
13 July 2010

INFLATION RATE DISPARITY PERSISTS BETWEEN AGE GROUPS

- **The latest figures from the Alliance Trust Research Centre show that, for the ninth consecutive month, it is the 50-64 year olds who are facing the highest rate of inflation, at 4.5%. This is 41% higher than the official headline rate of 3.2%**
- **The group hardest hit during June was the over 75 year olds, whose inflation rate has increased quite sharply, from 3.3% to 3.6%. Despite this increase, it is this age group which still faces the lowest rate of inflation**
- **Both working age groups recorded a decrease in inflation. Inflation facing the 30-49 year olds fell from 4.4% to 4.3% while, in the case of the 50-64 year olds, it decreased from 4.6% to 4.5%**
- **The rate of inflation facing the under 30s has remained unchanged at 4.1%, helped by ongoing deflation in clothing and audio-visual products**

This month's official inflation report showed that the official headline rate of inflation fell from 3.4% to 3.2% in June, continuing the declining trend which commenced in May. However, Alliance Trust's monthly study of inflation rates facing different age groups reveals that the over 75 year old age group actually saw a sharp increase in inflation, from 3.3% to 3.6%, driven largely by higher food price inflation. For the ninth consecutive month, it is the 50-64 year olds who face the highest rate of inflation, at 4.5%, 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 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 remains relatively high, at close to 9%. In particular, fuel price inflation is currently at a level of 16%. 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 utilities, where prices are now 2.5% lower than at this time last year. Electricity prices have fallen by less than 1% over the year, but gas prices have fallen by more than 6%.

Shona Dobbie, Head of the Alliance Trust Research Centre, said, "Overall Inflationary trends have continued to ease this month, helped by less upward pressure on fuel prices and ongoing price deflation in both clothing and audio-visual goods. This has helped to stabilise, and even ease, the inflation rates facing most of the age groups included in our study.

However, food price inflation has started to increase once more, as have the costs of some household services; contributing to this month's increase in the inflation rate facing the over 75s. Although this age group currently faces the lowest rate of inflation, this may begin to trend higher over the next few months. Currently, it is the two working age groups who face the highest rates of inflation, largely due to the fact that transport price inflation remains high, at close to 9%. But, now that petrol price inflation is easing, we may see the inflation rate facing these age groups continue to decline over the next few months."

Age Group	Inflation Rate
Under 30	4.1%
30-49 Year Olds	4.3%
50-64 Year Olds	4.5%
65-74 Year Olds	4.0%
75 and Over	3.6%

Utility price inflation remains negative this month, at -2.5%, as electricity and gas prices have fallen over the last year; by almost 1% and 6% respectively. This helps the over 75 year olds in particular, as this age group spends the highest proportion of their budget on utilities. The over 75s spend almost 8% of their budget on electricity and gas bills; compared to just 4% in the case of the under 30 year olds. However, the elderly also spend a relatively higher percentage of their budget on food, at 17%, compared with less than 10% in the case of the under 30s. The current increase in food price inflation is therefore having the biggest impact on the over 75s.

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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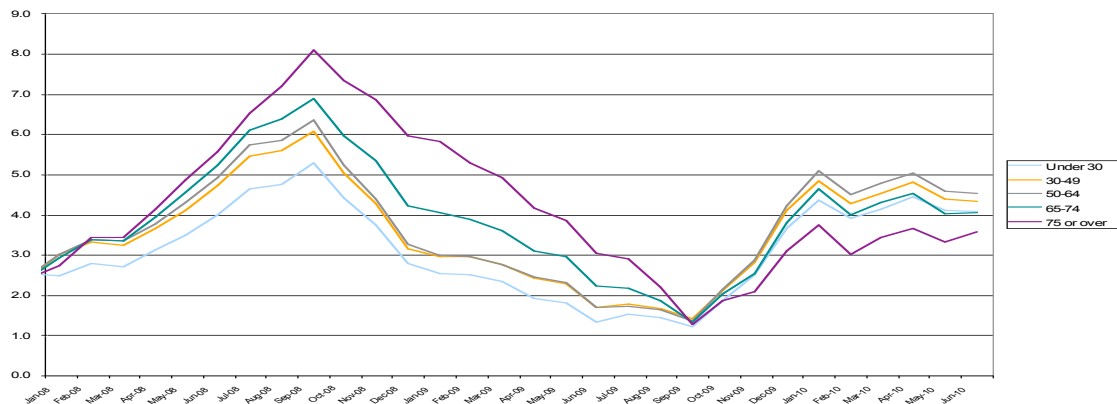
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Notes to editors

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 June 2010)



Source: In-house