# Merck’s UK research plans abandoned as pharmaceutical investment dwindles



The recent cancellation by Merck of its planned £1 billion research centre in London has cast a harsh spotlight on the challenges facing the UK pharmaceutical sector, reigniting concerns over the country’s ability to attract and retain major investment from global life science companies. Merck, known as MSD in Europe, announced it would abandon the 25,000 sq ft facility near King’s Cross, which was in late-stage construction and expected to open in 2027. The move also entails the discontinuation of its discovery research operations in the UK, rendering approximately 125 scientific and support staff redundant by the end of 2025. According to company statements, this decision stems from a perception of the UK as an uncompetitive environment, characterised by a lack of meaningful progress in addressing investment shortfalls in the life sciences and what Merck described as the undervaluation of innovative medicines and vaccines by successive UK governments.

This development has sparked urgent scrutiny at the highest levels of government, with questions raised in both houses of parliament and a select committee convening an emergency session to address the fallout. The Department of Health has been prompted to seek renewed negotiations with pharmaceutical companies to stem further erosion of investment, although internal tensions persist. The Treasury has been criticised for short-termism, while some analysts and policymakers suggest that pharmaceutical companies are leveraging investment decisions to press for more favourable drug pricing arrangements. Industry sources indicate that the core issue revolves around the UK’s drug pricing policies, which in recent months have been marked by failed negotiations between the government and drug manufacturers regarding the proportion of pharmaceutical revenue returned to the National Health Service (NHS).

Industry representatives, including the Association of the British Pharmaceutical Industry (ABPI), warn that the UK's stringent drug pricing stance is deterring foreign investment and imperilling innovation. Since 2017, the UK’s ranking for foreign direct investment in pharmaceuticals has slipped from second to seventh place globally, while R&D investment in the sector reportedly fell by nearly £100 million in 2023 alone. Data highlights a 58% reduction in direct foreign investment into UK life sciences between 2017 and 2023, with the total narrowing to £795 million. Such figures underscore a broader trend of underperformance against global investment flows and raise alarms about the UK’s competitiveness as a life science hub.

The government’s predicament is not unique to Merck. Earlier in 2025, AstraZeneca abandoned a separate £450 million investment in a vaccine manufacturing plant in northern England. The UK government criticised AstraZeneca for scaling back the research and development component of its plans, which led to a reduction in anticipated government support. This incident similarly highlighted the fragility of investment commitments amid fiscal and policy uncertainties and represents a significant setback for efforts led by the Labour Prime Minister Keir Starmer to boost economic growth through life sciences.

While Merck has indicated that its decision was unrelated to recent failed NHS drug pricing talks, the broader discourse clearly connects the dots between pricing policies, government support, and investment attractiveness. The company plans to relocate much of its research to established sites primarily in the United States, signalling a realignment of global R&D priorities away from the UK. This shift may constrain the UK’s ambition to cultivate a thriving life sciences sector and could have longer-term ramifications for scientific innovation, job creation, and the broader biomedical ecosystem.

Taken together, these developments highlight a critical juncture for UK pharmaceutical policy. To regain investor confidence and secure the development of cutting-edge medical innovations within its borders, the UK government faces mounting pressure to reconcile fiscal prudence with the need for a competitive and supportive environment for pharmaceutical research and development. Without meaningful intervention, the risk remains that the UK could lose out further in the global race for life science investment and innovation leadership.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.thetimes.com/business-money/companies/article/nhs-drug-pricing-concerns-fuel-fears-uk-pharma-investment-887dn8g92), [[2]](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/), [[3]](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a), [[4]](https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8)
* Paragraph 2 – [[1]](https://www.thetimes.com/business-money/companies/article/nhs-drug-pricing-concerns-fuel-fears-uk-pharma-investment-887dn8g92), [[4]](https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8)
* Paragraph 3 – [[5]](https://www.reuters.com/business/healthcare-pharmaceuticals/british-pharma-industry-says-drug-pricing-stance-hurts-foreign-investment-2025-09-10/), [[7]](https://www.perspectivemedia.com/merck-scraps-1bn-london-expansion-as-report-warns-uk-drugs-sector-losing-out/)
* Paragraph 4 – [[6]](https://www.reuters.com/business/healthcare-pharmaceuticals/uk-hits-back-astrazeneca-over-collapse-investment-deal-2025-02-03/)
* Paragraph 5 – [[3]](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a), [[4]](https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8)
* Paragraph 6 – [[1]](https://www.thetimes.com/business-money/companies/article/nhs-drug-pricing-concerns-fuel-fears-uk-pharma-investment-887dn8g92), [[2]](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/), [[4]](https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8)
* Paragraph 7 – [[1]](https://www.thetimes.com/business-money/companies/article/nhs-drug-pricing-concerns-fuel-fears-uk-pharma-investment-887dn8g92), [[4]](https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8), [[5]](https://www.reuters.com/business/healthcare-pharmaceuticals/british-pharma-industry-says-drug-pricing-stance-hurts-foreign-investment-2025-09-10/), [[7]](https://www.perspectivemedia.com/merck-scraps-1bn-london-expansion-as-report-warns-uk-drugs-sector-losing-out/)

