Artificial Intelligence and Economic Growth

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Prosper UK

Contents

Recommendations

The recommendations below reflect the views and priorities expressed by housing businesses and experts who took part in Prosper UK's AI roundtable.

1. Set out a clear vision of the AI-native country the UK wants to become, across the public and private sectors.
2. Decide how Government wants to engage AI companies, including bringing in expertise to map the economic roadmap for the next five to ten years.
3. Explore the use of AI across the public sector, framed around how AI and data can be used and not only the time it saves.
4. Improve Government's understanding of AI, telling frontier models apart from point solutions, and open up public procurement to smaller companies.
5. Raise investment to match the scale of the savings the Government has set out.
6. Communicate clearly how people can access, buy and use AI safely, to support adoption.
7. Analyse rigorously how AI will affect and could reinvent the UK's strongest sectors, and act on the opportunities.
8. Reform skills and education: start earlier, expand apprenticeships, and build the soft skills AI cannot replace.
9. Assess and reform laws and regulation that hold back innovation, and review the AI growth labs.
10. Back a workable, balanced, market-based solution on copyright.
11. Define technology sovereignty as leverage, not self-sufficiency.

Introduction

Artificial Intelligence (AI) will evidently play a key role in driving productivity and growth in the next few years, as well as transforming the way we work.

It can boost efficiency by speeding up tasks with automation, enhance decision making with the analysis of large datasets, reduce waste, free up time by completing tasks on employees' behalf and pave the way for the creation of new products, services, markets and industries.

In terms of economic impact, the IMF expects AI to affect 40% of jobs globally[1]; Goldman Sachs suggests Generative AI[2] could raise global GDP by 7%, while McKinsey estimates that Generative AI could add between $2.6 trillion and $4.4 trillion a year to the global economy. The UK's entire GDP in 2021 was $3.1 trillion.

With the third most valuable technology ecosystem in the world, the UK is well placed to adopt emerging technologies, including AI. Recent research estimated that AI could generate £550 billion for the UK by 2035, which would lead to growth of 2% annually.

However, some experts are more conservative and think the impacts of AI will be more 'modest,' with implementation costs potentially exceeding the benefits. Some companies have recently said that their AI costs far exceed their labour costs.

For Prosper UK, where growth is the overriding priority, the question is less whether AI will matter than whether the UK does enough to seize its benefits before others do. The technology is moving faster than the policy around it and that gap between what AI could add and what is happening today is where both the opportunity and the risk now sit.

While the UK Government has made various commitments to supporting AI, including in its AI Opportunities Plan, Prosper UK was keen to hear practical views from AI businesses and experts, the people building and using these tools, on what more should be done to unlock its economic growth benefits while considering the the wider implications for society and employment.

Topics discussed with Prosper UK ranged from the UK's appetite for disruptive technologies to technology sovereignty, Government's role, impacts on key UK sectors, skills and required investment.

1. https://www.imf.org/en/Blogs/Articles/2024/01/14/ai-will-transform-the-global-economy-lets-make-sure-it-benefits-humanity
2. Generative AI is a type of AI that creates content including text, images, audio and video in response to a user's prompts.
3. https://www.mckinsey.com/capabilities/tech-and-ai/our-insights/the-economic-potential-of-generative-AI-the-next-productivity-frontier#business-value
4. https://www.business.gov.uk/campaign/invest-in-great/digital-and-tech/
5. Unlocking the UK's AI potential: Harnessing AI for economic growth https://microsoftuk.publicfirst.co.uk
6. https://mitsloan.mit.edu/ideas-made-to-matter/a-new-look-economics-ai
7. https://fortune.com/2026/04/28/nvidia-executive-cost-of-ai-is-greater-than-cost-of-employees/
8. https://www.gov.uk/government/publications/ai-opportunities-action-plan/ai-opportunities-action-plan

1. The UK's appetite for disruptive technologies

The UK's willingness to embrace disruption will help determine whether this country becomes a place where new technologies, and the companies built around them, are developed, scaled and backed.

