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17 August 2010

## **INFLATION RATES ABATING BUT FOOD PRICE PRESSURE BUILDING**

- **The latest figures from the Alliance Trust Research Centre show that, for the tenth consecutive month, the 50-64 year olds face the highest rate of inflation, at 4.2%. This is 35% higher than the official headline rate of 3.1%**
- **No age group experienced a rise in their inflation rate in July, but the inflation rate facing the over 75 year olds - which is the lowest rate of inflation recorded - remains above the official rate, at 3.6%**
- **The under 30s continue to face a relatively low rate of inflation, helped by ongoing deflation in clothing and audio-visual products**
- **Both working age groups recorded a decrease in inflation during July. Inflation facing the 30-49 year olds fell from 4.3% to 4.0% while, in the case of the 50-64 year olds, it decreased from 4.5% to 4.2%**

This month's official inflation report showed that the headline rate of inflation fell from 3.2% to 3.1% in July, continuing the declining trend which commenced in May, and which continued in June. Alliance Trust's monthly study of inflation rates facing different age groups reveals that, for the tenth consecutive month, it is the 50-64 year olds who face the highest rate of inflation, at 4.2%. This 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 remains relatively high, at close to 8%.

In contrast, the over 75s and under 30s face the lowest rate of inflation, at 3.6%. In the case of the over 75s, this is due to the fact that this group spends relatively more of their budget on utilities, where prices are now 1.9% lower than at this time last year. Electricity prices have fallen by less than 1% over the year, but gas prices have fallen by almost 6%. In the case of the under 30s, the lower rate of inflation is due to continued declines in both clothing and audio-visual equipment.

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 all of the age groups included in our study.

However, food price inflation has increased again, and more sharply this month than in June. If this trend continues, it will add to the inflationary pressures facing everyone, but the over 75s in particular."

### 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

Food price inflation has almost doubled this month, to 3%, with inflation being particularly high in fish, fruit and vegetables. This hits the over 75s in particular as this age group spends the highest proportion of their budget on food. The over 75s spend more than 17% of their budget on food, compared to less than 10% in the case of the under 30s.

Age Group	Inflation Rate
Under 30	3.6%
30-49 Year Olds	4.0%
50-64 Year Olds	4.2%
65-74 Year Olds	4.0%
75 and Over	3.6%

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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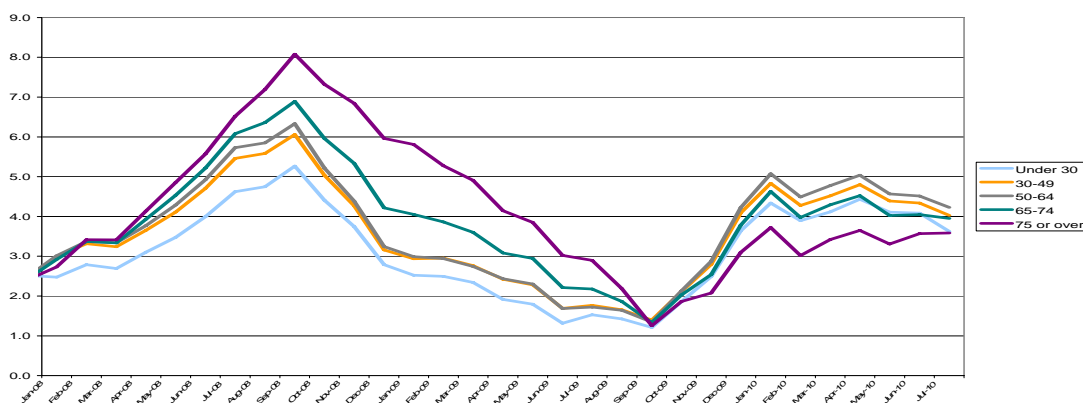
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## Notes to editors

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 July 2010)



Source: In-house