Economic contribution of UK private equity and venture capital in 2025

Chapter 1: Total Economic Activity of private equity and venture capital backed businesses

Prepared for the British Private Equity & Venture Capital Association

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Executive Summary

This report estimates the current direct economic activity of UK companies supported by private equity and venture capital firms within the UK economy in 2025. This analysis does not include the related activity of private equity firms and venture capital firms themselves. The estimates provide a snapshot of the direct economic footprint of activity supported by private equity and venture capital investments as measured by employment, employee earnings, and gross domestic product (GDP) in 2025. Throughout this report, any reference to economic activity supported by private equity and venture capital firms relates to the United Kingdom alone.

<u>Key findings</u>

Economic activity of UK private equity and venture capital backed businesses[1]

- **Employment and earnings contribution.** UK private equity and venture capital backed businesses provide employment and earnings for hundreds of thousands of workers. Overall, in 2025, UK private equity and venture capital backed businesses employ 2.5 million workers, collectively earning £91 billion.[2,3] This reflects the direct economic activity supported by the investments of private equity and venture capital firms. The average earnings of a UK worker at a private equity or venture capital backed business are approximately £35,600 in 2025.[4]

- **Share of UK economic activity.** Private equity and venture capital backed businesses directly generate £199 billion of GDP in the United Kingdom in 2025. GDP measures the contribution of a sector or industry to the production of goods and services within the United Kingdom. Private equity and venture capital backed businesses directly support approximately 7% of UK GDP, 8% of employment, and 9% gross earnings in 2025.

- **Growth over time.** Overall, in 2025, there are over 12,900 private equity and venture capital backed businesses which directly employ 2.5 million workers. This represents a 5% increase in the number of companies compared to 12,200 in 2023, and a 17% increase in employment from 2.2 million workers in 2023. Additionally private equity and venture capital backed direct employment increased from 7% to 8% as a share of total employment between 2023 and 2025. The year 2023 is used for comparison as it is the most recent prior version of this report.

Table E-1. Direct economic activity of UK private equity and venture capital backed businesses, 2025

	Direct economic contribution
Employment (000s)	2,545
Employee earnings (£b)	91
GDP (£b)	199

Note: Employee earnings is defined as gross earnings and is a component of GDP. This analysis does not include private equity firms and venture capital firms. Figures are rounded.

Source: EY analysis.

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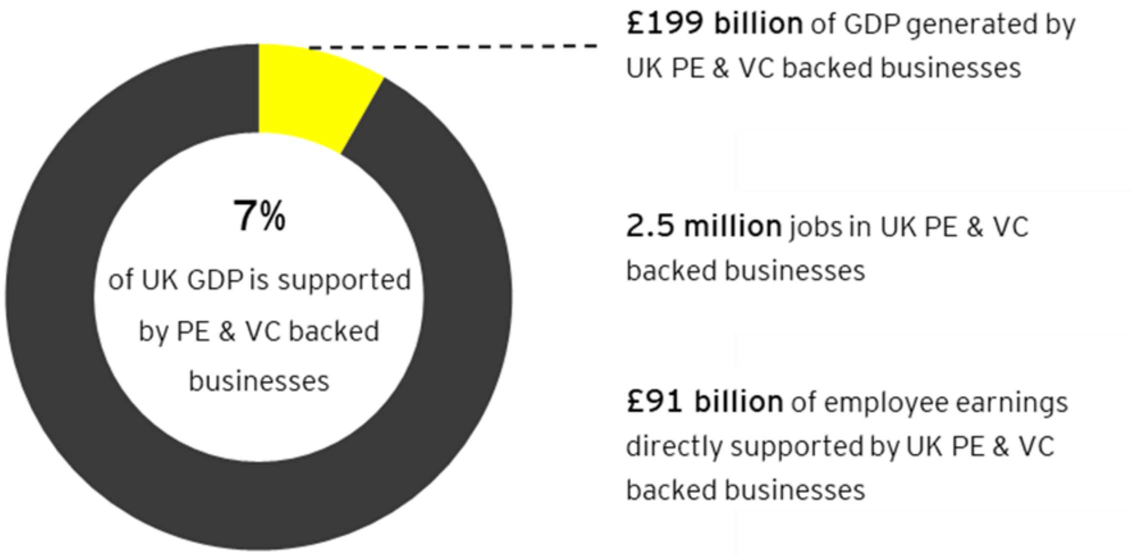


Note: Employee earnings is defined as gross earnings and is a component of GDP. This analysis does not include private equity firms and venture capital firms. Figures may not sum due to rounding.

