

C|B|I|

BLUEPRINT FOR UK COMPETITIVENESS



The CBI serves as the catalyst between industry and government to drive positive change, speaking for businesses of all sizes and sectors across the whole economy, in every UK region and nation, ensuring sustainable growth for the benefit of society.

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Foreword

In the past decade, the UK economy has navigated transformative challenges, from an unprecedented global pandemic to shifts in international trade and a new relationship with the European Union. **Yet, these challenges also present opportunities.** Harnessing them is central to the success of the government's growth mission.

Without this growth, the UK risks falling behind global competitors, thereby decreasing the ability to raise living standards, attract investment, and futureproof the economy. Now, unlocking the UK's potential requires a **modern industrial strategy** that embraces trade and foreign policy while addressing innovation, sustainability, and policy co-design.

This industrial strategy, as outlined in the government's *Invest 2035*¹ consultation, cannot address every aspect of industrial policy. It cannot tackle the Chancellor's tax and spending plans, nor can it reshape all existing regulation or public service transformation. Its focus should be to bridge the gap between our current and future economies, answering: **Who will lead, scope, and fund the 'big bets' to build this bridge?**

The CBI identifies a **five-by-five model**: five **critical economic shifts** the UK can leverage to gain a competitive advantage, and five **policy tools** to do so. This model is designed to help prioritise action through public-private partnership and institutional oversight.

The CBI also calls for the **industrial strategy to play a primary role within the 2025 Spending Review** and its capital spending allocations, providing a downpayment on growth and catalysing private investment. This should be woven together through **three principles: realism, prioritisation, and confidence.**

The stage is set, and the next step is clear: bold leadership on how and where business, government, and society collaborate to make the UK's industrial strategy a success.



Rain Newton-Smith

Rain Newton-Smith
Chief Executive, CBI



Jordan Cummins

Jordan Cummins
UK Competitiveness Director, CBI

¹*Invest 2035: the UK's modern industrial strategy* - GOV.UK (www.gov.uk)





**Carl Sizer, Chief Markets Officer PwC | Oriel Petry, Senior VP Airbus |
Stephanie Hyde, UK CEO JLL | Pinder Sahota, UK General Manager Novo Nordisk,
CBI Competitiveness Committee Co-Chairs**

"The competitiveness of the UK economy is the North Star for both the industrial or trade strategy, as business navigates global challenges and domestic pressures. This Blueprint starts a conversation about how and where next, to make Invest 2035 a success for government and business"

Sarah Cardell,
CEO Competition & Markets Authority 

"Competition and pro-competitive principles are integral to growth and industrial strategy. Just as skills, trade, tax and energy policy are levers to support sectors, so is competition policy. The CMA is prioritising the growth mission and engaging with the government and stakeholders on the Industrial Strategy"



Andy Haldane,
CEO RSA

"The success of the government's industrial strategy relies on its ability to take account of business investment needs, a long-term focus and adoption across regional power bases. Like PwC's Framework for Growth, I commend the CBI's efforts in catalysing the prioritisation of the UK's big industrial bets"

Steve Rigby, Co-CEO Rigby Group 

"Making a success of the industrial strategy is central to our business ambitions, and to do so tackling the enablers for investment in the everyday economy is critical. The Rigby Group supports the CBI's efforts to prioritise the big bets needed for private businesses like ours to grow"



Catapult
High Value Manufacturing

Katherine Bennett,
CEO High Value Manufacturing Catapult

"A modern industrial strategy allows our manufacturing industry to stride forward, with high value sectors at the centre of our global calling card. The UK's industrial assets are also the engine behind our growth and net zero ambitions and so we are pleased to see the CBI supporting manufacturing growth"

INSTITUTE
FOR
GOVERNMENT

Giles Wilkes,
Institute for Government

"This industrial strategy needs to learn from the failures and successes of its predecessors but is well placed to start making the economic trade-offs which can move the growth needle. There is industry ambition and investment to tap into as well and the CBI's efforts to catalyse this are welcomed"



Karen Betts OBE,
**CEO Food & Drink
Federation & CBI Trade
Association Council Chair**

"The government's industrial and trade strategy must speak to foundational sectors like food and drink, enabling them to thrive by growing at home and overseas. UK trade associations are primed to help deliver the evidence needed to help, in food and drink and across skills, infrastructure, energy and retail"



