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How Britain grows again

An economic plan for the UK

End today's paralysis

What needs to happen now, to get the UK growing again? The country is gripped by a cost-of-living crisis. Just as consumers have been hit, firms too are facing major spikes in the cost of doing business.

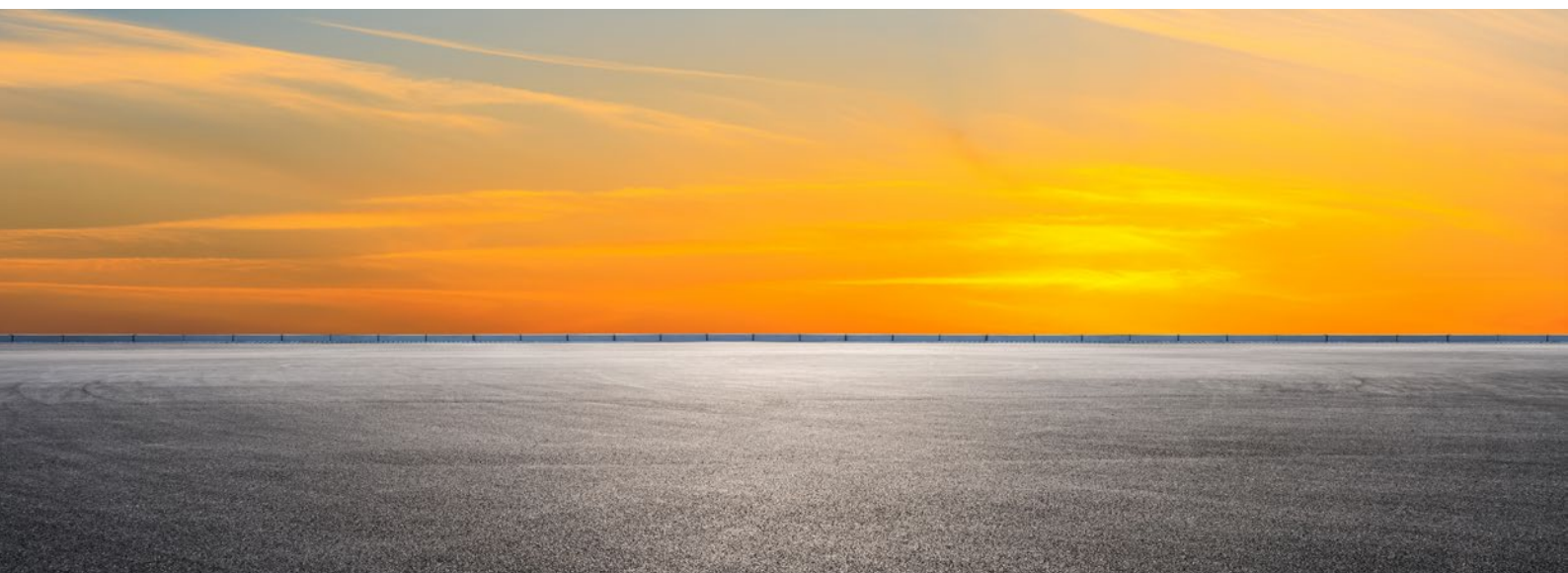
Uncertainty reigns. Macroeconomists can understand high oil prices and inflation, even stagflation – we've seen them before – but not alongside record levels of employment. Microeconomists can see huge market opportunities across growth sectors like clean energy, life sciences and technology, but not why firms aren't investing aggressively to reach them. Policymakers are torn over fiscal policy between spending stimulus, tax stimulus and the need to manage debt.

All of us know that some of this is UK-centric – our energy mix is different, our inflation higher than many and our labour market impacted by Brexit. Yet much of this is global too: labour shortages, supply chain issues and global energy prices.

And so, everyone waits. Managing what can be managed. Unions demand higher wages. Government supports the hardest hit. Firms hunker down with their cost-saving plans. Politicians put politics ahead of economics.

The consensus is to wait for interest rates to do their work and for the factors that drove supply and demand out of equilibrium to eventually rebalance. The risk of this is we drift into a prolonged and deeper economic malaise and that, along the way, little is done to help tackle the cost-of-living challenge, let alone the UK's longstanding productivity performance or its post-Brexit competitiveness.

We need to *Seize the Moment*. To build confidence. To unlock investment. To place bets now that shorten the downturn. To reignite a UK growth story. Government growth plans come and go, and the net effect is that the country lacks a growth strategy. But we think it's quite straightforward – there are real prizes for the UK to capture and four real levers to achieve them.



