

## A Modern Industrial Strategy: Where are we six months in?

### The business view

Six months is rarely enough time to make formative changes in public policy. But half a year on, the Modern Industrial Strategy does seem to have established a visible framework for prioritising our routes to growth. This focus on eight priority sectors (IS-8), and 37 frontier sub-sectors has been welcomed across much of the economy. Early investment signals are positive, and the UK's 'pitch to the world' has been given a helpful front door.

In 2026, those foundational sectors who're *not* in focus will expect movement on a policy platform which protects *their* role as growth drivers, and enablers for the IS-8. More fundamentally, business across the UK will be starting to ask:

- ***Is the cost of doing business reducing?***
- ***Is the UK delivering on its commitments?***
- ***Are skills, capital and regulation geared to keeping the UK at the cutting edge?***

### Early Successes

- **Clear Sector Priorities:** Advanced manufacturing, clean energy, life sciences, digital & tech, financial services, creative industries, defence, and professional services have delivered sector plans with clear ambitions.
- **Capital Commitments:** £6.6 bn injection into the British Business Bank<sup>1</sup>; major funding pledges for AI<sup>2</sup> (£500 m), quantum<sup>3</sup> (£670 m), supercomputing<sup>4</sup> (£750 m), energy cost reduction<sup>5</sup> (£2 bn), and life sciences manufacturing<sup>6</sup> (£520 m).

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<sup>1</sup> [Press release - 23 June, 2025 | British Business Bank](#)

<sup>2</sup> [AI Growth Zones - GOV.UK](#)

<sup>3</sup> [Tech innovators backed to set up and scale up in Britain through Industrial Strategy - GOV.UK](#)

<sup>4</sup> [Scotland to host UK's national supercomputer as Chancellor confirms £750 million investment - GOV.UK](#)

<sup>5</sup> [Budget 2025 \(HTML\) - GOV.UK](#)

<sup>6</sup> [Life Sciences Innovative Manufacturing Fund \(LSIMF\): Expression of Interest - GOV.UK](#)

- **Increasing R&D spending:** Political commitment to increase R&D investment to £22.6bn per year by 2029/30.
- **The UK's skills and talent pipeline:** Acknowledgement that access to skills will be vital to drive growth and £100m investment announced for Technical Excellence Colleges in construction and on the STEM, skills needed within the IS8 i.e. within engineering and digital sectors.
- **International Partnerships:** Clear focus on reducing market access barriers with our trading partners. The 2025 Trade Strategy confirmed a major uplift in UKEF lending capacity to £80bn, significantly increasing the government's ability to underwrite export contracts and crowd in private finance. New trade deals with India and South Korea, and Industrial Strategy Partnerships with Japan and France. Progress made on EU-UK reset, UK-US trade and technology deals also struck in principle.
- **Regulation of innovation:** Regulatory Innovation Office (RIO) established in October 2024 to ensure 'regulation enables innovation in science and technology rather than obstructing it'<sup>7</sup>. Progress made in first four priority sectors – e.g. development of a space sandbox that is enabling safe testing of new mission types to unlock a £2.7 billion market by 2031. Recent expansion to focus on robotics and defence sectors including £52m for hubs to drive robotics adoption.
- **Place based growth:** Recognition that industrial policy is spatial with the development of Local Growth Plans prioritising investment local strengths.

## Alignment across wider policy

- **Strong alignment with long-term infrastructure plans:** The Strategy is increasingly dovetailing with the £725 bn Infrastructure Plan, giving firms greater confidence that industrial priorities and nationally significant projects are pointing in the same direction. Early alignment around strategic transport corridors, electricity grid reinforcement and digital backbone upgrades is helping sectors plan investment with more certainty. Business reports that this coherence is reducing duplication, clarifying sequencing of interventions, and supporting local and mayoral authorities as they shape regional growth plans.

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<sup>7</sup> [Regulatory Innovation Office: One Year On \(HTML\) - GOV.UK](#)