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## Bibliography

1. <https://www.thetimes.com/business-money/companies/article/nhs-drug-pricing-concerns-fuel-fears-uk-pharma-investment-887dn8g92> - Please view link - unable to able to access data
2. <https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/> - Merck has announced the cancellation of its £1 billion drug research centre in London, citing the UK's challenging business environment and insufficient government support for the life sciences sector. The company plans to relocate research activities to existing sites, primarily in the United States, and will vacate laboratories at the London Bioscience Innovation Centre and the Francis Crick Institute by the end of 2025, affecting approximately 125 staff members.
3. <https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a> - U.S. pharmaceutical giant Merck has cancelled plans for a £1 billion research centre in London’s King’s Cross, resulting in the layoff of 125 scientific and support staff. The decision is a significant setback for the UK government, which has prioritised life sciences as a key sector for economic growth. Merck cited the UK’s lack of international competitiveness as a major factor and stated its decision was unrelated to recent failed drug-pricing negotiations with the National Health Service (NHS).
4. <https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8> - UK health officials are seeking to reopen negotiations with pharmaceutical companies after Merck (MSD in Europe) scrapped its planned £1bn research centre in London, citing the UK's uncompetitive environment and low drug pricing. Merck will relocate research efforts primarily to the US, and the decision has triggered internal government disputes. The Department of Health blames Treasury short-termism, while others argue pharmaceutical firms are using investment decisions to push for better drug pricing.
5. <https://www.reuters.com/business/healthcare-pharmaceuticals/british-pharma-industry-says-drug-pricing-stance-hurts-foreign-investment-2025-09-10/> - The Association of the British Pharmaceutical Industry (ABPI) has voiced concerns about declining foreign investment in the UK's pharmaceutical sector due to the government's drug pricing policies. Ongoing disputes between drug manufacturers and the UK government over how much revenue must be returned to the National Health Service (NHS) remain unresolved, with negotiations breaking down the previous month. The ABPI warned that these high 'clawback rates' are deterring investment and threatening innovation, noting that the UK’s foreign direct investment ranking in the sector fell from second place in 2017 to seventh in 2023.
6. <https://www.reuters.com/business/healthcare-pharmaceuticals/uk-hits-back-astrazeneca-over-collapse-investment-deal-2025-02-03/> - Britain has criticised AstraZeneca over the failure of a £450 million investment deal, accusing the drugmaker of reducing the research and development portion of its plans, which led to a lower government support offer. AstraZeneca recently abandoned plans to invest in a vaccine manufacturing plant in northern England, citing reduced financial support and other unspecified reasons. This decision undermines Labour Prime Minister Keir Starmer's efforts to attract investment and stimulate the economy.
7. <https://www.perspectivemedia.com/merck-scraps-1bn-london-expansion-as-report-warns-uk-drugs-sector-losing-out/> - The research indicated UK pharmaceutical investment has underperformed against global trends since 2018. Latest figures showed that investment in R&D in the sector fell by nearly £100 million in 2023. It also showed direct foreign investment into UK life science fell by 58% to £795 million from 2017 to 2023. The data showed the UK ranked second for foreign investment in 2017 and 2021 compared with other countries, but fell to seventh by 2023.