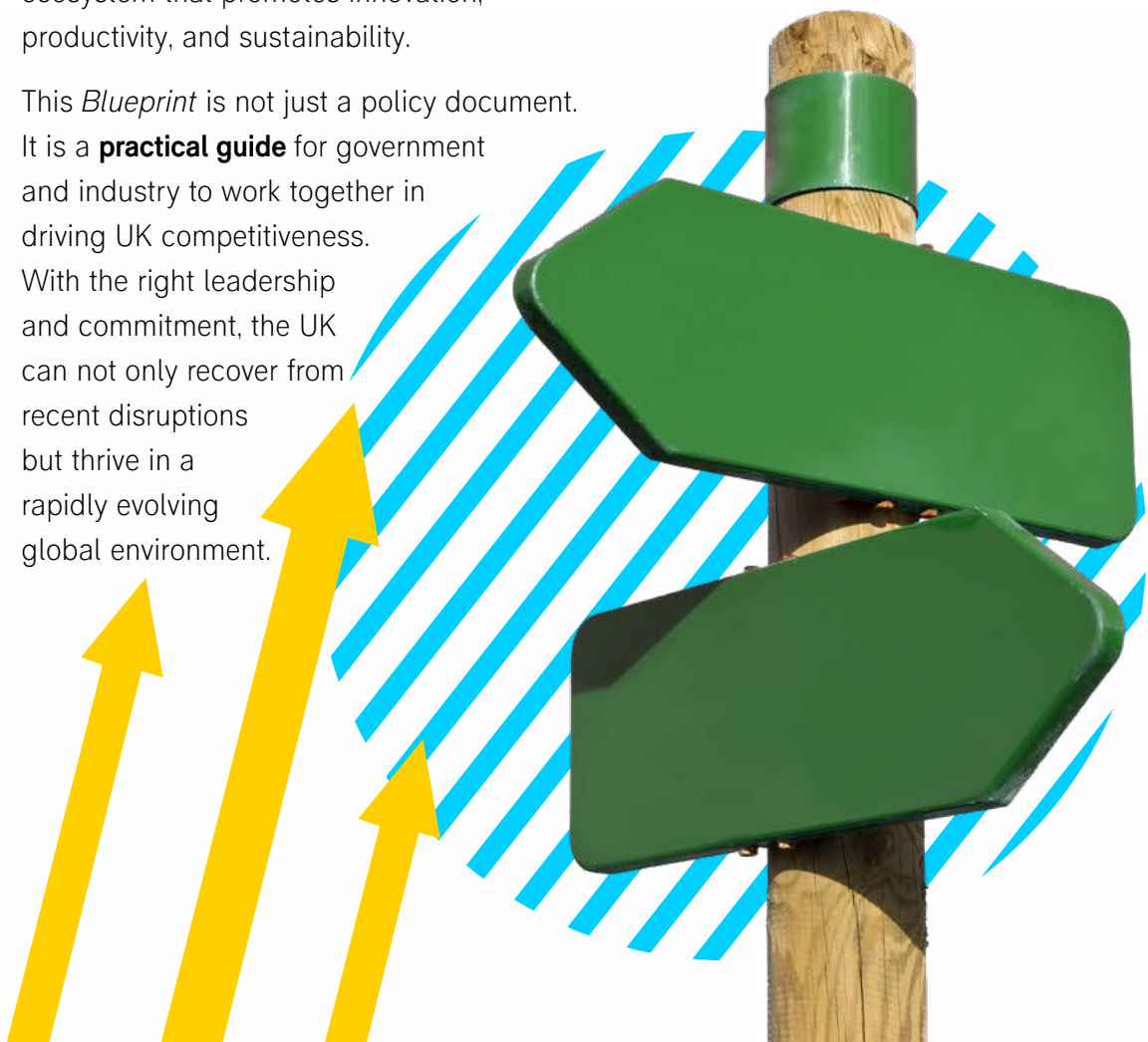
Introduction

The UK is at a crossroads. In the past decade, economic and geopolitical disruptions have reshaped the global landscape. The aftermath of the COVID-19 pandemic, the UK's departure from the European Union (EU), energy shocks, and escalating geopolitical tensions have forced a reassessment of the nation's long-term economic strategy. These challenges, though significant, also offer unique opportunities to position the UK as a global leader in areas such as sustainability, digital innovation, and trade.

This *Blueprint for UK Competitiveness* is designed to guide policymakers, industry leaders, and stakeholders in transforming these challenges into opportunities for sustained growth. From addressing key shifts in the global economy to building resilience against future shocks, the *Blueprint* provides a clear framework for ensuring the UK remains competitive on the world stage.

The CBI identifies a **five-by-five model**: five **economic shifts** in the UK economy that should be turned into areas of competitive advantage, and five **policy tools** to do so. These shifts are not isolated; they require coordinated efforts across government departments, businesses, and regional stakeholders to create an ecosystem that promotes innovation, productivity, and sustainability.

This *Blueprint* is not just a policy document. It is a **practical guide** for government and industry to work together in driving UK competitiveness. With the right leadership and commitment, the UK can not only recover from recent disruptions but thrive in a rapidly evolving global environment.



A bridge to the UK's future economy

For decades, governments, business leaders, regulators, and industrialists in the UK have crafted ideas and mobilised substantial investments to turn economic shifts into marketable opportunities. The most successful economies are those that have evolved to compete—economies that have adapted to new realities and leveraged innovation to turn external pressures into competitive strengths.

This evolution has given rise to Environmental, Social and Governance (ESG) reporting, automotive electrification, a global focus on renewable energy products, and pandemic preparedness. Each of these advancements offers a creative solution to an external threat. These solutions underscore the importance of harnessing and flipping the instability of emerging threats into opportunities for innovative advancement.

That said, the race for an effective industrial strategy presents challenges. Since 2016, there has been discernible uncertainty in public policy progression:

2016-17: BEIS launches **sector deal strategy** to tackle four grand challenges: AI and data, ageing society, clean growth, and the future of mobility.

2019: UCL Commission for Mission Oriented Innovation & Industrial Strategy develops the role of '**mission-led**' government policy.

2020: Institute for Government **outlines** the need for political leadership in articulating supply-side economics through industrial strategy.

2021: Prime Minister's **Plan for Growth** sees tighter focus in *individual* strategic approaches in infrastructure, exporting, hydrogen, data, and innovation.

2023: Chancellor's **Long-Term Vision** for growth turns again to high-growth sectors: life sciences, advanced manufacturing, digital, green, and creative.

2024: Labour Party's **Industrial Strategy** focuses on clean power, data for public good, caring for the future, and a resilient economy. PwC further **debates** for inclusive growth.

2024: Launch of Green Paper **Invest 2035: The UK's Modern Industrial Strategy**. Industrial strategy to be launched in Spring 2025.





This uncertainty has been largely driven by an evolving global landscape and domestic political fluctuations. It raises a critical question: **Should the state play a larger role in directly funding industrial competitiveness, or is its role to enable it?**

Business leaders urgently need the government to provide a **visible project pipeline**—one that references social and economic infrastructure. This pipeline should prioritise policy stability alongside co-investment (e.g., public-private partnerships). It should give business leaders confidence to know where to invest based on the government’s priorities. And it must be accompanied by regulatory and/or tax flexibility.

The OECD has shown that economies that anticipate major threats and build pre-emptive strategies to mitigate them can turn existential challenges—like the climate crisis—into measurable advantages. For example, the climate crisis is not only a global imperative but also an opportunity for the UK to position itself as a leader in **green technology**.

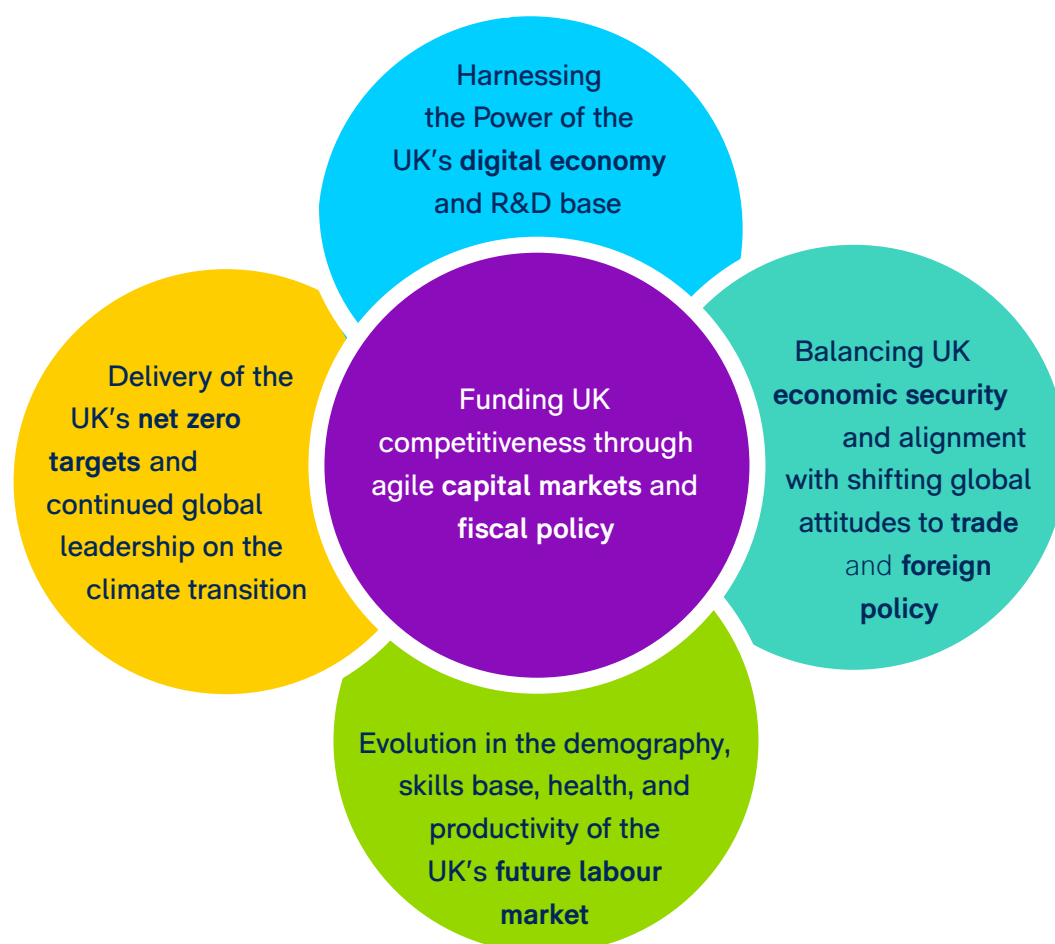
Strategic planning is required to convert climate-related threats into quantifiable economic benefits. Global taxonomies and sustainability targets demand state attention, particularly when it comes to subsidies, research and development (R&D) attraction, and decarbonisation. While these elements may sometimes seem secondary, they should remain central to a broader industrial strategy.

