
27 July 2010

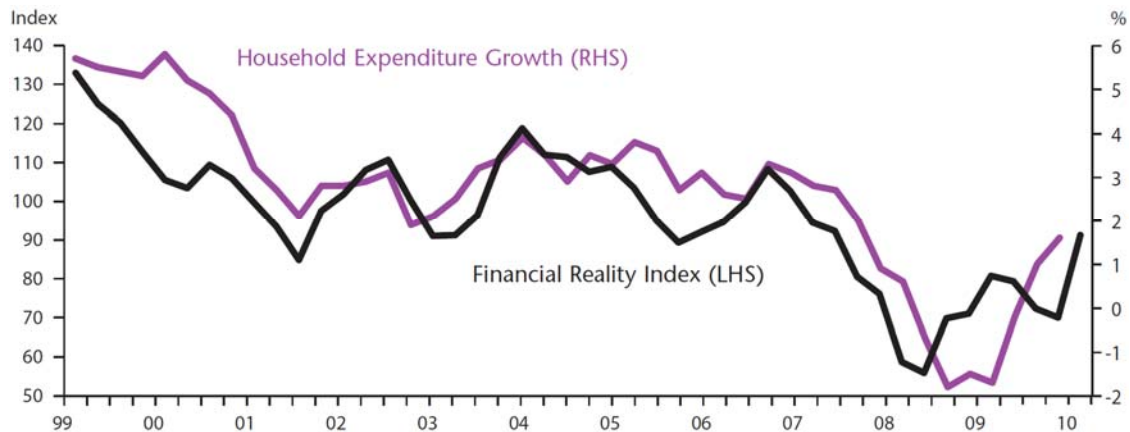
US CONSUMER FINANCIAL WELLBEING IMPROVES FOR FIRST TIME SINCE Q2 2009

The financial situation facing US consumers improved for the first time since Q2 2009, according to Alliance Trust's US Financial Reality Index. The index, which tracks US consumers' financial wellbeing, rose from 70.1 to 91.3, taking it to the highest level since Q3 2007. The index does, however, remain below the critical level of 100, indicating that consumer spending will remain muted over the coming months. The strongest component of the index was the household budget, reflecting the fact that real income levels have improved and gasoline price inflation has lessened. For the fifth consecutive quarter, it was the economic background which was the weakest component of the index; driven by continued levels of high unemployment and high consumer loan delinquencies.

Shona Dobbie, Head of Alliance Trust Research Centre, said, *"It is encouraging to see that our index improved in Q2 following three successive declines. The improvement was driven by the economic background component, although this aspect is still relatively weak, with the unemployment rate remaining close to 10%. We continue to see an improvement in households' net wealth, but the gain in Q2 was largely due to an increase in house prices, which have been supported recently by the government tax credit for homebuyers. Lower inflation has provided a boost to real incomes and the lower gasoline price has acted as a catalyst for an improvement in the household budget index."*

"The financial conditions facing US consumers improved in Q2 but, given that the Financial Reality Index remains below the critical level of 100, we would argue that conditions are not yet strong enough to support a sustained and significant rise in consumer spending. We continue to expect consumer spending to remain weak for most of the year."

Financial Reality Index vs. Household Expenditure



All three components of the Financial Reality Index improved in Q2 2010; the first time this has happened since Q1 2004. The economic background index rose from a record low, the household budget index increased for the first time since Q2 2009, and the net wealth index rose to its highest level since the end of 2005.

- The **economic background** remained the weakest component of the index despite posting the biggest gain of all three components. The index rose from zero to 27.2. Economic activity is still generally weak and the rate of unemployment remains close to 10%. This continues to boost consumer loan delinquencies.
- The **household budget** index rose from 111.6 to 133.7, making it the strongest component for the seventh consecutive quarter. The improvement in Q2 was largely due to an increase in real disposable income, resulting from a favourable combination of rising incomes and a fall in headline inflation. On top of this, there has been a sharp drop in gasoline price inflation over the last year.
- **Net wealth** improved for the sixth successive quarter, from 71.0 to 84.8, taking the index to its highest level since the end of 2005. The increase was largely due to the improvement recorded in house prices over the year. However, it remains below the critical level of 100, indicating that conditions are still below the long-term average. High debt levels continue to represent a significant burden on households and, in contrast to last quarter, stock market performance was weaker.

The full US 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 UK investment trust by market value 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. Alliance Trust also publishes a quarterly Financial Reality Index that measures the financial health of consumers in the UK, which is available at www.alliancetrust.co.uk/research
5. Photographs of Shona Dobbie are available.