HOW R&D INVESTMENT DRIVES ECONOMIC GROWTH

CaSE
Campaign for Science and Engineering

R&D is a key driver of productivity and economic growth.

Public sector investment in R&D can help drive economic growth in three key ways:

1 Public R&D investment gets back 30p a year for every £1 invested and increases productivity

- Investment in public R&D increases private sector output and productivity, leading to significant rates of return. These are likely in the range of 20-30%, with some estimates as high as 85%. A 30% rate of return suggests that for a one-off investment in R&D, there **are benefits equivalent to getting 30p back on every pound invested, every year, forever.**
- Analysis has shown that **innovation was responsible for two-thirds of the UK's private sector labour productivity growth between 2000 and 2007**, increasing productivity by an average of 1.8 percentage points per year.

2 Public investment crowds in significant levels of private sector investment in R&D

- Public R&D investment crowds in private sector R&D in the UK. Analysis shows that £1 of public investment unlocks £1.96 to £2.34 of private spending in the long term.
- For example, in the biomedical and health research sector, every additional £1 of public research investment crowds in an additional £0.83-1.07 of private sector spending.

3 Innovation diffusion can address the challenges of the future

- Innovation in net zero, and other emerging sectors (such as AI), have the potential to drive high growth areas, which can contribute to long-term national economic growth and competitive advantage.