- **Planning reform:** Identified within the industrial strategy as a key enabler to growth and vital to the delivery of the government’s 1.5m homes and 150 critical national infrastructure project ambitions. The government has made good progress through amendments to the National Planning Policy Framework in 2024 with a further consultation currently underway which includes much welcomed proposed changes for energy upgrades and prioritisation of commercial development land use. The CBI welcomed increased focus on the need to identify land that will deliver economic growth ambitions, including sites for commercial, industrial and infrastructure development. Announcements in the 2024 and 2025 budgets to fund much needed additional planning resources within the Local Planning Authorities were also welcomed by industry leaders.
- **AI skills and workforce readiness:** The Industrial Strategy’s delivery hinges on strengthening skills and talent. Government has made visible early progress in expanding practical AI capability across the workforce, including setting out an ambition to reach up to 10 million workers with foundational AI skills. This reflects growing recognition that AI adoption and productivity gains will depend not only on specialist expertise but on broader workforce confidence and applied skills across sectors. Businesses welcome this direction, with sustained rollout at pace and clear pathways for SMEs and foundational sectors now critical to translating ambition into economy-wide growth.
- **Reform of public R&D funding to drive growth:** The Government should be commended on the reforms now underway to better align public R&D funding with IS priorities. These changes should give businesses clarity on the opportunities from public R&D funding, increased funding for business innovation, and support government deliver fewer programmes at scale.
- **Early progress on regulatory efficiency and cost reduction:** Government commitments to reduce the administrative cost of regulation by 25% are providing momentum for a more agile and pro-growth regulatory environment. Businesses report early wins where departments are simplifying reporting requirements, reducing duplicative data requests, and piloting more outcomes-based regulatory approaches. While the savings are yet to be fully realised, the direction of travel is giving firms confidence that government recognises regulation as a lever for competitiveness

rather than simply compliance. Government plans to reduce duplication through consolidation of regulatory authorities to provide one clear voice in some sectors, for example through merger of OFWAT functions into the Environment Agency and Natural England; and merger of the Payment Systems Regulator into the Financial Conduct Authority.

- **Regional Growth:** Alignment between Industrial Strategy and Local Growth Plans is welcome. Progress being made on regional growth initiatives including:
  - **AI Growth Zones** – announcement of growth zones in Culham, Oxfordshire; Blythe, Northumberland; Lanarkshire; North & South Wales
  - **Industrial Strategy Zones** – bringing together the 22 Freeports and Investment Zones created under the previous government into a single policy framework, enabling the full weight of government to get behind facilitating progress whilst supporting with long-term funding commitments, business rates retention, and shared ambition to drive regional growth.
  - **Defence Growth Deals** - £250m of funding into Plymouth, South Yorkshire, Scotland, Wales and Northern Ireland
  - **Local Innovation Partnerships Fund** – announcements on funding for Scotland, Wales and Northern Ireland following previous announcements for England
  - **New Towns taskforce** - 12 locations recommended across the country that align to IS growth potential presenting opportunities to develop the housing and communities that will support and sustain economic growth in these locations
  - **Strategic Sites Accelerator** - pilot programme in development, with launch date anticipated in March 2026. The programme aims to unlock sites with high potential for logistics and advanced manufacturing and includes £600m of funding commitments.
  
- **Procurement of innovation:** Government has committed to appoint Procurement Innovation Champions in each department, launch an Innovation Marketplace, and has announced several Advance Market Commitments. These initiatives should significantly improve innovative businesses' ability to engage with public procurement processes, while allowing government to deliver better public services.

- **Tax support for entrepreneurs:** In the Budget, government committed to significantly raising the limits to innovative business incentives, including EIS, SEIS, VCT and EMI schemes and is now consulting on options to further support these businesses. These changes will support the ambitions of scaling, innovative businesses to grow in the UK, by improving access to finance (EIS/SEIS/VCT) and access to talent (EMI), although it is unhelpful that the rate of VCT was reduced.

## Going Further and Faster

- **Delivery and Alignment – Emerging Risks:** Six months in, firms are signalling concern that delays and policy inconsistencies could undermine the Strategy’s ability to deliver. Alongside timing risks, misalignment across government departments is creating friction in some areas. While some areas of policy development are well-aligned with the missions, businesses note that in other areas, departmental approach or urgency is running counter to the Strategy’s objectives.

Flagship schemes remain stuck in design rather than delivery, with the British Industrial Competitiveness Scheme (BICS)—a critical intervention to reduce costs for those business sectors in (or supporting) the Industrial Strategy—not expected to go live until 2027. This long lead-time risks unintended deindustrialisation as energy costs continue to weigh on competitiveness and board room decision making for future UK investment – and indeed, the ongoing existence of these industries in the UK.

Where foundational industries supporting IS sectors are energy-intensive, but do not qualify for the British Industrial Supercharger (BIS), such as the chemicals sector, they face crippling uncompetitive energy costs; CBI members are calling for greater pragmatism and a shift away from what some describe as an ‘evangelical’ or ‘at any cost’ approach to the clean energy transition without commensurate support. Without recalibration, firms warn that further closures and disinvestment will follow as operations become unsustainable and international sites remain more attractive.

