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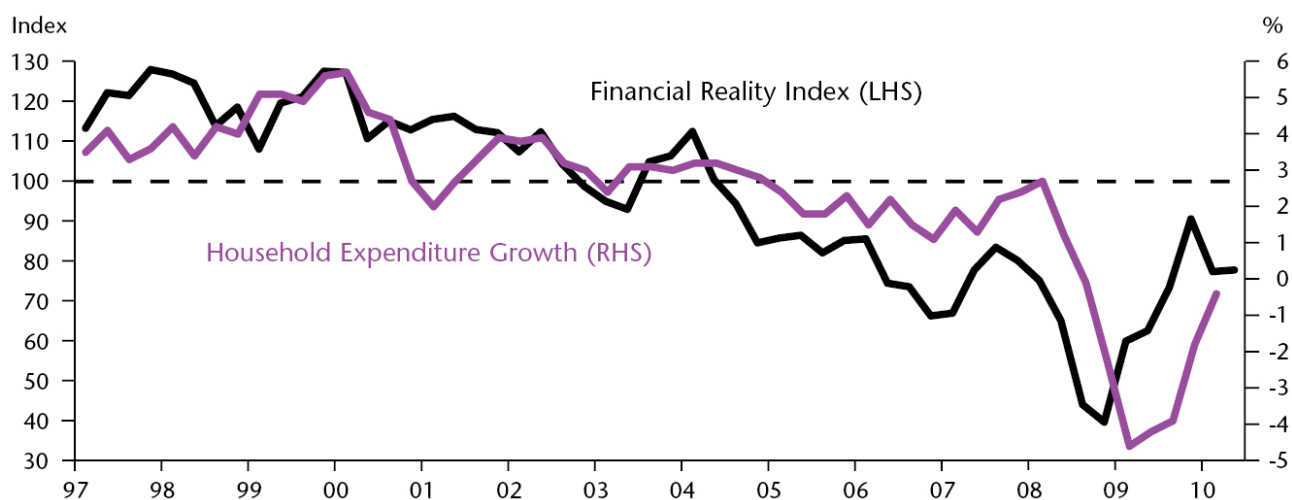
FINANCIAL SITUATION FACING UK HOUSEHOLDS IMPROVED MARGINALLY IN Q2

UK consumers' financial wellbeing improved slightly during Q2 but, despite this, consumers' financial health remains generally weak. In the second quarter of 2010, Alliance Trust's UK Financial Reality Index rose from 77.3 to 77.7, driven primarily by some recovery in house prices and gains in real earnings. At the same time, however, stock market performance has waned, basic costs have increased, and the debt burden has risen.

Shona Dobbie, Head of the Alliance Trust Research Centre, said, *"Having fallen quite sharply in the previous quarter, this small increase in the UK Financial Reality Index indicates a slight improvement in the financial conditions facing households. The gain in Q2 was largely due to an improvement in house prices and real earnings. However economic activity remains lacklustre, basic costs have risen and stock market growth has cooled. There are signs that housing supply has started to increase, which could put downward pressure on house prices. On top of this, the anticipated cuts in public spending increase the possibility that unemployment could rise further.*

Our index has been a good predictor of consumer expenditure and, despite this recent increase, still suggests that consumer spending will remain relatively weak in the coming months. The biggest headwind facing the UK consumer at the moment is the impact of the austerity measures to rein in the Budget deficit."

Financial Reality Index vs Household Expenditure



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

- The **economic background** is still the weakest component of the Financial Reality Index, having been in negative territory for seven consecutive quarters. This index rose from 42.3 to 47.7, the highest level since Q2 2009. Subdued levels of economic activity and a fragile labour market continue to keep the economic background well below its long term average.
- The **household budget** component increased from 72.2 to 75.3, but remains below the critical level of 100, for the second consecutive month. The improvement in Q2 was largely due to an increase in real earnings and lower mortgage costs. However, at the same time, basic costs increased over the quarter, driven by higher petrol price inflation; leaving consumers with less money to spend on more discretionary items.
- The **net wealth** index declined for the first time since Q4 2008, falling from 120.8 to 111.8. Despite this move, it is still the strongest component of the Financial Reality Index and is the only component recording a reading above the critical level of 100. The drop in Q2 was mainly due to a lower level of growth in the stock market and a further increase in the burden of debt.

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.