# Kingfisher surprises as UK economic outlook dims amid inflation and sluggish growth



On a day marked by mixed signals for the UK economy, investors saw a subdued performance from blue-chip stocks on the FTSE 100, which closed marginally down by 3.36 points at 9,223.32. Despite this, the FTSE 250 and AIM All-Share indices recorded modest gains, signaling pockets of resilience amid caution around inflation and growth prospects. The standout performer was Kingfisher, the retail giant behind brands such as B&Q and Screwfix, which saw its shares soar by nearly 15% following a robust set of interim results and a raised profit forecast.

Kingfisher reported an adjusted pre-tax profit of £368 million for the first half of the financial year ending July 31, significantly surpassing analyst consensus. Sales grew by 1% to £6.81 billion, bolstered by favourable weather conditions that drove demand for outdoor products like garden furniture and barbecues. The retailer consequently upgraded its full-year profit guidance to target the upper end of the previously stated £480 million to £540 million range, slightly above last year’s £528 million. CEO Thierry Garnier acknowledged prevailing consumer and political uncertainties but emphasized confidence in the company’s growth trajectory, with an accelerated £300 million share buyback programme anticipated to complete by March 2026. The positive momentum in home improvement and retail sectors extended beyond Kingfisher, lifting shares of other builders’ merchants and high-street retailers such as Howden Joinery, Wickes, Travis Perkins, Marks & Spencer, and JD Sports.

However, this optimism contrasted with broader economic indicators pointing to headwinds. The Organisation for Economic Co-operation and Development (OECD) issued a sobering inflation outlook, raising its forecast for UK inflation to 3.5% in 2025—the highest among G7 economies—and warned that inflation will linger above the Bank of England’s 2% target until 2026, when it is expected to ease to 2.7%. Growth projections have been downgraded slightly, with UK GDP expected to expand by 1.4% in 2025 before slowing to a mere 1.0% in 2026. The OECD cited factors such as a tighter fiscal stance, increased trade costs, and ongoing uncertainty that are likely to stifle both domestic and external demand.

These inflationary pressures are echoed in recent official data and market assessments. S&P Global’s purchasing managers’ index (PMI) for the UK composite output dropped to 51.0 in September—the lowest in four months—highlighting a deceleration in economic activity driven by a sharp decline in manufacturing output. Barclays economists interpret these figures as evidence of a broad-based weakening in private sector activity, with labour market conditions softening and employment headcounts retracting. Nevertheless, Barclays also noted encouraging signs on the inflation front, pointing to declines in both input costs and output price metrics at the composite level.

The Bank of England's chief economist, Huw Pill, has similarly indicated a cautious but more comfortable stance regarding the inflation outlook compared to earlier this year. Pill supported the recent decision to hold the base interest rate at 4% amid persistent inflation pressures, which peaked at 3.8% in August and are forecast to hit 4% in September. These rates remain significantly above the BoE’s 2% inflation target, which is not expected to be met until spring 2027, reflecting structural challenges such as labour market sluggishness, Brexit-related disruptions, immigration policy changes, and recent business tax hikes. Pill also voiced opposition to slowing the reduction of the BoE’s substantial government bond holdings, advocating instead for a more assertive approach to balance sheet normalisation.

Despite these inflation risks and economic headwinds, there is some positive stimulus for the UK economy in the pipeline. Fintech company Revolut announced plans to invest £3 billion into its UK operations over five years, promising the creation of around 1,000 new jobs. Chancellor Rachel Reeves welcomed this investment, framing it as evidence that the UK remains "open for business" under the current government.

On the global stage, the OECD report highlights that while the full impact of recent US tariff increases has yet to fully materialise, global growth remains relatively robust, buoyed by significant investment in artificial intelligence and fiscal support in China. The international body revised its global growth forecast for 2025 upwards to 3.2%, though it cautions that future trade tensions could dampen this outlook. For the UK, ongoing geopolitical and economic uncertainties suggest that cautious optimism should prevail, particularly given the elevated inflationary backdrop and softening private sector activity.

