# Profit warnings from FTSE retailers double in Q2 amid tariff and geopolitical pressures



Profit warnings from FTSE-listed retailers have doubled in the second quarter of 2025, highlighting growing economic uncertainty amid a mix of tariff-related anxieties, geopolitical tensions, and shifting government policies. According to the latest report from EY-Parthenon, seven UK-listed retailers issued profit warnings between April and June, up from three in the first quarter of the year. This sharp increase contributes to a wider trend affecting London-listed companies across all sectors, where profit warnings rose 20% year on year to a total of 59 in the quarter. Nearly a fifth of listed companies have issued at least one warning in the past 12 months, underscoring pervasive financial strains throughout the UK economy.

The personal care, drug, and grocery sectors were particularly impacted, accounting for three of the profit warnings in Q2, despite the sector having recorded only four such warnings in the entirety of 2024. Wholesaler Kitwave and retail bakery Greggs were among those recently citing disappointing profit outlooks. Silvia Rindone, EY’s UK & Ireland retail lead, attributes the surge in warnings to weakening consumer demand combined with deep structural challenges facing retail. She noted that retailers report a significant shift in consumer behaviour towards value-driven purchasing and declining brand loyalty, putting additional pressure on already cost-constrained businesses.

Retailers are caught in a bind, forced to invest in technology such as artificial intelligence to remain competitive even as they face increasing input costs—ranging from higher national insurance contributions and an elevated national living wage to increased tariffs on imports. "The winners will be those who get the basics right, such as range, service, and pricing, whilst continuing to build for the future with leaner models, sharper propositions, and digital resilience," Rindone added.

Jo Robinson, an EY-Parthenon partner specialising in turnaround and restructuring strategy, highlighted the broad interplay of geopolitical and policy upheavals that exacerbate uncertainty. Nearly half of all profit warnings in Q2 cited geopolitical uncertainty or policy shifts, while 40% referenced delayed or cancelled contracts and orders, a record high. Tariffs and global trade disruptions, in particular, have emerged as critical factors impacting confidence, decision-making, and investment decisions among UK businesses.

This growing wariness is not new; in 2024, one in five UK-listed companies issued profit warnings, marking the third highest annual rate since 2000, only surpassed by the pandemic and the dot-com crash periods. The predominant reasons then were contract cancellations, order delays, and rising operational costs. The cautious stance taken by many companies stems from an unstable global environment combined with domestic policy changes, leading to a reluctance to commit to discretionary spending and reinforcing longer-term structural challenges.

High-profile cases have underscored these trends. For example, Frasers Group issued a profit warning following what it described as a "damaging" Budget, with the company attributing a substantial projected profit hit to increases in national insurance and the national living wage. Despite these setbacks, analysts remain cautiously optimistic about strategic progress among some retailers.

Looking back, Q1 2025 on its own saw 62 profit warnings among UK-listed firms, an 11% drop year-on-year, though the proportion of firms warning over the prior 12 months remained elevated at 18%. Contract and order disruptions were cited as the most common cause of warnings, while labour market pressures and geopolitical uncertainty also played significant roles. The months since then have seen these issues deepen further, with tariff disruptions and their economic fallout magnifying underlying weaknesses.

In this challenging landscape, companies will need to prioritise agility and resilience, focusing on operational efficiency and maintaining flexible business models to navigate ongoing uncertainty. Although the retail sector shows signs of strain amid changing consumer behaviour and rising costs, those which adapt their propositions and harness digital tools effectively may yet succeed in a rapidly evolving market environment.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.thegrocer.co.uk/news/profit-warnings-double-at-ftse-retailers-in-q2/707086.article), [[2]](https://www.thegrocer.co.uk/news/profit-warnings-double-at-ftse-retailers-in-q2/707086.article)
* Paragraph 2 – [[1]](https://www.thegrocer.co.uk/news/profit-warnings-double-at-ftse-retailers-in-q2/707086.article), [[2]](https://www.thegrocer.co.uk/news/profit-warnings-double-at-ftse-retailers-in-q2/707086.article)
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* Paragraph 8 – [[5]](https://www.ey.com/en_uk/newsroom/2025/05/ey-parthenons-latest-profit-warnings-q1-2025)
* Paragraph 9 – [[1]](https://www.thegrocer.co.uk/news/profit-warnings-double-at-ftse-retailers-in-q2/707086.article), [[2]](https://www.thegrocer.co.uk/news/profit-warnings-double-at-ftse-retailers-in-q2/707086.article), [[5]](https://www.ey.com/en_uk/newsroom/2025/05/ey-parthenons-latest-profit-warnings-q1-2025)

