

17 April 2007

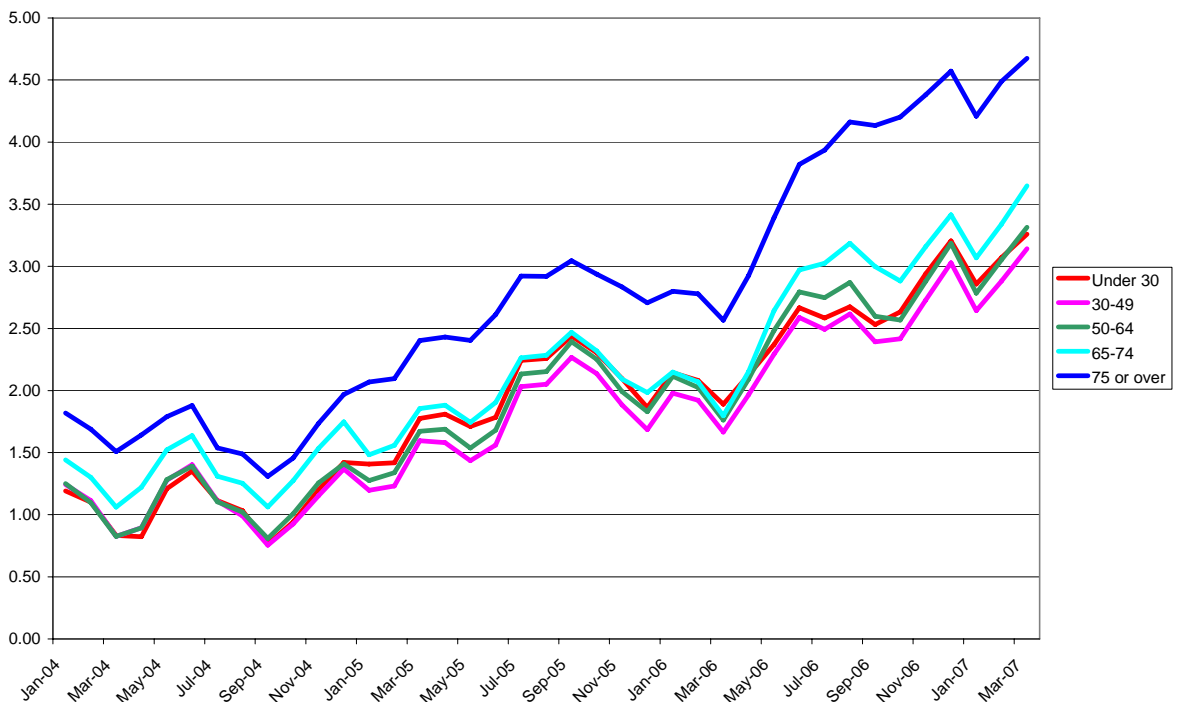
LATEST FIGURES SHOW RECORD RATE OF INFLATION FOR ELDERLY

As the Office for National Statistics today reports that headline inflation has moved above the Chancellor's upper boundary, to 3.1%, an independent study reveals the impact of price increases on homes run by the elderly has hit a record level. Alliance Trust Research Centre's monthly 'Age and Inflation' alert shows the rate of inflation facing the over-75s has jumped from 4.5% to 4.7% in March, and that households headed by someone aged over 75 have consistently faced inflation of more than 3% since May 2006. In addition, households in the lowest income bracket have seen their rate of inflation increase from 4.1% to 4.3%.

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

- **The inflation rates facing each of our age groups have increased to a record level over the course of the Alliance Trust Research Centre's four year study.**
- **Inflation for the over 75s has hit 4.7% - that's 52% higher than headline inflation of 3.1%**
- **Households in the lowest income group face inflation of 4.3% - 39% higher than the headline rate.**
- **Gas price inflation of 34%, electricity price inflation of 23% and food price inflation of almost 6% are largely responsible for the financial pressures facing elderly and low income households.**
- **Alliance Trust maintains call for pensions to be linked to rise in retired cost of living**

Inflation and Age (Jan 2004 to Mar 2007)



The Alliance Trust's model of age-related inflation has been updated using official price data for March. Our results show that the rate of inflation facing every identified age group increased during the month, reaching new record levels. 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 4.7%, as price rises for basic necessities such as fuel and food remain high. The 65-74 year olds have the second highest rate of inflation, at 3.6%. In addition, our results show that young people, defined as under 30 years, are also suffering the impact of rising prices and now face an inflation rate of 3.3%. This reflects the fact that young people also spend 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.

For similar reasons, it is households on the lowest income, less than £7,000 a year, who currently face the highest rate of inflation, at 4.3%. This is much higher than the official headline rate of inflation of 3.1%. 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 continues to highlight the extent to which the UK's elderly are hit hardest by the current high level of inflation. While headline inflation has only moved above the critical level of three per cent this month, the elderly have been facing a rate of inflation in excess of this for nearly one year. Any household which spends a large proportion of their budget on basic goods and services is currently facing a high rate of inflation. Over the last year gas prices have risen 34 per cent and electricity prices by 23 per cent, significantly boosting the cost of running a home. Now food prices are also adding to the woes facing pensioners and those on low incomes. Over the last year fish prices have increased 13 per cent, vegetable prices by over 10 per cent and price increases in staples such as tea, coffee and cocoa are now running in excess of ten per cent.*

"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.**

Contacts

Jane Holligan, Media Relations Manager
Alliance Trust PLC

Tel +44 (0)1382 306064

Mobile 07745 783212

Email jane.holligan@alliancetrust.co.uk

Web www.alliancetrust.co.uk

Richard Winder / Jeena Nadarajan / Anna Schirmer
Lansons Communications

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

Email richardw@lansons.com /
jeenan@lansons.com / annas@lansons.com

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.