MUFG

Shropshire Council

Monthly Investment Analysis Review

June 2026

Shropshire Council

Monthly Economic Summary

General Economy
The UK economic outlook remains uneven, with the latest data pointing to weak private-sector momentum, still-positive but softer growth, and easing inflation. The composite PMI stayed in contraction in June, as services weakness outweighed resilience in manufacturing, while consumer confidence remained subdued. GDP growth was firmer in Q1 than at the end of 2025, but labour market conditions have softened, and retail sales are only recovering after earlier weakness. Against this backdrop, the Bank of England continues to face a difficult balance between above target inflation and a growth outlook that remains fragile.

The latest PMI readings continue to point to a subdued near-term growth picture. On the flash PMI measure, the UK Composite PMI fell to 49.4 in June from 49.7 in May, marking a second consecutive month of contraction and falling short of expectations for a return to expansion at 50.6. The sector split remained clear: the flash Services PMI slipped to 48.7 from 49.3, while the Manufacturing PMI rose to 52.5, with its output component strengthening to 53.6 from 52.2. It was noted that total private sector sales fell at the sharpest pace since April 2025, as weakness in services outweighed goods-sector growth. Meanwhile, employment continued to fall at a fast pace. On a more positive note, input costs eased for a second month as Middle East-related energy pressures moderated, although cost growth remained above average.

Inflation remained above target but showed no renewed acceleration in the latest release. The UK annual inflation rate remained at 2.8% in May 2026, while monthly CPI slowed to 0.2% from 0.7%. The latest reading suggests that the early year disinflation trend has broadly stabilised rather than reversed, although price pressures are still elevated enough to complicate the policy outlook, especially as household energy costs are set to rise sharply at the next cap reset. The June MPC meeting saw Bank Rate unchanged at 3.75% in June.

GDP data offered a somewhat stronger backward-looking picture. The UK economy expanded 0.6% q/q in Q1 2026, up from a revised 0.1% in the previous quarter, while annual GDP growth held at 0.9%. Trade data also improved at the margin, with the goods and services deficit narrowing to £8.4 billion in April from £9.7 billion previously. Even so, the broader activity mix remains fragile, with the PMI data unsurprisingly suggesting that the momentum seen in Q1 has not carried into Q2.

The labour market has softened but remains mixed. The unemployment rate eased to 4.9% in April from 5.0% in March, but forecasts point to a gradual rise later in the year. The latest CBI measure of UK manufacturing optimism also showed business confidence deteriorating sharply to -65 in June from -19 previously, underlining weaker corporate sentiment. Meanwhile, consumer confidence was unchanged at -23 in June, suggesting households remain cautious despite the easing in inflation.

Retail sales rebounded in May, rising 1.2% m/m after a 1.0% fall in April, pointing to some recovery in household spending from prior weakness. However, the rebound comes against a still-fragile consumer backdrop, given low confidence levels and services activity in contraction. Public finances remain a further constraint, with the latest data showing the government budget deficit at 4.3% of GDP and government debt at 94.3% of GDP.

US Economy
The US economy continued to show resilience, although labour market tightness appears to be moderating. Non-farm payrolls rose by 172k in May 2026, above market expectations of 85k and following an upwardly revised 179k increase in April. Job gains were concentrated in leisure and hospitality, local government, health care and manufacturing, while employment in financial activities declined. GDP growth was revised to an annualised 2.1% in Q1 2026, up from 0.5% in the previous quarter but below expectations of 2.3%. Inflation pressures remain elevated, with the annual CPI rate at 3.8% in April, while recent survey data showed manufacturing still expanding, with ISM Manufacturing PMI at 54.0 in May and S&P Global Manufacturing PMI at 53.9. As in the UK, these ran ahead of service sector activity, where the headline PMI reading was only 51.3. The Fed met under the new leadership of Kevin Warsh but kept policy unchanged, as widely expected, retaining a slight hawkish bias to its “dot plot” outlook.

EU Economy
Eurozone data point to a softer growth backdrop but easing inflation pressure. Annual inflation fell to 2.8% in June 2026 from 3.2% in May, below market expectations of 3.0%, while core inflation eased to 2.4% from 2.6%. Energy inflation also moderated, slowing to 8.7% from 10.8%, helping reverse part of the earlier price pressure linked to higher energy costs. Growth remains weak: Euro Area GDP contracted 0.2% q/q in Q1 2026 after expanding 0.2% in the previous quarter, while annual growth slowed to 0.3% from 1.2%. The unemployment rate held at a record-low 6.2% in May, and the June PMI mix (as elsewhere) remained uneven, with Manufacturing PMI at 51.4 and Services PMI at 48.9. The European Central Bank made no change to policy at its meeting during the month.