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## Bibliography

1. <https://www.thegrocer.co.uk/news/profit-warnings-double-at-ftse-retailers-in-q2/707086.article> - Please view link - unable to able to access data
2. <https://www.thegrocer.co.uk/news/profit-warnings-double-at-ftse-retailers-in-q2/707086.article> - The number of profit warnings issued by FTSE retailers has doubled over the second quarter of 2025, as uncertainty over tariffs and geopolitical forces was compounded by government policy shifts. London-listed retailers issued seven profit warnings in the three months to 30 June 2025, up from three in the first quarter, according to EY-Parthenon’s latest profit warnings report. Three of the profit warnings came from personal care, drug and grocery stores – a sector which only saw four warnings in all of 2024. Businesses across the UK showed signs of strain, with the number of profit warnings issued by London-listed companies across all sectors rising 20% year on year to 59. Over the last 12 months, nearly a fifth (19%) of listed companies have issued at least one profit warning. Wholesaler Kitwave and retail bakery Greggs were among the latest to warn investors of downgraded profit expectations. Silvia Rindone, UK&I retail lead and partner at EY, said the spike in warnings was down to weakening consumer demand and deep structural headwinds facing the sector. “Retailers we speak to tell us that falling sales are currently indicative of a longer-term shift, with consumers becoming more value-focussed and less brand-loyal, which leaves cost-pressured retailers in a bind,” she said. Retailers must continue to invest in technology, including AI, she added, despite the pressures from rising input costs like national insurance contributions, an improved national living wage and higher tariffs. “While the announcement of global tariffs has clearly played a part in amplifying uncertainty, they are just one factor among broader geopolitical and policy upheaval. These pressures are often interlinked and, combined, they are having a significant effect on companies’ confidence, decision-making and spending,” said Jo Robinson, EY-Parthenon partner and UK&I turnaround and restructuring strategy leader. The number of warnings from companies across all sectors citing geopolitical uncertainty or shifting policy shot up to 46% in Q2, with a record 40% also citing delayed or cancelled orders. Rindone added: “The winners will be those who get the basics right, such as range, service and pricing, whilst continuing to build for the future with leaner models, sharper propositions, and digital resilience.”
3. <https://www.ft.com/content/baef306a-be98-4426-aece-1d60aab78646> - In 2024, one in five UK-listed companies issued profit warnings due to rising costs and a reluctance to commit to optional spending. A report by EY-Parthenon indicated this as the third highest proportion since 2000, surpassed only during the dotcom bust and the pandemic. The trend highlights growing financial distress, especially for business service providers, industrial suppliers, and recruitment companies—all heavily affected by reduced corporate spending. High-profile companies like Frasers Group and Vistry also struggled, with a significant number attributing their warnings to contract cancelations and delays. This cautious approach stems from global instability and policy changes, causing companies to become overly optimistic based on past performances despite volatile economic conditions. Rising costs and the need to refinance in an environment of higher borrowing costs are anticipated to increase insolvency risks in the coming years.
4. <https://www.ft.com/content/a171851c-58b1-4ab8-9bed-9a46292afef7> - Frasers Group, owned by Sports Direct's Mike Ashley, issued a profit warning due to weak consumer confidence after a "damaging" Budget, causing shares to drop over 12%. The company now forecasts an adjusted profit before tax of £550mn to £600mn for the year, down from previous guidance. Frasers blamed the Budget, particularly increased national insurance costs and a rise in the national living wage, for at least a £50mn hit in the next financial year. CEO Michael Murray criticized the Budget's impact, saying the company may increase prices to mitigate effects. Despite a 8.3% fall in group revenue and a decrease in pre-tax profits for the six months to October 27, Jefferies analyst Andrew Wade remains positive about Frasers' strategic progress. Frasers is also dealing with legal issues involving Boohoo, including allegations of stalking executives and surveillance equipment found outside Boohoo's head office.
