
14 September 2010

INFLATION RATES STEADY WITH FOOD PRICE PRESSURE OFFSETTING DECLINES ELSEWHERE

- **The latest figures from the Alliance Trust Research Centre show that, for the eleventh consecutive month, the 50-64 year olds face the highest rate of inflation, at 4.2%, the same rate as last month. This is 35% higher than the official headline rate of 3.1%**
- **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, although it rose marginally in August from 3.6% to 3.7%**
- **The inflation rates facing the working age groups held steady in August from July at 4.0% and 4.2% respectively**
- **Deflation in clothing and audio-visual goods was offset by a pick-up in food prices, raising concerns that if this trend continues the over 75s could be adversely affected**

This month's official inflation report showed that the headline rate of inflation held steady from July at 3.1%, signaling an end to the declining trend of the previous three months. Alliance Trust's monthly study of inflation rates facing different age groups reveals that, for the eleventh consecutive month, it is the 50-64 year olds who face the highest rate of inflation at 4.2%, a figure also unchanged from July. 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 face the lowest rate of inflation at 3.6% due to the fact that this group spends relatively more of their budget on utilities, where prices are now 2.4% 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%. The under 30s age group faces the second-lowest rate of inflation at 3.7%

due to continued declines in the prices of both clothing and audio-visual equipment which fell by 1.7% and 6.5% respectively compared to August last year.

Shona Dobbie, Head of the Alliance Trust Research Centre, said, "Overall, inflationary trends were relatively unchanged over the month, with less upward pressure on fuel prices and ongoing price deflation visible in both clothing and audio-visual goods to some extent being offset by the continued pick-up in food-price inflation. As a result, inflation rates facing the different age groups were relatively unchanged from July. The concern around the pick-up in food-price inflation is that if it continues it will be the over 75s in particular who will be most affected.

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

After almost doubling in July, food price inflation ticked up again this month from 3% to 3.9% with inflation being particularly high in fish, fruit and vegetables. Additionally, bread and cereal prices saw a lift in price growth from 0.9% in July to 3.2% in August which was likely on the back of concerns around the global supply of wheat. 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	3.7%
30-49 Year Olds	4.0%
50-64 Year Olds	4.2%
65-74 Year Olds	3.9%
75 and Over	3.6%

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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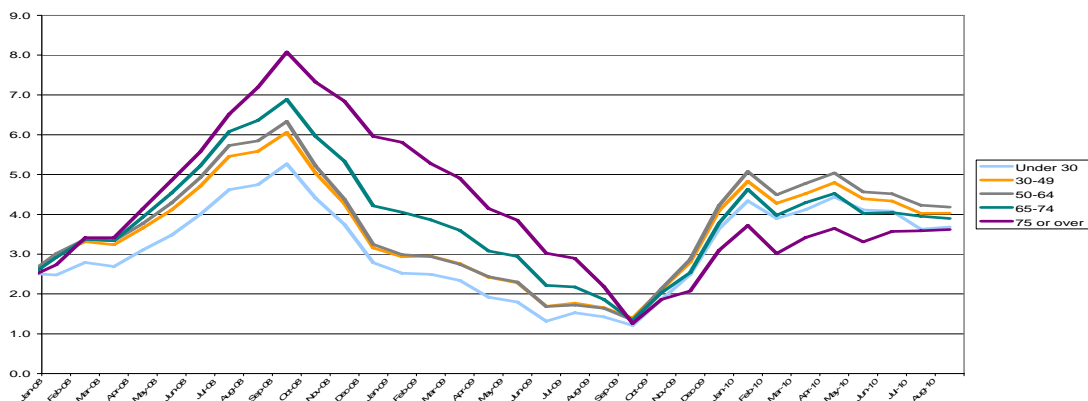
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Notes to editors

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 Aug 2010)



Source: In-house