APPENDIX 5

West Lindsey District Council

Monthly Investment Analysis Review

May 2026

West Lindsey District Council

Monthly Economic Summary

General Economy
The UK economic outlook is becoming increasingly clouded as the lagged effects of the Middle East conflict begin to feed through, presenting policymakers with a more complex trade-off. The latest data now highlights a more uneven growth profile, with clear signs of weakening momentum beginning to emerge alongside pockets of resilience. Inflation has continued to ease, and GDP growth has, for now, remained positive. However, forward-looking indicators, particularly in services, construction, and the labour market, suggest that downside risks are building. Against this backdrop, the Bank of England faces “difficult judgements” in balancing the persistence of price pressures and threat of second-round effects against a softening economic backdrop, with recent developments underscoring the fragility of the UK’s recovery.

The UK PMI readings point to a potential downturn in the economy, as pressures associated with the Iran conflict begin to take effect. UK Composite PMI fell from 52.6 to 48.6 in May, reflecting the first decline in activity (a reading below 50) in over one year and firmly below market expectations of only a modest fall in expansion to 51.6. There was a split across sectors, with the Manufacturing PMI rising to 53.9 from 53.7 and the Services PMI falling to 47.9 from 52.7. The front-loading of orders amid concerns over future price rises and supply disruptions strengthened domestic and export demand, a key metric in the Manufacturing PMI. However, supply chains remained under pressure, with vendor delivery times lengthening sharply due to shipping delays and geopolitical tensions affecting key routes. On the services side, firms cited greater economic hesitancy and weaker investment sentiment among clients, along with delayed consumer spending decisions in response to the Middle East war, particularly affecting international travel. Several also pointed to domestic political uncertainty weighing on client confidence. Rounding out the month’s PMI releases, the Construction PMI sank to 39.7 from 45.6, well below market expectations of 45.7 to deepen the streak of 16 consecutive contractions. The data reflected the early impact of surges in energy prices due to the war in the Middle East, which halted exports of oil and refined products.

April’s CPI data, meanwhile, told the opposite story as headline inflation slowed to 2.8% in April from 3.3% in March, marking the lowest reading since March last year. The moderation was largely driven by housing and household services inflation which fell to 1.4% following the introduction of the new energy price cap. Transport costs also rose at a softer pace, as a downward effect from vehicle excise duty partly offset surging motor fuel prices, which climbed 23%, the highest annual increase since September 2022. Inflation also eased to 3.0% on food and non-alcoholic beverages. On a monthly basis, CPI remained at +0.7% m/m for the second month in a row, but below market expectations of +0.9%.

March GDP data also seemingly defied expectations that the economic impact of developments in the Middle East should now begin to be reflected in the UK figures. The UK economy expanded 0.3% m/m in March, slowing from a downwardly revised 0.4% growth in February but somewhat higher than a forecasted 0.2% contraction. Services were the main driver, rising 0.3%, led by communications which grew 1.1% in addition to accommodation and food services, up 1.3%. February’s revised figures left economic output growth at 1.2% y/y, the strongest growth since July last year. On the trade front, the UK recorded a deficit of £9.7 billion in March, widening from an upwardly revised £5.3 billion in the previous month, marking the largest trade gap since January 2022. Exports rose 0.2% m/m to £79.1 billion, while imports grew at a faster pace of 5.3% m/m to a three-month high of £88.8 billion.

March’s employment figures continued to add to the mixed messages being sent by the UK economy. The UK unemployment rate rose to 5.0% in the three months to March 2026, above both market expectations and February’s 4.9%. The reading marked the first set of figures for the opening month of the Middle East conflict, which added pressure to business costs and hiring conditions. Despite the higher rate, the number of unemployed people fell by 77k to 1.81 million, mainly driven by declines among those unemployed for up to six months and those out of work for between six and twelve months. Meanwhile, job vacancies continued to decline, down 7k to 705k in the three months to March. Weaker signals were also seen via the number of payrolled employees declining by 100k to 30.2 million in April 2026, following a revised 28k fall in March. This was the third consecutive monthly decline and the steepest fall since May 2020, as geopolitics and domestic conditions weighed on business confidence and hiring activity.