Source: EY analysis.

1. Introduction

This report estimates the current direct economic activity of companies supported by private equity and venture capital firms within the UK economy in 2025. This analysis does not include the related activity of private equity firms and venture capital firms themselves, or the indirect or induced economic contribution of private equity and venture capital backed businesses. The estimates provide a snapshot of the direct economic footprint of activity supported by private equity and venture capital investments as measured by employment, employee earnings, and gross domestic product (GDP) in 2025. By providing information on the direct economic activity supported by private equity and venture capital investments, measured and defined in several different ways, this report helps shed light on the reach of private equity and venture capital within the UK economy.

Companies supported by private equity and venture capital provide employment and earnings for many workers. Overall, in 2025, private equity and venture capital backed businesses employ 2.5 million workers, collectively earning £91 billion. This reflects the economic activity supported by the investments of private equity and venture capital firms. Throughout this report, any reference to economic activity supported by private equity and venture capital firms relates to the United Kingdom alone.

This is Chapter 1 of the report, focusing on the total economic activity of private equity and venture capital backed businesses in the UK. Further chapters on economic activity by sector and by UK nation and region will follow.

Overview of private equity

Private equity firms partner with investors to form funds that invest in companies in exchange for ownership stake (most often a majority equity stake). A typical investment aims to add value to the company through use of the private equity firm's access to capital and its strategic, financial, and operational expertise. The goal is to increase the value of the company by improving its performance and growth. This value can be added by changes in, for example, a target company's ambitions, risk appetite, core versus non-core activities, and asset allocation. Private equity firms typically operate more than one fund, and each fund can have a different focus in terms of sector focus, target company size, and/or geography.

Ultimately, transforming the target company's operations generates returns for the private equity fund, the private equity firm that manages the fund, and the fund's investors. Private equity firms partner with a variety of investor types, including pension funds, university endowments, charitable foundations, and insurance companies.[5]

The most common private equity fund types are: (1) funds that invest in more mature businesses, and (2) growth equity funds.[6]

Funds that invest in more mature businesses

An established company may perform below its potential for a variety of reasons, such as increased competition, structural changes to an industry or its markets, or high overhead costs. Given that identifying and addressing the root cause of underperformance can require expertise and potentially incur significant costs, a private equity fund may be well-positioned to help increase the company's value.

Obtaining a controlling stake in such a company often requires significant investment. A private equity fund often finances acquisitions in part through debt issuance, sometimes a cost-effective method for such transactions. In a typical case, the target company's future cash flows are the collateral. The private equity fund generates returns on its investment by maximising profits net of interest expenses and payments of the debt principal. A successful private equity fund typically has expertise in helping bolster the performance of companies in their target sector, and hence both the private equity fund and target company could benefit from a buyout by private equity.

In addition, achieving higher performance may require altering the company's strategy, adjusting higher-level management, or refocusing the company's business purposes by spinning off peripheral business components. Such structural changes to a company are not always welcome by all stakeholders, especially in the short term.[7]

Growth equity funds

Growth equity funds are private equity funds that invest in companies to foster expansion during a period of potentially dramatic growth in a company's lifecycle. Growth equity target companies are often relatively mature, and thus tend to have established business models, revenues, and operating profits, but need additional funding to undertake a significant expansion. Such an expansion could include moving the company into new markets, facilitating new product development, or possibly a strategic acquisition.

The target company for a growth equity fund, were it not for private equity support, may experience significant cost and regulatory hurdles to raising public capital, and additionally, may be unable to rely on venture capital investment (see below). Growth equity funds, in effect, are a middle ground between venture capital that targets start-up companies and private equity funds that focus on well-established companies. Despite growth equity's relatively lower risk as compared to venture capital, growth equity funds are generally willing to take on a greater level of risk than a bank typically would.

