Shropshire Council

Monthly Investment Analysis Review

September 2026

Shropshire Council

Monthly Economic Summary

General Economy
The UK economic outlook was mixed through September, with continued private-sector expansion and firmer household indicators alongside higher inflation and a loosening labour market. Meanwhile, the Bank of England left Bank Rate at 3.75% and announced that it will reduce its holding of gilts by £368bn over the next eight years through revisions to its Quantitative Tightening programme. While Bank Rate was unchanged, the result was a "hawkish hold", with the Bank raising its own inflation forecasts to a peak over 4% in the first quarter of next year. The tone and contents of the meeting's minutes suggested that unless energy prices fall back and a resolution to the Middle East occurs, the Committee could see a majority voting for tighter monetary policy despite the current lack of second-round effects, given how elevated energy costs could see these develop.

Business surveys remained resilient, although momentum softened. The Composite and Services PMIs both fell to 51.7 in September from 52.5 in August, while Manufacturing PMI rose to 51.9 from 51.7 - matching expectations. Contrasting this, construction activity continued to contract, with its PMI falling to 44.3 in August from 44.7, the twentieth successive month below 50.

Headline consumer-level inflation rose to 3.1% in August from 2.9% in July, while prices increased 0.5% m/m after 0.3% previously, driven mainly by a 6.9% increase in fuel which alone added 0.2%. On a more positive note, core inflation held at 2.6% and services inflation at 3.4%.

Growth data was stronger than expected, rising 0.4% in July after 0.3% in June to leave the annual rate at an improved 1.4%. Within the headline reading, services improved 0.4%, production 0.2% and construction 0.1%. Alongside the July figures, there was also an upward revision to GDP growth in Q2, from 0.4% q/q to 0.5% q/q, suggests that the economy has been a bit more resilient to higher energy prices in the first half of the year than previously thought. Elsewhere, the trade deficit narrowed to £3.45 billion from £5.54 billion as exports rose 2.1% m/m and imports to the UK edged down 0.4% m/m to a five-month low of £85.37 billion in July 2026. The figures pointed to firmer activity at the start of Q3, although elevated inflation and subdued new orders continue to cloud the outlook.

The labour market continued to loosen as although unemployment remained at 4.9% in the three months to July, HMRC payrolled employment fell by 26,000 in August after a revised 19,000 decline previously. Meanwhile, vacancies decreased to 702,000 in the three months to August and wage data showed total pay slowing to 3.9% y/y from 4.2% with that excluding bonuses unchanged, as were private sector earnings.

Retail sales rose 0.5% m/m in August after a 0.5% fall in July, beating expectations for a 0.2% decline, and were 2.4% higher y/y. Consumer confidence improved for a third month, rising to -13 in September from -14, its strongest reading since August 2024.

Public finances remained constrained, with net borrowing of £18.3 billion in August, above £15.4 billion a year earlier and expectations of £15.7 billion. Public Sector Net Debt to GDP in the United Kingdom decreased to 93.80% of GDP in August from 94%. The figures reinforced market concerns over the government's fiscal headroom, with attention now moving towards the 28th October Budget.

US Economy
The US economy remained resilient through September, despite inflation remaining firmly above target and GDP growth slowing. Non-farm payrolls rose by 162,000 in August after an upwardly revised gain of 23,000 in July, well above expectations of 56,000. Headline inflation rose 0.4% on the month in July, with the annual rate unchanged at 3.4%. However, core inflation eased to 2.4%. The US economy expanded at an annualised rate of 2.2% in Q2 2026, revised up by 0.7 percentage point from the 2nd estimate, following an upwardly revised 2.5% growth in Q1. The Federal Reserve' Open Market Committee unanimously voted to raise its target range by 25 basis points to 3.75%–4.00%, responding to persistent above target inflation and a resilient economy.

EU Economy
Eurozone economic releases showed continued expansion alongside higher headline inflation. For the latter, annual headline inflation rose to 3.2% in August from 2.9%, although the core reading eased to 2.4%. Meanwhile, Q2 GDP rose 0.6% q/q and annual growth accelerated to 1.2% from the 0.6% seen in the first quarter of the year. The ECB raised its Main Refinancing Rate by 25 basis points to 2.65% and the Deposit Rate to 2.50%, with President Lagarde describing the decision as a "no brainer" as the recent developments in the Middle East conflict threatens to keep inflation above target for a prolonged period and thus raised the risk of second-round wage and price effects.

Housing
UK Housing data was mixed in the latest releases. The UK Nationwide House Price Index rose by 0.8% y/y in September, slowing from a 1.6% increase in August and falling short of the expectations for a 1.3% rise. On a monthly basis, prices fell by 0.2%. Meanwhile, the Lloyds House Price Index (rebranded from Halifax) reported an average house price of £298,468 in August, representing a 0.4% decline compared with a year earlier. Overall, the unexpected monthly decline, alongside the prospect of a further rise in mortgage rates and uncertainty over possible tax increases in the Budget, suggests that house price growth could remain subdued in the coming months.