While the Industrial Strategy rightly focuses on stimulating investment to create jobs, recent measures—including the Employment Rights Bill and changes to NICs—have contributed to a noticeable slowdown in recruitment. Businesses are concerned that

these policy moves, though well-intentioned, risk dampening the very labour-market dynamism that the Strategy depends on to achieve its goals.

Taken together, these issues point to a central message from industry: government must tighten policy coherence, political strategy and delivery if it is to maintain credibility and prevent further erosion of the UK's industrial base.

- **Infrastructure Gaps - Slow progress on digital and energy upgrades:** Despite improved alignment with the 10-year Infrastructure Strategy and the formation of the National Energy Systems Operator, delivery remains uneven<sup>8</sup> <sup>9</sup>. Businesses continue to highlight planning delays and lack of certainty that infrastructure projects will be delivered. In addition, six months in, businesses note no new public–private partnership models to replace PFI/PF2—leaving a major gap in the investment toolkit for government departments, local and regional authorities, and infrastructure sponsors. Without new PPP mechanisms, delivery of social and economic infrastructure at pace will continue to rely overly on public sector investment alone.
- **Technology adoption:** The Strategy emphasises the importance of technology adoption and diffusion to drive productivity and growth, and the government has published its review into tech adoption<sup>10</sup>, identifying the barriers to progress. However, there has been little tangible progress on support for businesses across the economy struggling to adopt and use new technologies.
- **Friction in the innovation support system:** Businesses value much of the government's innovation strategy, but a recent CBI survey found that over half of businesses say the UK is a less competitive site for innovation investment compared to three years ago. In part this is due to friction in the system: for example, delays and frequent investigations in the delivery of R&D tax credits undermines their value for businesses, and burdensome administration makes applying for innovation grants unattractive for many.

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<sup>8</sup> [Ofgem sets out major reform package in next step to accelerate grid connections | Ofgem](#)

<sup>9</sup> [Digital Communities APPG report](#)

<sup>10</sup> [Technology Adoption Review 2025](#)

- **Impact Measurement - Early KPIs welcomed, but causality remains unclear:**

The government has responded positively to industry asks by publishing key performance indicators linked to adoption, diffusion, investment, and regional growth. This is a welcome shift toward transparency. Though, questions remain about how government intends to measure the causal link between policy activity and real-world outcomes—for example:

- How will uplift in productivity or investment be attributed to specific interventions?
- How will government distinguish between structural, cyclical, and policy-driven effects?
- A more detailed evaluation framework—covering counterfactuals, baselines, and sector-specific attribution—is needed to turn KPIs into meaningful performance intelligence.

- **Private Capital Mobilisation:** Unlocking investment must move faster. Business recognises the ambition to crowd in private capital, particularly through pensioned investment reform and new institutional investment pathways. But disbursement of existing funds remains slow, and many firms still struggle to navigate the landscape of government backed investment vehicles. To deliver the Strategy’s investment mission, government will need to lead investment reform and new institutional investment pathways.

- Accelerate deployment of capital through the British Business Bank and catalytic finance programmes through product development with strong market-fit
- Provide greater clarity on regulatory reform timelines for pension schemes
- Reduce friction for international investors seeking to enter UK growth sectors

These proposals, and much of the recent reform agenda, has rightly focused on supply-side reform. However, it may be time to consider whether demand-side reforms are required, particularly amongst small-to-medium sized enterprises that sit outside venture capital equity investment but are not always catered to through existing debt products.

Turning around two decades of persistent underinvestment will require both mobilising more capital and making projects investable. Though a lot has been achieved in recent years, against a backdrop of fierce global competition for investment, particularly, but not only, in science and tech-driven sectors, pace of delivery is critical.

- **Foundational Sectors and the Everyday Economy:** Many firms feel government is not yet on their side. Six months into the Strategy, sectors including retail, hospitality, construction, transport, and wider foundational sectors report that they have yet to see clear benefits. While frontier sectors feature strongly in the strategy narrative, everyday economy businesses often feel peripheral to delivery—despite being central to productivity, place-based growth, and labour market resilience. Concerns range from rising operating costs and planning delays to skills shortages and lack of targeted support for adoption of basic enabling technologies and labour market resilience.

In our [response](#) to the Industrial Strategy green paper, we underlined that high-growth sectors are embedded within complex supply chains and depend on strong foundational industries to sustain investment and productivity. The proposal to establish a national Supply Chain Centre—coordinating public and private capital across freight corridors, intermodal networks and warehousing clusters—is a welcome step. Equally, the creation of a complementary Supply Chain Observatory to track vulnerabilities and dependencies could be essential in an era defined by geopolitical volatility.

