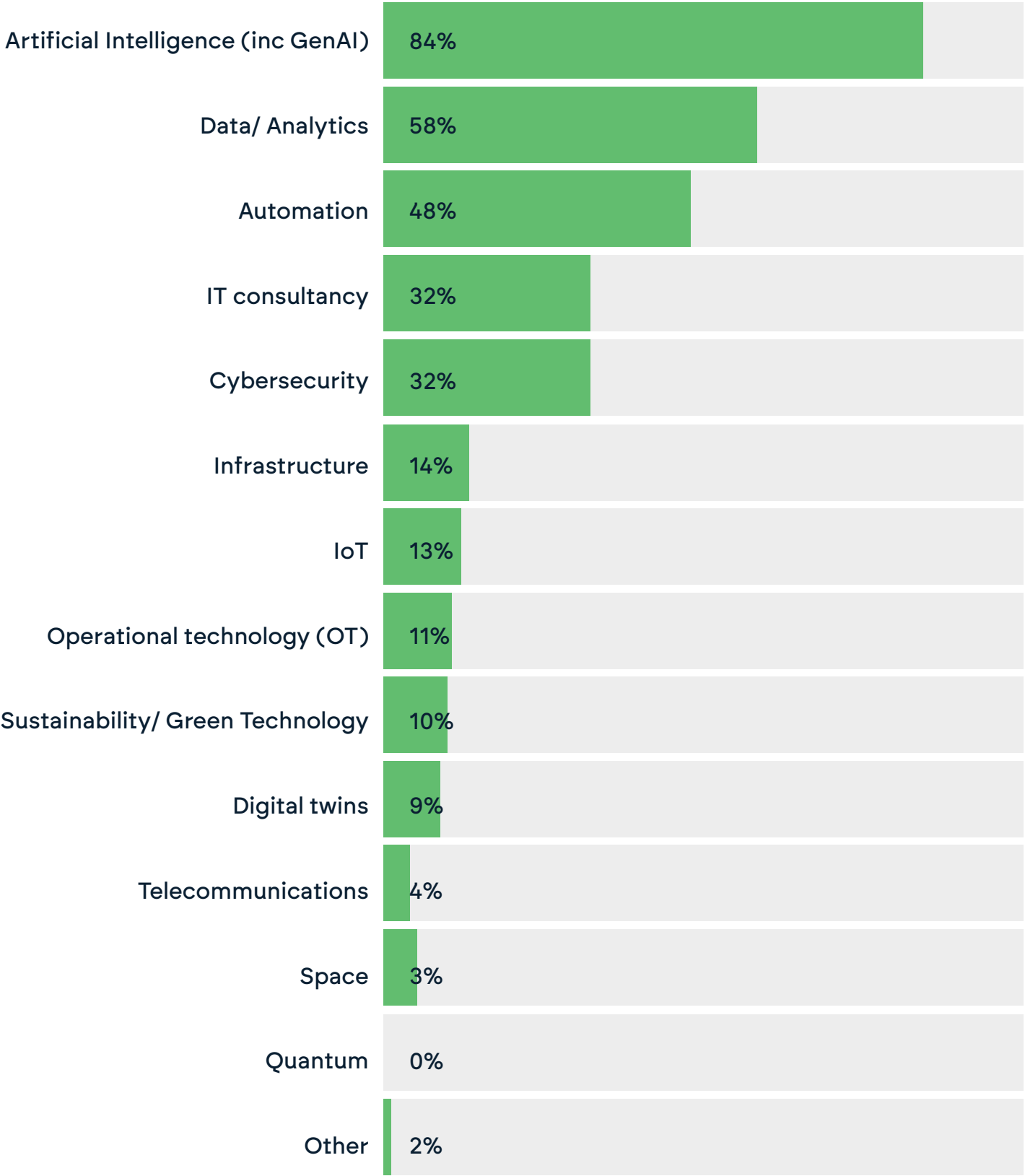
Q7. Over the next 12 months, which of the following technologies do you expect to be key growth drivers for your business?

The View

The top five technologies that respondents believe will drive growth over the next twelve months remained unchanged from six months ago , as follows: AI/ GenAI (84%), data/analytics (58%), Automation (48%), IT Consulting (32%) and Cybersecurity (32%).

More than 8 out of ten respondents cite AI/GenAI as the key technology that will drive growth over the next twelve months which hints at optimism that they can scale activities beyond pilots and proof of concepts in a way that delivers genuine business value and ultimately revenue and profitability growth.

Whilst 2024 saw an accelerating spend on cloud, data foundations, and workplace, proof of concepts still formed the majority of GenAI implementations with a ‘save to spend’ budgeting mentality prevailing, and data quality and accessibility remaining as significant adoption barriers. Looking forward, whilst we expect AI spend to come at the expense of more traditional business lines, we are already seeing an evolution from AI-driven knowledge access to more actionable agents, that done well could become a game changer for AI adoption. Those companies with strong digital foundations, upskilled workforces, and effective governance will capitalise best.