A future-focused industrial strategy would also ensure that the economy can adapt to evolving needs, balancing policy priorities and ambitions with drivers of growth in a way that fosters confidence. The risks of frequently rescoping priorities and reactive measures are clear: without sustained focus, the UK’s ambitions will not be met, leaving the country more susceptible to global economic, environmental, or geopolitical shifts.

² Deloitte, World Business Council 2024 *Harnessing taxonomies to help deliver sustainable development* Global Sustainability Taxonomies | Deloitte Global

The CBI and OBR have independently identified **five major economic shifts that will impact growth** on the horizon.³ The UK industrial strategy must address these to begin turning them into opportunities where possible:

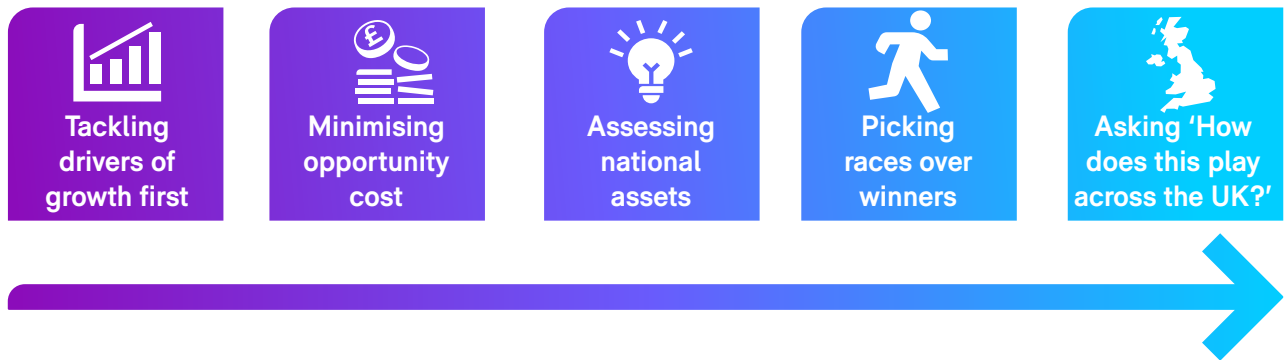
- **Funding competitiveness** through deeper capital markets and an agile fiscal policy framework.
- **Delivering on the UK's net zero targets** through sustainable investments and regulatory innovation.
- **Evolving the UK's labour market**, ensuring the right balance of skills, health, and productivity for future growth.
- **Harnessing digital technology**, particularly AI, to revolutionise both the public and private sectors.
- **Balancing economic security with international trade policy** to secure the UK's position in an increasingly protectionist world.



³CP 1142 – Office for Budget Responsibility Fiscal risks and sustainability

These shifts provide a degree of prioritisation for policymakers and industry in assessing the investment landscape in the coming years. Moreover, for government, the process of extracting opportunity from this landscape requires tools. As such, **the CBI has identified five policy tools** to help build the foundations of competitiveness:

- **Tackling drivers of growth first**
- **Minimising opportunity cost**
- **Assessing national assets**
- **Picking races over winners**
- **Asking 'How does this play across the UK?'**



Additionally, delivering funded commitments within this parliamentary term is imperative. The cross-departmental roles played within fiscal events and the ongoing government model of public-private partnerships are in focus. Therefore, the CBI proposes a **primary economic role for the industrial strategy within the 2025 Spending Review**.

Embedded within operational and capital spending decisions, **this role would materially support the delivery of the government's *Invest 2025* timeline** and act as a catalytic process to stimulate new investment which both aligns to industrial big bets and supports mission-focused government, including public service transformation.

This primacy would encourage line departments to mobilise industrial strategy focused investment and allow industry to engage more effectively under the banner of the government's growth mission. Concurrently, this process could allow space for a **landscape review of current capital expenditure pipelines** across newly formed bodies that drive greater public-private partnerships, like the National Wealth Fund.



Tackling drivers of growth first

Like other G7 nations, the UK faces a complex set of economic risks that complicate policy prioritisation. Balancing short-term needs with long-term goals requires a careful approach. Any future industrial or trade strategy should be grounded in **targeted interventions** that deliver near-term progress while also laying the groundwork for future growth.

Agility is key. Economic policy needs to be both **responsive** and **predictable**, ensuring that investors and businesses alike can trust that there will be a stable trajectory for funding, proportionate regulatory frameworks, and collaborative approaches to policy development across departments. Fiscal events, like spending reviews, offer an opportunity to demonstrate this consistency and to signal progress in enabling industrial and economic activity.

CBI members consistently identify **five fundamental drivers of growth** that must be addressed to unlock long-term industrial success. Addressing these enablers first is essential for the success of any industrial or trade strategy:

Planning reform for infrastructure delivery

Infrastructure is the backbone of any modern economy. Yet, infrastructure delivery is being frustrated by the slow pace and inconsistency of the UK's planning system. This poses a significant barrier to growth in key sectors like construction, energy, and logistics. Since 2012, consenting times for nationally significant infrastructure projects have increased by 65% **to an average of over four years.**⁴ This is stopping investment, as evidenced by the UK having the lowest levels of infrastructure investment in the G7 at 19% of GDP.⁵ Addressing these issues requires fixing the planning system through **ringfenced planning fees, the use of Planning Hubs, and an increased role for mayoral combined authorities**, as outlined in the CBI's recent **Planning for growth** report.⁶



⁴[NIC-Planning-Study-Final-Report.pdf](#)

⁵[Improving Infrastructure Delivery in the UK | BCG UK](#)

⁶[cbi-planning-for-growth.pdf](#)



Regulatory competitiveness

When multinational companies decide where to invest, they look closely at the regulatory environment, prioritising jurisdictions that embrace co-design and consultative processes. While many factors influence investment decisions, long-term regulatory predictability and flexibility are paramount. Where the UK can demonstrate that it offers a clearly **consultative, outcomes-based regulatory framework**, it will attract more investment.

CBI members emphasise that benchmarking, applying and monitoring growth duties, and making long-term plans for outcomes-based frameworks boosts international competitiveness. **An ambitious industrial or trade strategy should benchmark the UK's regulatory regime against G7 peers' to illustrate competitiveness.**

The government has reiterated its commitment to reshaping regulation to align with economic growth requirements.⁷ Ensuring that the UK's regulatory regime supports innovation as a mechanism to drive growth will enhance and strengthen the UK's competitive advantage.

⁷PM International Investment Summit Speech: 14 October 2024 - GOV.UK (www.gov.uk)

Workforce skills and labour market depth

The UK's future economy relies more on labour productivity than on labour supply. By 2030, skills gaps are projected to cost England alone over £120bn.⁸ With 80% of the 2030 workforce already employed,⁹ labour market reform is essential. Tackling this challenge requires urgent reforms to the Apprenticeship Levy and visa systems to ensure the UK attracts and retains high-skilled talent.