Rounding up the conflicting labour market indicators, average weekly earnings (including bonuses) rose to 4.1% y/y, exceeding market estimates of 3.8% and accelerating from a 3.9% increase in the prior period, which had marked the slowest pace since the three months to November 2020. Within the headline changes, private sector wage growth quickened to 3.9% from 3.6%, while public sector pay gains slowed to 4.9%.

The 1.3% m/m fall in retail sales volumes in April was the largest monthly drop since May 2025 and more than the revised 0.6% m/m gain in March. Sales volumes fell in all major categories, apart from in food stores which rose 0.9%. Fuel sales fell by the most, down 10.2%, marking the biggest monthly fall since November 2020, as motorists made fewer journeys and delayed refilling their vehicles' fuel tanks amid surging prices. This followed a 6.7% rise in March, as motorists stocked up after the start of the Iran war. Clothing stores sales fell by 2.4%, reportedly due to lower demand and consumers becoming more sensitive to higher prices, while online stores sales fell by 2.0%. Despite May's small improvement in the GfK measure of consumer confidence, from -25 in April to -23, at face value it points only to a small increase in the annual growth rate of retail sales volumes from 0.0% in April to +0.4% in May. Elsewhere, UK public sector net borrowing (excluding public sector banks) widened to £24.3 billion in April 2026 from £19.5 billion a year earlier, above market expectations of £20.9 billion.

US Economy

The US economy added 115k jobs in April 2026, following an upwardly revised 185k increase in March, and near-double market forecasts of 62k. Job gains were concentrated in health care (37k), transportation and warehousing (30k), and retail trade (22k). Further revisions were seen in previous months as February was revised down by 23k to -156k and the change for March was revised up by 7k to 185k. Elsewhere, data showed that the economy expanded an annualised 2.0% in Q1 2026, up from a revised 0.5% in the previous quarter but below market expectations of 2.3%. Much of this growth came from a partial reversal in government outlays, rebounding by 4.4% after a 5.6% contraction in Q4 2025 when it was essentially shut down by budget wrangling. Finally, the annual inflation rate in the US accelerated to 3.8% in April 2026, the highest since May 2023, and compared to 3.3% in March. Figures came above forecasts of 3.7% as the oil shock triggered by the war with Iran continues to push prices higher. Energy costs jumped 17.9%, the steepest annual increase since September 2022, compared to 12.5% in March, mostly due to gasoline and fuel oil which rose 28.4% and 54.3% respectively.

EU Economy

Reflecting the impact of higher energy costs (which rose 10.9% y/y), Eurozone annual inflation climbed to 3.0% in April, up from 2.6% in February and slightly above market expectations of 2.9%. The energy crunch derived from the Middle East conflict also impacted GDP growth, which expanded 0.8% in Q1 2026, down from 1.3% in the previous quarter, to mark the softest pace of expansion since Q2 2022.

Housing

The Halifax House Price Index fell 0.1% m/m in April, in line with expectations and following a 0.5% decline in the previous period. On a yearly basis, prices rose 0.4% compared to an upwardly revised 0.8% in March. Nationwide's House Price Index rose 0.4% m/m in April, falling from a 0.9% gain in March but more than the expected 0.3% decrease. On an annual basis, prices rose 1.7%, down from March's 3.0% increase.

Currency

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

May	Start	End	High	Low
GBP/USD	$1.3623	$1.3480	$1.3639	$1.3346
GBP/EUR	€1.1577	€1.1551	€1.1597	€1.1475

Interest Rate Forecast

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

Bank Rate	Now	Jun-26	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%	3.75%	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%	3.50%	3.25%	3.00%	-	-	-	-	-