Growth equity investors rely on an increase in revenues of the target company to generate returns. This can be accomplished by providing additional capital, as well as through strategic and operational support from the private equity firm. Growth equity funds can undertake a significant role in the target company's day-to-day operations.

Overview of venture capital

Venture capital consists of private investment in start-up and early-stage companies in exchange for an ownership stake in the target company (most often a minority equity stake). Venture capital firms aim to boost the value of the companies they target with the intention of selling them, or their ownership in them, for a profit. While private equity firms tend to invest in larger, well-established businesses, venture capital firms fund emerging companies that have yet to fully develop. For such early-stage companies, venture capital funding can be essential, especially since they are frequently unable to access traditional debt instruments, such as bank loans or capital markets.

Given that venture capital firms invest early in a company's lifespan, these investments are generally viewed as riskier relative to private equity. However, venture capital firms tend to temper risk by investing in a broad range of companies within an individual fund, with the objective that the gains from successful companies outweigh the losses from the underperformers. If a venture capital-backed business is successfully acquired or goes public through an IPO, the venture capital firm generally makes a profit, which is then distributed to the investors.

2. Economic activity of private equity and venture capital backed businesses

Private equity and venture capital backed businesses directly provide employment and income for workers, and also contribute to jobs in other sectors of the UK economy that are tied to the operations of private equity and venture capital backed businesses.

This report only considers the direct economic activity supported by private equity and venture capital backed business, covering the following indicators:

- **Employment.** Employment is measured as the total headcount of workers. For example, a company with three full-time workers and a company with two full-time workers and one part-time worker would both be measured as having three workers.

- **Employee earnings.** Employee earnings follow the definition of gross earnings as defined by the UK Office for National Statistics (ONS): remuneration for employment excluding benefits and tax.[8] Employee earnings is included within the total GDP figure and includes the earnings of both full- and part-time workers.

- **GDP.** GDP measures a sector's contribution to the production of all final goods and services produced in the United Kingdom.

Private equity and venture capital-backed businesses not only contribute directly to the economy but also support additional employment, employee earnings, and GDP through their supply chain spending (indirect contributions) and the spending of their direct and indirect employees (induced contributions). Additionally, there are third-order contributions that arise from the economic activity generated by the spending of those employees. However, this assessment focuses solely on the direct economic contributions of these businesses, without modelling the second-order and third-order economic contribution.

In 2025, there are 12,900 UK private equity and venture capital backed businesses who employ over 2.5 million workers. Table 1 displays the number of companies and the number of people employed by private equity and venture capital backed businesses in 2025. This splits between 3,800 private equity backed businesses employing 2.2 million workers, and over 9,100 venture capital backed businesses employing 378,000 workers. Venture capital backed businesses therefore are smaller in nature, with the majority having fewer than 50 workers. Private equity backed businesses tend to be larger, but the majority would still have fewer than 200 workers. It is therefore the case that a relatively small number of larger private equity backed business account for the majority of total employment.

Table 1. UK private equity and venture capital sector company count and employment by company size, 2025

Count of Companies					Employment (000s)			
Company size	PE backed entities	% of total	VC backed entities	% of total	PE backed entities	% of total	VC backed entities	% of total
>3,000	139	4%	8	*	1,162	54%	39	10%
2,000-2,999	84	2%	4	*	198	9%	9	2%
500-1,999	487	13%	65	1%	460	21%	55	14%
200-499	604	16%	180	2%	188	9%	55	14%
50-199	1,228	32%	1,197	13%	133	6%	109	29%
<50	1,265	33%	7,651	84%	26	1%	111	29%
Total	**3,807**	**100%**	**9,105**	**100%**	**2,167**	**100%**	**378**	**100%**

