ROADMAP FOR GROWTH

Rebooting the UK's growth engine to drive prosperity

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A business agenda to make Manchesterism work in practice

The incoming Burnham administration is not starting from a blank page. Andy Burnham has set out a clear theory of growth, arguing that Britain has been held back by an over-centralised state, fragmented delivery and a failure to mobilise the productive potential of every part of the country. His argument for "Manchesterism" is that growth cannot be ordered from Whitehall; it has to be built from the bottom up by places with the power, capability and confidence to act, working in partnership with business, universities, civic institutions, trade unions and communities.

That agenda speaks directly to the lived experience of many firms. CBI members recognise the case for a more place-based, delivery-led and partnership-oriented economy. They support the ambition for good growth in every postcode, stronger local leadership, better infrastructure, technical and higher education, innovation-led clusters, more effective procurement, and a state that is more willing to remove barriers to investment. They also recognise Burnham's emphasis on living standards and the cost of essentials. Growth that is not felt by households, workers and communities will not command lasting support.

But the test of this agenda will be practical. The central question is whether Manchesterism can be translated from a city-region model into a UK-wide operating system, and whether it can do so while maintaining fiscal credibility, investor confidence and delivery discipline. That is the right challenge. Devolution without capability, funding clarity and accountability will disappoint. Reindustrialisation without competitive energy costs, planning, grid connections, skills and transport will not scale. Public procurement without speed, commercial judgement and a route from pilot to adoption will not create sovereign capability. A more active state without predictability will not crowd in private capital.

This paper is therefore not an attempt to offer an alternative economic theory to Burnham's. It is the business contribution to making that theory work in practice. If the goal is to rewire Britain around places, productive investment and rising living standards, business has to be central to the answer. Firms create jobs, train people, adopt technology, build supply chains, commercialise ideas, regenerate high streets, export and generate the tax base that funds public services. A place-first growth model cannot succeed if the operating environment makes it harder for firms in those places to invest, hire, innovate, scale or deliver.

The proposition from CBI members is constructive and direct. The UK should keep the foundations that have restored stability; accelerate the delivery systems that turn public ambition into investable projects; and change the parts of the cost, tax, regulatory, skills and infrastructure environment that are holding back business dynamism. The ambition is not to dilute good growth. It is to make it deliverable. The UK does not need another theory of growth that fails at the point of execution. It needs an operating model that helps the incoming administration make its theory fire on all cylinders.

The next phase of growth policy should therefore be guided by three questions.

- **What should be maintained?** The foundations of confidence: fiscal credibility, the single fiscal event, protected capital budgets, the Industrial Strategy, the Infrastructure Strategy, Mansion House reforms, regulatory reform and the UK-EU reset.
- **What should be accelerated?** The delivery systems that matter most for growth: planning, grid connections, infrastructure, procurement, AI adoption, public-private partnership models and practical trade improvements.
- **What should be changed?** The parts of the operating environment suppressing business dynamism: high energy costs, rising employment costs, skills, tax and regulatory complexity, weak commercialisation, delivery failure, and a fiscal debate too focused on short-term headroom.

The unashamed test for every major economic decision should be straightforward: does it make it easier for firms to invest, hire, innovate and grow across the UK?

Stability has returned; dynamism has not

The starting point for any serious growth strategy should be confidence in the UK's strengths. There is too much of a tendency in British economic debate to move quickly from challenge to fatalism. From a shining beacon open to the world, to broken Britain. That is understandable after a decade of shocks, but the conclusion that the UK is trapped in permanent crisis is wrong.

The UK remains an open economy with great institutions, deep capital markets, world-class universities and major sectoral strengths in services, advanced manufacturing, AI, life sciences, quantum, clean energy, cyber and digital infrastructure. Everyone can see the opportunity. The problem is not lack of ambition or capital; it is that the UK's strengths are not translating consistently enough into private-sector investment, meaningful productivity growth and rising living standards.

