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LOWEST INCOME HOUSEHOLDS FACE HIGHEST RISE IN LIVING COSTS

Inflation for UK families on breadline 34% higher than headline figure

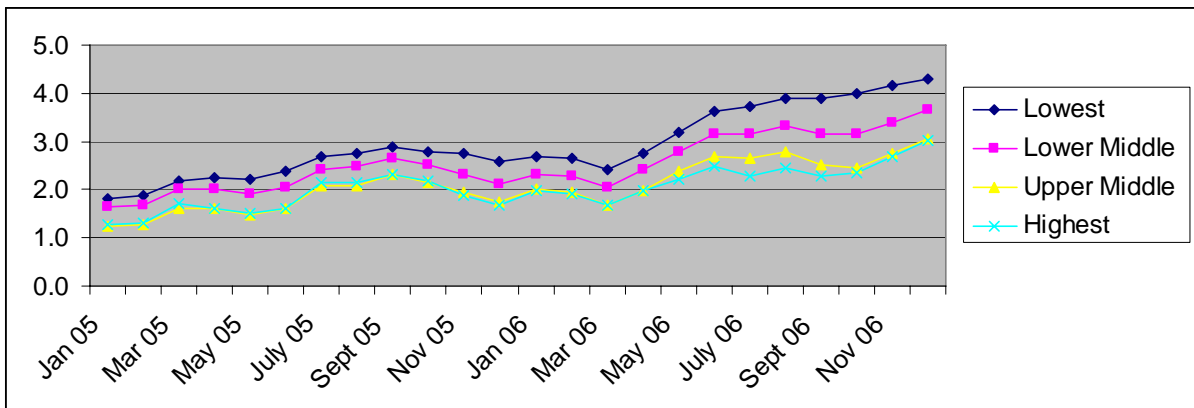
As inflationary concerns remain in the spotlight with a slight lift in headline inflation last month, the latest study by the Alliance Trust Research Centre shows that the lowest income households face an inflation rate substantially higher than the rest of the UK population.

The two-year study looking at the relationship between income levels and inflation reveals:

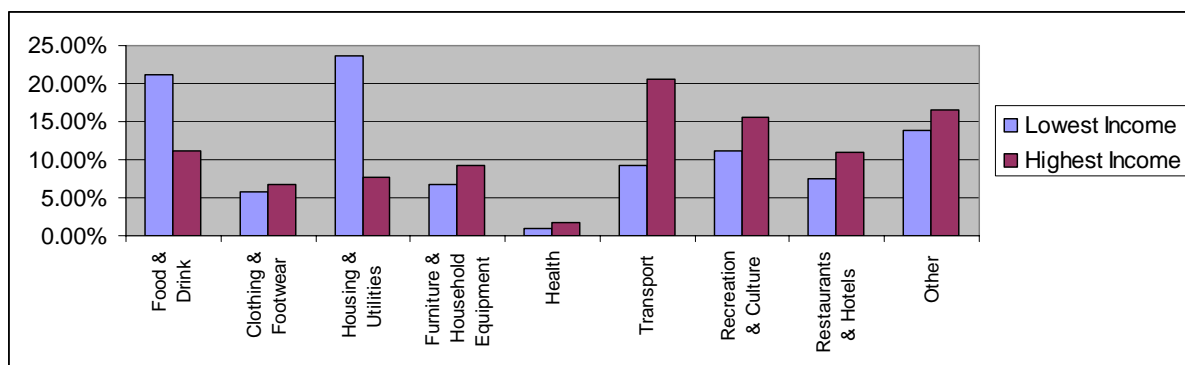
- **On average, inflation for the lowest income households (annual income of less than £7,000) has been 34% higher than the headline rate of inflation (Consumer Price Inflation).**
- **Households within the two highest income groups have experienced the lowest levels of inflation over the period of Alliance Trust’s study (2005/06).**

The difference in levels of inflation between the poorest and richest UK households is so pronounced because low income households spend 41% of their budget on basic goods and necessities (housing, utilities, food and beverages) which have seen the biggest price rises. In contrast, the highest income households spend just 17% of their budget on these basic items, leaving a much higher percentage to be spent on discretionary goods some of which, such as clothing and audio visual products, have been getting cheaper over the last two years.

Inflation and Income (Jan 2005 to Dec 2006)



Breakdown of spending



Shona Dobbie, head of the Alliance Trust Research Centre said: “Our two-year study has shown consistently that the UK’s lowest income groups are facing an inflation rate which is substantially higher than the average headline inflation rate. This is a direct result of this income group’s shopping basket. Inevitably the lowest income group will spend more of their budget on necessities such as housing and utilities and unfortunately it is these goods that have seen the sharpest increase in prices over the last two years. Over 2006, gas prices rose 40%, electricity prices were up by 27% and some food prices, such as fish, oils and fats increased by at least 10%.”

– ends –

Alliance Trust’s latest full report on ‘Inflation and Income’ 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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Notes to editors

1. Alliance Trust PLC is the largest generalist investment trust company listed on the London Stock Exchange. Through its subsidiaries, Alliance Trust offers investment dealing, self-invested personal pensions and a choice of investment wrappers.
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.

