# London Stock Exchange decline exposes deep flaws in UK growth model



The London Stock Exchange (LSE), once the heart of global finance, is facing a profound decline that underscores broader structural issues within the British economy. Historically, London was unrivalled as a financial centre; in 1903, it was the world’s premier banker, with a stock exchange valued equally to New York and Paris combined. However, today the LSE is shrinking at its fastest rate since 2010, a trend signifying a shift away from London toward competing markets in Europe and the United States. Although the mining giant Glencore’s recent decision to retain its London listing offered a momentary boost, it does little to reverse the overarching pattern of companies abandoning the UK capital to seek capital elsewhere.

Glencore’s choice to reject a move to the US, after an extensive review concluded that a transatlantic listing would not enhance shareholder value, reflects the current fragility of London’s markets. This decision shines a spotlight on the broader challenges London faces amid declining market activity, fewer initial public offerings (IPOs), and falling company valuations. Yet major firms such as TUI and Just Eat Takeaway.com have already relocated their listings abroad, illustrating the persistent erosion of London’s financial appeal.

A particularly stark illustration of London’s diminished global role is evident in the mining sector. The city’s prominence as a hub for mining company listings has waned considerably, with London-listed mining stocks’ market capitalisation dropping from $322 billion in 2018 to $272 billion in 2024. This pales in comparison to the mining markets in Sydney, Toronto, and the US, each now exceeding $325 billion in value. Furthermore, the London Stock Exchange-listed miners have raised a mere $8 billion since 2020, far less than their Australian and Canadian counterparts.

Underlying the LSE’s woes is a deeper economic malaise characterised by low business investment and a flawed growth model in the UK. The traditional role of the stock exchange is to facilitate companies’ access to capital to invest in productivity-enhancing activities, fostering economic growth and shared prosperity through rising wages. However, recent decades have seen this model falter. British pension funds, once key investors in UK equities, have dramatically pulled back. In 1997, these funds allocated 53% of their assets to UK stocks; today, that figure has plummeted to just 6%, with many diverting their investments towards government bonds or the booming US tech sector.

This retreat has coincided with a shift in corporate behaviour. Instead of reinvesting profits to drive innovation and growth, many British companies have prioritised shareholder returns through dividends. Between 2000 and 2019, dividend payments increased nearly six times faster than real wages, effectively redistributing wealth upwards rather than facilitating broader economic prosperity. UK firms now spend less on research and development compared to their European peers, and dividend yields on UK shares are roughly double those on US stocks, highlighting a preference for rentierism over productive investment.

The consequences are tangible: British-listed firms are increasingly susceptible to foreign takeovers, while successful home-grown companies seek listings overseas to access more vibrant capital markets. A case in point is the semiconductor company Arm, valued at £24 billion when bought by Japan’s Softbank in 2016. Despite calls for it to list in London, Arm instead chose the US Nasdaq for its public offering, where its valuation has since soared to approximately £85 billion—most of which has benefited international investors.

Efforts to rejuvenate the London Stock Exchange have centred on proposals from political and business leaders. Rachel Reeves, shadow chancellor, advocates expanding stock ownership to encourage individuals to become portfolio managers, while the Confederation of British Industry (CBI) suggests tax incentives and relaxed bonus regulations. However, these measures hinge on deregulation and fail to tackle the fundamental challenges of low investment and a lopsided growth model. Industry voices argue that UK pension funds should be encouraged to invest more domestically, akin to the approach taken by Australian 'super funds,' which could provide a much-needed influx of capital into British businesses.

Nevertheless, the limited domestic equity holdings of UK pension schemes remain a concern. Studies show UK pensions allocate a mere 4.4% of assets to domestic equities, a figure well below the global average of 10.1%, and one of the lowest among major pension markets worldwide. This cautious stance on domestic investments is partly rooted in historical and regulatory shifts over the past few decades.

To reverse these trends, more assertive policy interventions are needed beyond pension fund incentives. Public investment and targeted support such as government-backed regional banks could drive funding toward startups and businesses outside London. Additionally, policy tools that compel firms to invest productively—such as taxes on share buybacks and mandating employee representation on corporate boards—have been proposed as ways to counteract the prevailing focus on short-term shareholder returns. However, implementing such measures would require a political vision and boldness that current government leadership appears unwilling or unable to provide.