The UK economy is growing, but not in the way the country needs. The CBI's latest forecast expects GDP growth to slow from 1.4 per cent in 2025 to 1.1 per cent in 2026 and 0.9 per cent in 2027. The outlook is weaker than previously expected, with the impact on energy prices from the Iran conflict feeding through to higher inflation, softer consumer spending and weaker business investment. Inflation is expected to move towards 4 per cent by the end of 2026, while business investment is projected to contract over much of the forecast period.

This is not an economy in crisis. But nor is it an economy generating the dynamism required to sustainably raise living standards. Over the last few years private sector momentum has failed to gain traction – between 2022-2025 government consumption and investment accounted for 2.2 percentage points of the cumulative GDP growth of 2.6 per cent, or around 85 per cent. Across the economy, the labour market is cooling. Weak productivity is the long shadow cast over living standards, fiscal sustainability and the quality of public services, with the CBI forecast expecting productivity to end 2027 around 1 per cent below its (already weak) pre-Covid trend and 24 per cent below its pre-financial crisis trend.

The challenge is not only the pace of growth, but the economy's capacity to renew itself. In a world of technological disruption, geopolitical fragmentation, net zero transition and demographic change, dynamism is a source of resilience as well as prosperity. It helps labour, capital and ideas move to where they can be most productive - and without it, shocks are harder to absorb and new technologies diffuse more slowly.

The UK has made progress towards restoring macroeconomic and fiscal stability. That is significant and welcome: businesses value predictability, and the move to one major fiscal event should be guarded because it creates more space for strategic decision-making.

But stability is not the same as momentum. It only supports growth if it gives firms the confidence to invest, hire, innovate and expand. The challenge facing the UK economy is no longer simply one of stabilisation. It is one of mobilisation. And that requires long-term, consistent work.

Moments of political uncertainty, however, inevitably create pressure for resets. New leaders, new ministers and new priorities often bring a temptation to revisit what has already been announced. Some of that is healthy, but there is also a real risk that the UK repeatedly restarts before it has delivered. That damages business confidence and how we are perceived by international investors. The UK cannot build a more investment-led economy if every political moment feels like a potential policy reset. Businesses do not want a handbrake turn in policy. They want a foot on the accelerator.

Restoring competitiveness

The strongest message from businesses across the UK is that the cumulative cost burden is weighing on investment, employment and competitiveness.

This is not simply about one tax rise or one regulation. It is the combined effect of labour costs, energy costs, business rates, regulatory and tax compliance, planning delays, supply-chain disruption, the cost of finance and wider uncertainty. Every individual policy may have its own rationale, but businesses experience them in combination.

The result is that profitability is under pressure even where demand is holding up. That is a problem because profit is the capacity to innovate, invest, pay wages, create jobs, deliver returns for savers and pensioners, and generate the tax base that funds public services.

The CBI's own analysis shows how fragile corporate fundamentals have become. Firms have been grappling with high labour, energy and borrowing costs alongside persistently soft demand. Margins have been squeezed over several years, and the profit share of GDP has fallen to one of its lowest levels since the financial crisis. Falling profitability is limiting firms' ability to invest and create new jobs.

The divide between the cost of doing business and the cost of living is false. Business costs ultimately shape prices, wages, investment, employment and the tax base.

Business already makes a substantial contribution. CBI analysis shows that firms paid £344.8bn in taxes in 2025/26, accounting for 31.3 per cent of total UK tax revenues: the highest share since at least 1998/99 on a like-for-like basis and a rise of nearly £40bn in tax year on year. This is not free money, and it is not free of consequence. The point is not that business should not contribute. It should. The point is that increasing tax on business may seem politically easier in the short term, but it comes at a real cost that households will feel - higher prices at the tills, lower pay increases and fewer vacancies. The right balance needs to be struck otherwise growth and productivity will never rise to the point needed to raise revenues sustainably.

Employment costs are now central to that question. If the government wants higher employment, lower inactivity, fewer young people outside education or work, and a lower welfare bill over time, it needs to create the space for businesses to create jobs.
Work remains one of the most powerful routes to higher living standards, better skills and lower long-term fiscal pressure, but firms cannot play that role if the costs and risks of hiring keep rising.