Reforming the Apprenticeship Levy to allow contributions to fund both apprenticeship and non-apprenticeship training, including modular and functional skills courses, would address key challenges. Likewise, aligning the Lifelong Learning Entitlement with economic needs would allow the UK to make the most of its domestic talent pool while remaining a global leader in attracting international students and high-skilled workers.

Alongside these domestic measures, the government should prioritise improving the Home Office's visa system to attract high-skilled talent. CBI members encourage the government to prioritise meeting international standards, providing support and compensation when needed, and focusing on customer service. Addressing these domestic and global concerns in tandem will enable the UK to build its domestic workforce, maintain its global position in attracting international students, and strengthen trade and foreign direct investment (FDI) links.

Technology adoption and innovation

Strengthening the UK's innovation economy is vital for effective industrial policy, for it underpins competitive advantage in existing and emerging growth sectors. Businesses require a clear R&D investment plan and a stable environment to advance their projects and adopt new technologies. Accelerating technology adoption in traditional industries and among SMEs could boost productivity and public services, potentially adding £45bn to the UK's gross value added (GVA) by 2030.¹⁰ Embracing innovation, as well as new and emerging technologies, has immense economic potential that could help the UK retain innovative new businesses through the maturity cycle.

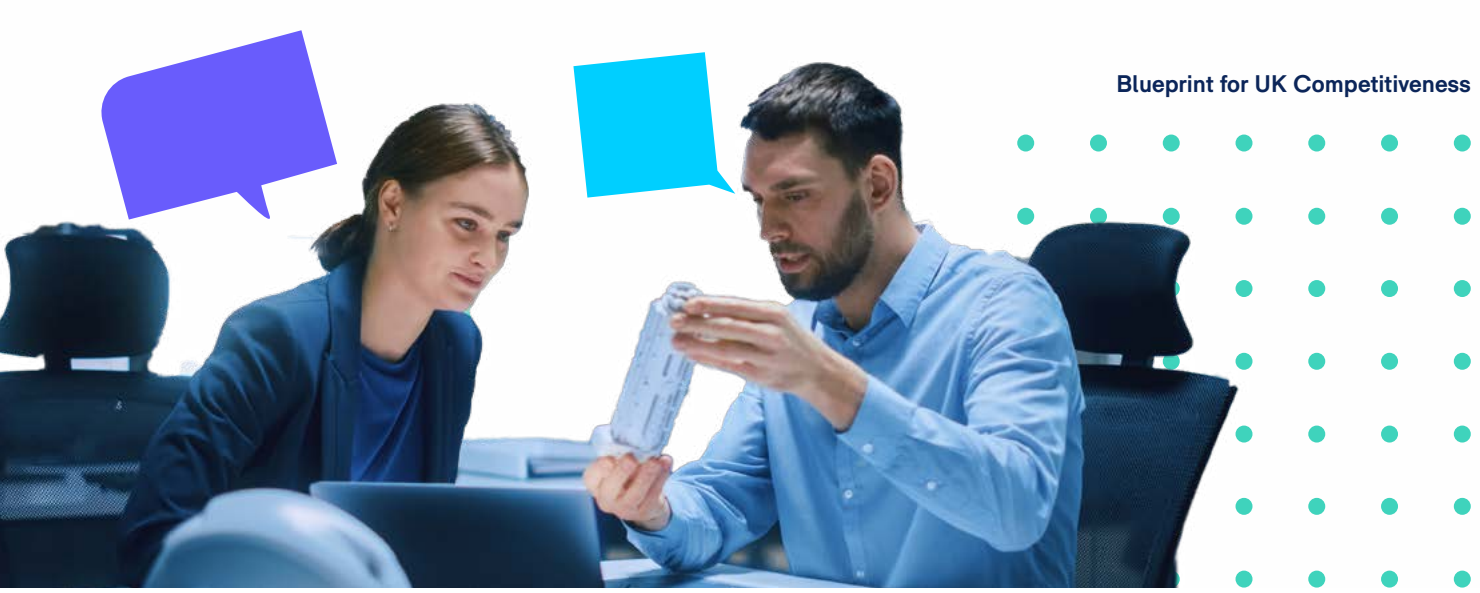
CBI members outline *Growth engines* as part of the scale-up playbook,¹¹ which includes recommendations and spans four areas: pro-innovation regulation, unleashing investment, harnessing our national assets,

⁸ LGA 2019 Skills Gaps report final December 2019
⁹ bid

¹⁰ Decacorns, Unicorns and Sooncorns: the powers behind UK growth | CBI (2023)

¹¹ growth-engine-the-uk-scale-up-playbook.pdf (cbi.org.uk)





and access to the best talent. CBI research has also shown that the UK's nine decacorns alone contributed £4.6bn GVA to the UK economy in 2021.¹² Research has also shown that the UK's nine decacorns alone contributed £4.6bn GVA to the UK economy in 2021.

Public-private partnerships

The success of an industrial strategy will depend on meaningful collaboration between the public and private sectors. With public sector procurement spending reaching £407bn in 2023–24,¹³ there is enormous potential for private companies to engage with government initiatives. Maximising the benefits of these public-private partnerships does, however, require regular attention in four fundamental areas: **risk-sharing, sustainability, innovation, and political accountability.**

Effective public procurement and private sector financing are vital, especially in a tight fiscal environment. The government must **clearly define the objectives and outcomes of its mission-led governance approach.** Co-creating policies with industry to drive growth requires meaningful and timely engagement.

Clear and transparent **pipelines of government capital projects and their political sponsors** also help stimulate future investment. A recent example is the UK government's Contracts for Difference (CfD) scheme, which has attracted around £20bn in private sector investment into renewable energy.¹⁴ Given the significant public procurement spend in this area, leveraging private finance for public good is key.

These drivers of growth are the foundation upon which the UK's future industrial and trade strategies should be built. Addressing them will unlock investment, enhance productivity, tackle regional inequality, and position the UK for long-term success in the global economy. Importantly, these horizontal enablers cannot be tackled in isolation from vertical sector approaches.

¹² Decacorns, Unicorns and Soonicorn: the powers behind UK growth | CBI

¹³ HOC Library - Procurement Stats (Aug 2024)

¹⁴ Biggest ever renewable energy support scheme opens - GOV.UK (www.gov.uk)

Assessing UK national assets

The UK is uniquely positioned to **leverage national assets to drive economic growth**. From its world-class universities and robust financial services sector to its rich tradition of entrepreneurship, the UK has a solid foundation on which to build its future-focused industrial strategy.

Institutional excellence

The UK's institutions can be the cornerstone of its global reputation. Whether the Bank of England, the Financial Conduct Authority, or the country's network of regulatory bodies, the UK's institutional infrastructure promotes a stable and predictable investment environment. The UK's strong rule of law, supported by its independent judiciary, underpins the trustworthy environment that is essential for attracting global investment.

As new institutions like the **National Wealth Fund** and **GB Energy** take shape, they should continue to embody the UK's core values as they drive the UK's industrial strategy forward. CBI members emphasise the importance of clearly communicating the mission and purpose of GB Energy and the National Wealth Fund. CBI members also stress that the government must identify the specific market gaps these institutions aim to address and ensure continuous alignment across departments.