Participants noted that although the UK is quick to encourage established players to adopt new technologies, it tends to push back against new types of businesses when they are likely to disrupt and displace the incumbents. Even so, it has gone less far than much of Europe. For example, Uber, banned or heavily restricted in a number of European countries, was allowed to operate in the UK, albeit after pushback. The instinct is to slow disruption down rather than block it outright.

They stressed the part that disruptive technologies play in creating new industries and companies and the growth that follows. Also, the UK is entering a period of hybrid human and AI organisations - workplaces where people and AI systems carry out tasks side by side - even if the shape of that future cannot be predicted with any precision.

One participant likened this shift to the industrial revolution, when work moved into factories - it changes the basic shape of organisations and the way people work, not just the speed at which they do it. Separately, the same person argued that the jobs most exposed are the middle ones such as mid-ranking professionals, skilled trades and managers, rather than the very top or the very bottom. Another participant made a related point, that we've paid people well to "behave a bit like large language models", which is exactly the kind of work AI now does.

It's important to be honest with the public about what is changing, supporting the workers and places most exposed rather than talking about the economy in the abstract, and not pretending, as the country has before, that everyone affected can simply be moved on to something better. One participant argued that part of the UK's reluctance comes from a discomfort with telling people they may lose out in a transition, even when the gains across the economy as a whole are larger.Underlying this was a call to think about AI less as a piece of software and more like capital, something that gives large numbers of people access to skills they did not have and changes the value of different kinds of work. Seen that way, the question becomes which sectors stand to win and which come under pressure. One participant offered autonomous vehicles as an illustration, with self-driving cars expected in the UK this year raising questions of job displacement, new business models, safety, ethics and national security all at once. The same sector-by-sector exercise is needed for law, finance and pharmaceuticals.

2. Technology sovereignty

On technology sovereignty, the view was that the term needs defining. Taken to mean building everything at home and shutting out foreign, and especially American, technology, it would leave the UK steadily further behind, and the anti-US overtones are already colouring investment. One participant whose firm is deciding where to invest said the signals make them ask whether the UK actually wants their technology. Instead, technology sovereignty is the ability to draw on the best technology in the world and build on it to British advantage, not to reproduce it from scratch. In practice that means backing multi-purpose, foundational technologies UK innovators can compete around rather than exclusionary ones they cannot, and a procurement system that gives smaller British firms a fair chance to win work instead of defaulting to the largest suppliers.

Some warned that, by concentrating on adoption, the UK risks becoming a permanent buyer of AI capability from large US firms rather than a creator and exporter in its own right. Some participants considered that multi-purpose foundational technologies would give UK innovators a real chance to compete. The conclusion most could share was that the UK has to do both: adopt quickly and still build.

Almost no one thought the UK should try to train its own frontier models. As one participant put it, that would need something close to the country's entire uninterrupted energy supply and is simply not realistic, and the UK holds only a small share of the world's computing power, so the race to build the largest general-purpose models belongs to the United States and China. The UK's opportunity lies in the layer above and around these models including the applications and point solutions that put them to work, sector-specific tools, models fine-tuned on British data, and the computing power, data and skills on which the whole ecosystem depends. The real question is less whether to build than what to build.

9. These AI technologies are trained on vast, diverse and unstructured datasets and include LLMs from GPT-4 and Gemini to Claude.

3. Regulation, standards and innovation

Where the line falls between regulation and innovation will do much to decide whether AI is built in the UK or elsewhere.

The UK is free to set its own AI rules, and participants welcomed the fact that discussions with Government have focused more on innovation. By contrast, the European Union's AI Act was considered to be extremely complex and heavy with constraints.

Some wanted the UK to adopt a responsible governance approach. There were also proposals for businesses to come together to set standards due to the UK not having specific AI legislation, unlike the European Union.

Several drew a distinction between regulation and standards. Legislation sits at the top and is the hardest to shift; governance and voluntary standards sit below it and are far quicker to put in place. The UK has a long record of leading on standards, and businesses can come together to set them, which several saw as the more realistic route in the near term.