## IT labour/skills

**Q8.** Is your firm currently facing any shortages of IT labour/skills that are restricting its ability to compete or meet demand?

### The View

When asked about skills shortages, 54% of those that had an opinion stated that it was an issue for their business restricting their ability to compete or meet demand, versus 46% who felt that IT and skills shortages were not an issue currently.

As seen elsewhere in this survey the demand for data and analytics, cyber, AI and automation is increasing placing ever more pressure on the level of skills in the market. As such its perhaps no surprise that those respondents citing labour/skills issues has increased from 54% six months ago to 57% this time around.

54% Yes

46% No



n = 118

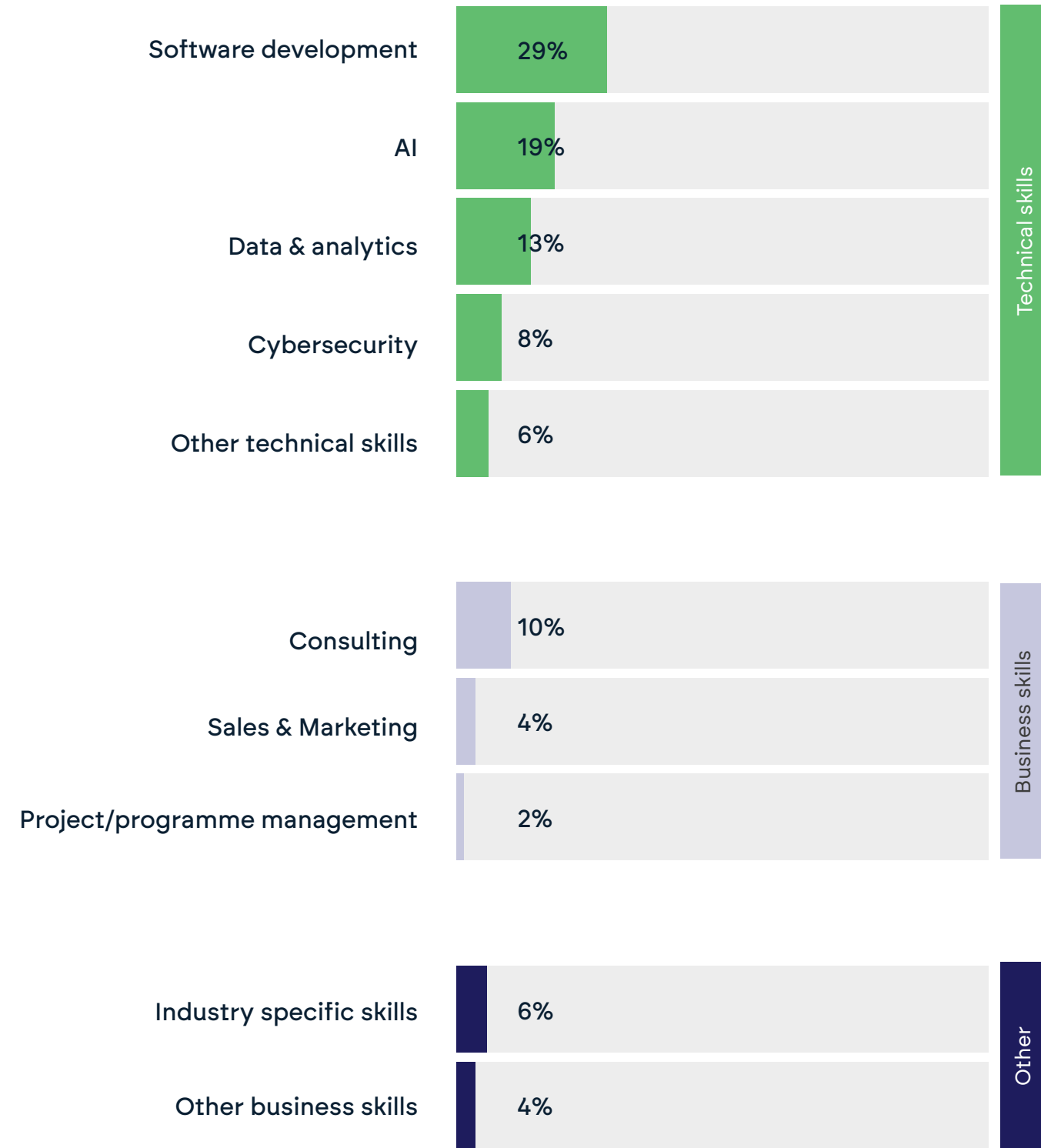
Areas of IT labour/skills shortages

Q9. In which areas are the IT labour/skills shortages you mention in the previous question most evident?

The View

Looking into the specific areas of skills shortages we can see that.....