West Lindsey District Council

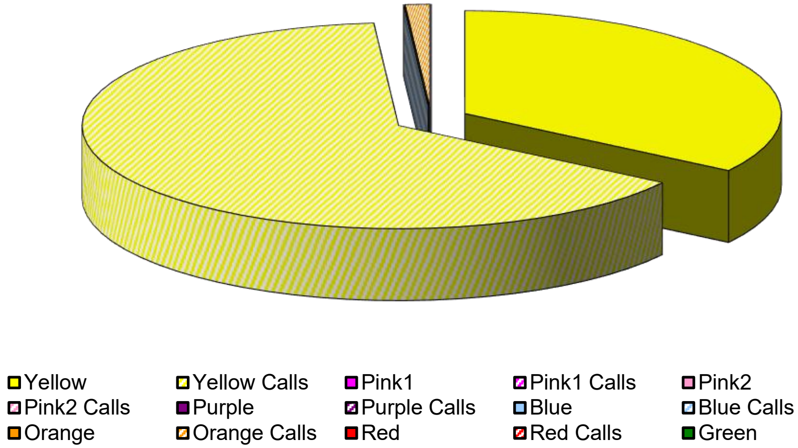
Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default	Expected Credit Loss (£)
Lloyds Bank Plc (RFB)	200,000	3.65%		Call	A+	0.000%	0
MMF CCLA	5,500,000	3.79%		MMF	AAAm		
MMF LGIM	4,810,000	3.81%		MMF	AAAm		
Surrey County Council	1,500,000	4.05%	01/05/2026	07/07/2026	AA-	0.002%	0
Blackpool Borough Council	1,000,000	4.00%	09/04/2026	09/07/2026	AA-	0.002%	0
Surrey County Council	1,500,000	4.10%	20/04/2026	20/07/2026	AA-	0.003%	0
Harlow District Council	1,500,000	4.15%	26/05/2026	03/09/2026	AA-	0.006%	0
Borrower - Funds	**Principal (£)**	**Interest Rate**	**Start Date**	**Maturity Date**			
CCLA - The Local Authorities Property Fund	1,000,000	4.70%					
Total Investments	**£17,010,000**	**3.94%**					
Total Investments - excluding Funds	**£16,010,000**	**3.89%**				0.003%	**£0**
Total Investments - Funds Only	**£1,000,000**	**4.70%**					

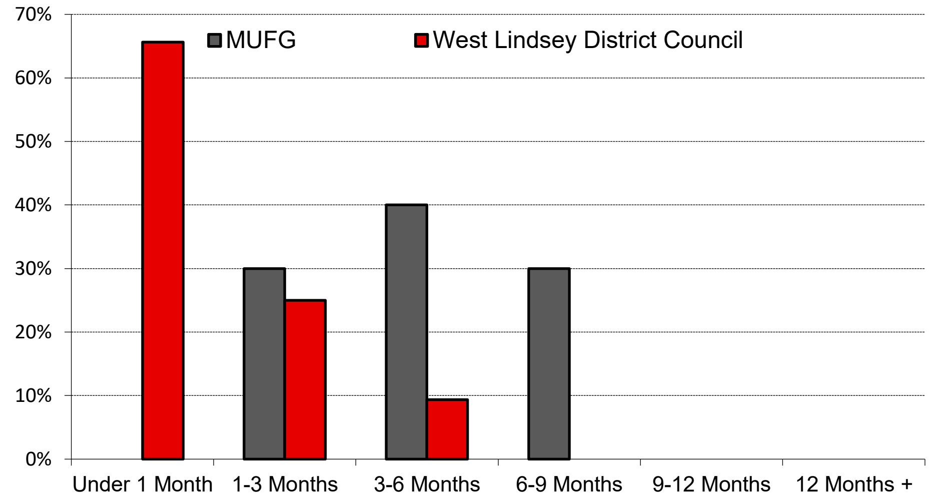
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to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

West Lindsey District Council

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 = 1.04

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	Excluding Calls/MMFs/USDBFs WAM at Execution
Yellow	98.75%	£15,810,000	65.21%	£10,310,000	64.40%	3.90%	20	30	57	87
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	1.25%	£200,000	100.00%	£200,000	1.25%	3.65%	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%	**£16,010,000**	**65.65%**	**£10,510,000**	**65.65%**	**3.89%**	**19**	**30**	**57**	**87**