Laws that hold innovation back should be reformed across the board, not suspended for a favoured few. The UK's problem, several argued, is less that it over-regulates in the way the EU does than that its regulators are too cautious by default, and that the law itself often blocks the flows innovation depends on. GDPR was the example given, where restrictions on moving data can stop the very transfers a new product needs to work.

The Government's AI growth labs drew the sharpest criticism. Building on the idea of regulatory sandboxes, the scheme picks a handful of companies and lifts the rules for them in the hope they will scale. Participants saw this as the wrong instinct. If the rules are holding good companies back, the answer is to ask why and fix them for everyone, not to hand-pick a few winners and exempt them. Lifting the burden for a chosen few leaves it in place for the rest, and it is the rest, the firms not in the room, that a pro-growth approach has to serve.

With the US regulatory environment looking volatile, the UK has a chance to be the stable, predictable home that investors want, and could turn its strength in standards into a real competitive advantage. The aim is not less regulation for its own sake but better regulation, the kind that gives good companies the confidence to grow here rather than move elsewhere.

4. Copyright and AI training

Copyright is one area where the current rules are already shaping where AI work takes place. Participants underlined that the AI training of frontier models[10], which are large, general purpose AI models, is currently taking place in the US to avoid legal exposure in the UK. This is due to the change in the UK Government's stance which had previously been more supportive of AI training of copyright related content.

The point was also raised that, in practice, training data does not respect borders. UK artists' and musicians' work is already being used to train models in data centres overseas, whatever the UK decides, so rules that are too restrictive risk pushing the activity abroad without protecting much domestically. Participants acknowledged the strength of feeling in the creative industries, but felt the present settlement had tilted too far against development.

However, the Creative Content Exchange, which is a marketplace where copyright holders could license their work in return for payment and credit, was seen as a possible middle ground between AI developers and the creative industries. Some also noted that developers are beginning to engage directly, with a willingness to license content and give credit, which they read as a fairer position emerging rather than one being imposed.

10. Examples of frontier models are Google's Gemini, Open AI's GPT series, Anthropic's Claude and DeepSeek's R1.

5. Priorities for action

Participants discussed several recommendations about what could be done in the UK to unlock the potential of AI. They included:

5.1 Government's vision and role as an informed enabler

There was a strong call for Government to set out a clearer vision of the AI-native country it wants to create, spanning both the public and private sectors.

Government should also decide how it wants to engage AI companies. That could mean leaving companies to determine which industries are affected, or bringing experts into Government to set out, over the next five to ten years, the economic roadmap the technology can support, so the country does not fall behind. Some favoured closer interaction with companies, to understand not only what the technology can do but also the risks and consequences as it develops at speed.

The use of AI in the public sector should be explored, focused on what AI and the data behind it can actually do, from cutting waiting times and missed appointments in the NHS to speeding up planning decisions, getting benefits and tax right first time, and catching fraud and error in public spending.

In any case, Government should improve its understanding of AI and be able to distinguish between frontier models, which are not currently trained in the UK, and AI point solutions[11]. It could look at which AI point solutions might be applied to existing processes, in both government and the private sector, to speed them up. Some also recommended that public procurement processes should be more accessible to smaller companies.

There was also a view that data centres should be built where they are needed most, rather than where Government wants them.

5.2 More investment

Investment levels are not anywhere close enough to what is needed for the £45 billion savings from AI that Keir Starmer has set out[12]. One participant put it as a test; faced with a return of that size, a serious investor would expect to put in four or five billion pounds a year, perhaps an order of magnitude more, to capture it. Yet only around £2 billion has been committed, and half of that is going to quantum[13].

11 AI point solutions are single purpose software tools to tackle one specific issue very well. An example is Otter.ai which transcribes meetings.
12 https://www.bloomberg.com/news/articles/2025-03-12/starmer-sees-45-billion-savings-in-uk-push-into-digital-ai
13 The UK Government has invested more than £1billion into the National Quantum Technologies Programme with the aim of being the world's first country to fully deploy commercially scalable quantum computers by the early 2030s. Uses could be developed for pharmaceuticals, financial services and energy. The UK Government has said Quantum (hardware), which is currently largely in the research and development phase, currently will rival AI (software) as the defining technology of the future.