- Technical skills remain in high demand with three quarters (75%) of respondents mentioning a shortage.
- Within Technical skills shortage of Software Development (29%) and AI (19%) were the most frequently mentioned. This is a significant increase on six months ago when the corresponding figures were 19% and 14%, respectively.
- A lack of data and analytics skills was mentioned by 13% of respondents down from 17% six months ago.
- Within Business & management skills a lack of Consulting skills was mentioned by 10% of respondents up from 8% six months ago.
- Access to sales and marketing skills appears to be improving. Just 2% of respondents mentioned a lack of sales and marketing skills down considerably on six months ago when it was mentioned by 15% of respondents.
- A small number (6%) of respondents mentioned a lack of Industry specific skills.



n = 52

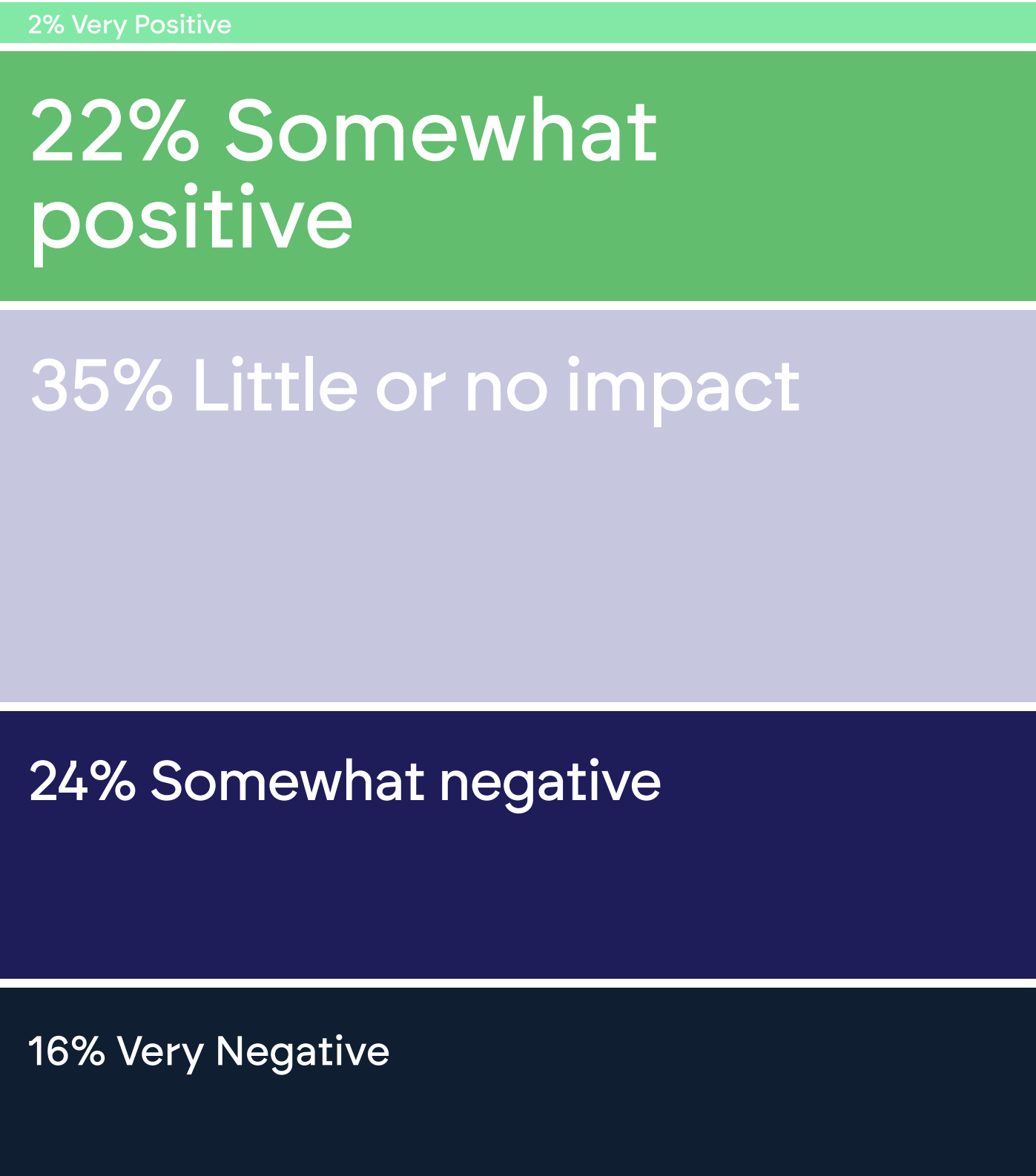
Impact of a new UK Government

**Q10.** Since coming to power in July 2024, what impact do you believe the current UK government has had on the UK tech industry?

The View

UK tech industry sentiment towards the new UK Government has declined in the last six months with less than a quarter of respondents (24%) believing their impact to be positive. This compares to a respective figure of 43% six months ago. Indeed just 2% thought that their impact was very positive this time around.

