

ELDERLY HIT HARDEST BY HIGH FOOD AND ENERGY COSTS

Alliance Trust's independent study of age related inflation has found that the inflation rates facing all five of its identified age groups increased in February. In each case the rate of inflation recorded is higher than the official headline rate of 2.5% released today. The figures released by Alliance Trust show that in February, inflation hit the over 75 year olds and the 65-74 year olds the hardest – these two groups now face inflation rates of 3.4% and 3.3% respectively.

Alliance Trust Research Centre's headline findings, based on the updated spending patterns of different age groups and analysis of official February inflation figures are:

- **In February, all age groups faced an inflation rate higher than the official rate of inflation. A combination of high food prices and rising utility bills and petrol prices all helped to push inflation higher.**
- **The over 75 year olds face the highest rate of inflation. Our study calculates the rate of inflation facing households in this age group to be 3.4%, which is 36% higher than the official rate of 2.5%. Younger retired households, aged 65-74 years also face an inflation rate which is much higher than the officially recorded rate.**
- **Food price inflation is now at 6%, electricity prices have risen by more than 5% over the last year and petrol prices have jumped by more than 20%.**
- **The youngest age group, the under 30s, faced the lowest level of inflation in February. Their rate of inflation was 2.7%, which is still higher than the official headline rate of inflation. The under 30s are benefiting in relative terms from falling clothing and audio-visual product prices, but are still under budgetary pressure from higher fuel, education and rent costs.**

Alliance Trust Research Centre's age-related inflation study has been updated using official price data for February. Our study shows that the over 75s are once again exposed to the negative impact of high food and energy costs. In recent months this age group's rate of inflation had fallen back temporarily as gas and electricity price increases waned, but these are back to the fore and are now accompanied by high fuel and food costs. These cost increases hit the elderly hardest.

The inflation rate facing the under 30s is the lowest at 2.7%. However, this is still 8% higher than the official headline rate of inflation. Young households continue to benefit in relative terms from falling clothing and audio-visual product prices, as they spend a high proportion of their household budgets on these particular goods. Clothing prices have fallen by 5% over the last year and audio-visual prices have declined by 14%. However, younger households still face pressures from higher fuel, education and rent costs.

Shona Dobbie, Head of the Alliance Trust Research Centre said, "Our study continues to highlight the extent to which the impact of inflation can differ from the official headline figure. In particular, we repeatedly identify big variations in the inflation rates applying across different age groups, reflecting the different spending patterns of each group. This month we have found that the over 75s are once again facing the highest rate of inflation at 3.4%. This is considerably higher than the official headline rate of 2.5%, and reflects the fact that elderly households are hit hardest by rising food, utility and fuel costs, as these items account for a relatively large share of their spending. We are concerned to see the inflation rate facing younger retired households jump higher – to 3.3%, again reflecting the fact that these households spend a relatively large proportion of their budgets on basic goods and services. Unfortunately it is these basic items which have seen the highest price increases in recent months."

"Inflationary pressures remain strong for many basic goods that we all have to buy on a regular basis. The fact that we have to buy these goods regularly makes inflation feel much higher than the official level, but also leaves households with less money left over to spend on the more discretionary items, such as clothing and audio-visual goods, where prices continue to fall. Recent increases in both gas and electricity prices could push headline inflation even higher in the coming months. This is a problem for all age groups, but since the over 75s spend the highest proportion of their household budget on these goods, they could be hit the hardest."

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.