

At least some people like Marmite: Brexit may soon the ...

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Reports are widespread today that Marmite supplies to Tesco are at risk. The reason is that its manufacturer, Unilever, wants to impose price rises of up to 10 percent. It is partly blaming the movement in the pound in the last couple of weeks or so. Tesco is resisting, pointing out that many Unilever products are made in the UK and so the currency movement should not have had much impact.

But that's not true for Unilever. It accounts in euros. So every sale made in pounds is a loss to it. It's not, as far as it is concerned, making money on Marmite now and it's fighting back in the way it thinks best.

The Unilever situation is odd, but let's be clear that it is only a taste - and for some a deeply unpalatable one - of what is to come. The pound cannot crash more than 10% without a serious inflationary impact. That is economic reality at a time when we import more than we export. Prices on many products are going to rise, and soon. And there will be no countervailing immediate trend from exporters doing well: they will not be rushing to put the gains into people's pockets. The impact of this currency shift will be unbalanced.

Nor can we presume that the impact will be limited or short lived. There is little prospect of either being true: no one can turn round and say Brexit was all just a bad dream and this will go away: that is not going to happen. So the pressure in the pound will continue; the lack of investment will continue; the outflow of funds will continue; the concern about the UK's trade balance will continue and so too will the lack of confidence in the UK's negotiating position continue.

The hard impacts of Brexit will be apparent to people well before Christmas, and as a result long before Article 50 is triggered.

What can be done about it?

The worst thing would be that interest rates are also increased to counter the inflationary trend: this would impose a second burden on just managing UK households.

The best thing would be the creation of UK employment opportunities with a deliberate focus on pushing up UK wage rates: a Green New Deal has by far the best chance of doing that by creating local jobs in every UK constituency.

A third option would be to cut VAT for a year whilst the inflation works through the system. There is a cost: the QE programme could cover it. We are after all running a government surplus this year after QE is taken to account (debt in the hands of third parties will be lower at the end of this financial year than at the start: that is a surplus).

A fourth option is to increase the minimum wage. This protects the vulnerable.

But to say we need to think unconventionally in these quite radical ways to deal with the crisis we are facing is to understate the scale of the issue. Brexit will be more than a Marmite test by the time that the impact of these ongoing falls in the value of the pound hit the economy: it will be a subject of universal loathing.

The government may want to take note.