October’s budget witnessed significant tax rises levied throughout the UK economy with employers bearing a heavy burden through increased National Insurance Contributions. Added to this are proposed changes to the Labour Laws which are likely to make employment more complex and onerous for organisations. The UK economy has also been flatlining with the government struggling to drive much promised growth. As such its perhaps not surprising that 40% of respondents thought that the UK Government was having a negative impact on the UK tech industry with 16% stating it was ‘very negative’. Six months ago, the equivalent figure was at just 30% (11% very negative).



2% responded 'Don't know / Not applicable'

n = 127



Government strategic plans and white papers

Q11. How significant an opportunity do you believe the following UK government white papers and strategic plans will be for your business?

NHS 10-Year Plan



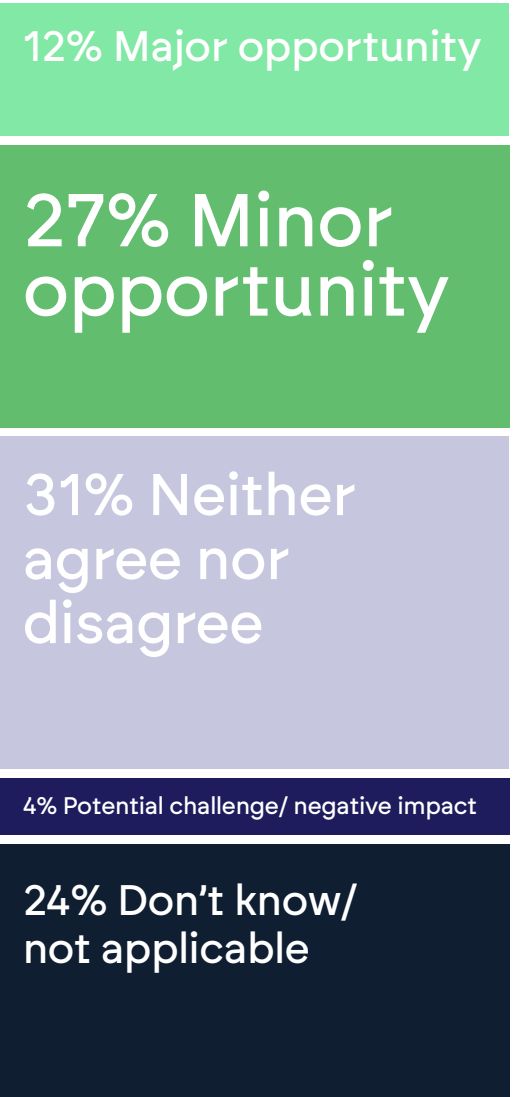
English Devolution



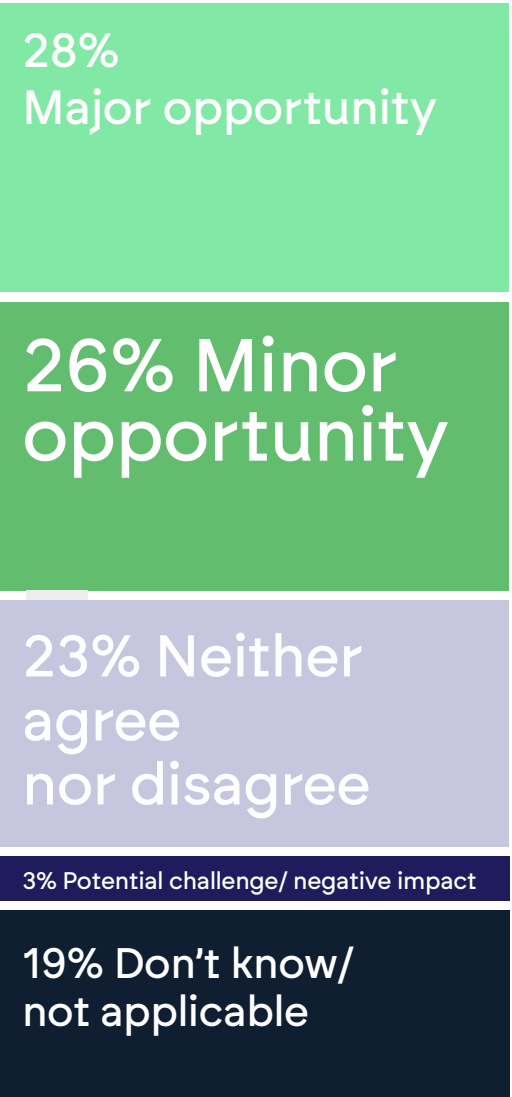
Get Britain Working



Police Reform



Strategic Defence Review



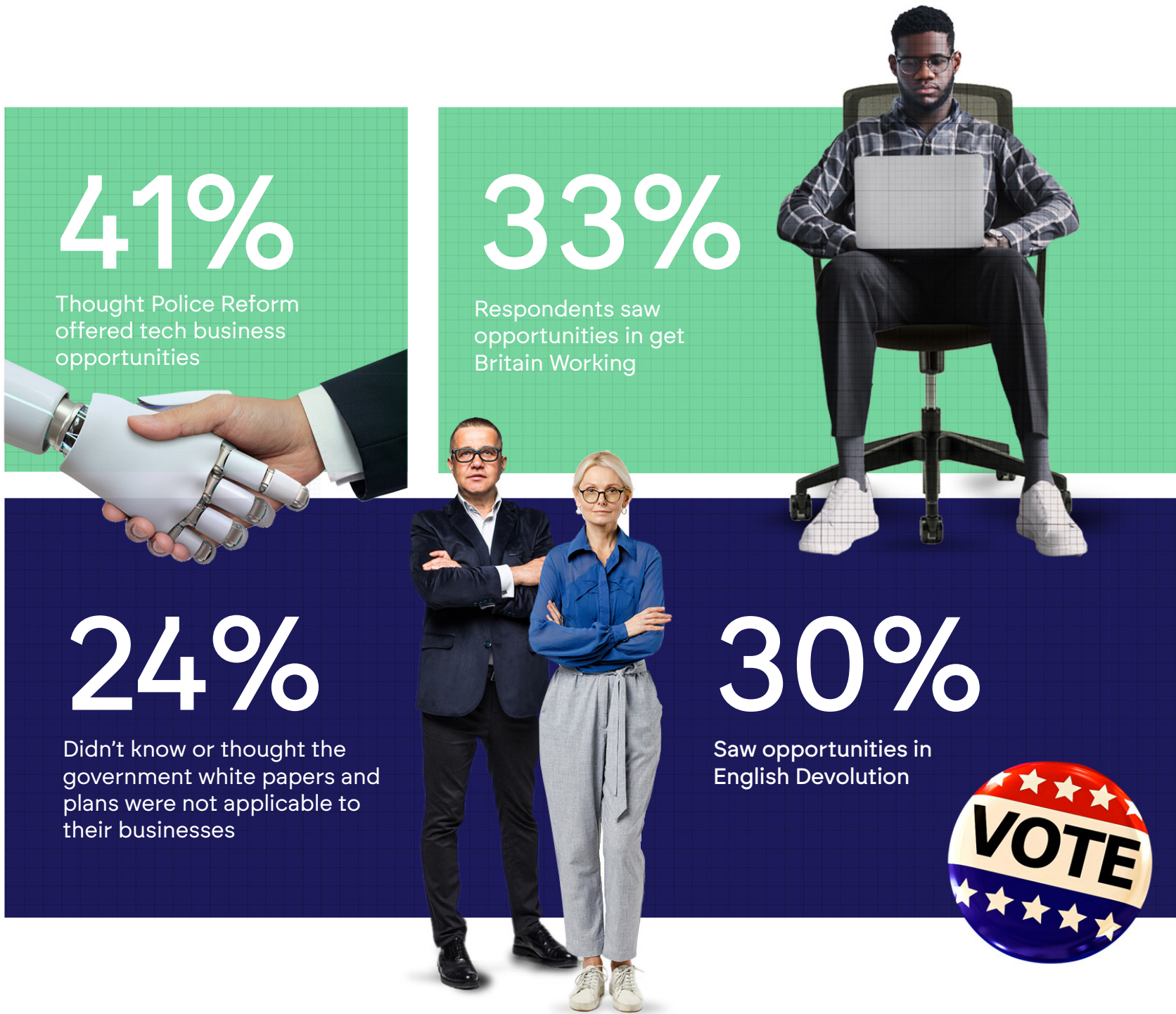
n = 127

The View

Respondents cited both the NHS 10-Year plan (54%) and the Strategic Defence Review (54%) as the best opportunities for their businesses. Indeed 28% of respondents cited both as “Major Opportunities” for their business.

