

Marmite-maker Unilever raises prices by over 4% as bosses say cost inflation here to stay

Unilever, the consumer goods giant behind everything from Dove to Hellmann's and Marmite, has raised prices by more than 4% in recent months – the fastest rate since early 2012 – as soaring costs for everything from shipping and trucking to palm oil hit home.

The multinational reported underlying sales growth of 2.5% and turnover of €13.5 billion for the third quarter, reflecting a 4.1% rise in prices and a 1.5% fall in volumes.

The growth was ahead of expectations and boosted by strong sales in the US, China and India, although curtailed by lockdowns in key south east Asian markets.

The FTSE 100 firm told investors cost inflation is at “strongly elevated levels”, which CEO Alan Jope said he expects to continue into next year alongside supply chain disruption. Staffing shortages are seeing logistics costs rise particularly in the UK and US markets, he said.

Finance chief Graeme Piskethly said in July the company was seeing inflation increasing at the fastest pace for a decade, with prices for palm oil alone up 70%.

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The cost inflation put pressure on profit margins and the company has passed on some of the pain to consumers. Price hikes are “more modest” in regions such as Europe, the company said.

It comes as rivals such as Nestle also push up prices to deal with the situation. Nestle raised by 2.1% in the third quarter.

Joep has been under pressure to boost Unilever's share price, which has fallen by nearly 20% over the past year.

The company is pursuing a €3 billion share buyback program and exploring a potential listing or sale of its tea business, Ekaterra, which formally separated operations this month. Joep said today the group expects to deliver its around flat margin guidance for the year.

He said: “The global operating environment that remains very volatile but one where Unilever's resilience and agility is serving us well.”

Jefferies analyst, Martin Deboo, said: “Relative to low expectations, this feels like a ‘good enough’ quarter to us, with decisive progress on pricing a positive... But the underlying challenge remains the one of accelerating volume growth.”

Freemove's senior analyst, Dan Lane, warned: “The prices of

raw materials, packaging and distribution are soaring and there's only so much of that extra cost it can add to a tub of Marmite before consumers skip the spread altogether."

Shares rose by around 2.4%, or 92p, on Thursday morning on the update.