



## NEWS

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13 September 2011

### **65-74 YEAR OLDS NOW FACE HIGHEST RATE OF INFLATION SINCE OCTOBER 2008**

- **The latest figures from the Alliance Trust Research Centre show that, apart from the under 30s age group whose inflation rate remained flat, inflation rates rose across all age groups in August**
- **The 65-74 year old age group continues to suffer the highest rate of inflation. At 5.4% this is the fastest rate of price change since October 2008 and well above the official headline rate of 4.5%**
- **As expected, gas and electricity price inflation accelerated in August, pushing the inflation rates for elderly households disproportionately higher**
- **The inflation rate facing the under 30s was unchanged at 4.9%, however this is still the highest rate to face this age group since September 2008**

This month's official inflation report showed that the headline rate of inflation increased from 4.4% to 4.5%. Alliance Trust's monthly study of inflation rates affecting different age groups shows that inflation rates are not easing and either increased, or were unchanged over the month.

Specifically, all five age groups continue to face an inflation rate that is higher than the official rate of 4.5%.

For the fourth consecutive month, it is the 65-74 year olds that have the highest rate of inflation, at 5.4%. This is the highest rate since October 2008. The rate of inflation for the over 75 year old households also increased from 4.8% to 5.1%. These age groups suffered a disproportionate increase in their inflation rates as a result of higher gas and electricity prices. Gas price inflation accelerated from 6.4% to 8.2% and electricity price inflation rose from 4% to 5%, impacting the older age groups as they spend relatively more on these areas than the other age groups. The over 75 year old households also allocate a larger proportion of their spending to goods and services for routine household maintenance where inflation increased from 2.1% to 4.6%.

The under 30s was the only age group to see no change in its inflation rate over the month. Its inflation rate was 4.9% in August, which is still the highest level since September 2008. The under 30s allocate 19% of spending to rent, considerably higher than any other age group. Inflation in this category stood at 3% in August.

### Spending Weights

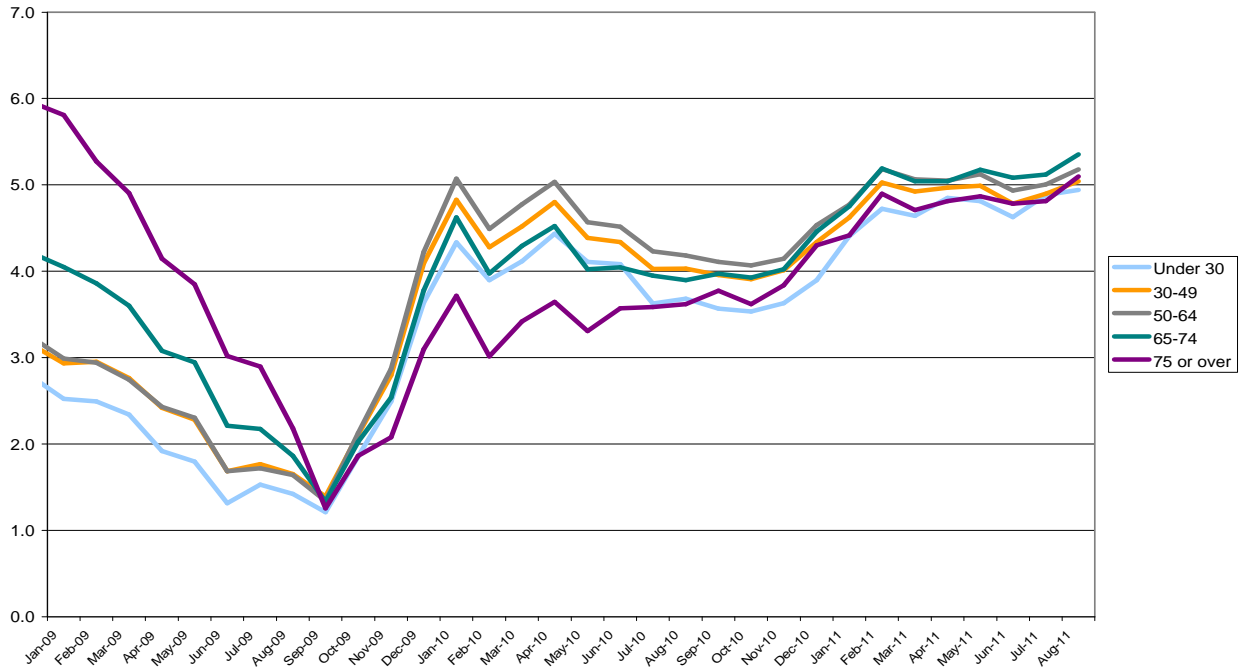
Age Group	Food	Electricity	Gas	Petrol	Clothing/ Footwear
<b>Under 30</b>	<b>9.6%</b>	<b>2.2%</b>	<b>1.9%</b>	<b>4.1%</b>	<b>4.9%</b>
<b>30-49 Year Olds</b>	<b>11.8%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>5.2%</b>	<b>6.2%</b>
<b>50-64 Year Olds</b>	<b>12.5%</b>	<b>2.6%</b>	<b>2.5%</b>	<b>5.6%</b>	<b>5.6%</b>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

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

Linsey Thomson, Senior Economic Analyst, said: *"As expected, we are starting to see the recently announced gas and electricity price increases pushing the inflation rates of the elderly households higher. The inflation rate facing the 65-74 year old households is now at the highest level since October 2008. Having said this, conditions remain tough for everyone, with all age groups facing an inflation rate higher than the official rate and the under 30s also facing the highest rate of inflation since September 2008. Notably, clothing and furniture inflation both accelerated to the highest levels since official data began in 1997, areas of spending which affect all households. With growth in average earnings still very muted, at just over 2%, households continue to suffer a loss in real spending power and this is likely to act as a drag on consumption."*

Age Group	Inflation Rate
<b>Under 30</b>	<b>4.9%</b>
<b>30-49 Year Olds</b>	<b>5.0%</b>
<b>50-64 Year Olds</b>	<b>5.2%</b>
<b>65-74 Year Olds</b>	<b>5.4%</b>
<b>75 and Over</b>	<b>5.1%</b>

### Inflation and Age (January 2009 to August 2011)



Source: In-house