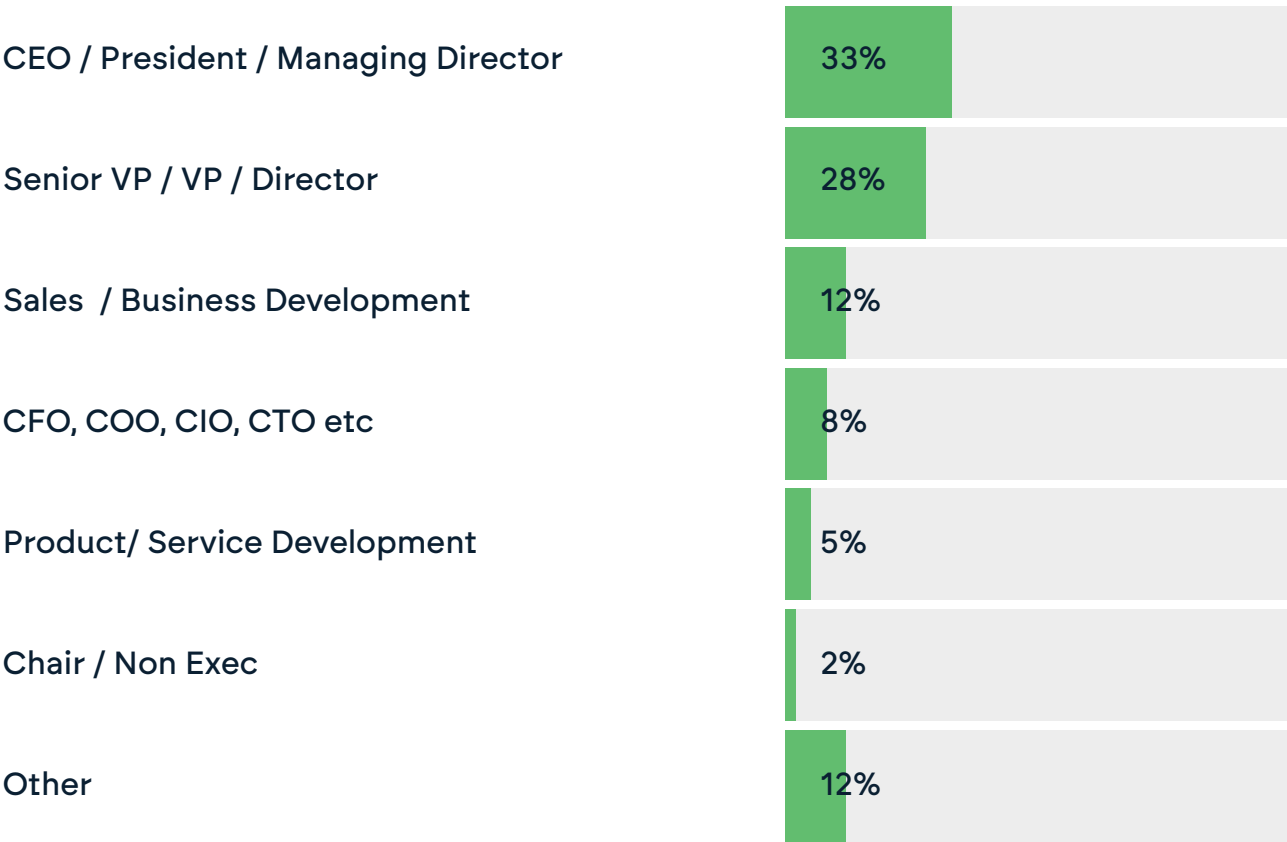
41% of respondents thought that Police Reform offered tech businesses opportunities, whilst 33% and 30% of respondents saw opportunities in Get Britain Working and in English Devolution, respectively.

Between 13% and 24% of respondents either Didn't know or thought the government white papers and strategic plans were not applicable to their business.



Respondents by job role

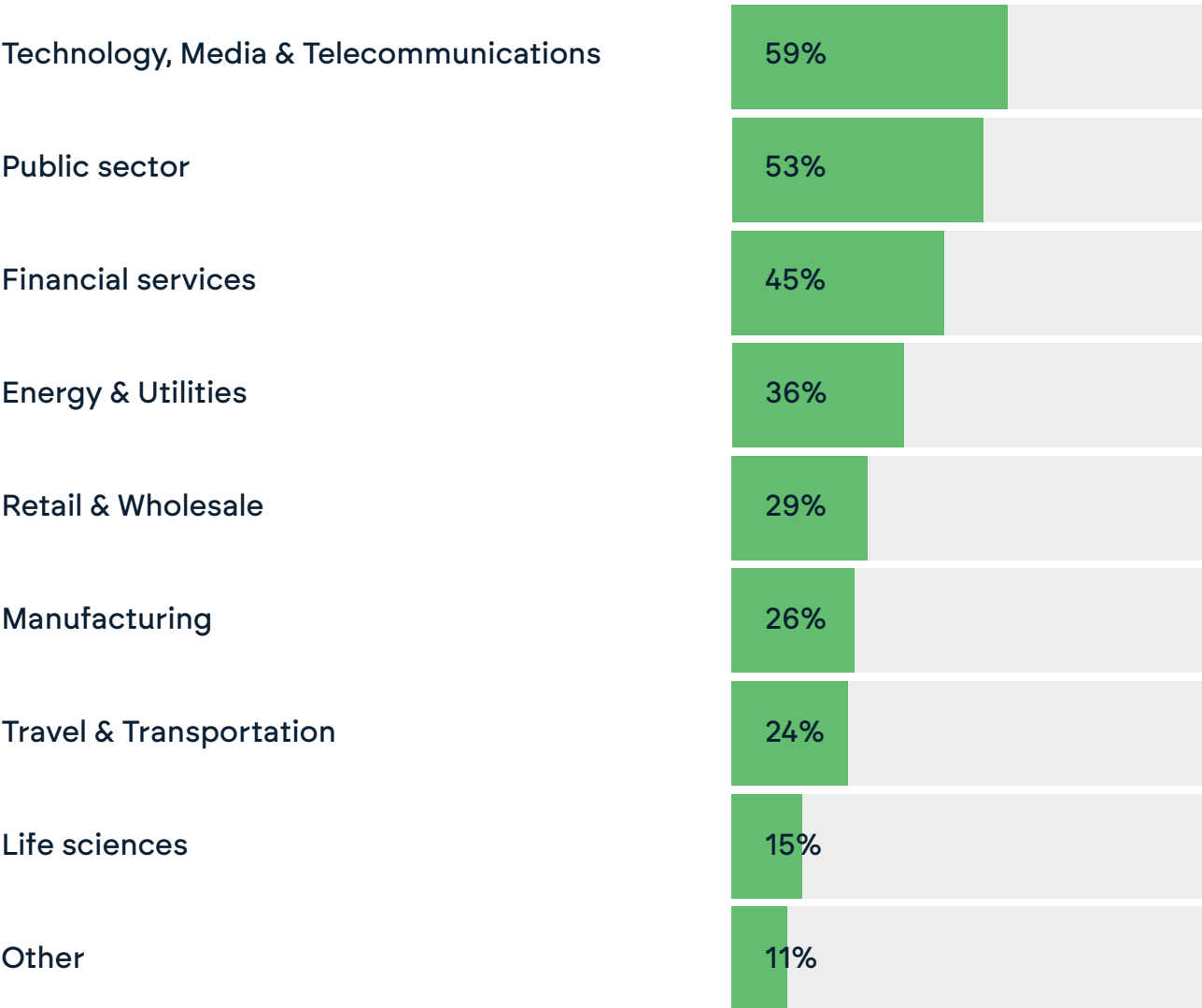
Q12. Which of the following best describes your job role?



