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UK Profit Warnings Surge Amid Global Trade Disruption and Policy Uncertainty

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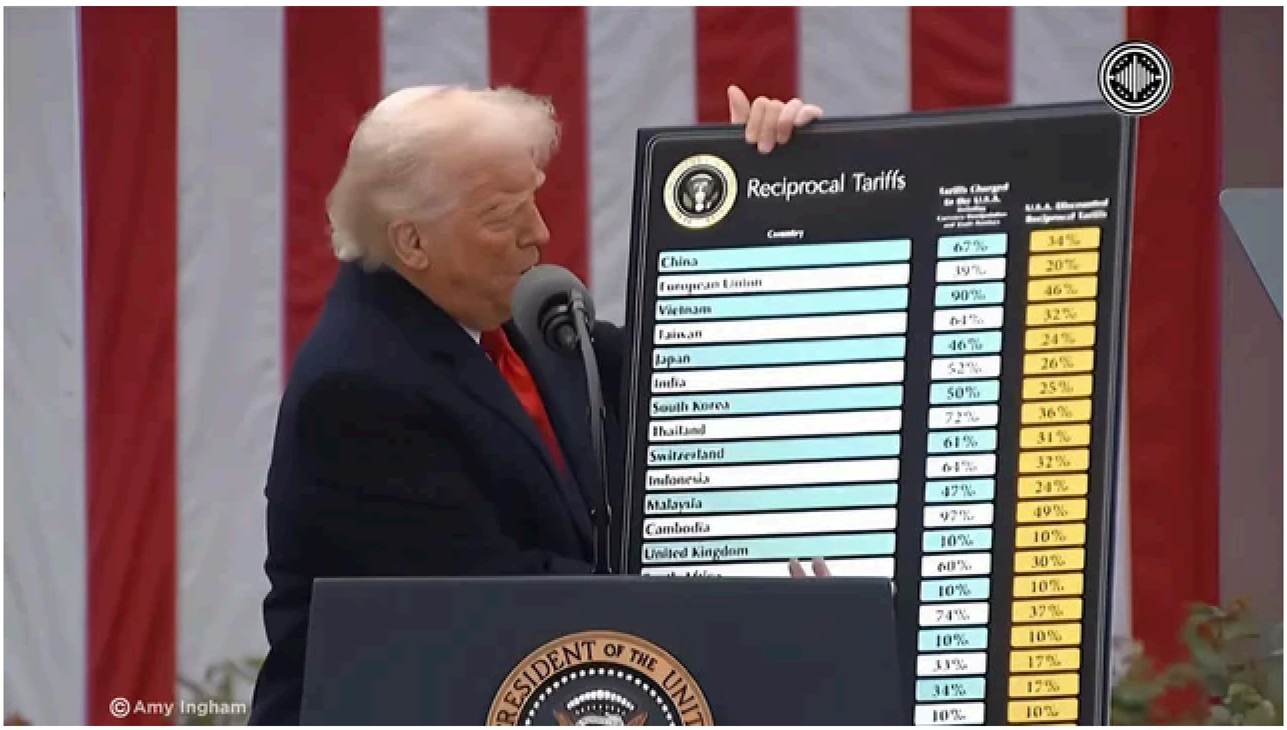

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British public companies are issuing profit warnings at the highest rate in years, as growing global trade tensions and domestic cost pressures combine to challenge corporate stability. According to new figures from EY (Ernst & Young), 59 profit warnings were issued by UK-listed firms in the second quarter of 2025, a 20 per cent increase on the previous quarter and a signal of deeper market unease.

Nearly half (46%) of the warnings cited geopolitical instability, a dramatic rise from just 4 per cent during the same period last year. This marks the highest level recorded by EY in over 25 years of tracking UK corporate performance. Much of this volatility stems from heightened trade friction, especially following the Trump administration's tariff announcements in April, which alone triggered a 24 per cent spike in corporate warnings. About half of those raised concerns specifically tied to new tariffs and the knock-on effects within the United States (US) economy.

High-profile UK firms such as TT Electronics and Clarksons, a global shipbroking group listed on the FTSE (Financial Times Stock Exchange), have pointed directly to these trade shifts as a source of operational difficulty. Analysts suggest that mounting uncertainty is not only affecting short-term performance but is now eroding investor confidence and board-level decision-making.

Jo Robinson, EY's turnaround and restructuring strategy leader, remarked: "The latest profit warnings data reflects the scale of persistent uncertainty and how heavy it continues to weigh on UK businesses. While global tariffs have amplified this, they are part of a broader web of geopolitical and domestic upheaval that is making forecasting incredibly challenging."

Sectors such as industrial support services and retail were among the most exposed, with eight and four warnings, respectively. These businesses are now caught in a pincer movement of external trade shocks and rising domestic operational costs, including the recent hike in National Insurance contributions and increased minimum wage thresholds, factors that, though well-intentioned, are placing pressure on employers already dealing with falling margins.

The broader economic impact is also becoming visible in the labour market. Since October 2024, UK payrolls have seen a contraction of over 184,000 jobs, with retail and hospitality accounting for 70% of the losses. These sectors remain vulnerable to both energy cost volatility and evolving consumer preferences, particularly as footfall shifts further towards digital channels.

Despite the gloomy short-term outlook, EY's retail sector partner, Silvia Rindone, stressed the importance of long-term investment: "Retailers must get the basics right, product range, pricing, and service, while continuing to invest in artificial intelligence (AI) and automation to build leaner, more resilient models. That's the route to long-term survival."

The second quarter also saw contract cancellations and order delays reach record levels, underlining just how fragile both domestic and international demand remains. With global policy shifts happening at speed and often with limited predictability, companies are being urged to adopt flexible yet decisive risk strategies.

“Whether the rise in warnings is cyclical or structural remains to be seen,” said Robinson. “What is clear is that scenario-based planning, combining agility with strategic clarity, is more essential than ever.”

As UK companies navigate one of the most unpredictable commercial climates in recent memory, 2025 is quickly shaping up to be not only a test of profit margins but of business resilience and leadership foresight.