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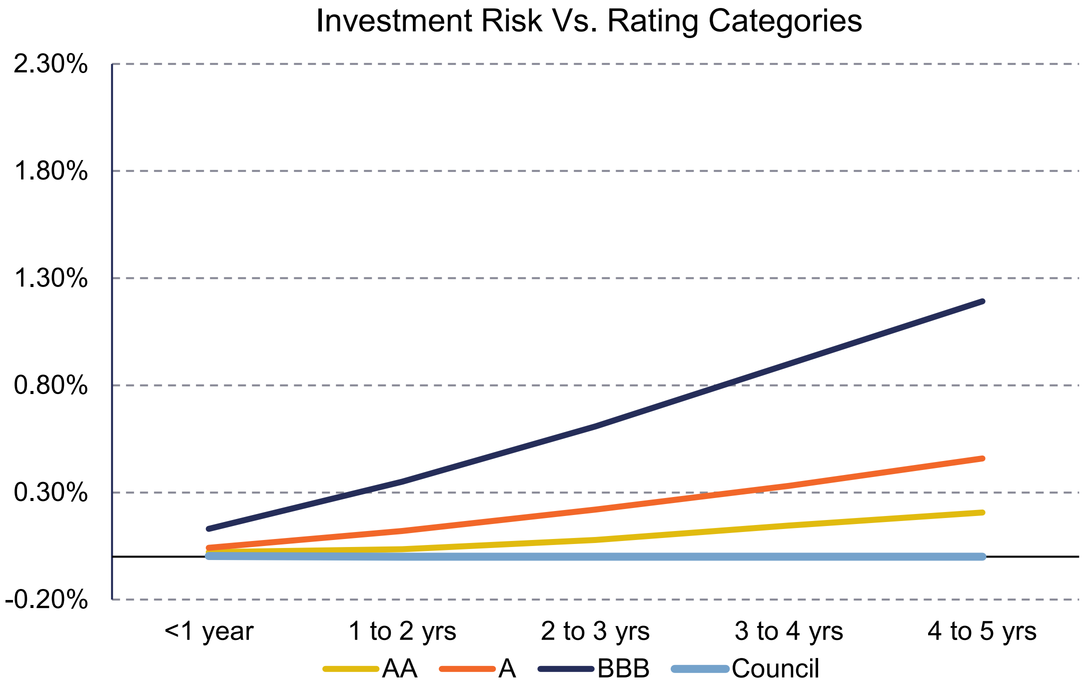
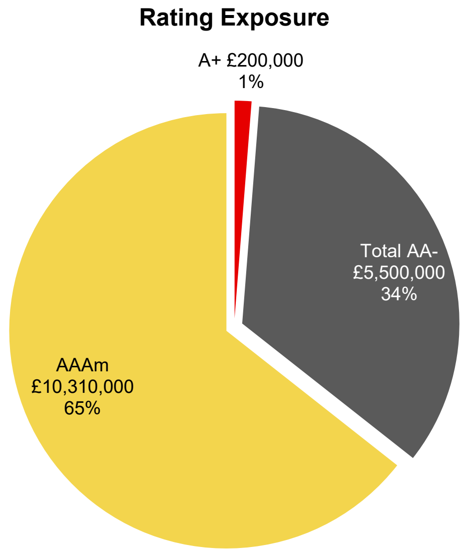
Investment Risk and Rating Exposure





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
01/05/2026	2127	Deutsche Bank AG	Germany	The Outlook on the Long Term Rating was changed to Positive from Stable.
05/05/2026	2128	Citibank N.A.	United States of America	The Outlook on the Long Term Rating was changed to Positive from Stable.
05/05/2026	2129	Goldman Sachs International Bank	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
13/05/2026	2130	Bayerische Landesbank	Germany	The Long Term Rating was upgraded to AA- from A+.
13/05/2026	2130	Landesbank Baden-Wuerttemberg	Germany	The Long Term Rating was upgraded to AA- from A+.
13/05/2026	2130	Landesbank Hessen-Thueringen Girozentrale (Helaba)	Germany	The Long Term Rating was upgraded to AA- from A+.
13/05/2026	2130	Norddeutsche Landesbank Girozentrale	Germany	The Long Term Rating was upgraded to AA- from A+.
13/05/2026	2130	DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZ Bank)	Germany	The Long Term Rating was upgraded to AA from AA-.
13/05/2026	2130	Deutsche Bank AG	Germany	The Long Term Rating was upgraded to A+ from A-.
13/05/2026	2131	Citibank N.A.	United States of America	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2131	Goldman Sachs International Bank	United Kingdom	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2131	Bank of New York Mellon, The	United States of America	The Long Term Rating was upgraded to AA+ from AA.
13/05/2026	2132	Barclays Bank PLC (NRFB)	United Kingdom	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2132	Barclays Bank UK PLC (RFB)	United Kingdom	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2132	Coventry Building Society	United Kingdom	The Long Term Rating was upgraded to A+ from A-.
13/05/2026	2132	Lloyds Bank Corporate Markets Plc (NRFB)	United Kingdom	The Long Term Rating was upgraded to AA from AA-.
13/05/2026	2132	Lloyds Bank Plc (RFB)	United Kingdom	The Long Term Rating was upgraded to AA from AA-.
13/05/2026	2132	Bank of Scotland PLC (RFB)	United Kingdom	The Long Term Rating was upgraded to AA from AA-.