Go after real prizes

In May 2021, the CBI set out £700bn of opportunities for UK companies to achieve by 2030. We spent six months identifying these prizes, with a team comprising global experts, economic analysts and dozens of CEOs across large and small companies. We assessed the market growth of every sector and every market in the world. We identified six overriding areas of opportunity for UK plc – markets where there was not only growth potential, but also where the UK was superbly placed to win.

A full analysis of these prizes can be found at:

<https://www.cbi.org.uk/what-we-do/seize-the-moment/>

To recap, they were as follows:

- **Decarbonisation prizes** – where the UK is a winner in the global race to net zero.

New markets in Electric Vehicles (EV) and batteries, carbon capture, hydrogen and offshore wind offer a £30bn+ opportunity. Around 240,000 net new jobs could emerge, spread right around the UK.

- **Innovation prizes** – where the UK extends its strategic advantage in science and technology, and increases economy-wide adoption.

A £45bn productivity prize from tech adoption, an increased £32bn global share for UK fintechs and a £38bn win from AI diffusion.

- **Trade prizes** – where the UK exploits its post-Brexit imperative and freedom to become a trading powerhouse.

Around £20bn additional export revenues can be won from mobilising an army of SME exporters. A further £20bn is there for the taking by defending market shares in high-priority, country-sector combinations in the US, India, China and ASEAN.

- **Regional prizes** – with every region and nation winning global share in its distinctive strengths.

Business clusters spread right around the UK, offering new sources of regional prosperity.

- **Labour prizes** – where workplace revolutions leverage new talent and build new skills.

Closing UK skills gaps could provide a £150bn uplift to GVA by 2030.

- **Health prizes** – with health and wellness driving economic improvement and new growth sectors.

Significant international revenues are on offer for UK life sciences businesses, with genomics companies alone well-placed to capture £8bn in additional revenues. And closer to home, there's a £60bn prize on offer from embedding workplace health interventions.

Taken together, these prizes present a transformational opportunity for the UK economy. Seizing them would make us competitive, dynamic and future-focused. But other countries are chasing them down too. We said at the time that the UK needed to take bold action to win. The clock is ticking.

As a reminder, over the next decade, to secure these prizes we must:

On decarbonisation:

1. Deliver a decarbonised power system to reduce our exposure to volatile global fossil fuel prices
2. Accelerate progress in cutting emissions beyond the power sector, with a focus on transport and buildings
3. Secure a growing share of low-carbon exports in markets, such as electric vehicles, hydrogen, offshore wind and carbon capture
4. Reinforce the UK's position as a global hub for sustainable finance

On innovation:

1. Turn up the dial on R&D to match OECD levels of investment
2. Make the UK a world-leading data economy
3. Increase digital intensity and adoption, especially in SMEs across the economy
4. Scale up more high-growth, founder-led tech and digital companies

On trade:

1. Develop more firms with an export-oriented mindset
2. Actively prioritise markets that could yield significant success
3. Play to our strengths in services across sectors

On levelling-up:

1. Play to distinctive local strengths and regional comparative advantages
2. Build up existing economic clusters from good to great
3. Foster the new economic clusters that are likely to emerge by 2030, such as those created from the UK's transition to net zero

On changing workforce:

1. Reskill nine in 10 workers and transition around three million workers to a new occupation by 2030
2. Tackle the UK's digital skills gap, with two-thirds of firms reporting digital vacancies
3. Strengthen representation of diverse talent across business

On health:

1. Nurture the UK's life-sciences sector to realise opportunities in a fast-growing, competitive global market
2. Lock in employers' increased focus on their employees' health and wellbeing as a major employee value proposition
3. Raise health standards to above European averages on measures like mental wellbeing, alcohol consumption and obesity

Pull on key growth levers



Much has happened in the 12 months since the CBI launched *Seize the Moment*. In truth, both Government and business have spent more time dealing with economic headwinds than they would have liked or imagined. Yet, in among it, the Government has made some bold plays:

1. The super-deduction policy is a bold use of smart taxation to unlock investment.
2. Digital bootcamps are just what we need to build a workforce for the future.
3. The UK Infrastructure Bank is living proof of catalytic public investment.
4. And the offshore wind market offers a template of market-making to outcompete the world.

They are illustrative of the four levers that the Government has at its disposal to drive investment and growth. We need more of this.

Examples of what could be done next include:

Lever 1: Smart taxation to unlock investment

We need tax changes that drive investment, not tax changes that fuel inflation. It's time to get serious about business investment. The UK ranks lowest for business investment in the G7. That must change. We have compelling policy proposals that would make the UK a magnet for global investment and propel us up the league table.

