# UK life sciences sector faces major setbacks as pharma giants pause investments over policy concerns



Two significant setbacks have rattled Britain's life sciences sector recently, raising fresh concerns about the country’s appeal as a hub for pharmaceutical research and development. The US pharmaceutical giant Merck has abandoned plans for a £1 billion research centre in London, while AstraZeneca has also paused a £200 million investment to expand its research operations in Cambridge. These decisions come amid persistent worries over the UK's business environment and drug pricing policies, which companies argue are undermining investment incentives.

Merck, which operates as MSD in Europe, cited the UK’s challenging commercial landscape and insufficient government backing for life sciences as key reasons for scrapping the London centre. The company announced it would shift research activities to its existing sites primarily in the United States, resulting in the loss of approximately 125 jobs in London. According to statements from Merck, the UK government’s undervaluation of innovative medicines and lack of adequate sector investment made the country "uninvestable" for them. This move is consistent with Merck’s broader US investment strategy, including substantial new biologics facilities in Delaware and North Carolina. The cancellation marks a blow to UK government ambitions to grow life sciences as a strategic economic sector.

AstraZeneca’s decision to halt a planned £200 million expansion in Cambridge, which was projected to create 1,000 new jobs, echoes Merck’s concerns. This follows an earlier cancellation of a £450 million vaccine manufacturing plant in northern England, which the company attributed to reduced government support. Like Merck, AstraZeneca has pointed to the UK's difficult business climate and is reassessing its investment needs amid these pressures. Together, these moves have prompted debate within UK political and industry circles about the future competitiveness of Britain's pharmaceutical sector.

The root of these investment pullbacks appears closely linked to ongoing tensions over NHS drug pricing policies. Pharmaceutical companies argue that current pricing structures undervalue innovative medicines, limiting their revenues and capacity to fund large-scale R&D investments in the UK. UK health officials have signalled intentions to restart pricing negotiations following Merck’s withdrawal, recognising the potential risk of a declining life sciences investment climate. Some government voices have pointed to short-term fiscal constraints within the Treasury as a contributing factor, while critics suggest that pharmaceutical firms are leveraging these challenges to push for more favourable terms.

These developments have also attracted diplomatic attention. In September 2025, the US Ambassador to the UK reportedly urged the British Chancellor to revise drug pricing policies to be more attractive to global pharmaceutical companies. This high-level engagement underlines the strategic importance both governments place on biopharmaceutical cooperation, but also highlights the current strains in UK investment attractiveness.

Paradoxically, these setbacks come at a time when UK-based drug-discovery companies are embracing artificial intelligence to revolutionise how medicines are developed. This new generation of life sciences ventures offers hope for revitalising the industry by transforming traditional processes and reducing development costs. However, the recent high-profile investment withdrawals underscore the pressing need for clearer and more supportive government policies to maintain the UK’s standing as a premier global life sciences centre.

In summary, the double retreat by Merck and AstraZeneca serves as a stark warning to UK policymakers. Without addressing the underlying concerns about drug pricing, investment support, and the broader business environment, Britain risks losing its competitive edge in one of its most strategically important sectors just as technological innovations promise to reshape the industry’s future.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.thetimes.com/business-money/companies/article/life-sciences-astrazeneca-merck-ai-pharmaceuticals-drugs-l02j6zhs7), [[6]](https://www.reuters.com/business/healthcare-pharmaceuticals/britain-defends-investment-record-merck-scraps-labs-over-pharma-environment-2025-09-11/)
* Paragraph 2 – [[2]](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/), [[4]](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a), [[6]](https://www.reuters.com/business/healthcare-pharmaceuticals/britain-defends-investment-record-merck-scraps-labs-over-pharma-environment-2025-09-11/)
* Paragraph 3 – [[3]](https://www.reuters.com/business/healthcare-pharmaceuticals/astrazeneca-pauses-270-million-investment-britain-2025-09-12/), [[1]](https://www.thetimes.com/business-money/companies/article/life-sciences-astrazeneca-merck-ai-pharmaceuticals-drugs-l02j6zhs7)
* Paragraph 4 – [[5]](https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8), [[1]](https://www.thetimes.com/business-money/companies/article/life-sciences-astrazeneca-merck-ai-pharmaceuticals-drugs-l02j6zhs7)
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* Paragraph 6 – [[1]](https://www.thetimes.com/business-money/companies/article/life-sciences-astrazeneca-merck-ai-pharmaceuticals-drugs-l02j6zhs7)
* Paragraph 7 – [[1]](https://www.thetimes.com/business-money/companies/article/life-sciences-astrazeneca-merck-ai-pharmaceuticals-drugs-l02j6zhs7), [[2]](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/), [[3]](https://www.reuters.com/business/healthcare-pharmaceuticals/astrazeneca-pauses-270-million-investment-britain-2025-09-12/)