Ultimately, the goal is to ensure that government policies endure beyond individual parliamentary terms and foster an environment where long-lasting decisions survive. By prioritising stability and accountability, the UK can both create a more attractive landscape for investment and maintain market trust. One example the CBI has previously outlined would be the publication of a **Business Tax Roadmap** that provides cost confidence for firms that invest across the parliamentary term.¹⁵



¹⁵ [business-tax-roadmap.pdf \(cbi.org.uk\)](https://www.cbi.org.uk/business-tax-roadmap.pdf)

Diversity within the industrial base

The UK could **make more of its diverse industrial base and play to its regional sectoral strengths for growth.** While services dominate the private sector, understanding each sector's contributions—particularly in terms of employment, training, and accessibility—is essential for building a strategy that drives sustainable growth across *all* parts of the economy.

The UK has a diverse industrial base, dominated by service sector firms with genuine world-leading capabilities. The country also has globally significant research and development capabilities in its universities, and excellent economic clusters have developed across the UK as a result of partnership and collaboration between industry and the government.

These clusters make up 6% of employment but 11% of UK GVA. The UK has the potential to grow more clusters by identifying and developing strong regional assets.

Whilst it is important to recognise that clusters will not address every growth issue, they are an important policy lever to allow firms to become more productive through agglomeration. Learning from the 2017 Industrial Strategy in which co-location within sector deals was encouraged, any future industrial strategy should adopt successes from examples such as manufacturing, defence, and the creative industries.



Capital market strength

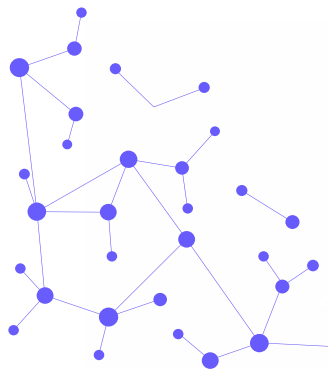
The UK is a global leader in raising equity capital, ranking third in the world despite being the sixth-largest economy.¹⁶ London's status as a global financial hub, combined with a mature investor base of pension funds, asset managers, and hedge funds, makes it a vital source of funding for future industrial strategies. By building on this strength through initiatives like the **Mansion House Reforms**,¹⁷ the UK can secure the capital necessary to fund long-term projects in areas like infrastructure, technology, and green energy.

Trade and investment

While its export market share has declined in recent years, the UK remains a global leader in services exports and FDI. The trading surplus in services highlights the country's strengths in sectors such as financial services, law, and consulting. Research indicates that firms engaged in exporting achieve significantly higher growth rates,¹⁸ making it crucial to increase the number of UK businesses trading internationally.

With only 12% of UK firms currently exporting,¹⁹ enhancing the volume and value of exports should be a priority for unlocking economic growth potential. To avoid falling behind in the competitive investment landscape, government institutions should take insights from the implementation of initiatives like the US Inflation Reduction Act and the EU Green Deal. Trade and investment drive sustainable growth, but they also require active cultivation; complacency will allow the UK to fall quickly down the global league table.

The UK government can accelerate growth and increase industry and investor confidence by assessing and capitalising on UK national assets and doubling down on foundational strengths. The government's role within this is often to reiterate domestic capability and institutional independence or excellence.



¹⁶ Capital Markets of Tomorrow - (Sept 2024)

¹⁷ Mansion House 2023 - GOV.UK (www.gov.uk)

¹⁸ Why exporting could boost your business | HSBC UK

¹⁹ UK trade in numbers (web version) - GOV.UK (www.gov.uk)

Minimising opportunity cost

To grow the economy, the government and business play central roles in transforming risks into opportunities. In many areas, well-timed action is essential. The **costs of inaction are felt strongly across industry, where products, markets, and technologies flourish through timely access to information, financial support, and signalling.**

To aid this task, the new mission-led government must clarify the interplay between trade, foreign, and domestic industrial policy, as well as the role institutional investment and insurance providers will play in identifying opportunities from risks. The CBI suggests policy focus, within the five economic shifts earlier identified.

Funding competitiveness through capital markets and fiscal policy

To boost competitiveness, the UK needs to **further deepen capital market strength** through agile fiscal policy that limits stock exchange outflows. With an investment-to-GDP ratio of just 17%, the UK still trails its G7 peers. This annual investment gap—estimated at £100bn²⁰—must be closed if the UK is to remain competitive.

Public-private partnerships will again be critical to this, where they balance and share risks or rewards in a way that provides more certainty for investors and finds successor schemes to private finance initiatives (PFI).

Insurance, particularly for infrastructure projects, also plays a role; the global insurance market faces increasing premiums for natural disaster protection. For example, global economies have committed a combined \$19tn through 2030 to finance the climate transition. Up to \$10tn of this investment will require additional insurance coverage.²¹ Additionally, by 2030, premiums for physical risks are expected to increase by 50%, reaching \$200-250bn globally and highlighting the need for innovative funding mechanisms that can support long-term economic growth.²²



²⁰ Capital Markets of Tomorrow report

²¹ the-bigger-picture-whitepaper.pdf (howdengroup.com)

²² Value Creation in Reinsurance: Boring is Beautiful

Delivery of the UK's net zero targets:

Climate change represents both an existential threat and a unique opportunity for the UK to lead in global industrial transformation. **In 2023, while the overall UK economy grew by 0.1%, the net-zero economy grew by 9% and generated £74bn in GVA.**²⁴ Jobs in the net zero sector are highly productive; they generate £114,300 in economic activity per job, with average salaries significantly higher than the national average (£44,600 compared to the UK average of £35,400).²⁴ And these roles are available across the country, thereby equalising opportunity across the UK's nations and regions.

Capitalising on twenty-seven green growth opportunities could deliver a £57bn boost to GDP by 2030.²⁵ One such opportunity is in the UK's largest carbon emitter, the Humber cluster. The Humber cluster represents a significant global opportunity to decarbonise industry at scale, with over £15bn of opportunities identified in the 2030 Humber Vision.²⁶

Harnessing the power of the digital economy and R&D base

The UK has a good starting position to build from with a leading tech sector and strong R&D base. However, given the UK's relatively low levels of digital adoption and R&D investment, the pace of technology development, and disproportionate gains for early adopters of emerging technologies, the UK must act or risk falling behind. If the UK accelerates uptake across the economy, digital technology adoption could add £520 billion to the UK economy by 2030;²⁷ productivity increases from generative AI alone could save the average worker over 100 hours per year by 2030.²⁸

Grasping the potential of data sharing could generate social and economic benefit worth 1-2.5% of GDP when public and private sector data are combined,²⁹ which represents a potential £55bn prize.³⁰ Each high-growth sector has its own story. Although high-growth firms currently represent only 0.001% of UK employers, they contribute £50.4bn to GVA. Expanding their number to 100 could elevate contributions to £178.2bn and create nearly 1.93m jobs, representing 7.3% of the workforce.³¹ To support this, the UK needs to **focus on measures to accelerate technology adoption and to commercialise innovation at pace and scale. This, in turn, will drive productivity and maximise economic and social benefit.**

²³ Energy & Climate Intelligence Unit | The UK's net zero economy (eciu.net)

²⁴ Energy & Climate Intelligence Unit | CBI Economics: UK net zero... (eciu.net)

²⁵ 12820_green_growth_report.pdf (cbi.org.uk)

²⁶ 2030 Humber Vision

²⁷ Amazon (2024), 'New research shows that digital technology could add £520 billion to UK economy by 2030' - <https://www.aboutamazon.co.uk/news/aws/uk-digital-technology-report-2024>

²⁸ Google Economic Impact – Google

²⁹ ODI / Frontier Economics, Economic Impact of Trust in Data Ecosystems (2021).