Housing
The Halifax House Price Index showed UK house prices fell 0.1% m/m in May, matching April’s decline and contrasting with expectations for a 0.1% rise. On an annual basis, prices rose 0.5%, up slightly from 0.4% in April but below expectations of 1.0%, with the average UK house price at £298,806. Nationwide’s House Price Index showed a more positive annual picture in June, with prices rising 2.2% y/y, up from 1.7% in May but below expectations of 2.4%. On a monthly basis, Nationwide prices were flat in June, in line with forecasts, following a 0.6% rise in May.

Currency
Over the month, Sterling fell against the Dollar and rose against the Euro.

June	Start	End	High	Low
GBP/USD	$1.3438	$1.3273	$1.3473	$1.3147
GBP/EUR	€1.1567	€1.1609	€1.1609	€1.1536

Interest Rate Forecast
MUFG Corporate Markets and Capital Economics did not alter their Bank Rate forecasts during the month.

Bank Rate	Now	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
MUFG Corporate Markets	**3.75%**	3.75%	3.75%	3.75%	3.75%	3.50%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%
Capital Economics	**3.75%**	3.75%	3.75%	3.75%	3.75%	3.25%	3.00%	-	-	-	-	-

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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	3.85%		MMF	AAAm		
MMF Insight	7,700,000	3.87%		MMF	AAAm		
Total Investments	**£22,700,000**	**3.86%**					£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 March 2026, which are the latest returns currently available.

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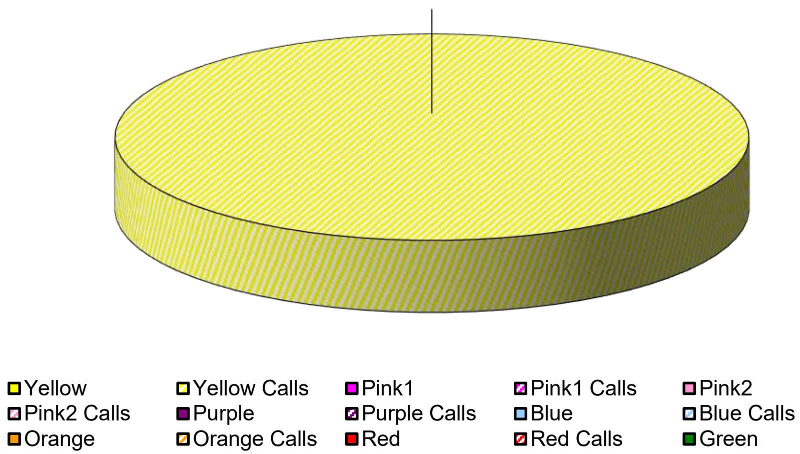
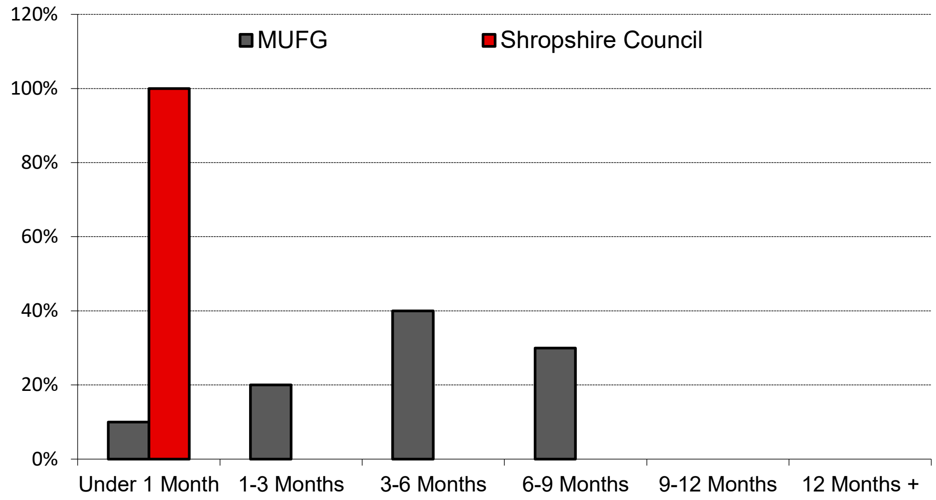
Portfolio Composition by MUFG's Suggested Lending Criteria



Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour



Portfolios weighted average risk number = 1.00

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

									Excluding Calls/MMFs/USDBFs	
	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	WAM	WAM at Execution
Yellow	100.00%	£22,700,000	100.00%	£22,700,000	100.00%	3.86%	0	0	0	0
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%	**£22,700,000**	**100.00%**	**£22,700,000**	**100.00%**	**3.86%**	**0**	**0**	**0**	**0**

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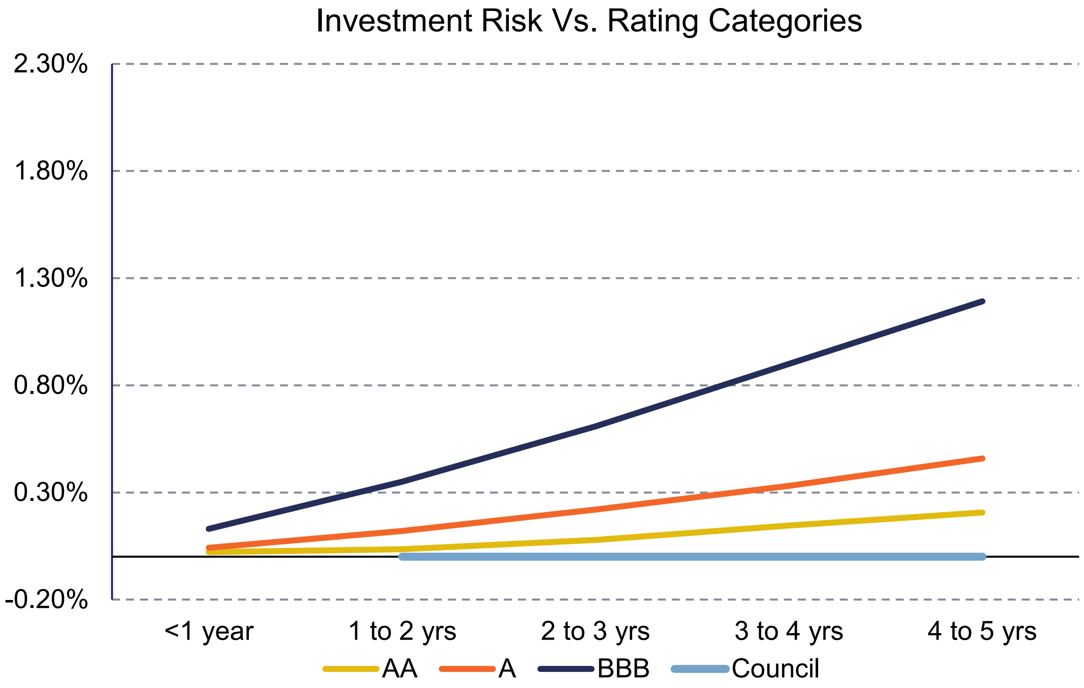
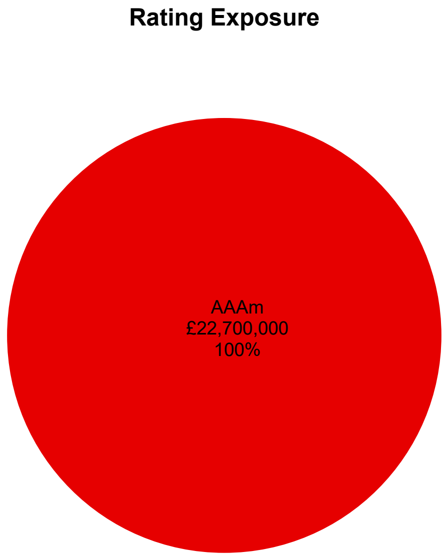
Investment Risk and Rating Exposure





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%

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.

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Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
04/06/2026	2139	Toronto-Dominion Bank	Canada	The Outlook on the Long Term Rating was changed to Stable from Negative.
12/06/2026	2140	Clydesdale Bank PLC	United Kingdom	All ratings were withdrawn.

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Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
30/06/2026	2141	Societe Generale	France	The Outlook on the Long Term Rating was changed to Positive from Stable.

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Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
				No rating actions to report.

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