In summary, Kingfisher’s strong financial performance offers a bright spot in a UK economic landscape overshadowed by persistent inflation and subdued growth forecasts. Policymakers and market participants remain alert to the challenges posed by a complex web of domestic fiscal constraints, global trade dynamics, and structural issues that could temper the pace of economic recovery in the coming years.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.independent.co.uk/news/business/kingfisher-aim-london-oecd-rachel-reeves-b2832309.html), [[2]](https://www.reuters.com/world/uk/home-improvement-retailer-kingfisher-raises-forecast-strong-uk-demand-2025-09-23/)
* Paragraph 2 – [[1]](https://www.independent.co.uk/news/business/kingfisher-aim-london-oecd-rachel-reeves-b2832309.html), [[2]](https://www.reuters.com/world/uk/home-improvement-retailer-kingfisher-raises-forecast-strong-uk-demand-2025-09-23/)
* Paragraph 3 – [[1]](https://www.independent.co.uk/news/business/kingfisher-aim-london-oecd-rachel-reeves-b2832309.html), [[7]](https://www.itv.com/news/2025-09-23/uk-inflation-set-to-rise-to-highest-in-g7-by-end-of-the-year-oecd-warns)
* Paragraph 4 – [[1]](https://www.independent.co.uk/news/business/kingfisher-aim-london-oecd-rachel-reeves-b2832309.html), [[5]](https://www.reuters.com/sustainability/sustainable-finance-reporting/uk-inflation-holds-38-highest-among-big-rich-economies-2025-09-17/)
* Paragraph 5 – [[3]](https://www.reuters.com/world/uk/boe-hawk-pill-says-he-is-more-comfortable-inflation-risk-2025-09-23/), [[5]](https://www.reuters.com/sustainability/sustainable-finance-reporting/uk-inflation-holds-38-highest-among-big-rich-economies-2025-09-17/)
* Paragraph 6 – [[1]](https://www.independent.co.uk/news/business/kingfisher-aim-london-oecd-rachel-reeves-b2832309.html), [[7]](https://www.itv.com/news/2025-09-23/uk-inflation-set-to-rise-to-highest-in-g7-by-end-of-the-year-oecd-warns)
* Paragraph 7 – [[1]](https://www.independent.co.uk/news/business/kingfisher-aim-london-oecd-rachel-reeves-b2832309.html), [[4]](https://www.reuters.com/world/china/oecd-says-full-brunt-us-tariff-shock-yet-come-growth-holds-up-2025-09-23/)
* Paragraph 8 – [[1]](https://www.independent.co.uk/news/business/kingfisher-aim-london-oecd-rachel-reeves-b2832309.html), [[2]](https://www.reuters.com/world/uk/home-improvement-retailer-kingfisher-raises-forecast-strong-uk-demand-2025-09-23/), [[3]](https://www.reuters.com/world/uk/boe-hawk-pill-says-he-is-more-comfortable-inflation-risk-2025-09-23/), [[7]](https://www.itv.com/news/2025-09-23/uk-inflation-set-to-rise-to-highest-in-g7-by-end-of-the-year-oecd-warns)

