Prevailing uncertainty and shifting consumer trends have posed problems for a number of UK sectors over the past year, but some industries have pulled ahead of the pack to carve out lucrative opportunities. From tech-based buoyancy through to railway riches, find out which industries are on track.

**Bioscience**  
**Biotechnology:** 8% 2018-19 growth, £12.2bn revenue

Bioscience has been declared a national priority by the British government, and has therefore received considerable public-sector financing, supporting 8% growth in the current year. Although private investors are generally wary of the speculative research and long investment horizons characteristic of the Biotechnology industry, growth rates have nevertheless been impressive, as a number of the larger biotechnology firms have recently become profitable and are moving to reduce their reliance on government support.

Government initiatives have catalysed the industry’s development. Such schemes include the Strategy for UK Life Sciences, which provides a £250 million Biomedical Catalyst Fund designed to help biotechnology start-ups in the period between designing a product and making it commercially viable. In 2012, the government also pledged to spend £130 million on personalised medicine research and £50 million on a Cell Therapy Technology and Innovation Centre, which was established in 2012. Operators can also benefit from the Patent Box tax break and further funding for R&D through Innovate UK.

In November 2016, the government outlined its revised industrial strategy, including the new Industrial Strategy Challenge Fund, which promises an additional £2 billion government investment per year for R&D by 2020 on top of already existing public funding initiatives. Supported by this widespread assistance, revenue is expected to rise by 8% in 2018-19, capping an impressive five-year period, over which revenue is expected to rise at a compound annual rate of 7.3%.

The ongoing government focus on science and research is expected to support continued expansion, with annual growth remaining well above 5%. However, the UK’s exit from the European Union does pose a threat to industry development; not only will access to EU grants be restricted, but potential regulatory upheaval could also limit performance. UK biotechnology firms are also likely to face increasing competition from emerging markets. Nevertheless, substantial increases in government investment in R&D will continue to unlock biotechnology’s growth potential.
IBISWorld’s Top 2018-19 UK Industries

Software Sector

App Development: 13.4% 2018-19 growth, £8.7bn revenue

Cyber Security Software Development: 12.8% 2018-19 growth, £666.4mn revenue

Search Engines: 8% 2018-19 growth, £2.7bn revenue.

In 2010, approximately 30% of the UK population owned a smartphone. In 2016, the figure stood at 72%. This naturally supported exceptional growth in the App Development industry. Apps have also developed as the market has matured, with social media, streaming and ride-hailing apps (please see Gig in the City for further information) displacing gaming apps over the past five-year period. In conjunction with an increased business focus – using apps both as a marketing platform and as a sales channel – the market has broadened considerably, allowing revenue to rise by 13.4% in the current year. Although growth is expected to remain strong, it is anticipated to slow as the market reaches saturation.

As apps have benefited from the m-commerce trend, the broader shift towards online shopping has provided considerable opportunities for the Search Engines industry. Whilst Alphabet, the owner of Google, accounts for more than 90% of the industry, the popularity of devices that do not use google as the default engine has benefited other operators. The majority of industry revenue is generated through advertisements, and rising household internet access and a boom in e-commerce has allowed the industry to become one of the most successful performers in the UK economy, with

Fastest Growing industries in 2018-19

- Serviced Offices: 20.9%
- Railway Equipment and Construction: 13.6%
- Online Alcohol Retailing and Wine Production: 12.6%
- Apps, Cyber Security and Search Engines: 11.4%
- Biotechnology: 8%

*Average growth rate of listed industries

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revenue expected to rise at a compound annual rate of 14.2% over the five years through 2018-19.

Innovation in targeted digital advertising has taken the place of declining traditional advertising formats and over the coming years, technological advancements that incorporate user data are anticipated to make it easier to tailor advertisements and develop new ways of using consumer data. Consumer data has been an important factor in the operations of each of the industries discussed here, brought under increased scrutiny by recent GDPR regulation.

As the online sphere has expanded and usage has risen, the volume and sophistication of cyberattacks has grown rapidly, with over 100,000 cyberattacks occurring globally every day. In turn, business have been encouraged to increase their cyber security budgets for technology capable of keeping abreast of cyber assaults. A number of high-profile security breaches, including the 2017 WannaCry attack, have brought security to the forefront of businesses’ strategy, and a number of innovation-led cyber start-ups are pioneering a new wave of security software, with industry enterprise numbers proliferating. Ongoing technological advances, and new cyber threats are expected to support strong growth.

Alcohol Production and Retailing

Online Alcohol Retailing: 13.2% 2018-19 growth, £632.5mn revenue

Wine Production: 11.9% 2018-19 growth, £203.4mn revenue

UK wine producers face a number of unique challenges, particularly the country’s cool climate and historically poor winemaking reputation, but high-quality, high-price UK winemakers have exploded onto the international scene, and 2018-19 is expected to be another vintage year. In 2018-19, UK wine production revenue is expected to grow by 11.9% as winemakers continue to penetrate overseas markets. Having already scooped up a number of international awards, industry exports are expected to rise at a compound annual rate of 23.4% over the five years through 2018-19. The recent success of UK wine has also encouraged high-end supermarkets, such as Waitrose, to purchase their own vineyards and begin selling own-brand wine. Moreover, a higher than expected harvest yield in 2017 allowed for a 42.2% surge in the number of bottles produced during the year, and a bumper 2018 harvest could accelerate production output further. Although the UK’s exit from the European Union could hamper trading relationships with key EU partners, and the Wine and Spirit Trade Association has lobbied the government to ensure quota and barrier-free access to the EU market, demand is expected to remain high. In 2019-20, revenue is expected to rise by an impressive 13.9%.