³⁰ UK GDP 2023 | Statista - Using 2023 Gross Domestic Product figures (£2.27 trillion).

³¹ Tech Nation Report 2023 - Tech Nation (wpengine.com)



Further still, **the cost of avoidance in the de-risking debate for emerging technology sectors is considerable.** Mainstream business lenders often hesitate to engage in these areas, and when they do, they frequently impose high-risk premiums. Linked to the scaling and maturity cycle, offsetting this through greater de-risking at the centre of government or regulators is essential.

Balancing trade and economic security

Trade has long been a key driver of the UK's economic success, but it comes with economic risks. **Minimal diversification will lead to overexposure and higher susceptibility to global shocks or supply pressures.** Balancing the risks of operating in a global environment with the opportunities presented by free and fair trade should be a central factor to any future industrial strategy.

Companies that trade internationally are, on average, 70% more productive than those that operate solely in the domestic market.³² This productivity boost underscores the importance of expanding the UK's export base and both deepening and diversifying trading relationships with key markets, such as the EU, APAC, and the Middle East. 77% of CBI members who responded to a post-event feedback survey in July and August 2024 indicated these markets as priorities for their growth.

As it diversifies trading relationships, the UK government must work closely with businesses to understand sectoral risks and exposures. **A focus on global supply and value chains, as well as resilience, will help the private sector adapt to global shifts.** The government's role in better understanding the UK's China relationship at look-through level is important.³³

The UK's ongoing relationship with the EU is also central to this trade and security balance. The government's *Invest 2035* green paper reaffirms a commitment to making the industrial strategy international and to building on the UK's trading relationship with the EU. This focus will be supported by industry, **who need to see full implementation of the current Trade and Cooperation Agreement (TCA) alongside any exploration of additional future builds.** These builds would, as a priority, address trade and customs, level playing field and regulatory cooperation, energy and climate, and business and labour mobility.

³² Why exporting could boost your business | HSBC UK

³³ A portrait of the UK's global supply chain exposure | Bank of England

Evolution in the demography, skills base, health, and productivity of our future labour market

As a developed Western economy, the UK is expected to proactively respond to demographic shifts to remain economically competitive. **These shifts span an ageing population and declining birthrate, workforce skills, health-related inactivity, and lifelong learning pathways.**

To facilitate this while distributing opportunity more equitably across the UK, the government should tackle labour market inefficiencies, as well as barriers to employment, such as affordable, accessible childcare. Expanding the *Access to Work* programme³⁴ and doubling down on proposed Skills England programmes³⁵ will broaden workforce participation within this parliamentary term.

It is estimated that **the UK's disease burden could be reduced by between 10-20% by 2040 through incentivising greater employer intervention.**³⁶ With long-term illness and related factors often driving inactivity levels in working-age people, prioritising workforce health will help the government reach its goal of raising the employment rate to 80%. Alongside this, the government could prioritise widening health tax incentives to bank £2.65bn through this parliamentary term alone.³⁷

Taken collectively, the risks outlined here have the ability to be turned into sources of competitive advantage for the UK. Timely prioritisation of policy is a helpful first step from which industry investment and responsibility can follow.

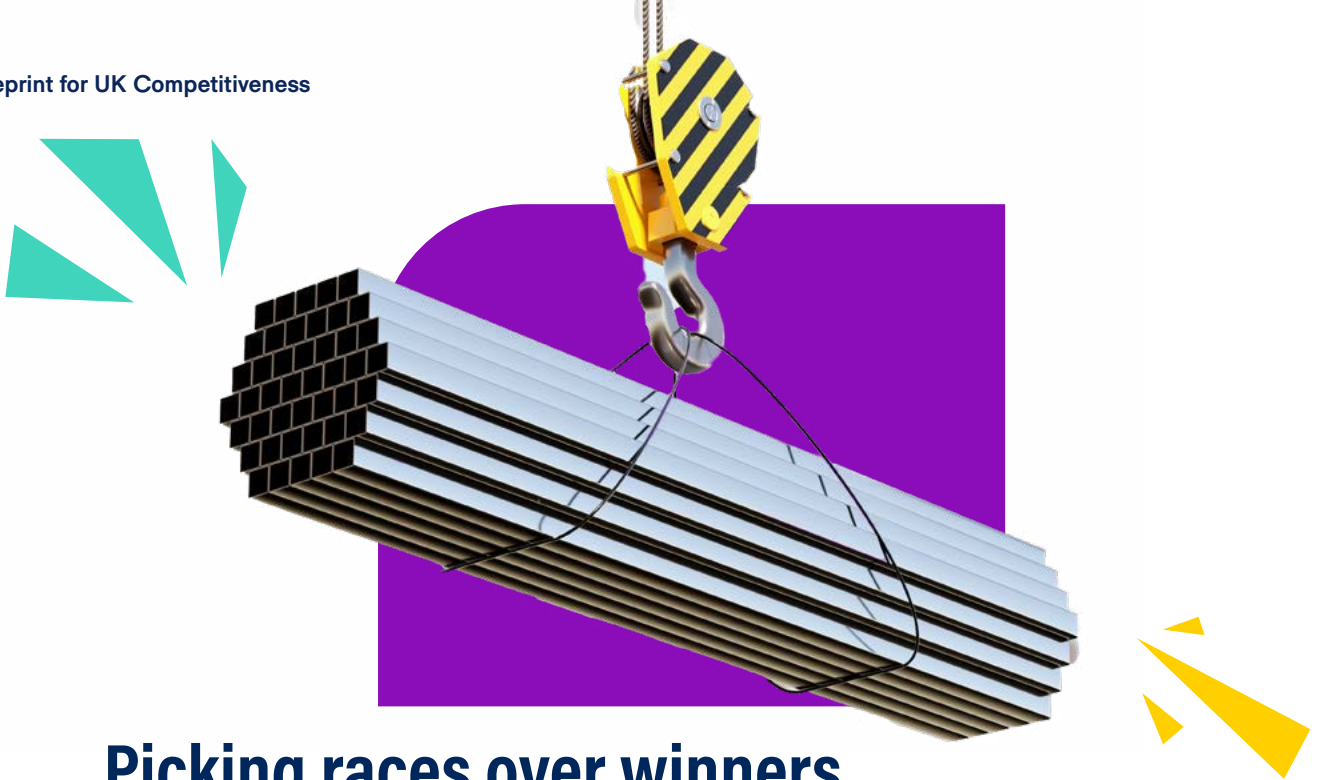
³⁴ Access to Work: get support if you have a disability or health condition: What Access to Work is - GOV.UK (www.gov.uk)

³⁵ Skills England - GOV.UK (www.gov.uk)

³⁶ McKinsey-CBI-*Seize the Moment* Analysis 2022

³⁷ Government can boost economy by £2.65bn with employee health tax incentives | CBI





Picking races over winners

The government's mission-led approach should set clear, purpose-driven priorities for success. Instead of picking winners, the **government should focus on strategic global races that align with broader economic objectives it wishes to win**. By establishing objectives, the government can mobilise departments and engage businesses, stakeholders, and industries in co-created policy that supports the race.