Business leaders consistently raise employer NICs, the National Living Wage and employment regulation as barriers to hiring, especially in labour-intensive sectors such as retail, hospitality, logistics, food, social care, universities and manufacturing. These sectors often provide entry-level roles, flexible work and routes back into employment. When the cost of hiring rises too far, firms recruit more cautiously, delay expansion, automate faster, reduce entry-level opportunities or absorb pressure through lower margins.

This is even more important to consider in an economy being reshaped by AI and automation. As with any transition, given the pace of change it is important to ensure roles are adapting and new jobs being created alongside technology adoption. Raising the cost and risk of hiring too far risks accelerating substitution away from labour too quickly, especially in entry-level roles. Instead, we must enable technology to raise the productivity of workers as complements to each other.

That affects the government's wider social and fiscal objectives. Reducing inactivity and welfare dependency cannot be achieved by public services alone. It depends on a labour market with enough demand for workers, enough flexibility for employers to take a chance on people, and enough confidence for firms to invest in training and progression. The UK therefore needs a labour market that protects workers while supporting job creation. A pro-worker agenda and a pro-jobs agenda should not be treated as competing objectives; the test should be whether reforms improve security and standards while also enabling more good jobs.

Energy costs should also be treated as a central competitiveness issue. Even before the current crisis in the Middle East there was a structural problem with the level of energy costs in the UK: in 2024, industrial electricity prices in the UK were the highest among all countries in the International Energy Agency (where data is available). The level of electricity prices (27 pence per kWh) was one-and-half times higher than both the IEA median, and the average across the rest of the G7. Higher energy and transport costs have compounded already elevated labour and borrowing costs, and many firms have limited ability to pass those costs on because demand remains weak.

The UK cannot credibly aim to be a leading destination for advanced manufacturing, AI infrastructure, clean technology, life sciences or energy-intensive innovation while maintaining an uncompetitive energy cost base. It should continue investing in clean energy and resilience, but review how policy and social costs are funded so that competitiveness is not sacrificed.

The same principle applies to tax and regulation. The UK needs a simpler, more investment-friendly system. Tax incentives should be stable over time, with routes to certainty available for strategically important projects, allowing investors to make long-term decisions to invest in the capital and innovation that will drive growth. Business rates reform should avoid piecemeal changes that simply move the burden around. The priority should be a system that supports investment, removes cliff edges, improves fairness and gives firms confidence to expand. Regulation should be judged in the same way. Good regulation is essential, but regulation that duplicates, delays or confuses weakens growth without improving outcomes.

Make government delivery investable

The UK has had enough strategies: what it needs is delivery.

This is one of the strongest themes that comes up in conversations with CBI members. Across regions and sectors, businesses repeatedly pointed to the same problem: the government often has the right ambition, but the system does not deliver at the pace business needs.

Members raised a consistent pattern: grid connections without clear timelines, planning delays, stalled infrastructure, slow visas, delayed defence funding, power constraints for data centres and procurement that is too process driven.

For business, this is becoming a serious economic cost. Delay changes the investment case. It raises financing costs, weakens expected returns, increases uncertainty and pushes capital towards other markets. Confidence in delivery is essential to growth.

The CBI's work with HMT's Growth Delivery Unit provides a useful evidence base for this. Survey evidence found that no respondents felt the government organisation, team or system they had engaged with was working "very effectively". Common issues included limited capacity or responsiveness, slow or inconsistent decision-making, duplication across departments, and the need for clearer ownership, faster timelines and single points of contact. One example raised by a business cited nearly 30 officials on one call across different government departments but even when agreeing on the actions no-one was able to agree who had the responsibility to take them forward.

This points to a deeper culture shift needed in government. The centre of government should focus less on continually generating new policy and more on driving results from existing commitments. That does not mean policy development should stop, but delivery discipline should now take precedence.