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## Bibliography

1. <https://www.independent.co.uk/news/business/kingfisher-aim-london-oecd-rachel-reeves-b2832309.html> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/uk/home-improvement-retailer-kingfisher-raises-forecast-strong-uk-demand-2025-09-23/> - Kingfisher, the parent company of B&Q and Screwfix, has raised its full-year profit forecast following a strong first-half performance, particularly in the UK. The company reported a 10.2% increase in first-half profits, reaching £368 million, with total sales rising 1% to £6.81 billion. This growth was driven by favourable weather that boosted sales of outdoor goods like garden furniture and barbecues. As a result, Kingfisher now targets the upper end of its adjusted pre-tax profit guidance of £480–£540 million, up from £528 million in the previous year. CEO Thierry Garnier reaffirmed market expectations while acknowledging ongoing consumer and political uncertainties. Additionally, Kingfisher is accelerating its £300 million share buyback programme, expected to conclude by March 2026.
3. <https://www.reuters.com/world/uk/boe-hawk-pill-says-he-is-more-comfortable-inflation-risk-2025-09-23/> - Bank of England Chief Economist Huw Pill stated he is now more comfortable with the inflation outlook in the UK than he was earlier this year, reflecting changing market conditions and risks. Although previously vocal about inflation threats, Pill acknowledged a shift in risk balance and supported the decision to hold the BoE’s interest rate at 4%. However, he had previously dissented against rate cuts in May and August. UK inflation stood at 3.8% in August—highest among G7 nations—and is expected to peak at 4% in September, far above the BoE’s 2% target, which is not projected to be met until spring 2027. Contributing to inflation pressures are structural issues such as labour market sluggishness post-COVID, Brexit, immigration policy changes, and recent business tax increases. The OECD also raised the UK’s 2025 inflation forecast to 3.5% and 2026 to 2.7%. Pill also expressed dissent against slowing the reduction of the BoE’s government bond holdings from its quantitative easing programme, arguing that the central bank has adequate tools to manage market risks and should proceed more assertively in shrinking its balance sheet.
4. <https://www.reuters.com/world/china/oecd-says-full-brunt-us-tariff-shock-yet-come-growth-holds-up-2025-09-23/> - The OECD's September 2025 Interim Economic Outlook report indicates that global economic growth is holding up better than expected, largely due to continued U.S. investment in artificial intelligence and fiscal support in China. However, the full impact of increased U.S. tariffs is yet to unfold, with many firms still operating off stockpiled inventories. The effective U.S. tariff rate on imports has risen to 19.5%, the highest since 1933. Despite this, the OECD revised its 2025 global growth forecast upward to 3.2% from 2.9% in June but maintained its 2026 growth forecast at 2.9%, anticipating that tariffs will eventually weigh on trade and investment. For individual economies, the OECD expects U.S. growth to decline from 2.8% to 1.8% in 2025, before falling further in 2026. China is projected to grow 4.9% in 2025 and 4.4% in 2026. The euro zone’s growth is expected to slow due to trade tensions, while Japan and the UK are expected to see modest gains. With inflation easing, most central banks are forecast to lower or maintain interest rates, except in Japan, where gradual rate hikes are anticipated.
5. <https://www.reuters.com/sustainability/sustainable-finance-reporting/uk-inflation-holds-38-highest-among-big-rich-economies-2025-09-17/> - In August 2025, the UK's inflation rate remained at 3.8%, the highest among major advanced economies, reinforcing expectations that the Bank of England (BoE) will not cut interest rates again this year. Although core inflation and consumer services inflation have slightly declined, overall price growth remains elevated, particularly due to higher petrol prices and hospitality costs. Food and non-alcoholic drinks prices also saw a notable 5.1% year-on-year increase. The BoE is expected to maintain its benchmark interest rate at 4%, following a 25bps cut in August, with persistent inflation limiting further easing. Despite easing labour market conditions and slower wage growth, wages remain elevated at 4.8% for basic pay, complicating inflation control. Compared to the U.S. (2.9%) and the euro zone (2.1%), UK inflation remains significantly higher. The BoE has projected inflation to peak at 4% in September and remain above its 2% target until spring 2027. Weak UK economic growth of just 0.2% over three months to July adds further challenges. Economists suggest further rate cuts may occur next year, but not imminently due to ongoing inflationary pressures.
6. <https://www.oecd-ilibrary.org/en/publications/oecd-economic-outlook-interim-report-march-2025_89af4857-en.html> - The OECD's March 2025 Interim Economic Outlook report highlights that inflationary pressures persist in many economies, with headline inflation projected to fall from 3.8% in 2025 to 3.2% in 2026 in the G20 economies. However, underlying inflation is expected to remain above central bank targets in many countries in 2026. The report also discusses the potential impact of further trade fragmentation on global growth prospects, noting that an illustrative exercise shows that global output could fall by around 0.3% by the third year, and global inflation could rise by 0.4 percentage points per annum over the first three years if bilateral tariffs are raised further on all non-commodity imports into the United States with corresponding increases in tariffs applied to non-commodity imports from the United States in all other countries.
7. <https://www.itv.com/news/2025-09-23/uk-inflation-set-to-rise-to-highest-in-g7-by-end-of-the-year-oecd-warns> - The Organisation for Economic Co-operation and Development (OECD) predicts that UK inflation will reach 3.5% in 2025, 0.4 percentage points higher than its previous forecast, making it the highest among the G7 economies. The OECD also expects headline inflation to cool to 2.7% in 2026, still above the Bank of England’s 2% target. The report attributes the higher inflation to soaring food prices and anticipates that a tighter fiscal stance, including higher taxes and reduced government spending, will weigh on the economy, with growth expected to ease from 1.4% this year to 1% in 2026.