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Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
13/05/2026	2132	Nationwide Building Society	United Kingdom	The Long Term Rating was upgraded to AA- from A and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2132	Clydesdale Bank PLC	United Kingdom	The Long Term Rating was upgraded to AA- from A and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2132	National Westminster Bank PLC (RFB)	United Kingdom	The Long Term Rating was upgraded to AA from AA-.
13/05/2026	2132	NatWest Markets Plc (NRFB)	United Kingdom	The Long Term Rating was upgraded to AA from AA-.
13/05/2026	2132	The Royal Bank of Scotland Plc (RFB)	United Kingdom	The Long Term Rating was upgraded to AA from AA-.
13/05/2026	2132	Santander UK PLC	United Kingdom	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2132	Santander Financial Services plc (NRFB)	United Kingdom	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2132	Standard Chartered Bank	United Kingdom	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2132	Skipton Building Society	United Kingdom	The Long Term Rating was upgraded to A from A-.
13/05/2026	2132	Yorkshire Building Society	United Kingdom	The Long Term Rating was upgraded to A from A-.
13/05/2026	2133	Danske A/S	Denmark	The Long Term Rating was upgraded to AA from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2133	Nordea Bank Abp	Finland	The Long Term Rating was upgraded to AA from AA-.
13/05/2026	2133	Skandinaviska Enskilda Banken AB	Sweden	The Long Term Rating was upgraded to AA+ from AA-.
13/05/2026	2133	Svenska Handelsbanken AB	Sweden	The Long Term Rating was upgraded to AA+ from AA.
13/05/2026	2133	Handelsbanken Plc	United Kingdom	The Long Term Rating was upgraded to AA+ from AA.
13/05/2026	2133	Swedbank AB	Sweden	The Long Term Rating was upgraded to AA+ from AA-.
13/05/2026	2134	ABN AMRO Bank N.V.	Netherlands	The Long Term Rating was upgraded to AA- from A and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2134	Cooperatieve Rabobank U.A.	Netherlands	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2134	ING Bank N.V.	Netherlands	The Long Term Rating was upgraded to AA from AA-.
13/05/2026	2134	KBC Bank N.V.	Belgium	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.

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Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
13/05/2026	2135	BNP Paribas	France	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2135	BNP Paribas Fortis	Belgium	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2135	Credit Agricole S.A.	France	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2135	Credit Agricole Corporate and Investment Bank	France	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2135	Credit Industriel et Commercial	France	The Long Term Rating was upgraded to AA- from A+ and the Short Term Rating was upgraded to F1+ from F1.
13/05/2026	2135	Societe Generale	France	The Long Term Rating was upgraded to A+ from A-.
13/05/2026	2136	HSBC UK Bank Plc (RFB)	United Kingdom	The Long Term Rating was upgraded to AA from AA-.
13/05/2026	2136	HSBC Bank PLC (NRFB)	United Kingdom	The Long Term Rating was upgraded to AA from AA-.
13/05/2026	2137	UBS AG	Switzerland	The Long Term Rating was upgraded to AA from AA-.

West Lindsey District Council

Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
27/05/2026	2138	HSBC UK Bank Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
27/05/2026	2138	HSBC Bank PLC (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.

West Lindsey District Council

Monthly Credit Rating Changes
MOODY'S

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

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