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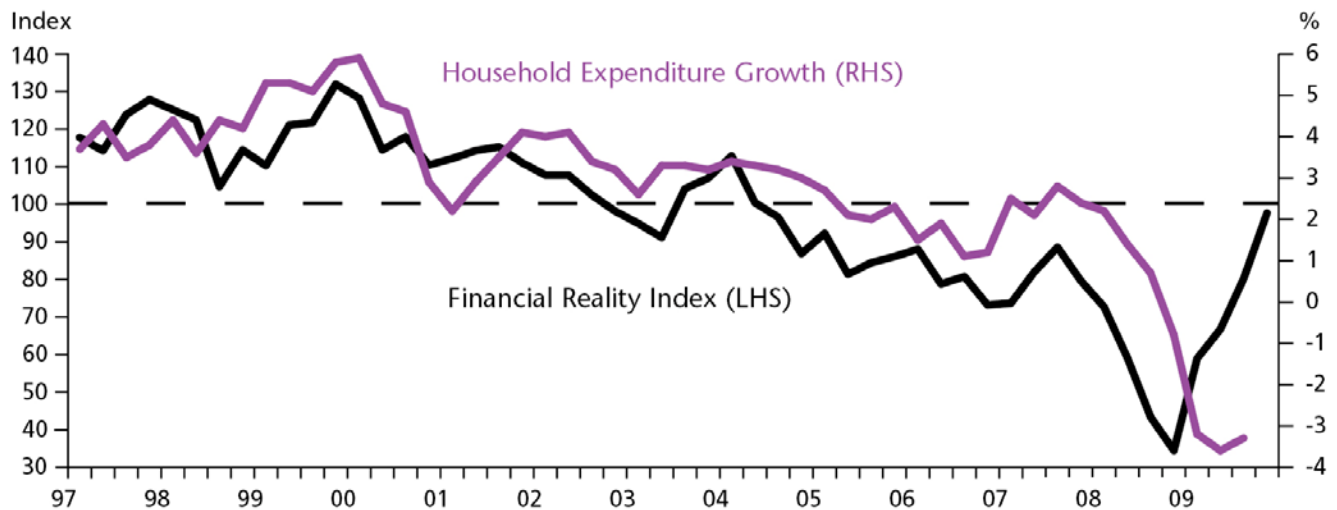
TEMPORARY DECLINE IN INFLATION SPURS FURTHER IMPROVEMENT IN FINANCIAL HEALTH OF UK CONSUMERS

UK consumers' financial wellbeing improved for the fourth successive quarter, according to Alliance Trust's ongoing study. In the fourth quarter of 2009, Alliance Trust's UK Financial Reality Index rose from 80.3 to 97.7, primarily due to lower levels of inflation and good stock market performance over the year. This is the highest index level recorded since Q2 2004. However, although this improvement is clearly good news, the index remains below the critical level of 100, indicating that consumers' financial health remains generally weak.

Shona Dobbie, Head of the Alliance Trust Research Centre, said, *"While it is encouraging to see our index of consumers' financial wellbeing improving once again, this has been largely due to the temporary drop in inflation and consumers continue to face negative pressures from the relatively weak labour market and subdued economic activity. Lower inflation combined with exceptionally low levels of interest rates have undoubtedly eased some budget pressures, and the rise in the stock market over the last year has boosted household wealth. However, the overall financial situation facing households is still clouded by the uncertain economic outlook and the possibility that unemployment could rise further.*

Our index, which has been a good predictor of consumer expenditure, suggests that there will be some improvement in consumer spending, but that this is still likely to remain relatively weak in the coming months. Unfortunately, the prospect of higher inflation in the months ahead means that any improvement could prove to be only temporary, as financial conditions worsen once more."

Financial Reality Index vs Household Expenditure



The main findings of the fourth quarter Financial Reality Index are:

- The economic background is the weakest component of the financial reality index. Remaining unchanged at 64.4, the economic background has now been below the critical level of 100 for five successive quarters. Weak levels of economic activity and ongoing fears about unemployment have outweighed the benefits that lower interest rates have brought to indebted consumers.
- The household budget is the only one of the three components of the index to be in positive territory, and has been in this position for the third successive quarter. The household budget index, which improved further, from 111.4 to 122.6, has now been above the critical level of 100 since Q2 (09). Further falls in inflation have helped to boost real disposable income levels, and limited increases in the prices of basic goods and services have helped consumers retain income to spend on more discretionary items.
- The net wealth index improved sharply, from 44.2 to 89.6, lifted mostly by strong stock market performance over the year as a whole. House prices rose slightly during the quarter, largely due to a lack of supply, although there are doubts about how long this trend may last. In spite of the improvement this quarter, however, the wealth index remains below the critical level of 100.

The full Financial Reality Index factsheet is available at www.alliancetrust.co.uk/research

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Notes to editors

1. Alliance Trust PLC is a self-managed investment company with investment trust status. A FTSE-100 company, it is the largest generalist UK investment trust by assets listed on the London Stock Exchange.
2. Founded in 1888, the company is based in Dundee and has offices in Edinburgh and London.
3. The Research Centre is part of Alliance Trust and was formed to carry out economic and social analysis to deepen our understanding of economies, markets and socio-economic issues.
4. Photographs of Shona Dobbie are available.