The gap is not only in the headline number but in where the money goes. The binding constraints were computing power, data and skills. The UK holds a small share of the world's computing power, and without enough of it, alongside usable public data and people who can apply the technology, the savings stay on paper. Investment also has to turn into decisions with one participant noting that announcements have not yet become the policies that would let companies build and deploy here.

5.3 Communicating the benefits to citizens to support uptake

Despite the Government's number one metric being AI adoption, participants felt this has not been well executed and proposed more communication about how the technologies can support people in their lives, jobs and how they can access, buy and use the technologies safely.

The approach, one participant suggested, has been to 'mainline AI into the economy' when it would have been wiser to make the technology understandable, given how much anxiety there is about jobs and communities. Part of the problem is how the benefits are sold. Promising to 'save five minutes a day' rarely persuades anyone. What lands is the larger, tangible case such as a hospital seeing more patients, a service that stops losing people's paperwork, money recovered from fraud, and the link between those gains and the funding of things people care about.

5.4 Supporting people with advice to address the challenges that AI will bring

Participants suggested that people are provided with advice about what to do and potential impacts on their jobs over the next five years and that 'throwing resources' at the issue is not the solution.

Businesses also need to be supported to understand what is possible so their questions can be answered. Participants said they lack data quality to make strategic decisions.

There should be robust analysis of the impact of AI on the UK's strongest sectors, which sectors can be re-invented with AI and where there are opportunities, including in oil and gas, defence and finance. It was noted that AI can already perform skills required in professional services, which are strong in the UK, relatively well.

Participants were clear that AI should make humans more efficient but his will require training across the country. Children need to start learning computer science, numeracy and maths at an earlier age - less to turn everyone into a programmer than to build broad confidence with the technology. Apprenticeships also will play an important role in bridging the gap between skills that businesses need in the age of AI and are delivered faster than university courses.

Equal, if not greater, focus, should be given to the skills that the future economy and displaced workers will need. Soft skills will be needed to work with these technologies and skills, including communication, critical thinking, hypothesis generation, conceptual thinking – transferable human skills.

Two warnings ran through this part of the discussion. The first was not to repeat the mistake of pushing everyone to learn to code, which several saw as a dead end; the skills that matter are the human ones of working alongside the technology. The second was that the country already carries a skills deficit that one participant put at close to £90 billion, and that these higher-order skills are barely measured in the current system, so there is real work to do simply in learning how to assess them. The deeper shift, one added, is in how we value human work at all, as tasks that were once well paid become things the technology can do.

Conclusion

The roundtable showed both the scale of what AI could add to the UK economy and the gap between that potential and what is happening today. Participants were clear that the technology will reshape industries, jobs and public services, and that the UK starts from a position of real strength. They were just as clear that this advantage is not guaranteed.

Across the discussion the same themes returned: a technology developing faster than the rules around it, an advantage that is real but not secure, and a public and business base that has to be brought along rather than left behind. It was also clear that businesses now face significant uncertainty. Even confident, growing firms, in construction and elsewhere, said they simply do not know what AI means for them. That points to a clear role for Prosper UK in building the body of evidence that helps them decide.

What came through most strongly was the need for government to lead, to set out a clear vision, invest at the scale that ambition implies, understand the technology well enough to regulate it sensibly, and carry people and businesses with it.

AI is a key area where the pro-growth, pro-business case is needed, and where the centre-right can offer what neither a Labour government that talks growth but stalls on delivery, nor a populist right that trades in grievance, is able to offer, namely a serious, optimistic plan to turn a technological revolution into prosperity felt across the country, and the honesty to be straight with people about the disruption it brings. Prosper UK will take these insights forward in that spirit, and in building the evidence that helps business and government act.

Recommendations

The recommendations below reflect the views and priorities expressed by housing businesses and experts who took part in Prosper UK's AI roundtable.

1. Set out a clear vision of the AI-native country the UK wants to become, across the public and private sectors.
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