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## Bibliography

1. <https://www.thetimes.com/business-money/companies/article/life-sciences-astrazeneca-merck-ai-pharmaceuticals-drugs-l02j6zhs7> - 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 life sciences. The company will relocate research activities to existing sites, primarily in the United States, affecting approximately 125 staff members. Merck criticized the UK government for undervaluing innovative medicines and lacking investment in the sector. This move aligns with Merck's broader U.S. investment strategy, including a $1 billion biologics facility in Delaware and a $1 billion North Carolina facility.
3. <https://www.reuters.com/business/healthcare-pharmaceuticals/astrazeneca-pauses-270-million-investment-britain-2025-09-12/> - AstraZeneca has paused a planned £200 million ($271 million) investment in its Cambridge research site, which was expected to create 1,000 jobs. This decision follows the cancellation of a £450 million investment in a vaccine facility in northern England due to reduced UK government support. The company cited ongoing reassessment of investment needs, mirroring U.S. pharmaceutical firm Merck & Co’s recent withdrawal from a planned research center in London, blaming the UK’s difficult business climate.
4. <https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a> - U.S. pharmaceutical giant Merck (known as MSD in Europe) has canceled plans for a £1 billion research center 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 prioritized 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).
5. <https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8> - UK health officials are pushing to restart negotiations on pharmaceutical pricing following Merck's unexpected decision to cancel a £1 billion research center in London, citing the UK’s uncompetitive environment and low drug prices. The U.S.-based pharmaceutical giant plans to relocate its research to the U.S., sparking debate within the UK government and concerns over declining foreign investment in British life sciences. The Department of Health has blamed the Treasury's short-term fiscal approach, while other officials suggest the pharmaceutical sector is using the episode to pressure for better pricing terms.
6. <https://www.reuters.com/business/healthcare-pharmaceuticals/britain-defends-investment-record-merck-scraps-labs-over-pharma-environment-2025-09-11/> - Britain has come under scrutiny for its investment environment in the life sciences sector after U.S. pharmaceutical giant Merck (known as MSD in Europe) announced it is abandoning plans to open a new research center in London. The company cited ongoing challenges, including insufficient government support and the undervaluation of innovative medicines, as reasons for pulling out. This follows a similar move by AstraZeneca, which shelved plans for a £450 million vaccine plant due to reduced government backing.
7. <https://www.ft.com/content/a4dc3ba5-fc5b-4d51-8d5e-690ae7930391> - In September 2025, U.S. Ambassador to the UK Warren Stephens privately urged UK Chancellor Rachel Reeves to offer more favorable drug pricing terms to global pharmaceutical companies, reflecting U.S. concerns over the UK’s current drug cost structures and approval processes. This diplomatic pressure coincided with major pharmaceutical firms retreating from UK investments: Merck (MSD in Europe) canceled a £1bn London research center, and AstraZeneca paused a £200mn R&D expansion in Cambridge, citing uncompetitive conditions.