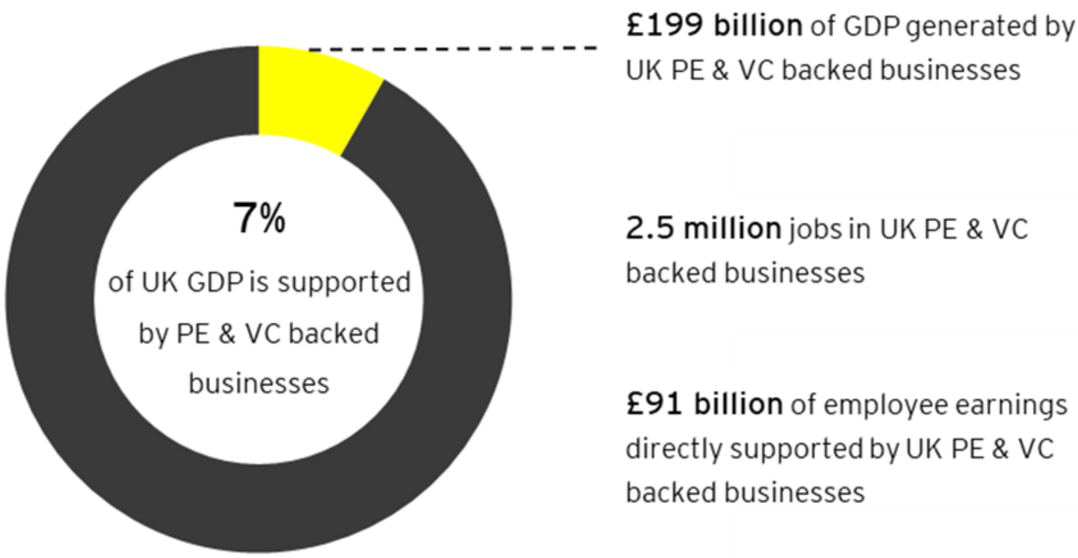
Note: This analysis does not include private equity firms and venture capital firms. Figures are rounded.
* Less than 0.5%

Source: EY analysis.

Overall, in 2025, private equity and venture capital backed businesses directly employ 2.5 million workers earning £91 billion and generating £199 billion of GDP. This reflects the economic activity supported by the investments of private equity and venture capital firms.

The average worker at a private equity or venture capital backed business has earnings of approximately £35,600 in 2025.[9]

Figure 1. Direct economic contribution of UK private equity and venture capital backed businesses, 2025



Note: Earnings is defined as gross earnings. Employee earnings is a component of GDP. The ratio of UK GDP supported by UK private equity and venture capital backed businesses in 2025 was calculated using annual UK GDP for 2024 as available on March 28, 2025, from the ONS, across both the public and private sector. Figures are rounded.

Private equity and venture capital backed businesses directly contribute approximately 7% to the UK's overall GDP, 8% to total employment, and 9% of gross earnings in 2025.[10]

These contributions are even more pronounced when considering only the private sector, where private equity and venture capital backed businesses account for approximately 9% of both total private sector employment and GDP in 2025.[11]

Table 2. Direct economic activity of UK private equity and venture capital backed businesses as a percentage of total UK economy and of private sector UK economy, 2025

	Direct economic contribution	% of total UK economy	% of private sector UK economy
Employment (000s)	2,545	8%	9%
GDP (£b)	199	7%	9%

Note: The direct economic contribution of private equity and venture capital backed businesses as a proportion of the total UK economy includes both private and public sector employment and GDP. To consider this contribution as a proportion of only the private sector, we have considered only the total private sector employment and GDP.

Source: EY analysis.

The direct economic activity of private equity and venture capital backed businesses in 2025 and 2023 is displayed in Table 3. Table 4 presents the growth in the number of private equity and venture capital backed businesses and respective employment contributions. The year 2023 is used for comparison as it is the most recent prior version of this report.

In 2025, there are over 12,900 private equity and venture capital backed businesses, representing a 5% increase from 2023. These businesses directly employ 2.5 million workers, a 17% increase from 2.2 million workers in 2023. Most of this growth comes from private equity backed businesses, which increased employment by 17% despite a 6% decrease in the number of businesses. In contrast, venture capital backed businesses have increased in terms of both number of businesses (+11%) and in employees (+20%) between 2023 and 2025.