The test is whether the government is organised around outcomes rather than just announcements. No.10 does not need to manage every project, but it should create a stronger delivery grip around the systems that matter most for growth: planning, grid connections, infrastructure approvals, procurement, skills, visas, innovation funding, border systems and regulatory decision-making. Every major growth policy should have named ownership, transparent timelines, a clear business user journey, escalation routes and accountability metrics.

Devolution can have a big role to play, and the CBI has consistently supported devolution where it strengthens local economic leadership and gives places the tools to deliver growth. Mayors and local leadership are central to that agenda: they can convene business, local authorities, universities and skills providers around a shared economic plan, align investment with local strengths, and drive the delivery of Local Growth Plans that support the government's national Industrial Strategy. But devolution cannot be treated simply as a transfer of responsibilities from Whitehall to local government. To work for business, it must be underpinned by clear powers, stable funding, delivery capability and sustained engagement with employers. It also needs to recognise the realities of place-based politics: different regions face different constraints, and successful delivery depends on mayors being able to broker consensus locally while remaining aligned with national priorities. For the CBI, getting devolution right is essential to making the UK a more investable economy. It relies on ensuring national growth ambitions are translated into credible, business-backed delivery on the ground.

Compete as an open economy

The UK's growth prospects depend not only on domestic reform, but also on the country's place in the world. A more competitive economy at home and a stronger proposition internationally are two sides of the same strategy.

The UK should make a confident pitch as an open economy with stable institutions, frontier innovation, deep capital markets and strong international relationships. That is essential for trade, regulation, investment promotion, migration, standards and strategic sectors. The UK's international competitiveness depends on being clear about what kind of economy it wants to be: a stable, high-trust, innovation-led economy where businesses can scale, access talent, deploy capital and reach global markets.

A more competitive UK economy and a stronger relationship with Europe are complementary, not competing, objectives. The EU remains the UK's largest trading partner. Reducing unnecessary frictions with Europe should be viewed as growth policy. Discussions with business leaders consistently highlight support for making more progress on the UK-EU reset, particularly where trade frictions, border processes, standards, mobility and regulatory divergence are raising costs. Progress on SPS arrangements, intra-company mobility, mutual recognition, data, CBAM and practical steps to reduce barriers to trade can support exporters, supply chains, services firms and investors.

The same logic applies beyond Europe. The UK should remain open to global capital, talent and trade. At the top end of the labour market, access to global talent is itself a source of competitive advantage: firms, investors, researchers and founders will choose the markets where they can move quickly, build teams and scale ideas. With the UK's leading research universities there is a real opportunity to lean in and attract talent from around the world. A more controlled migration system can also be a more selective and pro-growth one, actively welcoming talent where it supports innovation, investment and strategic sectors.

But openness must be matched by a stronger domestic proposition. Investors will deploy at scale when the risk, return, regulatory, demand and delivery environment makes sense. That means the UK's international competitiveness depends as much on delivery at home as on strengthening relationships with international partners.

Mobilise investment for growth

Mobilising investment should be treated as a central pillar of the UK's growth strategy. In a fiscally constrained environment, the question is not only how much the government spends, but how much domestic and international investment it can unlock.

Fiscal credibility is crucial because it shapes borrowing costs (both for the government and the private sector), investor confidence and the stability businesses need to make long-term decisions. But fiscal credibility is not in itself a growth strategy. The aim should not be to chase marginal movements in short-term fiscal headroom, but to improve the economy's long-term productive capacity, resilience and sustainability.

That is why changes to the fiscal framework that allow greater space for public investment were welcome. Protecting capital budgets and taking a broader view of the public sector balance sheet can support a more strategic approach to investment, provided the framework remains credible, transparent and stable. As the CBI has argued in evidence to fiscal framework inquiries, headroom should result from a credible framework, rather than standing as the objective itself.

The government has already picked up several important strands of the investment agenda. Mansion House reforms, pension capital deployment, the National Wealth Fund, the British Business Bank and public markets reform all point in the right direction. The question now is whether these tools are being used to their fullest extent, and whether they are being joined up around the same objective: connecting long-term domestic and international capital to productive projects that raise the UK's growth potential.