This will require support from all nations and regions, not just Whitehall. Involvement from local, regional, and national stakeholders, alongside industry, universities, and communities, is essential. While nations and regions should have autonomy, CBI members emphasise that **coherence between the UK government's ambitions and local roles is imperative**. This alignment promotes an inclusive strategy—one that demonstrates a commitment to long-term industrial progress over short-term politics.

Lead the G7 in green infrastructure delivery

Slow infrastructure delivery progress threatens the government's prosperity and clean energy goals. To meet net zero targets, the UK needs faster, more reliable infrastructure delivery, supported by capital markets and well-signalled planning reform. As important is **coordination across industry-responsive institutions** like the National Wealth Fund, the National Infrastructure & Service Transformation Authority (NISTA), the British Business Bank, and GB Energy.

With fiscal constraints limiting government investments, the private sector will spearhead growth. Infrastructure delays impede this effort. The **absence of a long-term infrastructure strategy has led to significant delays, which adversely affects the construction sector's planning and development**. Effective public-private partnerships, along with investment from capital markets, can play a larger role in ensuring projects are delivered on time and on budget.

Become the most resilient G7 economy

Balancing domestic productivity with global supply chain resilience requires a strategy focused on capacity building. This can **complement existing assessments of critical national infrastructure or critical national minerals, as well as societal imperatives like food or health security.** Strengthening enabling industries and research, for example, can continue to position the UK as a global science and technology leader and reduce response times during periods of crisis. **Any future industrial strategy must be layered upon a resilient economy.**

Geopolitical tensions, protectionism, and cyber threats underscore the timely need for government attention. As such, the CBI has worked with industry and the Cabinet Office to determine next steps for the state's role in reducing the volume and depth of systemic threats and in evolving the UK's public-private partnership model to help achieve this.

The UK's start-up and scale-up ecosystem will both help increase resilience through innovation and **equip the UK's future workforce with the skills needed to adapt to risk.** Universities UK has suggested clear changes the government can make to enable the UK's universities to foster growth and support resilience, notably at local levels.³⁸



³⁸ Opportunity, growth and partnership: a blueprint for change from the UK's universities (universitiesuk.ac.uk)



Create a world-leading regulatory framework

The UK has a unique opportunity to establish itself as a global leader in regulatory innovation. By **embracing outcomes-based regulatory frameworks and evolving smart, proportionate regulation and modern competition policy**, the UK will attract investment in high-growth sectors and reset its relationship with risk. Regulatory agility and flexibility within the system could serve as a template for competing economies, protecting consumers and allowing contained experimentation.

A prime example of this might be the Financial Services and Markets Act,³⁹ which demonstrated how a well-designed framework can balance market integrity, consumer protection, and flexibility within a unified regulator. To further this, the **Regulatory Innovation Office (RIO) could offer a coordinated, cross-departmental strategy that supports both novel and existing regulated sectors.**

Tying any future industrial strategy to domestic competition policy, as recently outlined at EU level, would also be recommended.⁴⁰ The role of competition, merger, and acquisition assessments, alongside compliance, is one which can accelerate FDI. The UK could openly **demonstrate the proportionality of competition frameworks, in partnership with the Competition & Markets Authority, as a tool to compete with G7 peers.**

³⁹ Financial Services & Markets Act (2000)

⁴⁰ The future of European competitiveness: Analysis of the Draghi Report from a competition and trade law perspective - Lexology

Become the dynamic world leader in diversified trade

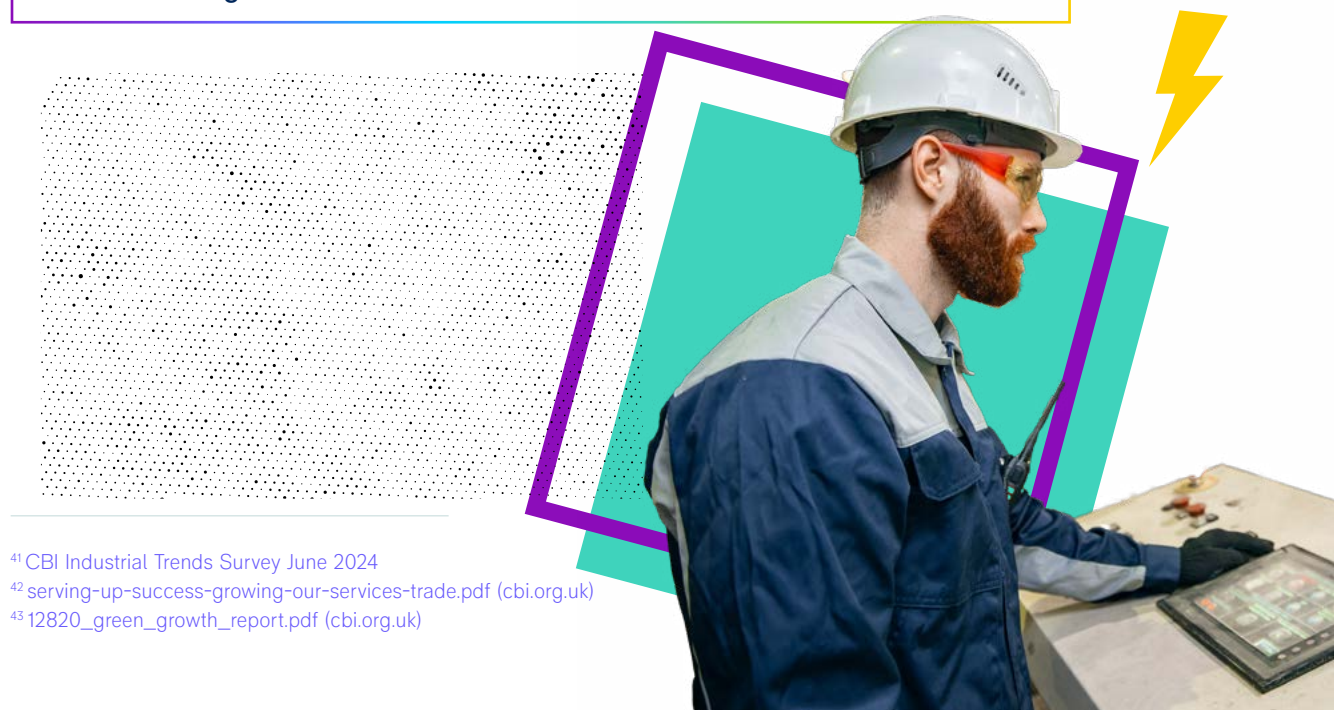
The UK can craft a trade strategy that balances geopolitical risk with growth markets. Mitigating these risks while **maximising exports and futureproofing against trade barriers will be central to its viability**. Within this, government should use multi- and bilateral international engagement to reduce the volume and cost of customs procedures, price controls, import quotas, rules of origin or packaging regulations, and cross-border data sharing restrictions.

A June 2024 CBI survey revealed firms' growing concerns about operational risks and supply chain disruptions, with commodity prices and import/export controls identified as top threats.⁴¹ **Remaining competitive, therefore, means recommitting to structural export strengths—such as trade in services—whilst building capability for new markets.**⁴²

New exportable products would increase both market coverage and depth in areas already valuable for domestic exporters. For example, **knowledge-based intellectual property (IP) for use in high-tech segments of value chains in the green sector has real potential**; this could be worth £16.5bn by 2030 in electric vehicles alone.⁴³

Trade and investment are also powerful geopolitical tools. By leveraging its position, the UK can maintain high standards and utilise existing bilateral relationships and Commonwealth infrastructure to **project trade and investment leadership—notably through institutions like the World Trade Organisation (WTO) and United Nations (UN)**.

