



NEWS

21 April 2009

INFLATION FACING ELDERLY REMAINS STUBBORNLY HIGH

- Latest figures from Alliance Trust Research Centre show the inflation rate facing over 75 year olds was 4.6% in March, 59% higher than the official rate of inflation of 2.9%
- The gap between inflation rates facing young and old remains wide with the elderly facing an inflation rate 70% higher than the young
- The elderly are beginning to benefit from reductions in gas and electricity price inflation, but these are coming through slowly and high food price inflation continues to hit hard
- Inflation rates for the under 30, 30-49 year old and 50-64 year old age groups have all fallen compared to a year ago, but the two oldest age groups, the 65-74 year olds and the over 75s, still face inflation rates that are higher than last year, due to high food and utility costs

This month's official inflation report showed a welcome reduction in headline inflation to 2.9%, but Alliance Trust's ongoing monthly study of age related inflation reveals that over 75 year olds still face an inflation rate which is much higher than the official rate, at 4.6%. Although this age group is beginning to benefit from the decline in gas and electricity price inflation, this is slow to come through and the elderly currently face an inflation rate which is 59% higher than the official headline rate and 77% higher than the inflation rate facing 30-49 year olds.

Shona Dobbie, Head of the Alliance Trust Research Centre said, "We remain concerned that the inflation rate facing the oldest age group is still high, at 4.6%. This is much higher than the official rate of inflation, and much higher than the inflation rate facing any of the other age groups. The elderly are simply not seeing the same benefits of falling prices as everyone else. The 65-74 year old age group face the second highest rate of inflation, currently at 3.7%, but this is 20% lower than the rate faced by the most elderly group.

Age Group	Inflation Rate
Under 30	2.7%
30-49 Year Olds	2.6%
50-64 Year Olds	2.8%
65-74 Year Olds	3.7%
75 and Over	4.6%

Although utility price inflation has fallen this month, gas prices have still increased by over 27% over the last year and electricity prices by almost 18%, and these costs continue to hit over 75 year olds the hardest. This age group spends more than 7% of their budget on electricity and gas bills whereas the under 30s households spend just over 3% on these services.

Over 75 year olds also suffer relatively more whenever food prices are high. Although food price inflation has declined very slightly this month, it remains above 11%. This hits the over 75 year old age group most acutely as they allocate more than 16% of their household budget to food compared to just 9% for under 30s. Inflation for many basic food items is even higher than that. Price inflation in vegetables is now almost 16% and meat price inflation is close to 15%.

In contrast, all three of our 'working age' age groups continue to face inflation rates which are lower than the official rate of inflation. These younger age groups are benefitting from the fact that they spend a higher proportion of their incomes on discretionary items, such as audio-visual goods, clothing and footwear, where prices continue to fall sharply. Over the last year, the prices of audio-visual goods have fallen by almost 14% and clothing prices have dropped by 10%. The under 30s spend almost 6% of their budget on clothing and footwear compared to 4% allocated by the over 75 year olds.

Spending Weights

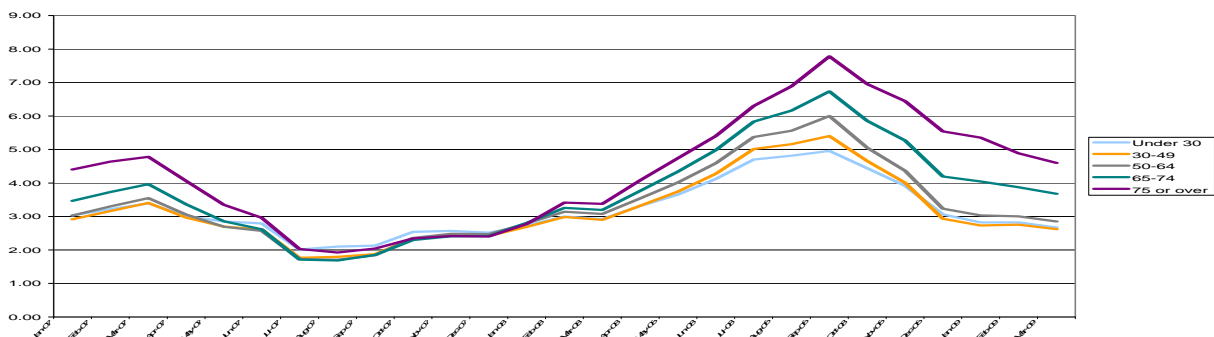
Age Group	Food	Electricity	Gas	Petrol
Under 30	9.0%	1.8%	1.5%	4.3%
30-49 Year Olds	10.9%	2.0%	1.8%	5.0%
50-64 Year Olds	11.6%	2.2%	2.0%	5.2%
65-74 Year Olds	14.4%	2.7%	2.5%	4.6%
75 and Over	16.4%	3.7%	3.5%	3.2%

Note: This table shows the spending patterns of different age groups across different spending categories.

Shona Dobbie added, *“The elderly continue to be hit hardest by high prices. Gas, electricity and food prices still remain elevated and the need to cover these basic costs leaves elderly households with much less money to spend elsewhere. Younger age groups spend proportionately more on discretionary items, where prices continue to fall, and so their inflation rates are lower. This month it is the 30-49 year olds who face the lowest rate of inflation, at just 2.6%, as they are benefiting most from falling prices for clothing, audio-visual goods and petrol.”*

“It is the gap between the inflation rates facing the young and elderly which worries us, particularly at this time when older people, who frequently rely on income from savings, are also suffering from the impact of the recent dramatic fall in interest rates.”

Inflation and Age (January 2007 to March 2009)



Source: In-house

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