The expected GDP contribution of private equity and venture capital backed businesses in 2025 is £199 billion, reflecting an increase of 45% from 2023, providing direct employees with £91 billion in earnings. This growth is driven by higher employment levels, as well as a shift in the distribution of company sectors and locations to more productive sectors and regions.

Table 3. Direct economic contribution of UK private equity and venture capital backed businesses, 2025 vs 2023

	2025	2023	% change
Number of PE/VC backed entities	12,912	12,266	5%
Employment (000s)	2,545	2,172	17%
Employee earnings (£b)	91	75	21%
GDP (£b)	199	137	45%

Note: Employee earnings is defined as gross earnings and is included within the total GDP figure. This analysis does not include private equity firms and venture capital firms. Monetary values presented above are in nominal terms based on price year of underlying data, and the percentage change between 2025 and 2023 therefore includes inflation. Figures are rounded.

Source: EY analysis.

Table 4. Direct economic contribution of UK private equity and venture capital backed businesses by type of business, 2025 vs 2023

	PE backed entities			VC backed entities		
	2025	2023	% change	2025	2023	% change
Count of Companies	3,807	4,068	-6%	9,105	8,198	11%
Employment (000s)	2,167	1,857	17%	378	315	20%

Note: This analysis does not include private equity firms and venture capital firms. Figures are rounded.

Source: EY analysis.

3. Caveats and limitations

The estimates of the direct economic contribution of UK private equity and venture capital backed businesses presented in this report are based on the direct economic contributions for the UK economy and the data and assumptions described elsewhere in the report. Readers should be aware of the following limitations specific to this analysis.

- **The results show a snapshot of current direct economic contributions.** The modelling approach used in this analysis shows the 2025 direct economic contribution of UK private equity and venture capital backed businesses. The analysis is at a single point in time (i.e., 2025).[12] The results do not reflect or attempt to estimate an expansion, contraction, or any other changes, or related impacts, of these businesses.
- **Estimates are limited by available public information.** The analysis relies on information reported by UK government agencies (primarily the ONS), and other publicly available sources (i.e., primarily PitchBook, Companies House and Dun & Bradstreet). The analysis did not attempt to verify or validate this information using sources other than those described in the report.
- **Modelling the economic contribution of UK private equity and venture capital backed businesses relies on government industry classifications.** This report relates the activities of UK private equity and venture capital backed businesses to the operating profiles of various industries as defined by UK Standard Industry Classification (SIC) codes to most effectively estimate the economic contribution of private equity and venture capital backed businesses. Each business is classified into a single industry based on the primary SIC code generally as identified by Dun & Bradstreet or Companies House. Diversified companies often operate across multiple industry activities.
- **Modelling of average earnings at UK private equity and venture capital backed businesses relies on industry averages.** This report relates the activities of private equity and venture capital backed businesses to the operating profiles of various industries as defined by the UK SIC codes to most effectively estimate average earnings at private equity and venture capital backed businesses. Workers at private equity and venture capital backed businesses are assumed to receive the average earnings of workers in their respective industry.
- **Estimates do not reflect the economic impact of UK private equity and venture capital backed businesses.** This analysis does not attempt to estimate or indicate the effect or impact of the private equity and venture capital backed businesses on the UK economy. Rather, the analysis presents estimates of the direct economic contribution or footprint of private equity and venture capital backed businesses. An economic impact analysis might instead analyse the impact on the UK economy of a change to or in an industry or sector, perhaps due to a policy change, natural disaster, or some other exogenous factor. An economic impact analysis might attempt to account for the economic dynamics that occur in response to such a change and show the impact net of shifts of economic activity across different parts of the economy (e.g., industries, sectors) as impacts ripple through the economy.[13]
- **National and regional results are high-level estimates.** The national- and regional-level results are an allocation of the UK results to UK nations and regions, on the basis of the headquarters location of each company (for smaller companies by employment), and the industries in which UK private equity and venture capital backed businesses operate (for larger businesses by employment). An allocation approach is necessary because sufficiently detailed data on UK private equity and venture capital backed businesses are not available by nation and region from publicly available sources.

4. Endnotes

[1] Except as otherwise noted, all numbers reflect all economic activity at private equity and venture capital backed businesses, including if these businesses are not 100% private equity or venture capital owned.

