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18 May 2010

## **ONGOING INFLATION RISE CONTINUES TO HIT WORKING AGE GROUPS HARDEST WHILE ELDERLY SEE A RESPITE**

- **The latest figures from Alliance Trust Research Centre show that, for the seventh consecutive month, it is the 50-64 year olds who are facing the highest rate of inflation, at 5.0%. This is 35% higher than the official headline rate**
- **All five age groups saw a rise in inflation during April. The over 75s experienced an increase of just 0.2%, which leaves the rate of inflation facing this age group at just 3.6%, the lowest of all age groups in the study, and lower than the official headline rate**
- **The under 30s and 30-49 year old age groups both experienced the largest increases during the month, of 0.3%. The under 30s currently face a rate of inflation of 4.4%, while the 30-49 year olds face a much higher rate, of 4.8%**
- **The increase in inflation this month was driven by excise duties on tobacco, higher clothing prices, higher petrol prices and a sharp increase in communications prices**

This month's official inflation report showed that the headline rate of inflation increased from 3.4% to 3.7% in April. 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 seventh consecutive month, the 50-64 year olds face the highest rate of inflation, at 5.0%, while the over 75s face the lowest rate, at 3.6%.

The 50-64 year old age group is facing a rate of inflation which is 35% 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 more than 25%. In contrast, the over 75s continue to face the lowest rate of inflation, at 3.6%, helped by the fact that this group spends relatively more of their budget on

food, where inflation remains contained, and utilities, where prices are still lower than at this time last year.

Shona Dobbie, Head of the Alliance Trust Research Centre, said, *"Inflationary trends have increased sharply this month, partly due to the increase in excise duties on tobacco and the ongoing rise in fuel prices. Tobacco price inflation is currently running at more than 9% and the petrol price has risen by almost 25% over the last year. In addition, we have seen sharp increases in both clothing and communications prices during April.*

*These particular price moves have the greatest impact on the two working age groups that spend a larger proportion of their budgets on the goods and services which are currently seeing the highest price increases – the 30-49 year olds and the 50-64 year olds. Both these groups now face an inflation rate of at least 4.8%, while average earnings, including bonuses, have grown by only 2.1% over the last year. These findings highlight the ongoing erosion of purchasing power."*

<b>Age Group</b>	<b>Inflation Rate</b>
<b>Under 30</b>	<b>4.4%</b>
<b>30-49 Year Olds</b>	<b>4.8%</b>
<b>50-64 Year Olds</b>	<b>5.0%</b>
<b>65-74 Year Olds</b>	<b>4.5%</b>
<b>75 and Over</b>	<b>3.6%</b>

Utility price inflation remains negative this month, at -2.9%, as electricity and gas prices have fallen over the last year; by 3% and 6% 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. Although clothing prices increased sharply during the month of April, these are still more than 1% lower than at this time last year, and prices of audio visual goods are also down by 4%.

### 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](http://www.alliancetrust.co.uk)

You can obtain a copy of the report by emailing [contact@alliancetrust.co.uk](mailto:contact@alliancetrust.co.uk) or phoning 08000 326323.

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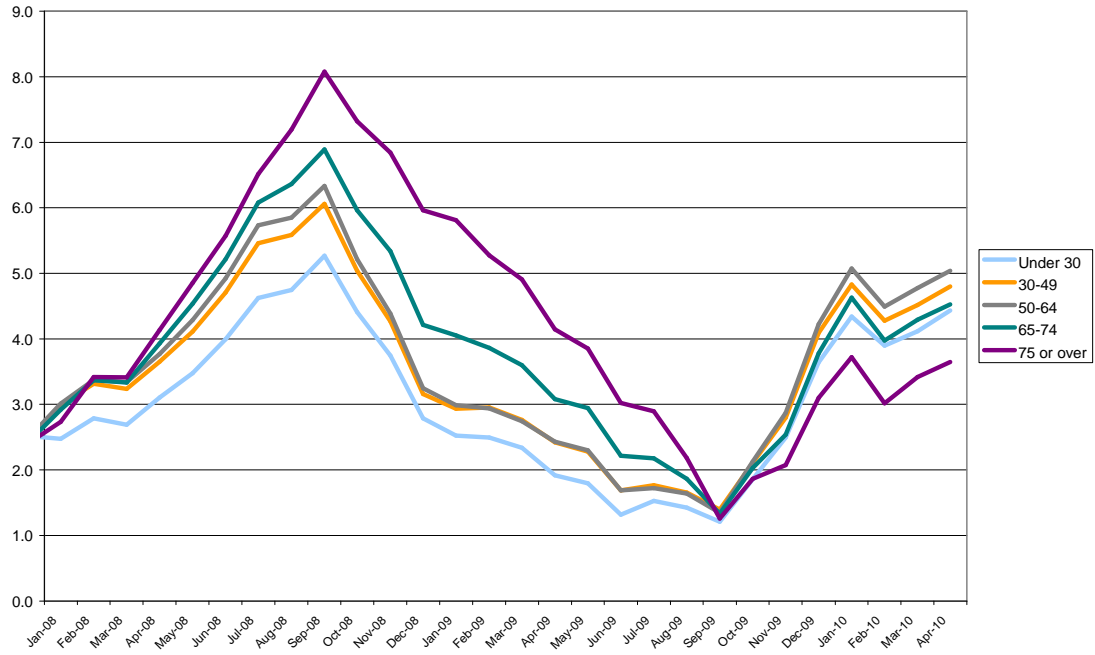
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### Notes to editors

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 April 2010)



Source: In-house