This is where crowding in private capital becomes essential. The UK has bold infrastructure ambitions, but it cannot meet them through public spending alone. Public investment should be used where it unlocks larger flows of private capital, reduces risk, builds confidence and creates investable propositions.

The missing piece is a more credible and confident approach to public-private partnerships. A new generation of PPPs would signal to domestic and international investors that the UK is serious about delivery. It would also help turn protected capital budgets, state-backed finance and institutional capital into investable projects at the right scale, duration and risk profile.

Turn innovation into adoption and scale

Research, invention and early-stage innovation remain among the UK’s strongest assets, but too often the UK struggles to translate these strengths into globally competitive scaled firms, domestic production, commercial demand, exports and long-term investment anchored in the UK. While the UK ranks among the world’s leading ecosystems for start-ups, it places only 13th globally for scale-ups.

This is one of the UK’s central productivity challenges. It is not enough to celebrate start-ups if too many firms scale elsewhere. It is not enough to fund research if commercialisation happens overseas. It is not enough to identify strategic sectors if the UK does not provide the conditions for those sectors to invest and grow here.

Demand for innovation is a key factor here. Market demand is the single biggest driver of business innovation investment. In a recent CBI survey 68 per cent of respondents said market demand has a significant influence on where they invest in innovation, the highest of all factors listed, increasing to 76 per cent of innovators. But the UK is perceived as a poor market for innovation – with public procurement failing to scale promising technologies, and private-sector adoption, especially among SMEs, often lagging international competitors.

AI is a clear example. The UK is well-placed to benefit from AI because of its strong technology base, but also its services-intensive economy. The prize is not just more AI companies, but higher productivity across the whole economy and new avenues for growth.

That means focusing on AI adoption. The government should make adoption easier, less risky and more practical. Businesses across sectors need support to use AI safely and effectively, backed by digital, energy and compute infrastructure, an AI-ready workforce, and a regulatory regime that is trusted, proportionate and pro-innovation.

The government should also lead by example by deploying frontier technologies in public services, regulation and infrastructure to demonstrate real use cases. It can lower barriers through targeted incentives, risk-sharing, stronger digital and management skills, and clearer guidance on trusted deployment. And it can strengthen diffusion by keeping markets contestable, staying open to trade and talent, and using universities, Catapults and research centres to support firms in translating frontier breakthroughs into practical applications across the economy.

The same logic applies to defence, clean energy, life sciences, advanced manufacturing, aerospace, cyber and data-driven services. The government should not only identify priority sectors. It should make the UK one of the major economies where it is easiest for those sectors to invest, scale and commercialise, including through driving and unlocking domestic and international markets.

Public procurement should therefore be treated as a core innovation. The UK's annual public procurement budget is around £350bn, many times the R&D budget. If even a small proportion of this is used to create clear market signals and demand for new technology, it would have a significant impact on attracting and retaining business innovation investment in the UK. Currently though, a culture of risk aversion, complex and bureaucratic processes, and a lack of clear pathway from innovation pilot to adoption at scale, mean the UK lacks a strong market for UK innovations.

Innovation can only scale effectively when there is a clear route from idea to market, and when demand, capital, infrastructure, regulation and trade align. We must do more to create those conditions.

A new partnership for growth

None of this is a call for the government to step back. Instead, a business-led growth strategy calls for the government to focus relentlessly on creating the conditions that will allow firms to invest, hire, innovate, export, scale and deliver in the UK.

We need the government to provide stability, lower unnecessary costs, improve delivery, crowd in investment and create the conditions for innovation. Business, in return, must invest, train, adopt new technologies, strengthen resilience and help deliver national priorities.

That means keeping the foundations of confidence, accelerating the systems that turn ambition into investment, and changing the parts of the operating environment that make it harder for firms to grow. Stability was the necessary first step. The next step is mobilisation and dynamism.

The UK already has the growth engine we need: we don’t need to start again. What we do need is an MOT to get us firing on all cylinders again.

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