## CBI activity in 2026

- **Continuing to help government communicate the story:** Maximise the unique role of the [CBI x Lloyds Industrial Strategy Roadshow](#) running to June 2026
- **Tackling the cost of doing business:** Help the government to reduce the financial, regulatory, and cost of employment pressures holding back investment, hiring and competitiveness. This includes:
  - Partnering with Energy UK to develop robust, economy-wide proposals to reduce non-domestic energy costs to support delivery of the Modern Industrial Strategy and Clean Power 2030 Mission. We will engage

closely with HMT, DBT and DESNZ to develop practical solutions that balance affordability, security and decarbonisation – exploring how businesses of all sizes can be supported through the transition.

- Launching a ‘Cost of Doing Business’ project to assess how cumulative tax, regulatory, labour, and energy costs are constraining investment across eight foundational sectors of the UK economy. We will work with our trade association members to update our business tax contribution analysis for 2025/26, map regulatory and delivery complexity across sectors, and publish clear, prioritised recommendations ahead of the Autumn Budget to reduce cost pressures and unlock growth across the economy.
- **Picking up the pace of delivery:** Help the government accelerate implementation of major economic commitments and remove barriers slowing growth.
  - The CBI is working in partnership with law firm, Browne Jacobson exploring new models of Public-Private Partnerships that will help deliver finance into social and economic infrastructure.
  - Launching in February 2026, the CBI will run a three-month Environmental Regulation Policy Sprint to identify reforms that reduce economic burden and drive growth while safeguarding consumers and the environment through smarter, proportionate regulation. Working with trade associations, corporate members, regulators, and government departments, we will turn our cross-economy insights into co-created, practical interventions, that can be delivered at pace.
  - As a strategic partner to government’s ambition to reach 10 million workers with AI skills, the CBI will support faster delivery by launching a B2B AI-skills peer-learning programme through our regional network in 2026. This will help businesses move beyond pilots to scaled adoption by sharing practical experience on workforce transformation, AI literacy, and organisational capability.
- **UK at the cutting-edge:** Help the government position the UK as a global leader in innovation, high-growth industries and next-generation technologies.
  - The CBI will deliver a year-long programme to strengthen the UK’s ability to scale and retain strategically important businesses, combining policy sprints, workshops and sharing of best practice.

- Advancing work on green growth, including investment incentives, regulatory certainty and supply-chain resilience for clean tech. This includes publishing an upcoming report with the Energy and Climate Intelligence Unit on the ongoing growth of the UK's net zero economy.

The strategy has laid strong foundations and secured early wins. 2026 will be a critical year for the government's economic agenda and this next phase must help all parties involved in the Strategy's success shift from ambition to execution—delivering measurable outcomes at speed to cement the UK's position as one of the best global economies for industry to invest, scale and grow.

## Appendices

### CBI x Lloyds Industrial Strategy [Roadshow](#) – event feedback

#### Digital & Tech sector feedback 20-11-2025

Given that digital and tech is both a sector and a cross-sector enabler the session was attended by a wide range of industries.

#### Key takeaways

1. **AI dominates the conversation:** While the Digital and Technologies Sector Plan spans priority tech areas, AI is clearly top of mind for businesses.
2. **Responsible innovation and adoption:** Trust is critical for companies developing and deploying AI; we explored how regulation and governance can keep pace with emerging technologies.
3. **Skills underpin scale:** Not just technical expertise, but how can we collectively tackle the challenge of wide AI literacy across the workforce to unlock productivity and growth.

The big question: How do we ensure investment in AI delivers real returns for businesses, customers, and communities while maintaining trust?

#### Defence sector feedback 15-01-2026

The defence industry attendees appreciated the opportunity to have informed debate and discussion with a senior official, as well as to raise the challenges they face in government engagement or investment. Equally, the wider supply chain and academic institutions in attendance appreciated the ability to link wider agendas together, from skills to local capability.

#### Key Takeaways

1. The Defence Industry Strategy is benefitting from real political clarity, funding, and momentum: With a strong push for defence to act as an engine of economic growth more broadly, further complimenting HMT's commitment to growth.

2. Partnership with industry, large primes, SMEs, academia, and finance is essential to success: Government is seeking a fundamentally new and more collaborative relationship on economic growth than has come before.
3. Skills and capability are both good and difficult stories to tell regionally and nationally: Particularly in the South West (but not limited to it) universities, colleges, and industry must align better to create pipelines from school to specialisms.
4. Clear and long-term demand signals are needed now: This will allow industry to invest confidently in this parliamentary term; in the capabilities we know we need for readiness.
5. Exports and dual-use innovation are major opportunities not to miss: Team UK–style collaboration across government, industry, and finance is the starting point to ensure we don't miss them as state spending grows

### Life sciences sector feedback 19-01-2026

The discussion reinforced just how vital the Life Sciences sector is to the Oxford-Cambridge Corridor and the wider UK economy, where world class research, innovation clusters, and global businesses come together to drive high-value growth.

