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Research Warns Most of the UK Now Seen as 'Junk Bond' Territory as London Dominates Investment

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New economic research has revealed that vast areas of the United Kingdom are effectively being treated like "junk bonds" by investors, while London continues to attract disproportionate levels of capital. The findings, published in the journal *Fiscal Studies*, warn of worsening regional inequality unless bold reforms to the UK's financial structure are implemented.

The analysis, led by Professor Philip McCann of Alliance Manchester Business School, examined thousands of real-estate investment records across UK cities. It found that investment risk premiums, essentially the price of perceived risk, are 250 to 300 basis points higher in UK cities outside of London compared to both the capital and equivalent cities elsewhere in Europe. This makes regeneration projects outside the South East economically unviable without government subsidy.

This imbalance, according to the report, was fuelled by policies implemented following the 2008 financial crisis. While successive rounds of quantitative easing (QE) from the Bank of England were intended to stabilise the national economy, the lion's share of the benefit flowed into London, deepening the regional divide. Unlike countries such as Germany or the United States, which have robust regional banking systems and capital markets, the UK has centralised much of its financial infrastructure in the capital.

The report recommends a dramatic revitalisation of regional finance, including expanding the British Business Bank and establishing a National Wealth Fund to support local investment. It warns that current Labour-led government policies focused on devolution and skills training will fall short if not underpinned by access to capital at the regional level.

Parts of the North, Midlands, and Wales are particularly exposed to economic stagnation, with the elevated risk perception further deterring private-sector investment. Without affordable financing, these areas risk falling further behind, entrenching long-term economic fragility and deepening regional resentment.

From a centre-right perspective, the issue underlines the urgent need to empower the private sector, reform financial regulation, and decentralise economic control. Simply redistributing state funds without enabling regional enterprise will do little to fix the structural weaknesses exposed by this research.

As cost-of-living pressures, housing shortages, and public sector debt remain front and centre, the government faces mounting pressure to address the UK's growing regional imbalance, not just in rhetoric, but through serious and sustainable financial reform.