Currency
Over the month, Sterling rose against the Euro and fell against the USD

September	Start	End	High	Low
GBP/USD	$1.3516	$1.3267	$1.3547	$1.3219
GBP/EUR	€1.1657	€1.1708	€1.1708	€1.1617

Interest Rate Forecast
Whilst Capital Economics altered their Bank Rate forecasts on 17/09/2026. MUFG Corporate Markets altered their Bank Rate forecasts on 21/09/2026.

Bank Rate	Now	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29	Jun-29	Sep-29
MUFG Corporate Markets	**3.75%**	4.00%	4.00%	4.00%	3.75%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Capital Economics	**3.75%**	4.00%	4.25%	4.25%	4.25%	4.00%	3.75%	3.75%	3.50%	3.50%	-	-	-

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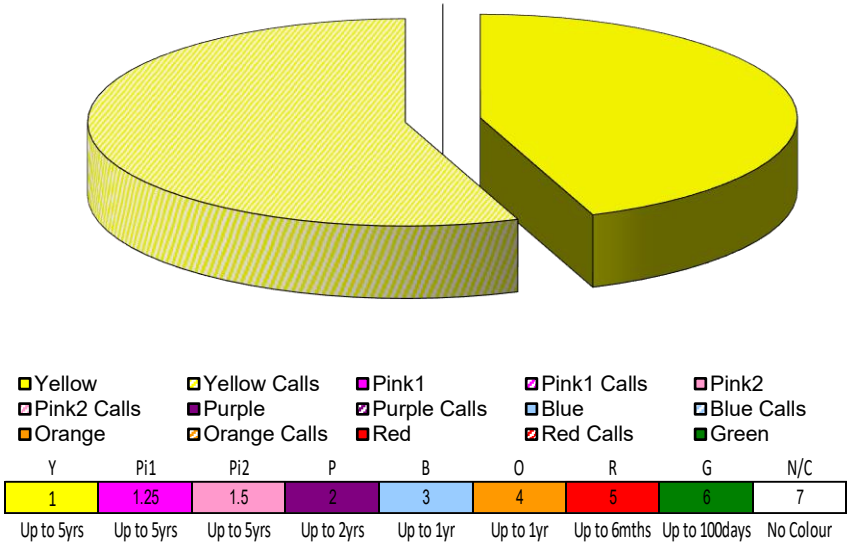
Current Investment List

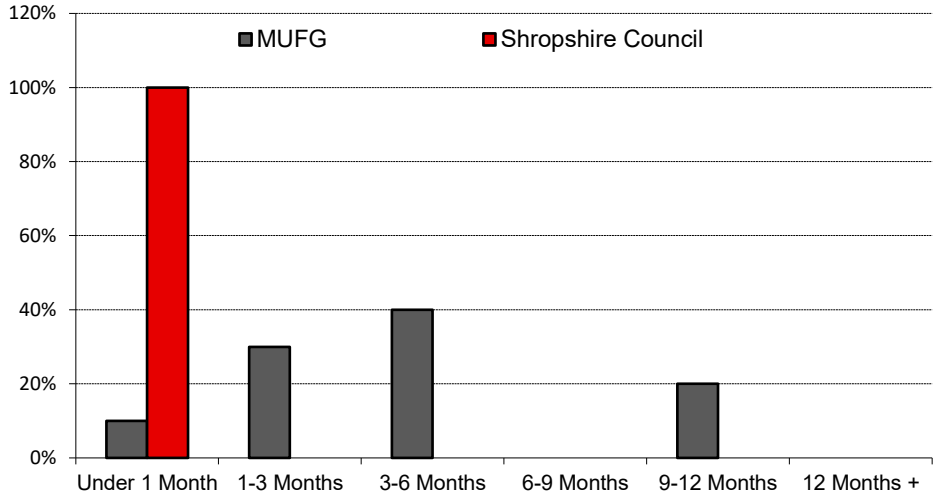
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default	Expected Credit Loss (£)
MMF Aberdeen Standard Investments	15,000,000	3.86%		MMF	AAAm		
MMF Insight	15,000,000	3.88%		MMF	AAAm		
DMO	4,400,000	3.71%	29/09/2026	06/10/2026	AA-	0.000%	0
DMO	9,400,000	3.73%	30/09/2026	15/10/2026	AA-	0.001%	0
Bournemouth, Christchurch and Poole Council	10,000,000	4.90%	28/09/2026	30/10/2026	AA-	0.002%	0
Total Investments	**£53,800,000**	**4.02%**					£0

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.
The Historic Risk of Default column is based on the lowest long term rating. If clients are using this % for their Expected Credit Loss calculation under IFRS 9, please be aware that the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil. Please note that we are currently using Historic Default Rates from 1990-2025 for Fitch, 1983-2025 for Moody's and 1981-2025 for S&P.
Where MUFG Corporate Markets have provided a return for a property fund, that return covers the 12 months to June 2026, which are the latest returns currently available.