### Key Takeaways

1. **Lead with confidence on Team UK**  
The UK's life sciences offer is world-class. When engaging investors overseas, we must lead with the positive and showcase strength across health, wellbeing, and MedTech.
2. **Our industrial base is our proof point**  
World-leading institutions, academia, growing funding pools, and investor appetite give the UK real momentum. Protecting and scaling innovative assets, including health data capabilities, is a proactive choice we must make now.
3. **Delivery will define credibility**  
Businesses support the Industrial Strategy, but momentum depends on execution: faster trials, predictable pathways, rapid adoption of innovation, and business-friendly regulation. Visible progress in the next 6–12 months is critical, especially on the UK-US trade deal and the next steps for the pathway to 0.6% of GDP commitment.
4. **Growth needs a joined-up ecosystem**  
Life sciences growth means UK growth. Alignment across government, regions,

mayors, the NHS, and industry is essential. Attendees emphasised that the UK needs to be joined up not just on ambition but physically, linking great industrial hubs, skills, and assets together.

### **Mayoral Summit feedback 05-02-2026**

The discussion brought to life the role and impact of having a UK Mayoral group who're pulling in the same direction on growth. It highlighted the importance of bringing regions to life through a shared and highly visible narrative setting out what they want to be known for and the institutions that can help shape and drive growth. Connecting the success of local growth plans with the Whitehall's ambitions, and our emerging industrial strengths, is the UK's ace in the pack for the coming years.

### **Key Takeaways**

- 1. Leaders want to see investment-ready pipelines that pull in global capital**  
Regions and industries need clear, de-risked pipelines (or at least risks identified) that give investors confidence and shorten decision timelines. Businesses want visibility on planning, delivery partners, and committed policy stability so they can commit capital. When pipelines are credible, money moves faster — anchoring supply chains, scaling innovation, and putting UK regions in the global shop window.
- 2. Strong mayoral collaboration will give business a single, clear front door**  
Firms don't have time to navigate complexity — they need one coherent offer, not fragmented systems. When Mayors work as a team, they can align incentives, cut duplication, and create a seamless route for investment or expansion. A single front door boosts confidence and makes regions far more compelling to international investors. Both Mayors and industry leaders seem aligned on this approach.
- 3. Universities are the powerhouse for regional talent, innovation, and R&D**  
They develop the skills base, drive discovery, and anchor high-growth clusters that attract major employers. But their impact multiplies when universities, business, and civic leaders collaborate on shared missions and commercialisation pathways. With the right partnerships, universities fuel start-ups, translate research into new industries, and turbocharge local economic growth.

## Clean Energy Industries feedback 12-02-2026

Eight months on from the Modern Industrial Strategy's publication, there was strong support for the Strategy's direction, as well as recognition of clean energy as a major growth opportunity. Government outlined significant opportunities across offshore wind, networks, hydrogen, CCUS and nuclear, emphasising that the focus has shifted from strategy to delivery, with planning and grid reforms underway.

The UK's global credibility in clean energy was seen as a key strength, and Wales was viewed as well positioned, with strong renewable resources, industrial capability and academic expertise.

However, challenges remain. High industrial energy costs are undermining competitiveness, while political uncertainty around net zero risks weakening investor confidence. Businesses called for clearer, investable pipelines to unlock supply chain decisions.

Planning constraints, financing complexity and fragmented coordination between governments were identified as major barriers. The overall message was clear: the UK has significant potential, but delivery, alignment and reinvestment must accelerate to realise it.

### Key Takeaways

1. **The UK is a genuine world-leader in Clean Energy** The UK continues to lead the way in clean energy, undergoing record levels of public and private investment from wind to nuclear and new technologies such as hydrogen and carbon capture.
2. **Significant national-level policy clarity** The Clean Energy Industries Sector Plan, alongside key strategies like the Warm Homes Plan and Clean Energy Jobs Plans, have provided the UK with the clearest policy direction in a generation.
3. **Greater capacity is vital for devolved and local delivery** Maximising the investment potential of the clean energy industries depends on increasing devolved and local decision-making capacity to approve and coordinate project delivery.
4. Growing demand depends on a stronger investment pipeline Decarbonisation investment is being held back by high electricity costs and because the long-term pipeline for solutions like hydrogen and carbon capture is not sufficiently visible. Policy outcomes and access to finance would help