n = 127

Respondents by end user industry of focus

Q13. Which of the following end user industries would you describe as core to your firm's UK operations?

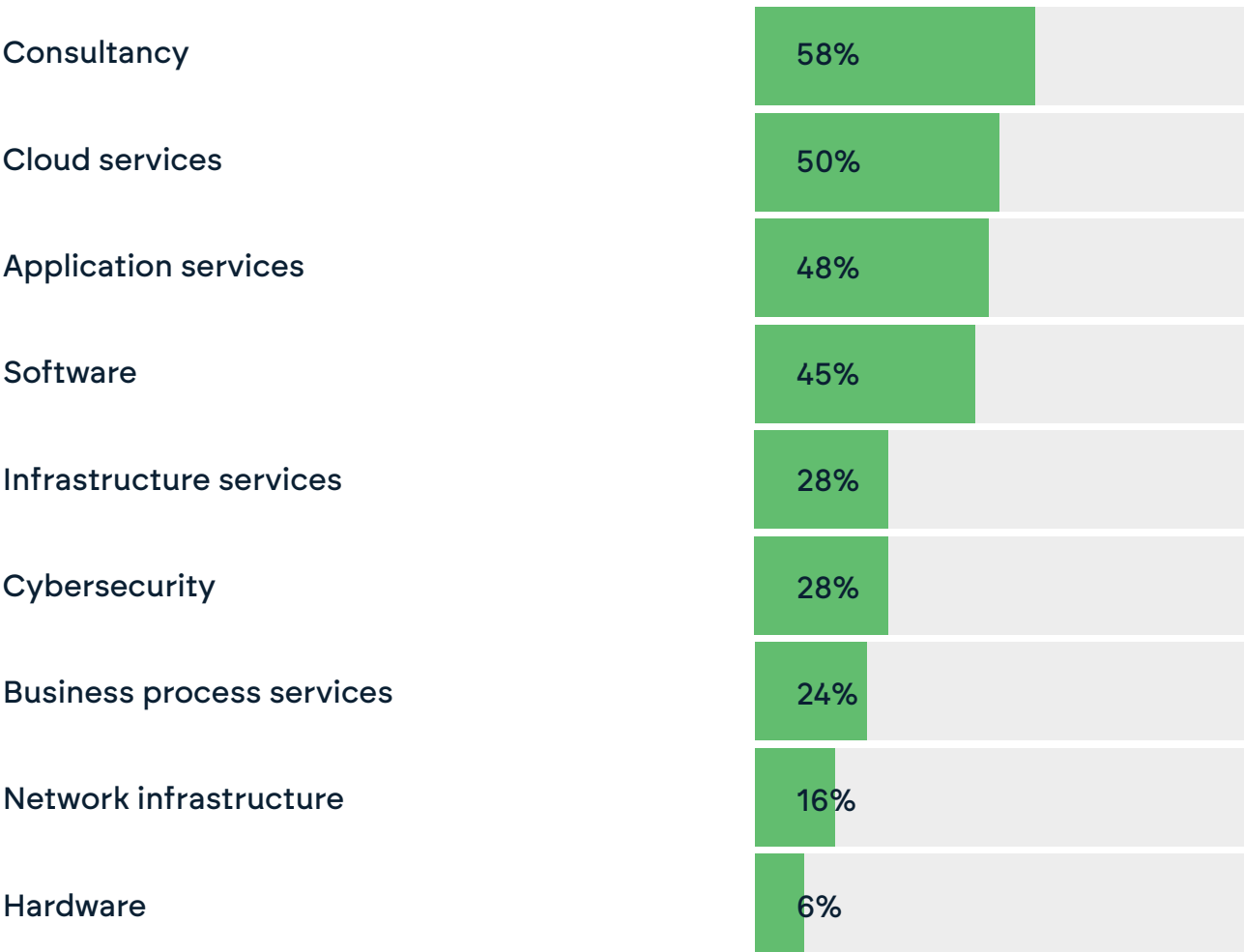


n = 127



Respondents by area of SITS

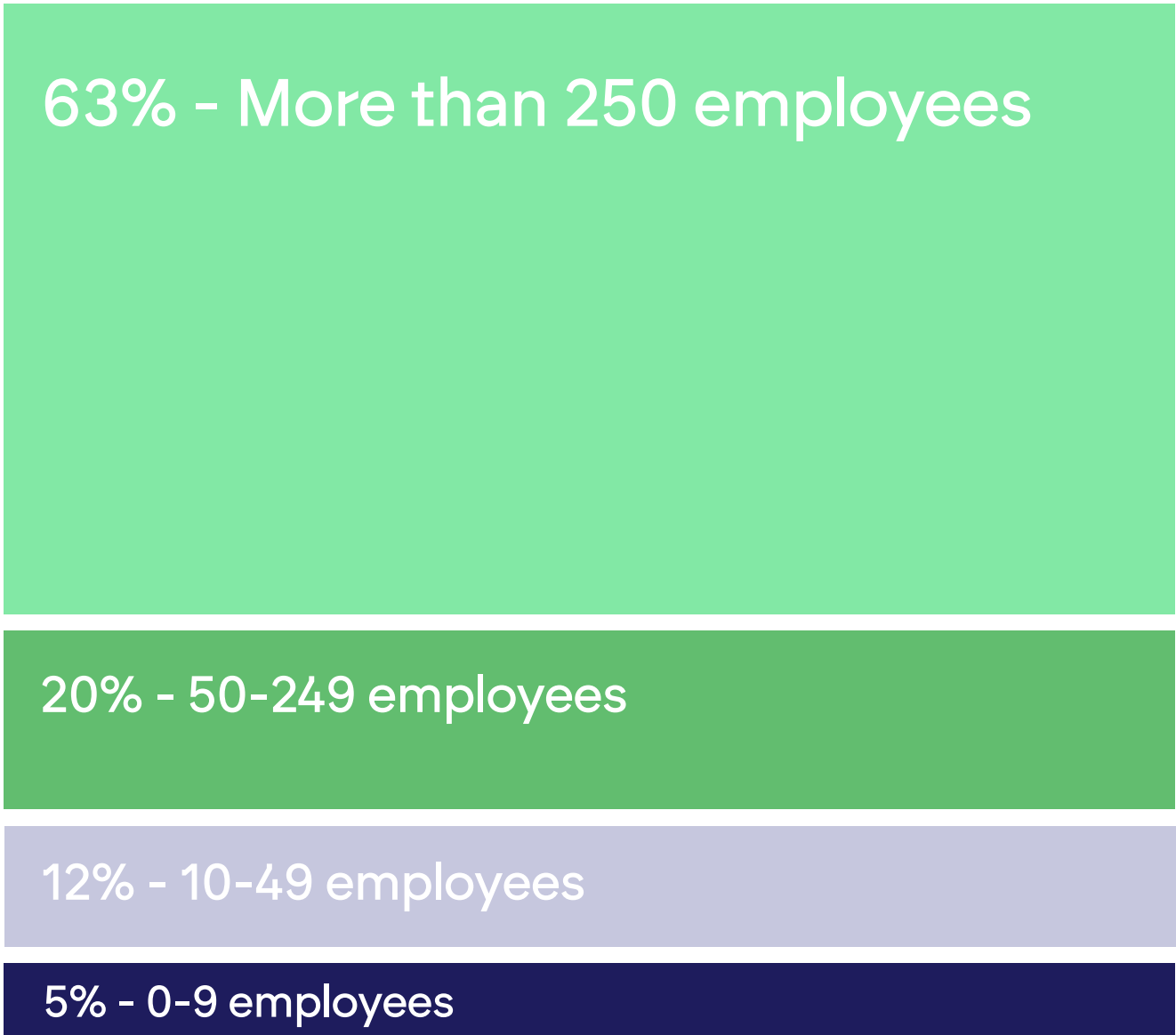
Q14. Which of the following would you describe as being your firm’s core activities in the UK?



n = 127

Respondents by size of UK operation

Q15. Which of the following best describes the size of your firm’s UK operations?



n = 127

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