- It's time for a rethink on corporation tax. Firms, of course, look at the overall tax base, but the headline rate catches attention and the proposed six per cent increase flashed red on investor dashboards right around the world.
- The success of the super-deduction needs to be locked in with a permanent investment allowance. This would bring more investment into the UK and boost the level of business investment by £40bn a year. The super-deduction is one of the key factors that has stopped the UK falling into recession this year. And more broadly, while not every firm used it, a large majority of firms explored it, illustrating its potential.
- More than half of business investment is subject to business rates. They have literally become a tax on investment. They need transformation not tinkering to rejuvenate high streets, lower prices for customers, encourage manufacturing and unleash green investment. Start with a freeze to the Uniform Business Rate and remove downwards transition to enable firms to instantly benefit if their property values fall.

Lever 2: Build a workforce for the future

The UK has labour shortages and skills shortages, and it's time to get serious about them both. Around nine in 10 workers will need to add to their skills by 2030. Achieving net zero will require a major push on green skills and other skills associated with delivering major projects. And two-thirds of firms currently have digital skills vacancies.

- The Apprenticeship Levy works well for some firms and sectors, but not for others. For many, it's become a psychological barrier to skills investment as well as a financial one. The Levy should be reformed so that it can be deployed in a more flexible, modular way – enabling firms to target their most pressing skills, such as green and digital, to help with reskilling as well as being an effective route to getting young people into the world of work. This is about building on apprenticeships, not replacing them.
- Labour shortages in many sectors mean that firms are unable to fulfil demand and are leaving money on the table. It's time to set out the skills the country needs, what talent can be developed at home, and then make smart use of immigration to plug the shortfall. We need to urgently update the Shortage Occupation List as promised, in parallel to developing genuine strategies for home-grown skills.

Lever 3: Catalytic public investment

To seize the opportunities in new and emerging markets, the UK needs to speed up the development of new markets and cutting-edge tech. This will be especially crucial in the UK's path to net zero and to secure the UK's energy security.

- Close the public and private investment gap in energy-efficiency measures for households and businesses by committing £1bn annual funding for energy-efficiency retrofits and create a new ECO+ scheme.
- Ensure the UK is a world-leading innovation economy by getting committed funding into Innovation Accelerators and the Advanced Research and Invention Agency, now that R&D allocations have been released.
- Publish a roadmap for the Integrated Rail Plan to speed up the delivery of the key planned investments in the rail network to improve regional connectivity.

Lever 4: Market-making to outcompete the world

Covid has drained the public finances. But the reality is that others, such as the EU and the US, are significantly outspending the UK on public investment. That means the UK has to out-compete the rest when it comes to attracting and unlocking private capital. The Government must become the best market-maker by setting the market rules, pricing structures and funding models. Offshore wind is the exemplar, and we can replicate it in other markets. We must also rebalance our regulation philosophy towards investment and innovation.

- The Government should review the existing design and use of financing and funding models, such as the Regulated Asset Base (RAB) and Contracts for Difference (CfD) to deploy them for investment in vital infrastructure and high-priority programmes, such as net zero and levelling up.
- Immediate examples include setting out the CfD model for hydrogen, Sustainable Aviation Fuels (SAF) and other renewables.
- Rebalance all economic regulation towards investment and innovation as primary objectives rather than secondary, putting them on a par with consumer and price protection.
- Establish an Office for Future Regulation to rethink how the UK approaches regulation in the long term based on being the smartest, most future-focused regulator, winning the big bets on the economy and giving us competitive advantage on the world stage. This approach would leverage post-Brexit freedoms and see the UK lead the world in new sectors.



Government should act now to embed confidence and momentum

Nothing breeds confidence like delivery and quick wins. Against the prizes that the CBI identified, we have appended to this paper Government action to date along with fresh recommendations that accelerate progress and unlock business investment. Momentum is key. All of this can be announced now and implementation begin right away, supported at the Autumn budget and be in place by the end of the calendar year.

During Covid, Number 10 demonstrated how it can be done. A Covid Taskforce. A Sage Advisory Committee. Agile regulation. Cross-departmental coordination. Regular press conferences and communications campaigns. All in service of a single objective. We now need them to bring the same focus and drive to secure growth for the economy.

A joined-up Cabinet, with every Government decision filtered through the lens: does this lift economic confidence, or damage it?

The Treasury working as an economic ministry with a laser-like focus on growth, working in tandem with a joined-up Whitehall so that all departments have a unified purpose to support jobs and growth in all parts of the economy, in all parts of the country.

Secretaries of State on the hook to deliver pro-growth policy, not political objectives that run counter to a national growth effort.

Mayors empowered and emboldened to back regional strengths in the search for growth.

Business engagement used to inform what works in the boardroom and to co-create policies, not just consult on them.