5. <https://www.ey.com/en_uk/newsroom/2025/05/ey-parthenons-latest-profit-warnings-q1-2025> - UK-listed companies issued 62 profit warnings during Q1 2025, an 11% year-on-year fall, however the proportion of listed firms to warn in the last 12 months remains high (18%). EY-Parthenon’s latest Profit Warnings report found that the leading factor behind profit warnings in Q1 was contract and order cancellations or delays, cited in 40% of warnings – the highest percentage recorded for this cause in 25 years of EY’s analysis. Policy change and geopolitical uncertainty (26%) and labour market issues (18%) were cited as the other main drivers for warnings during Q1. So far in Q2, half (50%) of the profit warnings issued by UK-listed businesses in April cited the direct or indirect impact of tariffs and resulting recent global trade disruption. The average share price fall on the day of warning also climbed, up from 13% in Q4 2024 to 17% in Q1 2025 and almost a fifth (19%) in April 2025. Jo Robinson, EY-Parthenon Partner and UK&I Turnaround and Restructuring Strategy Leader, said: “The first quarter of 2025 may now feel like a different era for many businesses, but the latest profit warnings data reveals underlying weaknesses that will be magnified by recent tariff disruptions and the resulting economic fallout. Nearly one in five listed firms issued a warning in the last 12 months and that's a level typically associated with a period of economic shock. UK businesses have faced unprecedented challenges in recent years and have developed admirable levels of resilience in response, which should serve many well as the global economy navigates the coming months of uncertainty. At times like these, businesses must focus on staying nimble by planning for a range of different scenarios and continuing to build operational and financial resilience.
6. <https://www.ey.com/en_uk/newsroom/2025/01/one-in-five-uk-listed-companies-issued-profit-warning-in-2024> - One in five (19%) UK-listed companies issued a profit warning in 2024, the third highest annual proportion in 25 years, behind only the 2020 pandemic (35%) and the impact of the dot-com bubble burst and 9/11 in 2001 (23%). EY-Parthenon’s latest Profit Warnings report found that UK-listed companies issued 274 profit warnings last year – including 71 in Q4 – down slightly from the 294 issued during 2023. The leading factor behind profit warnings in 2024 was contract and order cancellations or delays, cited in 34% of warnings, including 39% in Q4 – the highest quarterly percentage for this reason in more than 15 years. Increasing costs triggered nearly one in five (18%) warnings in the last 12 months. Jo Robinson, EY-Parthenon Partner and UK&I Turnaround and Restructuring Strategy Leader, said: “It’s clear that companies have faced an extraordinary succession of forecasting challenges since the pandemic, contending with interconnected disruptions to supply chains, material and energy costs, and the labour market, as well as higher interest rates. 2024 was also an exceptional year for global geopolitical uncertainty and policy upheaval, with a record level of profit warnings linked to contract and spending delays as businesses held back from recruitment and investment. As a result, companies’ forecasting strategies need to respond to both short-term policy changes and deeper structural issues.
7. <https://www.thegrocer.co.uk/news/profit-warnings-ramp-up-across-retailers-in-golden-quarter/700282.article> - Profit warnings at UK retailers ramped up in the final ‘golden quarter’ of the year as consumer confidence remained under pressure. London-listed retailers issued seven profit warnings in the three months to 31 December, a significant increase from the one warning in the third quarter, according to EY-Parthenon’s latest Profit Warnings report. Although the total number of warnings for the sector decreased from 24 in 2023 to 20 in 2024, the proportion of listed retailers issuing warnings only saw a marginal decline, from 39% to 38%. Half of all FTSE retailers’ profit warnings in 2024 cited weaker confidence as a leading factor. Pets at Home, Frasers Group and Shoe Zone were three of the FTSE retailers to warn about lower profits than expected in the final quarter of 2024 as businesses worried about the impact of tax rises and increased labour costs in the wake of October’s budget. “Profit warnings in the retail sector remained prevalent in 2024,” said Silvia Rindone, EY partner and UK&I retail lead.