

## Contribution of computing and IT to the UK economy

- In 2004, the **IT industry represented almost 5% of total UK GVA**, and was **almost twice as productive as the all-industry benchmark** (*IT Insights: Trends and UK Skills Implications*, e-skills UK/Gartner Consulting, November 2004).
- Within this, the **software industry represents almost 3% of UK GDP** (<http://www.dti.gov.uk/industries/software/>).
- The UK software and computer services sector, worth around £32.9bn, was the **largest in Western Europe in 2003**, and represented **8% of global consumption** in 2002 (*Sector Competitiveness Analysis of the Software and Computer Services Industry*, DTI July 2004).
- Overall, **IT intensive industries represent 45% of the total UK GVA, more than any other G7 country except Germany** (*IT Insights: Trends and UK Skills Implications*, e-skills UK/Gartner Consulting, November 2004).
- **New sectors of ICT are an important contributor.** In 2001, the **UK computer games industry generated £1.16bn of value**. UK developed games were the highest sellers in both the UK and the USA. At this date, the games sector employed 20,000 people, 6000 of whom were developers, more than twice the number employed in the games sector in France and more than 10 times the corresponding number in Germany (*From Exuberant Youth to Sustainable Maturity: competitiveness analysis of the UK games software sector*, DTI and Spectrum Strategy Consultants, 2001).
- **In 2001, an ONS survey of 9,000 UK firms found that almost 6% of all sales were made via electronic networks** (including the internet). These sales were worth £161.8bn. The financial sector in particular was a heavy user of e-commerce. Purchases by electronic networks, excluding the financial sector, were worth around £118.5bn, around 12.7% of all purchases (*Measuring e-commerce: Developments in the UK*, 'Economic Trends' Report 575, A. Rowlatt, Office for National Statistics 2001).
- The use of **ICT plays a fundamental role in driving the productivity of manufacturing industry**. A DTI report in 1999 found that ICT use facilitates advances in the manufacturing value chain by improving product design, product manufacturing, internal processes, supply chain management, distribution, marketing and after-sales care (*Manufacturing in the Knowledge-Driven Economy*, DTI 1999). In a survey, **representatives from 95% of companies questioned believed that ICT would be a key factor in improving relationships and communication in their supply chain**. Studies of individual firms in the UK in the early 21<sup>st</sup> Century indicated that 'purchasing through electronic networks can make particularly important contributions to improved productivity' (*Seizing the Benefits of ICT in a Digital Economy*, OECD 2003).
- **Innovation in ICT contributes to the productivity of other service sectors.** For example, one large investment bank forecasts a saving of around £1m per year due to the use of new grid computing systems for the complex analysis of equities markets ('DTI launches £1m "grid computing" drive', Rhys Blakely, *The Times* 10 August 2005).
- **ICT has also enabled productivity improvements in some ICT-user service sectors**, such as wholesale and retail trade and financial and business services. According to an OECD study, UK productivity growth in a range of IT-user sectors in the period 1996 - 2001 (when many ICT applications were introduced) was more than double that of the period 1990 - 1995 (*Seizing the Benefits of ICT in a Digital Economy*, OECD 2003).