[2] Private equity and venture capital backed businesses are generally defined as those identified by PitchBook as of February 25th, 2025. See body of report for more detail on methodology.

[3] Employee earnings reflect gross earnings. Gross earnings measures remuneration for employment excluding benefits and tax. Calculation includes both full- and part-time workers. The £91 billion of employee earnings is calculated based on median earnings per worker at a sectoral and regional level, and applied to employee headcount data across each company, considering sector and assumed job location.

[4] This £35,600 is computed by dividing the £91 billion of employee earnings by the approximately 2.5 million jobs prior to rounding.

[5] See, for example, British Private Equity & Venture Capital Association, *BVCA Report on Investment Activity 2023* . https://www.bvca.co.uk/static/35e102d1-6c31-4eb4-8cd700057596cb86/BVCA-Report-on-Investment-Activity-2023.pdf

[6] For the purposes of this study all deals in both subcategories will be referred to as private equity funds.

[7] Notably, given the access to capital and expertise of private equity firms, private equity backed companies can be well-positioned to experience rapid growth and restructuring as compared to similar companies that are not backed by private equity. Davis et al. 2021, for example, analyses 9,800 private equity buyouts of US companies between 1980 and 2013 and finds significant labour productivity gains at post-buyout businesses relative to control businesses. The authors also highlight significant heterogeneity within their data and analysis. For example, with respect to employment, on average, public-to-private buyouts resulted in significant employment declines and private-to-private buyouts and secondary deals resulted in significant employment increases. A key limitation, however, is that the authors focus on only the first two years after the buyout. See Steven J. Davis, John Haltiwanger, Kyle Handley, Ben Lipsius, Josh Lerner, and Javier Miranda, (2021), "The (Heterogenous) Economic Effects of Private Equity Buyouts," Hoover Institution Economics Working Paper 21112, July 2021.

[8] See ONS, *Explaining income and earnings: important questions answered*, August 2019. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/methodologies/explainingincomeearningsandthegenderpaygap

[9] Employee earnings is gross earnings. The £91 billion of gross employee earnings is calculated based on median earnings per worker at a sectoral and regional level, and applied to employee headcount data across each company, considering sector and assumed job location. The £35,600 average wage estimate is computed by dividing the £91 billion of employee earnings by the approximately 2.5 million jobs prior to rounding. Calculation includes both full- and part-time workers.

[10] The ratio of UK GDP supported by UK private equity and venture capital backed businesses in 2025 was calculated using UK GDP for 2024 published on 28 March 2025 from the ONS (i.e., £2.85 trillion). The ratio of UK employment supported by UK private equity and venture capital backed businesses in 2025 was calculated using UK employment for 2024 published on 20 March 2025 from the ONS (i.e. 33.6 million). The ratio of UK gross earnings supported by UK private equity and venture capital backed businesses in 2025 was calculated by estimating UK employee compensation for 2024 based on the median regional/national salaries published on 29 October 2024 from the ONS and total employment data by region/nation.

[11] The ratio of UK private sector GDP supported by UK private equity and venture capital backed businesses in 2025 was calculated using UK GDP for 2024 (i.e., £2.85 trillion, as above), adjusted by government consumption for the same year (source: ONS, published on 28 March 2025) which amounted to £0.55 trillion, and by government investment for the same year (source: ONS, published on 28 March 2025) which amounted to £0.09 trillion. The estimated private sector GDP in the UK therefore amounts to £2.22 trillion. The ratio of UK employment supported by UK private equity and venture capital backed businesses in 2025 was calculated using UK employment divided between public and private sector for 2024 published on 20 March 2025 from the ONS (i.e. 27.4 million private sector jobs).

