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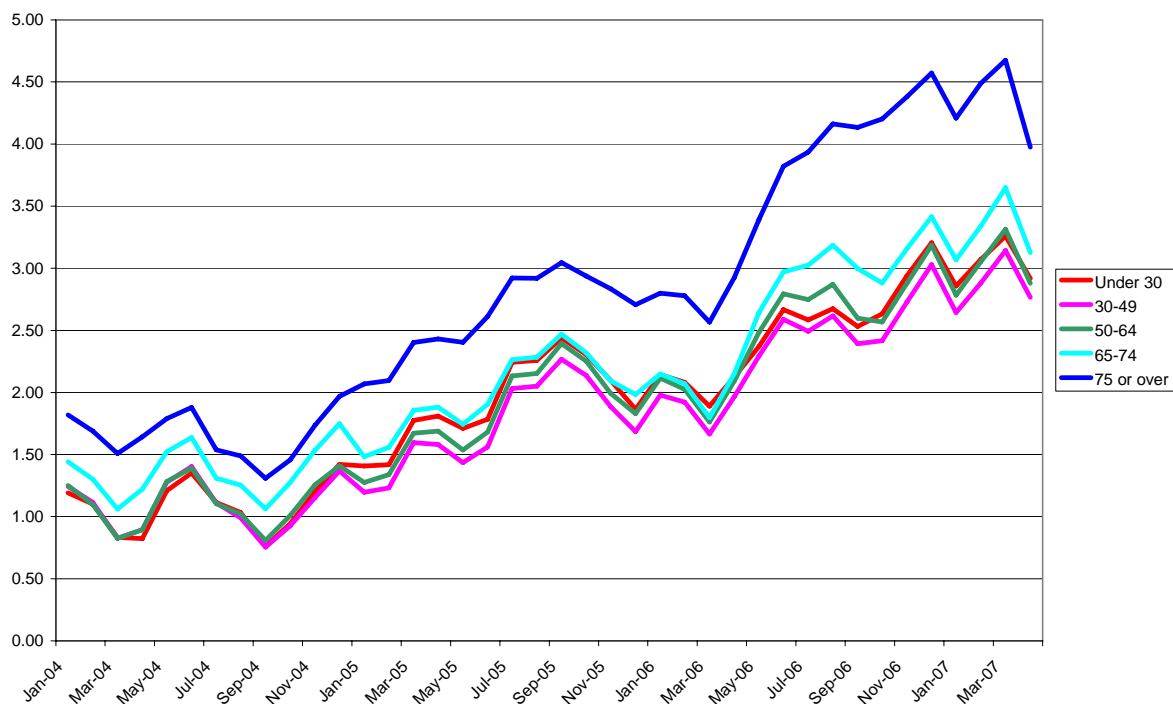
## LATEST FIGURES REVEAL THAT ELDERLY INFLATION RATE IS STILL FAR HIGHER THAN FOR OTHER AGE GROUPS AT 4%

Despite the Office for National Statistics today reporting that headline inflation fell back to 2.8%, an independent study reveals that the inflation rate facing the elderly is far higher than the headline inflation rate. The Alliance Trust Research Centre's monthly 'Age and Inflation' alert shows the rate of inflation facing the over-75s has declined over the month, from 4.7% to 4.0%, but remains well in excess of the inflation rate facing other age groups. Households headed by someone aged over 75 have consistently faced inflation of more than 3% since May 2006.

The headline findings, based on the updated spending patterns of different age groups and analysis of official April inflation figures are:

- **The inflation rates facing all age groups have declined as promised price cuts in both gas and electricity have been delivered. Gas prices fell nearly 3% over the month and electricity prices fell by almost 1%.**
- **Inflation for the over 75s remains high at 4.0%, that's 43% higher than headline inflation of 2.8%**
- **Food price inflation of 6% continues to hit elderly households in particular, as food and beverages typically account for 17% of their spending but has a weighting of just 10% in the Consumer Price Index.**
- **Alliance Trust maintains call for pensions to be linked to rise in retired cost of living**

**Inflation and Age (Jan 2004 to April 2007)**



The Alliance Trust's model of age-related inflation has been updated using official price data for April. Our results show that the rate of inflation facing every identified age group declined during the month, as promised cuts in electricity and gas prices began to take effect. However, the impact of inflation continues to differ for different age groups. The rate of inflation facing the over 75s remains by far the highest, at 4.0%, as price inflation for basic necessities remains high. Gas price inflation is now running at 22%, electricity price inflation at over 16% and food price inflation has risen to 6%. Elderly households have been facing a rate of inflation in excess of 3% since May 2006. Similarly, the 65-74 year olds have the second highest rate of inflation, at 3.1%. This age group has been coping with an inflation rate of more than 3% since July 06.

Young people also spend a large proportion of their budgets on basic goods and services, such as gas, electricity and food. In addition, they face the burden of higher rents and education costs which have increased by 14% over the last year. However, the inflation rate facing the under 30s has fallen back to 2.9%, largely reflecting the fact that prices of clothing, footwear and audio-visual products continue to fall.

Shona Dobbie, Head of the Alliance Trust Research Centre said: *"Our four-year study continues to highlight the extent to which the UK's elderly are the group hit hardest by current high levels of inflation. Headline inflation has fallen back to 2.8% this month, but the elderly are facing a much higher rate of inflation of 4.0%. Any household which spends a large proportion of its budget on basic goods and services is currently facing a higher rate of inflation than the headline CPI suggests. Although we have now had delivery of some promised cuts in gas and electricity prices, gas price inflation is still running at 22% and electricity price inflation at 16%, adding to the financial burden of running a home. It is worrying that food prices are also adding to the pressures facing pensioners and those on low incomes. Over the last year, vegetable prices have increased by over 15%, fish prices by 12%, and dairy prices by almost 7%.*

*“The impact of higher prices for basic goods and services, such as heating and food, almost always falls most heavily on the elderly and those on low incomes, as these households spend a larger proportion of their budgets on these necessities. In recent years, low income and elderly households have been forced to allocate their budgets to the goods and services which have experienced the highest price changes, leaving little disposable income left over to spend on discretionary goods, such as clothing, footwear and audio visual products, where prices have declined over the last 12 months.”*

**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.**

## Contacts

**Jane Holligan**, Media Relations Manager  
Alliance Trust

**Tel** +44 (0)1382 306064

**Mobile** 07745 783212

**Email** [jane.holligan@alliancetrust.co.uk](mailto:jane.holligan@alliancetrust.co.uk)

**Web** [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)

**Richard Winder / Jeena Nadarajan / Anna Schirmer**  
Lansons Communications

**Tel** +44 (0)20 7294 3641 / 3629 / 3605

**Email** [richardw@lansons.com](mailto:richardw@lansons.com) /  
[jeenan@lansons.com](mailto:jeenan@lansons.com) / [annas@lansons.com](mailto:annas@lansons.com)

## Notes to editors

1. Alliance Trust is an international investment and financial services group. It is headed by Alliance Trust PLC, 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.