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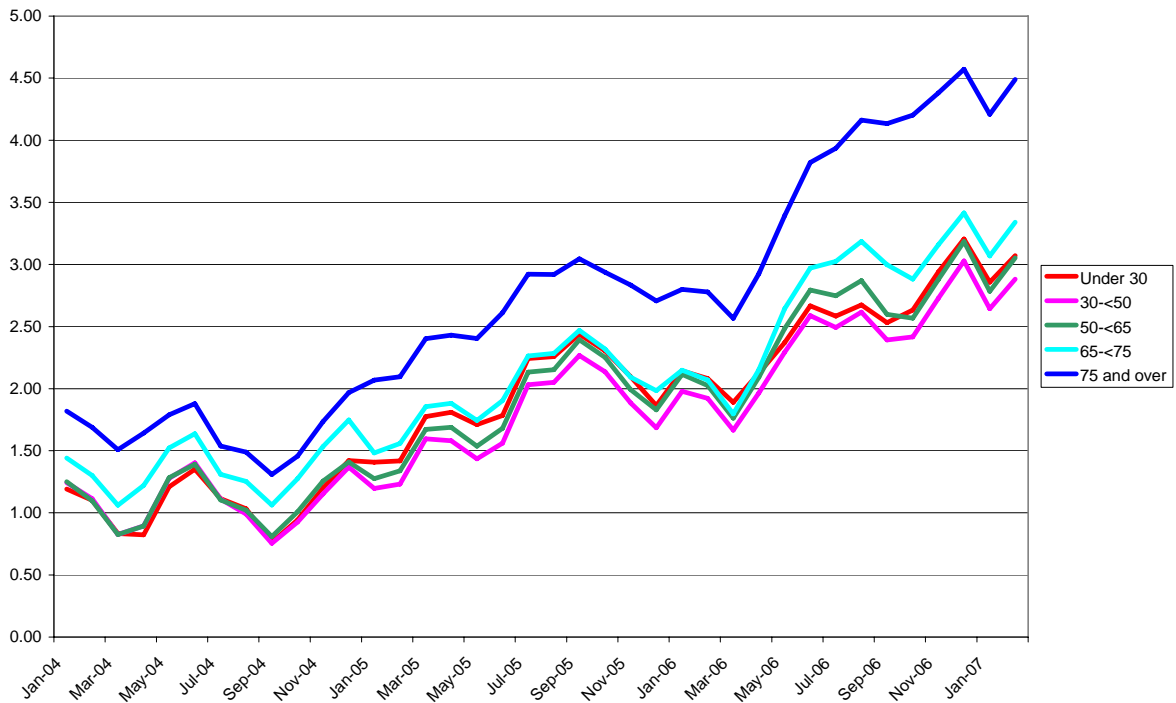
LATEST FIGURES SHOW JUMP IN INFLATION FOR ELDERLY AT MORE THAN DOUBLE GOVERNMENT'S INFLATION TARGET

While the official headline rate of inflation has increased by 0.1% to 2.8%, the impact of price increases on homes run by the elderly has been more severe than official figures suggest. Latest figures out today show that the rate of inflation facing the over-75s has jumped from 4.2% to 4.5% in February, according to the Alliance Trust Research Centre's monthly alert, which is part of its ongoing 'Age and Inflation' study. The elderly are still being hit disproportionately hard by price increases and presently face a rate of inflation which is more than double the government's inflation target of 2.0%. In addition, households in the lowest income bracket have seen their rate of inflation move back above 4%.

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

- **Inflation for the over 75s is now running at 4.5% - that's 61% higher than headline inflation of 2.8%**
- **Households in the lowest income group face inflation of 4.1% - 46% higher than the headline rate.**
- **Gas price inflation of 39%, electricity price inflation of 26% and the rising costs of some basic foods are the main factors behind these high rates of inflation.**
- **Alliance Trust maintains call for pensions to be linked to rise in retired cost of living**

Inflation and Age (Jan 2004 to Feb 2007)



The Alliance Trust's model of age-related inflation has been updated using official price data for February. Our results show that the rate of inflation facing every identified age group increased during the month, heading back towards the record levels reached in December. However, the disparity of the effect on different age groups persists. The rate of inflation facing the over 75s is by far the highest, at 4.5%, as price rises for basic necessities such as fuel and food remain high. Although the 65-74 year olds have the second highest rate of inflation, at 3.3%, our results confirm that young people, defined as under 30 years, are also coming under increasing pressure from rising prices and now face an inflation rate of 3.1%. This reflects the fact that young people are also spending a large proportion of their budgets on basic goods, such as gas and electricity, which have been rising in price, and the fact that education costs have risen 14% over the last year.

Last month our study was widened to look at how inflation affects people on different incomes. This month's results confirm that it is households on the lowest income, less than £7,000 a year, who are currently facing the highest rate of inflation, at 4.1%. This is much higher than the official headline rate of inflation of 2.8%. Again, the main reason is that this group of households spends a higher proportion of their budget on basic goods and services for which prices have been rising most quickly over the last year.

Shona Dobbie, Head of the Alliance Trust Research Centre said: *“Our four-year study shows that the UK’s elderly, who were already the hardest hit by inflation among all the age groups, are still seeing their inflation rise faster than the average home. In addition, our results show households on the lowest incomes are also suffering most from rising prices. Over the last year, gas prices have risen 39%, electricity prices by 26% and some basic food categories, such as fish, oil and vegetables, are experiencing double digit inflation.*

The impact of higher prices for basic goods and services, such as heating and food, always falls most heavily on the elderly, who spend a larger proportion of their budgets on these necessities. Low earners are facing similar difficulties. Low income and elderly households are 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 continue to fall”.

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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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.