

**SECTOR**

Appendix A

## **Shropshire Council**

Monthly Investment Analysis Review

September 2010



# Shropshire Council

## Monthly Economic Summary

### General Economy

The consumer price index for August was unchanged at 3.1%, remaining stubbornly above the Bank of England's upper limit of 3% and target of 2%. On the month, CPI inflation jumped by 0.5% compared to July's figure of -0.2% m/m. The unexpectedly high rate was boosted by strong rises in air fares, clothing and food. Core CPI inflation (excluding energy, food, alcohol and tobacco) came in at 2.8% y/y which is the highest annual core CPI inflation since June 2010. Final revised GDP figures for the quarter showed a rise of 1.2%, unchanged from first estimates. A pick-up in the construction industry and strong household spending contributed to the rise in GDP. The annual rate of growth was also unrevised at 1.7%, as expected. Construction output surged 9.5% during the second quarter, its fastest rate of expansion since 1963, whilst manufacturing grew by 0.3% on the month and services output was up by 0.6%. The figures suggest Britain's economy bounced back strongly from its deepest recession since World War Two but most economists expect growth to slow sharply due to impending government spending cuts and weak overseas demand. UK retail sales suffered a surprise fall in August, the first drop since January, the Office for National Statistics (ONS) said. Sales fell 0.5% from July, suggesting that worries about tax rises and budget cuts are starting to hit consumers. UK jobless claims unexpectedly increased in August to 1.47 million which is the first increase since January, whilst the ILO unemployment rate held at 7.8% in the three months to July.

### Housing Market

The British Bankers' Association reported UK mortgage approvals fell 22.3% on the year in August to 31,767, down from 34,219 in July, the lowest since April 2009 when the housing market hit a trough. Nationwide reported house prices notched up slightly in September, rising 0.1% after a fall of 0.8% in August, while the annual rate slowed to 3.1% from 3.9% previously. Contrary to expectations, Halifax reported a 0.2% rise in house prices on the month, leaving prices 4.6% up in the three months to August. The average house price now stands at £167,953, 9% higher than the trough in prices seen in April 2009.

### Currency

The cable opened at \$1.54 on a month, reached a low point in the middle of September at \$1.53 and ended the month at \$1.57. Sterling started the month at €1.205 and reached a peak of €1.215. There was additional volatility at the end of the month with Sterling hitting €1.152 against the Euro. The Euro started the month at \$1.281 against the dollar and ended the month at \$1.363.

### Forecast

Sector has left its interest rate forecast unchanged. The increase in risk of further quantitative easing in the UK and US (i.e. a further loosening of monetary policy rather than a tightening) has pushed our view on the first increase of Bank Rate to take place in Q3 2011.

Bank Rate	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Sector	0.50%	0.50%	0.50%	0.50%	0.75%
UBS	0.50%	0.50%	0.75%	1.00%	1.50%
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%

# Shropshire Council

## Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date
Natwest Instant Access	3,540,000	0.90%		Call
Natwest Instant Access	7,500,000	0.80%		Call
Lloyds TSB	5,000,000	1.82%	15/12/2009	15/12/2010
Lloyds TSB	5,000,000	1.82%	05/02/2010	04/02/2011
Lloyds TSB	2,170,000	1.80%	03/06/2010	02/06/2011
Lloyds TSB	5,900,000	2.10%	15/07/2010	14/07/2011
Clydesdale Bank	2,500,000	0.67%	20/07/2010	20/10/2010
Lloyds TSB	1,390,000	1.08%	23/07/2010	25/10/2010
Clydesdale Bank	3,890,000	0.67%	29/07/2010	29/10/2010
Clydesdale Bank	3,610,000	0.67%	03/08/2010	03/11/2010
Lloyds TSB	2,000,000	1.30%	04/08/2010	02/02/2011
Lloyds TSB	2,410,000	1.08%	13/08/2010	16/11/2010
Lloyds TSB	2,180,000	1.08%	16/08/2010	17/11/2010
Nationwide Building Society	1,430,000	0.54%	31/08/2010	29/10/2010
Lloyds TSB	3,950,000	1.10%	01/09/2010	02/12/2010
Nationwide Building Society	2,000,000	0.47%	01/09/2010	05/10/2010
Nationwide Building Society	5,380,000	0.65%	02/09/2010	02/12/2010
Barclays	1,330,000	0.40%	06/09/2010	06/10/2010
RBS	1,050,000	0.90%	07/09/2010	07/03/2011
Lancashire County Council	2,200,000	0.35%	08/09/2010	08/10/2010
Nationwide Building Society	1,190,000	0.65%	08/09/2010	08/12/2010
RBS	1,300,000	0.42%	10/09/2010	11/10/2010
RBS	3,550,000	0.45%	14/09/2010	20/10/2010
RBS	4,080,000	0.47%	15/09/2010	29/10/2010
Mid Suffolk District Council	400,000	0.30%	16/09/2010	14/10/2010
Barclays	2,830,000	0.45%	17/09/2010	29/10/2010
Barclays	3,000,000	0.45%	17/09/2010	25/10/2010
RBS	850,000	0.40%	20/09/2010	20/10/2010
Southampton City Council	1,100,000	0.32%	21/09/2010	21/10/2010
RBS	2,190,000	0.42%	21/09/2010	21/10/2010

