
16 February 2010

INFLATION RATES ACROSS ALL AGE GROUPS ROSE SHARPLY DURING JANUARY, WITH 50-64 YEAR OLDS CONTINUING TO FACE THE HIGHEST RATE, AT 5%

- **The latest figures from Alliance Trust Research Centre show that inflation rates facing all age groups rose sharply during January. For the first time since October 2008, the 50-64 year old age group now faces an inflation rate of 5%**
- **The inflation rates facing the 50-64 year olds and the 65-74 year olds jumped the most. In the case of the 50-64 year olds the increase was from 4.2 to 5% and in the case of the 65-74 year olds the increase was from 3.8% to 4.6%**
- **For the fourth consecutive month, the over 75s face the lowest rate of inflation, at 3.7%. Although this rate of inflation is still higher than the official headline rate, this age group is being helped by the fact that gas and electricity prices remain lower than at this time last year, and food price inflation also remains relatively low**
- **The 50-64 year old age group now faces a rate of inflation which is 43% higher than the official rate**

This month's official inflation report showed that the headline rate of inflation rose from 2.9% to 3.5% in January. Alliance Trust's monthly study of inflation rates facing different age groups reveals that each group continues to face a rate of inflation considerably higher than the official rate, and that these have increased even further this month. For the fourth consecutive month, it is the 50-64 year old age group which faces the highest rate of inflation, at 5.0%, followed by the 30-49 year old age group, whose current inflation rate is 4.8%.

The 50-64 year old group is facing a rate of inflation which is 43% higher than the official rate, largely due to the fact that this group spends relatively more on transport, where inflation is currently high, at 11%. In particular, fuel price inflation is currently running at more than 25%. Furthermore, for the fourth consecutive month, it is the over 75s who are facing the lowest rate of

inflation, at 3.7%, helped by the fact that this group spends relatively more of their budget on food and utilities, where inflationary pressures remain contained.

Shona Dobbie, Head of the Alliance Trust Research Centre, said, *"As expected, inflationary trends have increased sharply this month, reflecting the recent increase in VAT, rising prices for alcoholic beverages and tobacco, high fuel costs and the fact that the recent depreciation of sterling has pushed up the cost of imported goods."*

These price moves continue to have the greatest impact on the two working age groups who spend a larger proportion of their budgets on the goods and services which are currently seeing the highest price increases. The fact that both working age groups now face an inflation rate in excess of 4.8%, but average earnings have grown by only 1.6% over the last year, highlights the sharp erosion of purchasing power which we have been pointing out over the last few months."

Age Group	Inflation Rate
Under 30	4.3%
30-49 Year Olds	4.8%
50-64 Year Olds	5.0%
65-74 Year Olds	4.6%
75 and Over	3.7%

Utility price inflation remains negative this month, at -5.2%, as electricity prices have fallen by 8.0% over the last year and gas prices by 5.8%. The negative rate of inflation in both of these categories helps the over 75 year olds in particular, as it is this age group which spends the highest proportion of their budgets on these services. The elderly spend almost 8% of their budget on electricity and gas bills; whereas the under 30 year olds spend just under 4% on these services.

The youngest age group also continues to benefit, in relative terms, from a combination of factors, including ongoing deflation in prices for both clothing and audio-visual goods. Clothing prices are almost 6% lower than at this time last year and prices of audio visual goods are down by 4%.

Higher transport costs are hitting the working age groups hardest. These have risen by 11% over the last year, with fuel price inflation currently running at more than 25%.

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%	2.2%	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

You can obtain a copy of the report by emailing contact@alliancetrust.co.uk or phoning 08000 326323.

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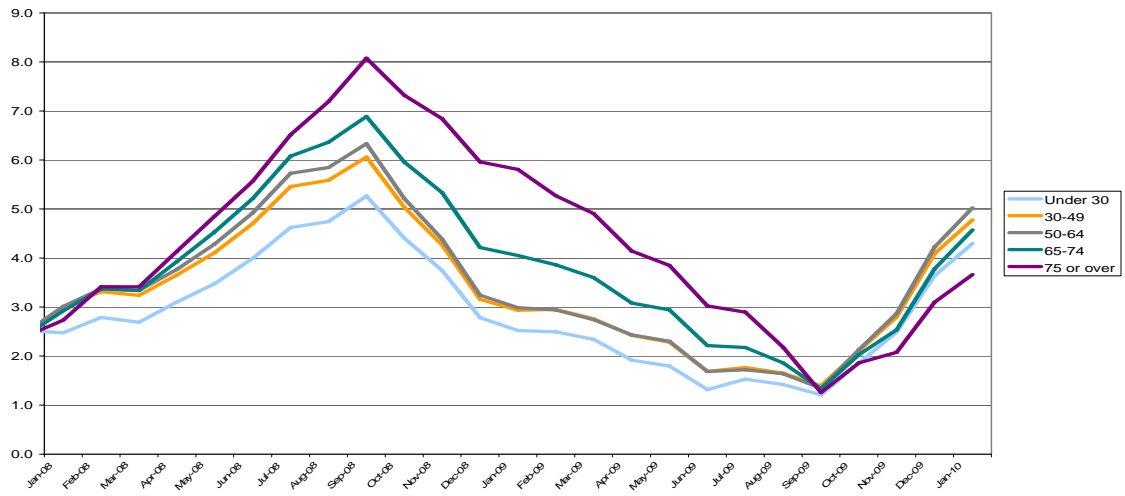
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Notes to editors

1. Alliance Trust PLC is a self-managed investment company with investment trust status. A FTSE-100 company, it is the largest generalist UK investment trust by market value listed on the London Stock Exchange.
2. 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.
3. Photographs of Shona Dobbie are available on request.
4. Inflation and age chart is shown below.

Inflation and Age (January 2008 to January 2010)



Source: In-house