



NEWS

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ELDERLY SEE INFLATION MOVE HIGHER IN MAY

- **The latest figures from the Alliance Trust Research Centre show that the inflation rates facing the 65-74 and over 75s increased in May**
- **The 65-74 year old age group now faces the highest rate of inflation, at 5.2%, which is 16% above the headline rate of 4.5%**
- **Food price inflation jumped higher over the month and this hits the elderly age groups the hardest. Recently announced gas and electricity price hikes could also push elderly inflation rates higher in the coming months**
- **The inflation rates facing all other age groups were unchanged over the month. The under 30s continue to face the lowest rate of inflation, at 4.8%**

This month's official inflation report showed that the headline rate of inflation was unchanged at 4.5%. Alliance Trust's monthly study of inflation rates facing different age groups reveals that the elderly age groups saw an increase in their inflation rates over the month, while all other age groups saw no change. Despite this, all five age groups continue to face an inflation rate which is higher than the official rate of 4.5%. 65-74 year olds now have the highest rate of inflation, at 5.2%, as it is this age group, together with the over 75s, who allocate the largest proportion of their spending on food. Food price inflation accelerated from 3.7% to 5.3% in May, boosted by higher fruit, vegetable, fish and oil & fat prices. Oil and fat prices increased 20% from a year ago.

The over 75s also saw their inflation rate rise over the month, from 4.8% to 4.9%, as they also allocate a large proportion of their spending on food. This age group also assigns the largest proportion of spending on gas and electricity. Whereas gas and electricity price inflation was unchanged in May, at 6.4% and 4% respectively, in the coming months the recently announced gas and electricity price increases will likely cause a disproportionate increase in the inflation rate facing this age group.

The 50-64 year old households continue to face a high inflation rate, at 5.1%. In April this age group was hit hard by sharply higher transport prices. The timing of Easter helped to somewhat reverse that impact in May. However, at the same time, this age group was also hit by higher food price inflation.

The inflation rate facing the under 30 age group was unchanged at 4.8% and this age group faces the lowest rate of inflation. This age group continues to benefit from the fact that they allocate a relatively large proportion of spending to rent, where inflation remains low at just 2.3%.

Spending Weights

Age Group	Food	Electricity	Gas	Petrol	Clothing/ Footwear
Under 30	9.6%	2.2%	1.9%	4.1%	4.9%
30-49 Year Olds	11.8%	2.4%	2.2%	5.2%	6.2%
50-64 Year Olds	12.5%	2.6%	2.5%	5.6%	5.6%
65-74 Year Olds	15.5%	3.4%	3.2%	5.0%	4.2%
75 and Over	17.0%	4.4%	4.4%	3.1%	3.4%

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

Source: The Family Spending Survey: 2010 and In-house Analysis

Shona Dobbie, Head of the Alliance Trust Research Centre, said: *"Higher food prices have once again hit the elderly age groups the hardest this month. We expect that in the coming months higher gas and electricity price inflation will push the inflation rates facing these households even higher as it is these households which allocate the largest proportion of spending to these areas. Conditions remain tough for all age groups, as we estimate that each group faces an inflation rate which is higher than the official rate, but the growth in average earnings is lower, at around 2%."*

Age Group	Inflation Rate
Under 30	4.8%
30-49 Year Olds	5.0%
50-64 Year Olds	5.1%
65-74 Year Olds	5.2%
75 and Over	4.9%