
23 March 2010

50-64 YEAR OLDS FACE HIGHEST RATE OF INFLATION FOR FIFTH CONSECUTIVE MONTH

- **The latest figures from Alliance Trust Research Centre show that, for the fifth consecutive month, the 50-64 year old age group continues to face the highest rate of inflation, at 4.5%. This is 50% higher than the official headline rate.**
- **Every age group saw a fall in inflation this month. The over 75s saw the largest decline; the rate of inflation facing this age group fell from 3.7% to just 3.0%, and now matches the official headline rate of inflation. The under 30s experienced the smallest decline, with the rate of inflation facing this age group decreasing from 4.3% to 3.9%.**
- **For the fifth consecutive month, the over 75s face the lowest rate of inflation, at 3.0%. This age group is currently being helped by the fact that gas and electricity prices are lower than at this time last year, and food price inflation is also low.**

This month's official inflation report showed that the headline rate of inflation fell from 3.5% to 3.0% in February. Alliance Trust's monthly study of inflation rates facing different age groups reveals that there are still big differences in the rates of inflation being faced by different age groups, and that these differences have widened even further this month. For the fifth consecutive month, it is the 50-64 year old age group which faces the highest rate of inflation, at 4.5%, followed by the 30-49 year old age group, whose current inflation rate is 4.3%.

The 50-64 year old group is facing a rate of inflation which is 50% higher than the official rate, largely due to the fact that this group spends relatively more on transport, where inflation is currently high, at almost 11%. In particular, fuel price inflation is currently running at more than 22%. In contrast, for the fifth consecutive month, it is the over 75s who are facing the lowest rate of inflation, at 3.0%, 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 eased this month, following the sharp uplift in January. But price increases over the last year have still been relatively high in the case of many goods and services, reflecting the increase in VAT, 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. Both working age groups still face an inflation rate in excess of 4.0%, while average earnings have only grown by 1.5% over the last year, highlighting the sharp erosion of purchasing power. This situation has been of great concern for several months now."

Age Group	Inflation Rate
Under 30	3.9%
30-49 Year Olds	4.3%
50-64 Year Olds	4.5%
65-74 Year Olds	4.0%
75 and Over	3.0%

Utility price inflation remains negative this month, at -6.8%, as electricity and gas prices have fallen over the last year by 8.0% and 8.4% respectively. 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 utilities. 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 more than 4% lower than at this time last year and prices of audio visual goods are down by almost 5%.

Higher transport costs are hitting the working age groups hardest. These have risen by almost 11% over the last year, with fuel price inflation currently running at more than 22%.

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

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

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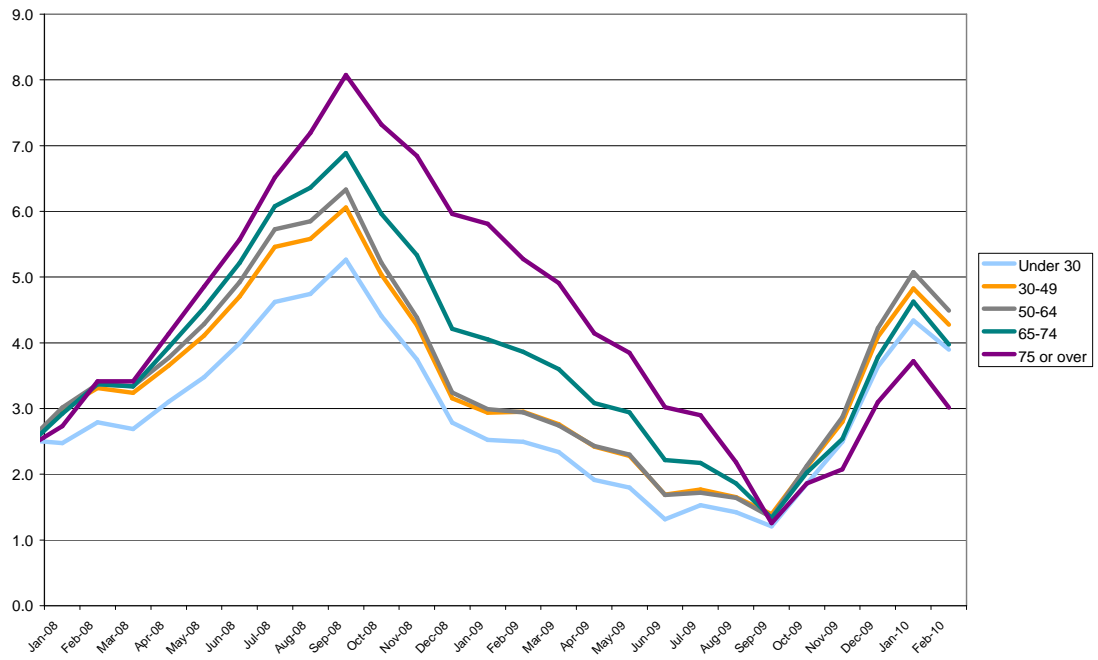
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Notes to editors

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 February 2010)



Source: In-house