The struggles of the London Stock Exchange are thus emblematic of a broader structural problem in the UK economy: a growth model skewed toward wealth extraction rather than sustainable investment and innovation. Without addressing these foundational issues, efforts to restore the stature of the LSE may only yield temporary reprieves rather than lasting revival.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.theguardian.com/commentisfree/2025/aug/06/the-guardian-view-on-the-london-stock-exchange-its-struggles-are-symptoms-of-a-broken-growth-model), [[2]](https://www.theguardian.com/commentisfree/2025/aug/06/the-guardian-view-on-the-london-stock-exchange-its-struggles-are-symptoms-of-a-broken-growth-model), [[3]](https://www.reuters.com/business/finance/glencore-rejects-us-listing-boost-uk-markets-2025-08-06/), [[7]](https://www.standard.co.uk/business/business-news/glencore-london-b1241705.html)
* Paragraph 2 – [[3]](https://www.reuters.com/business/finance/glencore-rejects-us-listing-boost-uk-markets-2025-08-06/), [[7]](https://www.standard.co.uk/business/business-news/glencore-london-b1241705.html)
* Paragraph 3 – [[4]](https://www.ft.com/content/1fb624db-8804-4ebf-a4e9-37569a435859)
* Paragraph 4 – [[1]](https://www.theguardian.com/commentisfree/2025/aug/06/the-guardian-view-on-the-london-stock-exchange-its-struggles-are-symptoms-of-a-broken-growth-model), [[5]](https://www.ft.com/content/dd2aa88a-0505-4d3c-aeb2-e6c94f409b8b), [[6]](https://www.ft.com/content/875606ba-a67c-4ad0-842a-259d90908022)
* Paragraph 5 – [[1]](https://www.theguardian.com/commentisfree/2025/aug/06/the-guardian-view-on-the-london-stock-exchange-its-struggles-are-symptoms-of-a-broken-growth-model), [[5]](https://www.ft.com/content/dd2aa88a-0505-4d3c-aeb2-e6c94f409b8b), [[6]](https://www.ft.com/content/875606ba-a67c-4ad0-842a-259d90908022)
* Paragraph 6 – [[1]](https://www.theguardian.com/commentisfree/2025/aug/06/the-guardian-view-on-the-london-stock-exchange-its-struggles-are-symptoms-of-a-broken-growth-model), [[3]](https://www.reuters.com/business/finance/glencore-rejects-us-listing-boost-uk-markets-2025-08-06/)
* Paragraph 7 – [[1]](https://www.theguardian.com/commentisfree/2025/aug/06/the-guardian-view-on-the-london-stock-exchange-its-struggles-are-symptoms-of-a-broken-growth-model), [[2]](https://www.theguardian.com/commentisfree/2025/aug/06/the-guardian-view-on-the-london-stock-exchange-its-struggles-are-symptoms-of-a-broken-growth-model), [[5]](https://www.ft.com/content/dd2aa88a-0505-4d3c-aeb2-e6c94f409b8b), [[6]](https://www.ft.com/content/875606ba-a67c-4ad0-842a-259d90908022)
* Paragraph 8 – [[1]](https://www.theguardian.com/commentisfree/2025/aug/06/the-guardian-view-on-the-london-stock-exchange-its-struggles-are-symptoms-of-a-broken-growth-model)

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## Bibliography

1. <https://www.theguardian.com/commentisfree/2025/aug/06/the-guardian-view-on-the-london-stock-exchange-its-struggles-are-symptoms-of-a-broken-growth-model> - Please view link - unable to able to access data
2. <https://www.theguardian.com/commentisfree/2025/aug/06/the-guardian-view-on-the-london-stock-exchange-its-struggles-are-symptoms-of-a-broken-growth-model> - The Guardian's editorial discusses the decline of the London Stock Exchange (LSE), noting it is shrinking at its fastest rate since 2010. Despite Glencore's decision to retain its London listing, the trend of companies moving to Europe and the US continues. Proposals from Rachel Reeves and the Confederation of British Industry (CBI) to revive the exchange, such as promoting stock ownership and offering tax breaks, are critiqued for not addressing the underlying issue of low business investment and a flawed growth model.
3. <https://www.reuters.com/business/finance/glencore-rejects-us-listing-boost-uk-markets-2025-08-06/> - Glencore has decided to keep its primary listing on the London Stock Exchange, rejecting a potential move to the U.S., which is seen as a significant endorsement for the struggling UK capital markets. The company conducted a thorough review and concluded that a transatlantic move would not increase shareholder value. This decision comes as London's financial markets face declining activity due to fewer IPOs and decreased valuations, which have prompted some major companies like TUI and Just Eat Takeaway.com to leave London.
4. <https://www.ft.com/content/1fb624db-8804-4ebf-a4e9-37569a435859> - London's prominence as a global hub for mining company listings has significantly diminished, falling behind New York, Toronto, and Sydney. The market capitalisation of London-listed mining stocks has decreased from $322bn in 2018 to $272bn in 2024. In contrast, the mining sectors in Australia, Canada, and the US each now exceed $325bn in value. Additionally, the London Stock Exchange-listed miners have raised only $8bn since 2020, a fraction of the amounts raised in Sydney and Toronto.
5. <https://www.ft.com/content/dd2aa88a-0505-4d3c-aeb2-e6c94f409b8b> - Policy reformers suggest that UK pension funds should invest more patriotically in domestic equities to boost economic growth, similar to Australian 'super funds'. UK pensions have significantly reduced their investments in UK equities over the past 25 years. The shift is mainly seen in defined benefit (DB) schemes due to historical reasons such as the Maxwell scandal, changes in regulations, and removal of dividend tax relief. Conversely, defined contribution (DC) schemes in the UK maintain higher equity allocations, comparable to those in Australia.
6. <https://www.ft.com/content/875606ba-a67c-4ad0-842a-259d90908022> - UK pension schemes have among the lowest proportion of funds held in domestic stocks and private assets of any significant global pension market, according to a new report, adding pressure on the government to revive investment in British industry. Just 4.4 per cent of UK pension assets are held in domestic equities, down from 6 per cent last year and much lower than a 10.1 per cent global average. Only Canada, the Netherlands and Norway have a lower allocation, according to a study by think-tank New Financial.
7. <https://www.standard.co.uk/business/business-news/glencore-london-b1241705.html> - Mining giant Glencore has scrapped proposals to move its main stock market listing away from London, but warned over job cuts as part of efforts to slash costs by about 1.0 billion US dollars (£753 million). The Swiss miner, which is one of the biggest stocks on the FTSE 100, revealed in February that it was mooting switching its primary listing to New York. It said on unveiling half-year results that moving its primary listing away from London would not deliver better value to shareholders in a welcome reprieve for the London Stock Market.