None of these ingredients are new. But they need renewed vigour and proper orchestration. Number 10 in the lead, the Treasury on a growth footing and Government with its best foot forward. Business must step forward too. To pursue the very real growth opportunities with vigour. To help Government make better policy faster. To build the skills and make the investments that turn the plan to action. This is business aligned and working in service of the nation and we at the CBI will work night and day in this pursuit.

Nothing is more exciting than the politics. But nothing is more important than the economics. Now really is time to **Seize the Moment**.

Appendix: Examples of actions that can be taken to unlock economic prizes

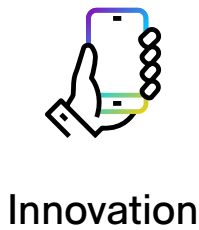


Please note this list is non-exhaustive

| | The UK Government has: | The CBI says: |
|--|--|---|
|  <p>Decarbonisation</p> | <p>Published a British energy security strategy.</p> <p>Published a hydrogen investor roadmap.</p> | <p>Commit £1bn annual funding for energy-efficiency retrofits and create a new ECO+ scheme.</p> <p>Publish an accelerated planning and consenting regime for offshore wind projects to cut approval times from four years to one.</p> <p>Legislate for the Contracts for Difference model for hydrogen, Sustainable Aviation Fuels (SAF), and Carbon Capture and Storage (CCUS).</p> |
|  <p>Changing workforce</p> | <p>Launched Local Skills Improvement Plans, to help business-driven skills needs.</p> <p>Announced the Lifelong Learning Entitlement.</p> <p>Introduced bootcamps, as a new agile training method.</p> | <p>Update the list of qualifications eligible under the Lifetime Skills Guarantee, linked to current shortages.</p> <p>Introduce flex to the Apprenticeship Levy, to include accredited and modular training to keep pace with upskilling and reskilling.</p> <p>Urgently update the Shortage Occupation List as promised and put the Migration Advisory Committee on a footing akin to the Low Pay Commission.</p> |

The UK Government has:

The CBI says:



Committed to spend £22bn on R&D by 2026-27.

Extended the R&D Tax Credits to include data and cloud computing.

Established the Council for Science and Technology and Office for Science and Technology Strategy to provide essential Cabinet-level strategic direction and coordination to drive growth and value from the UK's strategic advantage in science and tech.

Published the Digital strategy and adopted an industry-led, light-touch approach to digital regulation in key areas, including AI governance and digital competition.

Expand the R&D Tax Credit to include Capital Expenditure as an allowable expense.

Get committed funding into Innovation Accelerators, and the Advanced Research and Invention Agency, now that R&D allocations have been released.

Commit to long-term, ambitious R&D funding for Innovation Missions and Technologies programmes beyond the current spending cycle to build businesses' confidence to invest.

Ensure the Online Safety Bill contains proportionate regulation to tackle online harms, but avoid chilling investment.



Delivered a refreshed Export strategy focused on supporting businesses to maximise their export potential, including the creation of a new Trade in Services Council.

Delivered an ambitious, free-trade agreement programme with business input at the centre, with the creation of the trade policy engagement structures.

Addressed industry concerns around proportionality to the National Security and Investment Act to ensure legislation would not undermine the UK's attractiveness as a destination for foreign direct investment (FDI).

Reconvene immediate talks to finally resolve the Northern Ireland Protocol impasse and get Brexit done – resist unilateral action and ensure both sides get on with the job of finding a negotiated outcome.

Translate all rollover trade deals into business-friendly advice, with case studies for use in export promotion.

Broaden the £874m Conflict, Stability and Security Fund to increase resilience in key supply chains working with business on prioritisation.

**The UK
Government has:**

The CBI says:



Thriving regions

Published the Levelling Up White Paper.

Opened bidding for the Towns / Levelling Up Fund.

Appoint the new Levelling Up directors to work with business and power up investment in places.

Confirm the Government's investment commitments to the Ox-Cam Arc to unlock private investment to support the UK's world-leading science hub.

Publish a roadmap for the Integrated Rail Plan to speed up the delivery of the key planned investments in the rail network.

Support investment in the UK's high streets and protect local jobs by reducing the burden of business rates.



Healthier nation

Published the Life Sciences Vision.

Stepped up funding for the Office for Life Science, the National Institute for Health and Care Research and reformed the R&D tax credit to benefit life sciences.

Nurture the UK's life-sciences sector to realise opportunities in a fast-growing, globally competitive market.

Lock-in employers' increased focus on workforce health and wellbeing as a major driver on the employee-value proposition.

Raise health standards to above European averages and embed healthy working years as a subset for Government's mission on healthy life expectancy to drive up productivity.

