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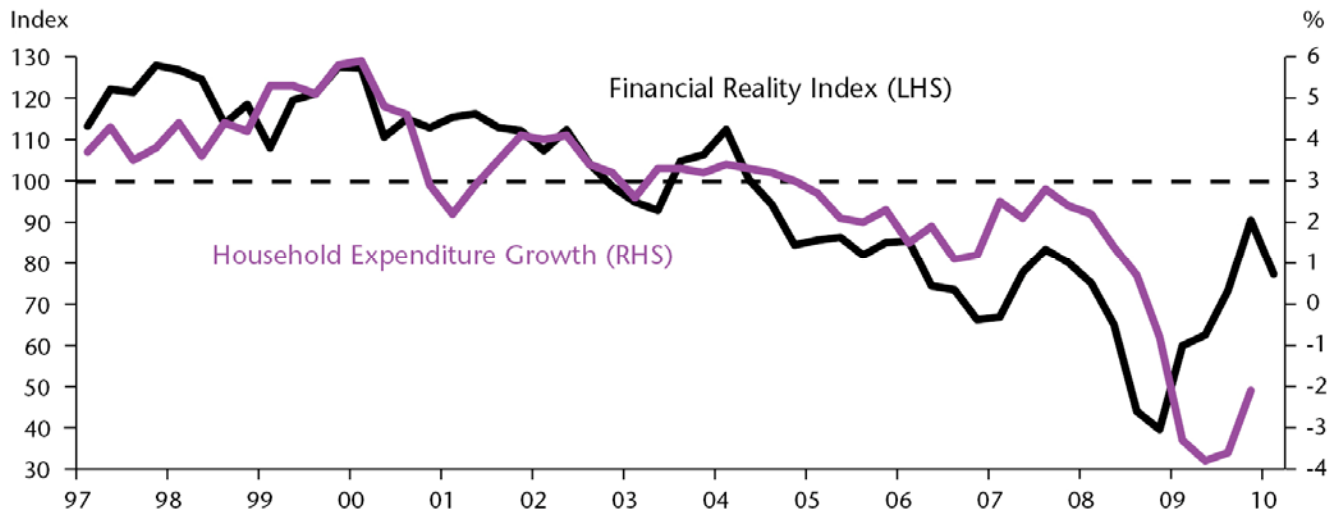
DETERIORATION IN FINANCIAL SITUATION FACING UK HOUSEHOLDS DURING Q1

UK consumers' financial wellbeing deteriorated during Q1, following four successive quarters of improvement. In the first quarter of 2010, Alliance Trust's UK Financial Reality Index fell from a revised level of 90.5 to 77.3, primarily due to subdued levels of economic activity and lower levels of earnings growth and real disposable income. This decline takes the headline index further below the critical level of 100, indicating that consumers' financial health remains generally weak.

Shona Dobbie, Head of the Alliance Trust Research Centre, said, *"It is disappointing to see our index of consumers' financial wellbeing deteriorating once again, following several quarters of improvement. This downward move has been largely due to lower levels of earnings growth and the negative impact of higher levels of inflation on real disposable income. In addition, economic activity remains relatively subdued and there has been only a very slight improvement in the labour market. Households have been helped during the last few months by some recovery in house prices and relatively strong equity market performance, but the overall financial situation facing households remains clouded by the uncertain economic and fiscal outlook and the possibility that unemployment could rise further."*

Our index, which has been a good predictor of consumer expenditure, suggests that consumer spending will remain relatively weak in the coming months. Unfortunately, the prospect of cuts in public spending and increases in taxation following the election are expected to add further to the pressures facing households."

Financial Reality Index vs Household Expenditure



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

- The economic background remains the weakest component of the Financial Reality Index. This index rose from a revised level of 37.9 to 42.3, and has now been below the critical level of 100 for six successive quarters. Weak levels of economic activity and ongoing pressures in the labour market continue to weigh on households and the number of insolvencies remains worryingly high.
- The household budget component experienced the biggest deterioration during Q1, moving back into negative territory for the first time in four quarters. The household budget index fell from 122.6 to 72.2, its lowest level since Q4 (08). Earnings growth has been muted at best and a rise in the rate of inflation has had a negative impact on real disposable income. In addition, the sharp rise in the price of petrol over the last few months has pushed up the cost of basic goods and services, leaving consumers with less income to spend on more discretionary items.
- The net wealth index improved sharply, for the third consecutive quarter, rising from 89.6 to 120.8. This move, due predominantly to a further gain in house prices and relatively strong equity market performance, has lifted the wealth index above the critical level of 100, to reach its highest level since Q1 (04).

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.