These races are neither exhaustive nor isolated. But they are winnable, even where the UK starts further back in the field. Prioritising government and industry effort and investment across the parliamentary term can garner results for the growth mission and indicate to the world that the UK's calling card is clear.



⁴¹ CBI Industrial Trends Survey June 2024

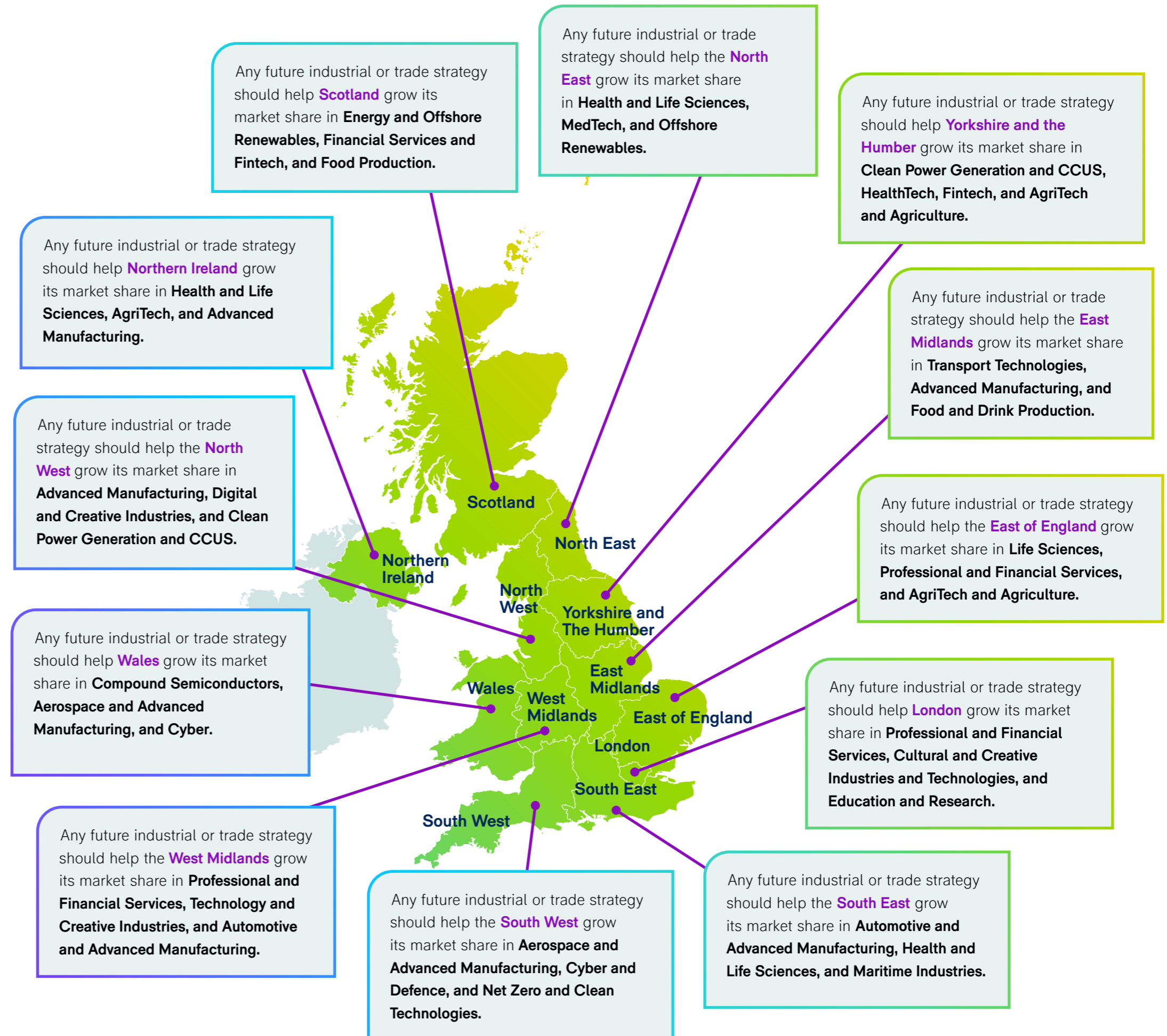
⁴² [serving-up-success-growing-our-services-trade.pdf \(cbi.org.uk\)](#)

⁴³ [12820_green_growth_report.pdf \(cbi.org.uk\)](#)

Asking 'How does it play across the UK?'

The government's *Invest 2035* Green Paper committed to raising prosperity and productivity across all UK nations and regions. This sits alongside a commitment to devolve further powers to Mayoral Combined Authorities (MCAs) across England, supporting their ambitious Local Growth Plans (LGPs). **Partnership with devolved governments will make this a UK-wide effort and support the considerable sectoral strengths of Wales, Scotland, and Northern Ireland.**

Invest 2035 also outlines how central government will place most weight on places with the greatest potential for growth sectors: city regions, high-potential clusters, and strategic industrial sites. **LGPs should now be aligned with any future industrial big bets to provide the foundations for greater productivity, increased inward investment, and regional industrial excellence.** Across the UK, businesses have been clear that this should help capitalise on the existing sector strengths detailed in this map.



Taking principled first steps

As government and industry look out across this parliamentary term, they will **recognise that the UK economy has major strengths on which to build a risk mitigation—or even transformation—strategy.** Doing so will require honesty from both the public *and* private sectors about the knottier public policy decisions to be made. For many inward and domestic investors in the UK, the enablers of growth and the economic shifts listed in this *Blueprint* dominate their forward planning and investment decisions. **The following three principles should propel this effort:**

Realism on growth capability

Central to the UK's ability to attract private investment is its ability to signal sufficient public investment, including through private joint venture, in both social and economic infrastructure. As outlined, this can be achieved through a focus on resilience, centred on the question: ***how do we balance the growth that can be achieved through industrial big bets with growth that can come from the mature, everyday economy?*** Answering this will be critical for foundational or supporting sectors like logistics, construction, utilities, aviation, transport, food, critical minerals, and retail.





Prioritisation in global alignment

When picking races the UK is well-placed to win, domestic and foreign policy choices will need to be made. The UK-EU relationship is a core part of this decision making, but not its entirety. The government needs to be clearer on the question: ***where will the UK look to align or diverge on global policy to tackle global challenges, from health to climate, alongside the largest international economies?*** Answering this will support boardrooms in forward planning for major capital expenditure, regulatory and standards compliance, and supply chain exposure. This will be notable within the fastest evolving areas of public policy and with regard to specific international economies.

Confidence in success metrics

Assessing the success of any industrial or trade strategy requires consensus from government and industry on measurement. Growth rates alone cannot account for fully effective industrial policy. *Invest 2035* provides a moment to ask the collective question: ***which Key Performance Indicators (KPIs) best utilise commonly agreed data to illustrate economic success within both industrial big bets and the mature everyday economy?*** Answering this will allow policymakers to incentivise investment, through clarity of vision, within and beyond the parliamentary term.



To conclude this *Blueprint*, the CBI and its members stand ready to continue working with local, national, and international leaders to make any future industrial or trade strategy a success.



The CBI serves as the catalyst between industry and government to drive positive change, speaking for businesses of all sizes and sectors across the whole economy, in every UK region and nation, ensuring sustainable growth for the benefit of society.

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