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Portfolio Composition by MUFG's Suggested Lending Criteria





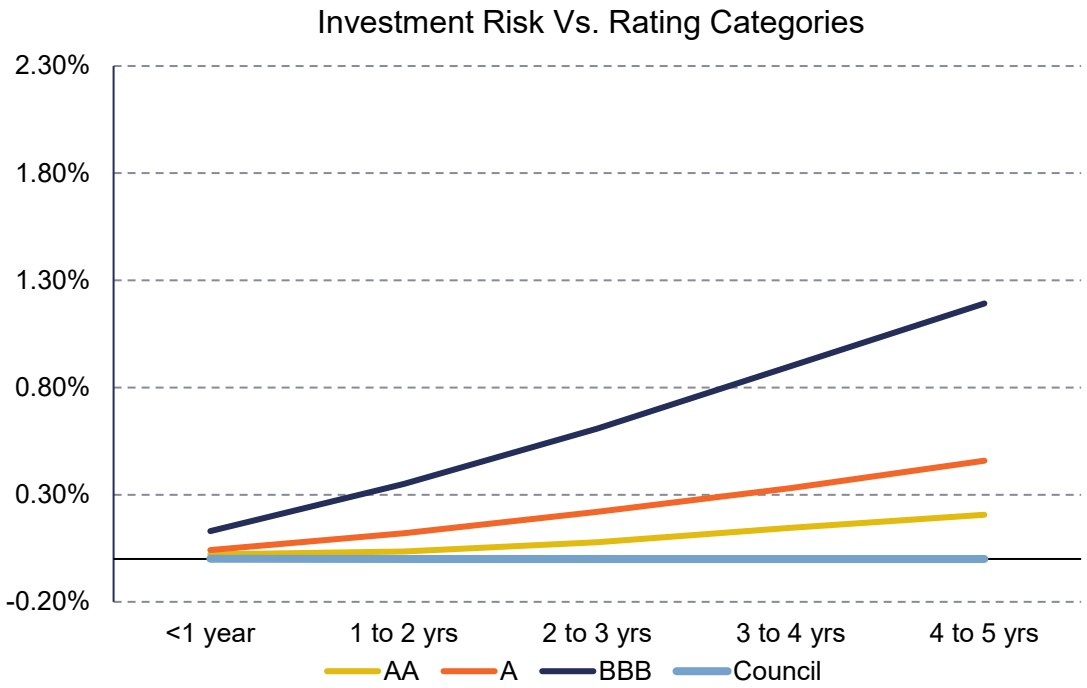
Portfolios weighted average risk number = 1.00

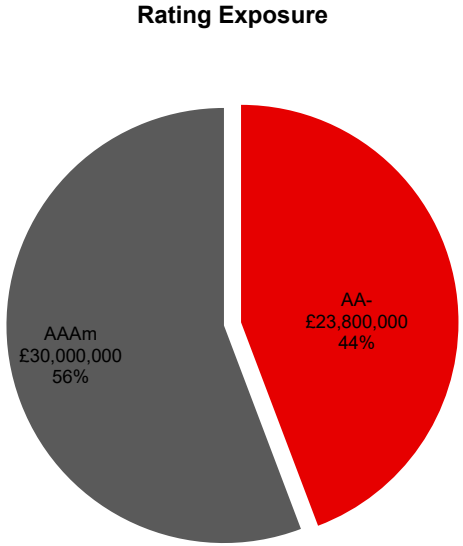
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs WAM	WAM at Execution
Yellow	100.00%	£53,800,000	55.76%	£30,000,000	55.76%	4.02%	9	9	20	21
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
	100.00%	**£53,800,000**	**55.76%**	**£30,000,000**	**55.76%**	**4.02%**	**9**	**9**	**20**	**21**

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Investment Risk and Rating Exposure





Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.04%	0.08%	0.15%	0.21%
A	0.04%	0.12%	0.22%	0.33%	0.46%
BBB	0.13%	0.35%	0.61%	0.90%	1.19%
Council	0.00%	0.00%	0.00%	0.00%	0.00%

Historic Risk of Default
This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk
This is the authority's risk weightings compared to the average % risk of default for “AA”, “A” and “BBB” rated investments.

Rating Exposures
This pie chart provides a clear view of your investment exposures to particular ratings.

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio’s historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

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Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
07/09/2026	2146	Qatar (Sovereign)	Qatar	The Negative Watch on the Sovereign Rating was removed and the Sovereign Rating was placed on Negative Outlook.
10/09/2026	2147	Qatar National Bank	Qatar	The Negative Watch on the Long Term Rating was removed and the Long Term Rating was placed on Negative Outlook.
17/09/2026	2148	Coventry Building Society	United Kingdom	The Long Term Rating was downgraded to A from A+.
17/09/2026	2148	Co-operative Bank PLC (The)	United Kingdom	The Long Term Rating was downgraded to A from A+.

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Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
01/09/2026	2145	Danske A/S	Denmark	The Outlook on the Long Term Rating was changed to Positive from Stable.
17/09/2026	2149	Cooperatieve Rabobank U.A.	Netherlands	The Outlook on the Long Term Rating was changed to Positive from Stable.
30/09/2026	2151	Clydesdale Bank PLC	United Kingdom	All ratings were withdrawn.

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Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
18/09/2026	2150	HSBC Bank PLC (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
18/09/2026	2150	HSBC UK Bank Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.

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