

## Retail Profit Alerts Surge Amid Rising Costs and Weak Demand

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Profit warnings from British retailers more than doubled in the second quarter of 2025, as consumer spending waned and operating costs climbed sharply. A new report from strategy consultancy EY-Parthenon paints a sobering picture for the retail sector, citing economic strain, policy changes, and geopolitical factors as key drivers of financial turbulence.

According to the report, seven United Kingdom-listed retail companies, including major supermarket chains, downgraded their profit forecasts between April and June. The trend marks a significant rise in pressure on the high street, where retailers continue to grapple with the compounded effects of a cautious consumer base and rising wage bills. These wage increases follow earlier policy changes that included hikes to National Insurance Contributions (NICs) and a higher minimum wage introduced in April.

The broader corporate landscape across the United Kingdom also reflects a growing strain. Profit warnings among all United Kingdom-listed firms rose by 20% year-on-year in the second quarter, increasing from 49 to 59 alerts. Nearly half 46%, of these warnings were attributed to policy changes and geopolitical instability, the highest percentage since EY began tracking this data more than 25 years ago. This shift underscores a marked departure from last year, when only 4% of such alerts cited these issues.

Silvia Rindone, partner at EY-Parthenon, emphasised the mounting structural challenges confronting the retail sector. “Retailers we speak to tell us that falling sales are currently indicative of a longer-term shift, with consumers becoming more value-focused and less brand-loyal, which leaves cost-pressured retailers in a bind,” she stated.

The report also noted that tariffs and trade tensions, particularly those stemming from policies introduced by the United States, have fueled uncertainty. Over one-third or 34%—of warnings flagged tariff-related impacts, including lower demand, disrupted supply chains, and currency volatility. Additionally, 40% of firms cited delays or cancellations in contracts and orders, matching a record high.

Jo Robinson, EY-Parthenon’s turnaround and restructuring strategy leader, noted that while market uncertainty has lingered since mid-2024, it has significantly worsened in 2025. “The latest profit warnings data reflects the scale of persistent uncertainty and how heavy it continues to weigh on United Kingdom businesses,” she said. Robinson added that while global tariffs have contributed to this environment, they are just one element in a broader climate of economic unpredictability.

In a challenging retail landscape marked by shifting consumer behaviour and high operating costs, British businesses are being forced to adapt swiftly or face the financial consequences.