The performance of UK winemakers has been supported by the concurrent expansion of the Online Alcohol Retailing industry. The industry is currently still in its infancy, and a large number of online alcohol retailers have transitioned from mail order to internet business. Wine is the key driver of performance for online alcohol retailers, accounting for 72% of revenue, and although the bulk of wine sold online is foreign, the growth in popularity of boutique, domestically produced wines has provided gaps in the market for smaller, independent online sellers. Many small winemakers still derive a significant share of revenue from cellar-door sales, but online distribution offers a far broader reach.

Over the coming years, online alcohol retailing is expected to go from strength to strength, as the expansion of 4G services and the rollout of 5G facilitates growth in m-commerce rates. Despite the effects of falling alcohol consumption, the industry is expected to more than double in size over the next five years.
Rail infrastructure

Railway Equipment Manufacturing: 18.4% 2018-19 growth, £2.3bn revenue

Railway and Underground Railway Construction: 8.7% 2018-19 growth, £3.9bn revenue

The Railway and Underground Railway Construction industry is expected to perform well in 2018-19, despite the announced delay to the opening of the Elizabeth line. Over the past five years, UK transport infrastructure has received considerable investment through the National Infrastructure Development Plan, £46.2 billion of which was earmarked for rail infrastructure. The Crossrail and Thameslink projects have been some of the most significant infrastructure investment programmes in the United Kingdom, and the final stages of these are expected to support current-year growth of 8.7%. Ongoing tender opportunities for HS2 have also proved lucrative, placing the industry on a strong footing for continued expansion.

Prevailing uncertainty is, however, expected to somewhat constrain the pace of expansion amongst railway and underground railway construction firms in the future. IBISWorld has previously discussed the impact of funding available through the European Investment Bank (EIB), with the EIB providing a £1 billion loan for Crossrail, whilst potential restrictions to the free movement of labour could tighten an already narrow labour market. In addition, a number of domestic delays, as well as the cancellation of electrification plans through Derby, Leicester and Nottingham and overspending on existing projects, are anticipated to cause compound annual growth to fall below 5% over the five years through 2023-24.

Large contracts are also expected to allow the Railway Equipment Manufacturing industry’s revenue to expand by 18.4% through 2018-19. Bombardier has begun to deliver trains for the Crossrail project as part of a contract it won in 2014, whilst Hitachi, a recent entrant to the industry, is ramping up production for the delivery of stock for the Intercity Express Programme.

For railway equipment manufacturers, the future is bright. Demand for new infrastructure naturally leads to demand for new equipment, and wide-ranging upgrades, such as a planned £450 million investment in digital signalling infrastructure on key routes, are expected to sustain double-digit growth. Most recently, the Siemens Alstom joint venture won the government’s Deep Tube Network contract in June 2018. The £1.5 billion contract will see the company deliver 94 trains for the Piccadilly line. The awarding of the HS2 rolling stock contract, due to take place in 2019, will also provide a considerable boost.

Office Market

Serviced Offices: 20.9% 2018-19 growth, £2.1bn revenue

The Serviced Offices industry has already significantly disrupted the conventional commercial real estate market, and 2018-19 is expected to be a bumper year as prevailing uncertainty provides further impetus to organic growth. With technology start-ups proliferating, and professional and financial service firms seeking increased flexibility, revenue is expected to rise by 20.9% in 2018-19, to reach £2.1 billion.

The software sector has been a key growth area in the United Kingdom, with the impressive performance of the App Development, Cyber Security Software Development and Search Engines industries detailed above. Indeed, according to the Deloitte’s London Office Crane Survey, technology, media and telecommunications firms are expected to overtake financial services to lead demand for new London office space. The expansion of start-up enterprises (currently making up 14% of all active UK enterprises), particularly technology firms, has been a vital factor driving industry demand, as these smaller firms have traditionally been priced out of the commercial property market. With many such firms previously
meeting in informal spaces, such as coffee shops or home offices, the facilities and ease of use provided by serviced offices have been a key selling point for firms looking to take the next step. Although technology firms only account for 15.4% of industry revenue, this figure has increased rapidly in recent years, and is set to continue rising.

Not all serviced office users are start-ups, however, as the industry's business model provides valuable flexibility to larger firms. This flexibility has been especially important during 2018-19, due to prevailing uncertainty surrounding Brexit negotiations. As a result, many businesses have been reluctant to enter into long-term rental leases, favouring short-term contracts that allow them to be agile and expand or downsize as required. Indeed, industry revenue has tended to rise at a faster rate when business profit comes under pressure, with this trend expected to continue through the current year.

Although 2018-19 is expected to be a high-water mark for growth, double-digit expansion will continue to characterise the industry. Shifting working habits, an emphasis on flexibility, and the convenience of combining renting, leasing and facilities management expenses into a single fee are all anticipated to drive demand as more businesses come to recognise the benefits of a serviced work space.

IBISWorld Industry reports used in this special report:

- C11.020 Wine Production in the UK
- C30.200 Railway Equipment Manufacturing in the UK
- F42.120 Railway & Underground Railway Construction in the UK
- J63.120 Search Engines in the UK
- UK0.001 Biotechnology in the UK
- UK0.018 Online Alcohol Retailing in the UK
- UK0.034 App Development in the UK
- UK0.035 Cyber Security Software Development in the UK
- UK0.037 Serviced Offices in the UK

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