
20 April 2010

INFLATION RISES FOR ALL AGE GROUPS, BUT 50-64 YEAR OLDS ARE STILL HIT HARDEST

- **The latest figures from Alliance Trust Research Centre show that, for the sixth consecutive month, it is the 50-64 year old age group which faces the highest rate of inflation, at 4.8%. This is 41% higher than the official headline rate.**
- **All five age groups saw a rise in inflation during March. The over 75s experienced the largest increase, of 0.4%, but this leaves the rate of inflation facing this age group at just 3.4%, the lowest of all age groups in the study, and in line with the official headline rate.**
- **The under 30s and 30-49 year old age groups both experienced the smallest increase during the month, of just 0.2%. The under 30s currently face a rate of inflation of 4.1% while the 30-49 year olds face a higher rate, of 4.5%.**
- **The increase in inflation this month was driven by higher petrol prices in particular. These have risen by almost 25% over the last year.**

This month's official inflation report showed that the headline rate of inflation increased from 3.0% to 3.4% in March. Alliance Trust's monthly study of inflation rates facing different age groups reveals that, while all ages suffered a rise in inflation over the month, there are still big differences in the rates of inflation being faced across different age groups. For the sixth consecutive month, the 50-64 year olds face the highest rate of inflation, at 4.8%, followed by the 30-49 year old age group, whose current inflation rate is 4.5%.

The 50-64 year old group is facing a rate of inflation which is 41% higher than the official rate, largely due to the fact that this group spends relatively more of their disposable income on transport; where inflation is currently high, at more than 11%. In particular, fuel price inflation is currently running at almost 25%. In contrast, for the sixth consecutive month, it is the over 75s who are facing the lowest rate of inflation, at 3.4%, 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, *"Inflationary trends have increased again this month, following some temporary softening in February. The key driver of this month's trend is the petrol price, which has risen by almost 25% over the last year. However, we are also contending with the impact of the increase in VAT at the start of the year and the fact that recent sterling depreciation 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 30-39 year olds and the 50-64 year olds. Both these groups now face an inflation rate of 4.5% or more, but average earnings have grown by only 0.9% over the last year, highlighting the very sharp erosion of purchasing power. Unfortunately this situation, which has been of some concern to us for several months, now seems to be worsening."

Age Group	Inflation Rate
Under 30	4.1%
30-49 Year Olds	4.5%
50-64 Year Olds	4.8%
65-74 Year Olds	4.3%
75 and Over	3.4%

Utility price inflation remains negative this month, at -3.9%, as electricity and gas prices have fallen over the last year by almost 8% and 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 budget 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 3% lower than at this time last year and prices of audio visual goods are also down by more than 3%.

Higher transport costs are hitting the working age groups hardest. These have risen by more than 11% over the last year, with fuel price inflation currently running at almost 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%	2.1%	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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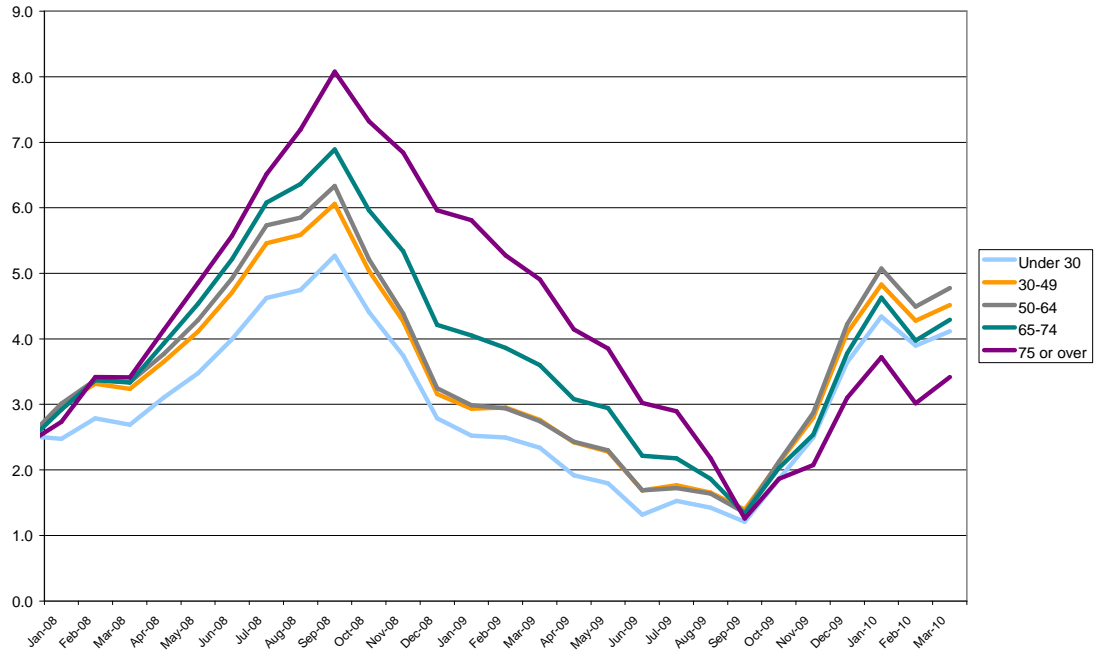
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Notes to editors

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 March 2010)



Source: In-house