



NEWS

15 June 2010

INFLATION RATES FALL BUT DISPARITY REMAINS BETWEEN AGE GROUPS

- **The latest figures from the Alliance Trust Research Centre show that, for the eighth consecutive month, it is the 50-64 year olds who are facing the highest rate of inflation, at 4.6%. This is 35% higher than the official headline rate of 3.4%**
- **All five age groups saw a decrease in inflation during May. The biggest beneficiaries were the 65-74 year olds, whose inflation rate has fallen from 4.5% to 4.0%, helped largely by a sharp decline in food price inflation**
- **The over 75s experienced a decrease of 0.3%, which leaves the rate of inflation facing this age group at just 3.3%, the lowest of all age groups in the study, and lower than the official headline rate**
- **The rate of inflation facing the under 30s has fallen to 4.1%, helped by ongoing deflation in clothing and audio-visual products**

This month's official inflation report showed that the headline rate of inflation fell from 3.7% to 3.4% in May, reversing the move in the previous month. Alliance Trust's monthly study of inflation rates facing different age groups reveals that, while all ages have benefited from a decrease in inflation over the month, there are still big differences in the rates of inflation facing different age groups. For example, for the eighth consecutive month, the 50-64 year olds face the highest rate of inflation, at 4.6%, while the over 75s face the lowest rate, at 3.3%.

The 50-64 year old age group is facing a rate of inflation which is 35% higher than the official rate, largely due to the fact that this group spends relatively more of their disposable income on transport; where inflation remains relatively high, at more than 10%. Furthermore, fuel price inflation remains particularly high, at almost 23%. In contrast, the over 75s continue to face the lowest rate of inflation, at 3.3%, helped by the fact that this

group spends relatively more of their budget on food, where inflation has fallen sharply this month, and utilities, where prices are still lower than at this time last year.

Shona Dobbie, Head of the Alliance Trust Research Centre, said, *"Inflationary trends have eased this month, helped by less upward pressure on fuel prices but, in particular, by a decline in food prices. In addition, we continue to benefit from ongoing price deflation in both clothing and audio-visual goods."*

The decrease in food price inflation has the biggest impact on the two oldest age groups as these households spend a larger proportion of their budgets on food. As a result, these two age groups currently face the lowest rates of inflation. At the other end of the scale, it is the two working age groups who currently face the highest rates of inflation, largely due to the fact that transport price inflation remains higher than 10%."

Age Group	Inflation Rate
Under 30	4.1%
30-49 Year Olds	4.4%
50-64 Year Olds	4.6%
65-74 Year Olds	4.0%
75 and Over	3.3%

Utility price inflation remains negative this month, at -2.0%, as electricity and gas prices have fallen over the last year; by almost 1% and 6% respectively. This helps the over 75 year olds in particular, as this age group spends the highest proportion of their budget on utilities. The over 75s spend almost 8% of their budget on electricity and gas bills; compared to just 4% in the case of the under 30 year olds. The youngest age group also continues to benefit from ongoing deflation in prices of both clothing and audio-visual goods. Clothing prices are almost 1% lower than at this time last year, and prices of audio visual goods are down by almost 6%.

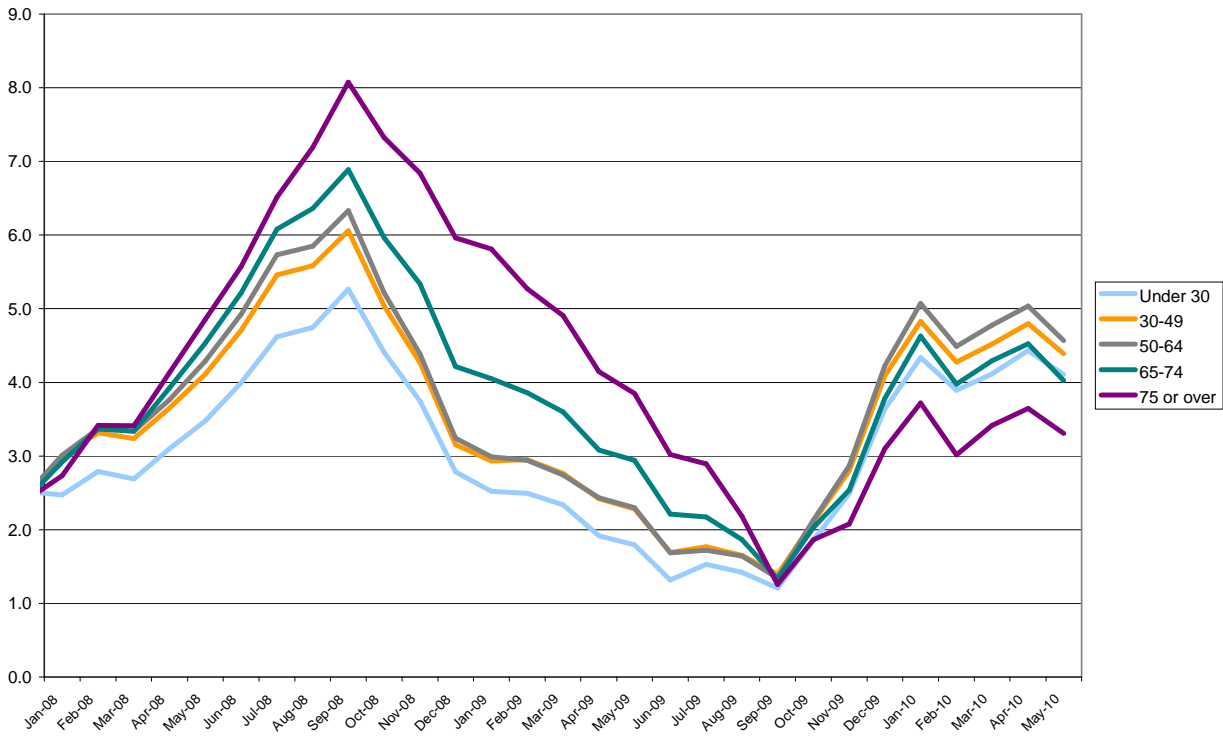
Spending Weights

Age Group	Food	Electricity	Gas	Petrol	Clothing/ Footwear
Under 30	9.7%	2.1%	1.8%	4.9%	6.5%
30-49 Year Olds	11.4%	2.1%	1.9%	5.7%	6.0%
50-64 Year Olds	11.7%	2.3%	2.0%	6.1%	5.5%
65-74 Year Olds	14.7%	2.7%	2.4%	4.7%	4.1%
75 and Over	17.3%	4.0%	3.7%	2.9%	4.2%

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

Alliance Trust's full latest report on 'Inflation and Age' is available on www.alliancetrust.co.uk

Inflation and Age (January 2008 to May 2010)



Source: In-house

For more information contact: Shona Dobbie, Head of Research Centre Tel +44 (0)1382 321000 Email contact@alliancetrust.co.uk