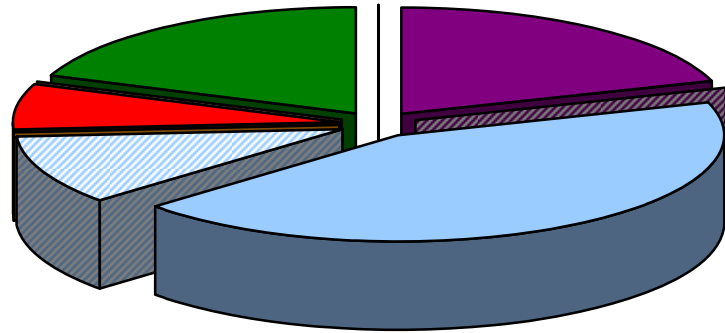
## Shropshire Council

### Current Investment List

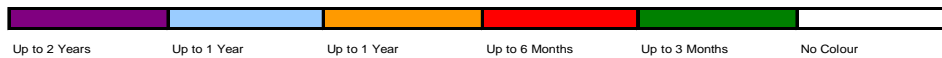
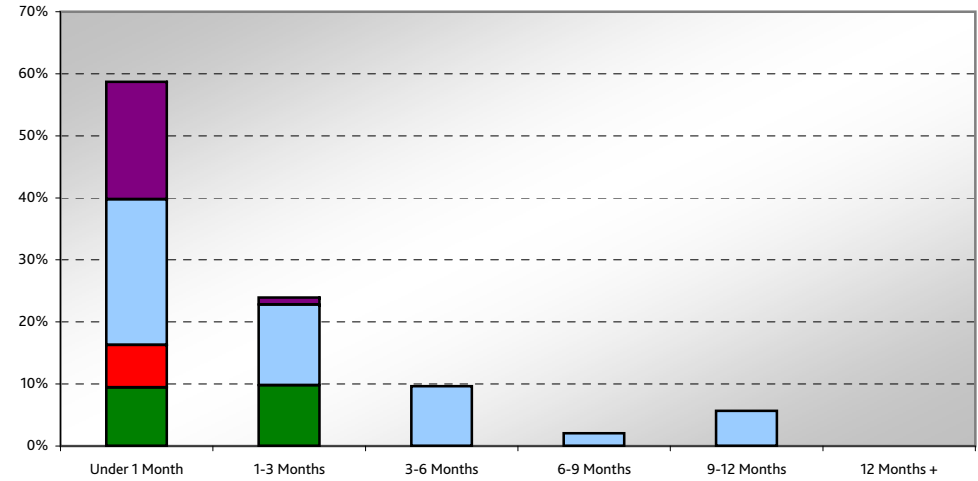
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date
Blaenau Gwent Borough Council	3,000,000	0.30%	22/09/2010	25/10/2010
RBS	1,980,000	0.95%	22/09/2010	18/03/2011
Eastleigh Borough Council	3,000,000	0.30%	22/09/2010	21/10/2010
Lancashire County Council	2,000,000	0.36%	27/09/2010	26/10/2010
Lancashire County Council	2,000,000	0.36%	27/09/2010	27/10/2010
Nottingham City Council	5,000,000	0.45%	28/09/2010	12/10/2010
Mid Suffolk District Council	1,000,000	0.40%	30/09/2010	29/10/2010
Blaenau Gwent Borough Council	1,175,000	0.40%	30/09/2010	03/11/2010
<b>Total Investments</b>	<b>£104,075,000</b>	<b>0.85%</b>		

# Shropshire Council

## Portfolio Breakdown by Sector's Suggested Lending Criteria



- Purple    ■ Purple Calls    ■ Blue    ■ Blue Calls    ■ Orange    ■ Orange Calls
- Red    ■ Red Calls    ■ Green    ■ Green Calls    ■ No Colour    ■ NC Calls



WARoR = Weighted Average Rate of Return  
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs	
									WAM	WAM at Execution
Purple	20.06%	£20,875,000	0.00%	£0	0.00%	0.36%	20	26	20	26
Blue	53.85%	£56,040,000	19.70%	£11,040,000	10.61%	1.16%	85	158	106	197
Orange	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	6.88%	£7,160,000	0.00%	£0	0.00%	0.44%	23	38	23	38
Green	19.22%	£20,000,000	0.00%	£0	0.00%	0.63%	38	84	38	84
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
<b>Total</b>	<b>100.00%</b>	<b>£104,075,000</b>	<b>10.61%</b>	<b>£11,040,000</b>	<b>10.61%</b>	<b>0.85%</b>	<b>59</b>	<b>109</b>	<b>66</b>	<b>122</b>