[12] EY was provided 2025 data on private equity and venture capital backed companies by PitchBook. This data was provided on 25 February 2025 and is continuously updated by PitchBook. Private equity and venture capital backed businesses are defined as those identified by PitchBook as of that date. Private equity and venture capital backed companies only include those that are currently backed, headquartered in the United Kingdom, and have an ownership status of privately held (backing), in IPO registration, or publicly held. In order to classify each company based on the UK SIC hierarchy, as well as supplement PitchBook's data with additional employment data for entities lacking this information through PitchBook, the PitchBook company list was matched to data from Companies House and Dun & Bradstreet (D&B). The resulting dataset was reviewed and cleaned as per the following steps: estimating UK-specific employment for the top 100 companies (the top 100 companies were determined based on unadjusted PitchBook employment data, or D&B and Companies House employment data when PitchBook data was missing), verifying SIC code matching for a subset of companies, as well as additional review of companies with greater than 1,000 jobs (based on unadjusted PitchBook employment data). The companies were mapped to UK regions, authority and parliamentary constituencies using the headquarters (HQ) addresses from PitchBook and additional address data from Companies House for entities missing this information through PitchBook. Company data on regions and authorities is based on mapping postcode data, the parliamentary constituency allocations were based on ONS data.

UK-specific employment was estimated for the top 100 companies given that PitchBook employment values represent global employment as opposed to UK employment. EY manually reviewed the top 100 companies and, when available, checked their financial statements to identify UK shares of total company revenue. When this information was unavailable, company websites were reviewed for indicators such as the UK share of total company locations. These ratios determined UK employment estimates for the top 100 companies. The remaining companies' employment values were not adjusted to reflect UK-specific employment estimates.

The next step of the data cleaning procedure was to verify SIC code matching for a subset of companies, given that certain issues arise in the process of matching PitchBook data to D&B/Companies House data. For instance, certain companies were classified under SIC codes associated with holding companies as opposed to the SIC code associated with the company's primary activity. In addition, companies may have been matched incorrectly, resulting in an incorrect SIC code classification, or an SIC code may simply not be provided. To address these issues, EY manually reviewed the SIC codes for all companies with at least 1,000 jobs (based on unadjusted PitchBook employment data), and when errors were identified, manually updated the SIC codes based on PitchBook descriptions of the company's primary function.

For companies with greater than 1,000 jobs, EY verified whether there are active investors in the business according to PitchBook, and manually reviewed and excluded transactions involving portfolio acquisitions. All top publicly held entities within the dataset were checked for if they had current venture capital or private equity backing.

The earnings paid to employees of private equity and venture capital backed companies, as well as GDP generated by private equity and venture capital backed companies, were estimated from industry averages with the ONS.

Additionally, in order to account for PE backed companies potentially excluded from the PitchBook data, companies that are expected to meet the Private Equity Reporting Group (PERG) criteria for reporting under the Walker guidelines for 2024 were added if not otherwise included in the data. The PERG is an independent entity overseeing further transparency and disclosure within the private equity industry in the United Kingdom. The criteria to be in PERG in 2024 are as follows: the UK company must have been acquired by one or more PE firms in a public to private transaction where the market capitalisation together with the premium for acquisition of control was in excess of £210 million and more than 50% of revenues were generated in the United Kingdom or UK employees totalled in excess of 1,000 full-time equivalents; or the UK company must have been acquired by one or more private equity firms in a secondary or other non-market transaction where the enterprise value at the time of the transaction was in excess of £350 million and over half of revenues were generated in the UK or UK employees totalled in excess of 1,000 full-time equivalents.

More than 14,700 companies met the initial criteria set out in this report, which we reviewed to ensure that the investors were private equity / venture capital firms, and that the businesses were not property holding companies, in addition to other sense checks. Furthermore, 1,250 companies are listed as having no employee data by Pitchbook and D&B. It is beyond the scope of this analysis to investigate each individual transaction. While the number of UK businesses backed by PE and VC may be somewhat overstated if these are businesses are not still backed by PE and VC, the number of UK employees may be somewhat understated if some of the businesses for which Pitchbook and D&B do not have employee data have employees. We have excluded these companies from the analysis.

[13] A key point is that an economic impact analysis typically attempts to estimate impacts that net shifts in economy activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium. In contrast, an economic contribution analysis shows the gross amount of economic activity tied to an industry or sector directly, and through its suppliers and related consumer spending. Other modelling frameworks are used to account for the shifts in economic activity and estimate net impacts.

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