Building resilience

EY-Parthenon quarterly analysis of UK profit warnings

Q3 2025

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Contents

Highlights
Q3 2025

Q3 2025 highlights

64	47%	19%	14	6
Profit warnings from UK-listed companies in Q3 2025	Profit warnings triggered by policy change or geopolitical uncertainty in Q3 2025	Profit warnings cite weaker consumer confidence in Q3 2025	FTSE Construction and Materials warnings in 2025	FTSE Media profit warnings in Q3 2025
Warnings fall 24% year-on-year but levels stay elevated with 18% of companies warning in the last 12 months	The impact of policy change and uncertainty – alongside geopolitical tensions – continues to dominate profit warnings	Warnings from consumer-facing companies rise as confidence weakens ahead of the critical 'golden quarter'	Warning levels almost triple compared with 2024 as pressure builds in commercial and housing sectors	The highest number of warnings in almost two years, as the sector feels the impact of corporate spending contraction and structural change

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An uneasy pause

The pace of UK profit warnings steadied over the summer, but weakening confidence — now spreading from businesses to consumers — has cast a shadow over the crucial final quarter.

The surge in profit warnings that began last summer appears to have plateaued. UK-listed companies issued 64 profit warnings in Q3 2025 – slightly higher than the 59 issued in Q2, but well below the 84 recorded in the same period last year. Many of the economic, policy, and geopolitical pressures that drove warnings to elevated levels earlier this year are now reflected in company forecasts, allowing more businesses to meet expectations. However, earnings pressures continue to evolve, with new risks emerging.

The standout trend in Q3 was a marked decline in consumer confidence. Until the summer, industrial and technology sectors bore the brunt of macroeconomic weakness and geopolitical uncertainty. But uncertainty has clearly shifted to households. Almost one in five profit warnings cited weaker consumer confidence – up from just 6% a year ago. Among retailers, where warnings hit their highest level since late 2023, over half referenced falling consumer sentiment.

We're also seeing ripples from earlier geopolitical tensions and policy shifts. Profit warnings citing exchange rate volatility rose to their highest level since 2018, driven by dollar weakness and broader instability. Nearly one in five warnings referenced policy changes, as governments make difficult decisions against a backdrop of higher debt and more volatile bond markets. More companies report struggling to offset rising employment costs through pricing or productivity gains, in this more difficult environment, which adds further margin pressure.

Meanwhile, companies are also still contending with structural changes to their markets and external threats. This paper explores how companies are adapting their supply chains to rising uncertainty and the growing threat of cyber attacks, which are becoming more frequent and severe, disrupting operations and amplifying risk across supply networks.

Buoyant equity markets have sustained a narrative of corporate resilience, but resilience is not immunity. The UK growth outlook is still subdued, and forecasting confidence has been eroded. Restructuring activity continues to rise as constant pressure leaves many companies with tighter liquidity and reduced flexibility.

If this is a pause in profit warnings, it's an uneasy one. Companies still need to focus on adapting and building resilience to thrive in this constantly shifting landscape.

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The standout trend in Q3 was a marked decline in consumer confidence.

Economic outlook

Tough decisions

The global economic landscape has shifted again and, whilst there are signs of resilience, uncertainty is still a dominant theme. For governments, central banks and businesses alike, difficult decisions lie ahead. Growth is slow, inflation is sticky, and policy clarity is elusive – all of which is creating a complex environment to navigate.

UK GDP outperformed expectations in early 2025, but the economy is losing momentum. Growth slowed to 0.3% in Q2, down from 0.7% in Q1, with much of the growth in activity in the second quarter driven by government spending. Consumer spending was almost flat, and business investment fell by 1.1%, reflecting caution amid rising costs and policy uncertainty – factors reflected in the latest profit warning data.

One of the biggest issues in the UK economy is the stubbornness of inflation. The Consumer Price Index held steady at 3.8% in August and is expected to peak around 4%, driven by food, energy and regulated prices. The Bank of England's decision to hold interest rates at 4% reflects its concern over inflation and cutting too soon, despite signs of a softening labour market and economy.

In the UK, long-dated bond yields are now the highest in the G7, driven by concerns over public finances but also accelerated gilt sales by the Bank of England. By selling gilts, the Bank is reducing liquidity in the financial system to help control inflation and signal a shift away from ultra-loose monetary policy. However, this has also contributed to upward pressure on yields, amplifying market concerns about fiscal sustainability ahead of the Autumn Budget.

There are potential upsides if a more positive mood releases business and consumer spending. But domestic and global risks are still finely balanced. The OECD forecasts better-than-expected global GDP growth of 3.2% in 2025, but expects a slowdown to 2.9% in 2026. Whilst trade and industrial production have shown resilience – partly due to businesses front-loading purchases ahead of tariff changes – risks persist. US import tariffs now average 19.5%, the highest since 1933.

For businesses, the message is clear: success will depend on agility, scenario planning and execution. Faster growth is possible – but so is renewed disruption.

UK profit warnings dipped in Q1 2025

Number of profit warnings by quarter

Our profit warning console contains more current and historic data: ey.com/warnings

Sector overview

Consumer focus

The third quarter of 2025 marked a turning point in UK profit warnings, as uncertainty spilled into consumer-facing sectors. This shift follows a first half dominated by warnings in business services and industrial segments, where hesitant spending rippled through the economy and exposed underlying vulnerabilities.

- The FTSE sectors with the highest number of profit warnings in Q3 2025 were: Software and Computer Services (10), Media (6), and Construction & Materials (6) and Retailers (5)
- The FTSE sectors with the highest percentage of companies warning in the last 12 months were: Personal Goods (57%), Technology Hardware and Equipment (53%) and Household Goods and Home Construction (43%).
- In Q3 2025, 47% of warnings cited the impact of geopolitical uncertainty or policy shift, 34% of warnings cited delayed or cancelled orders and 19% cited weaker consumer confidence.

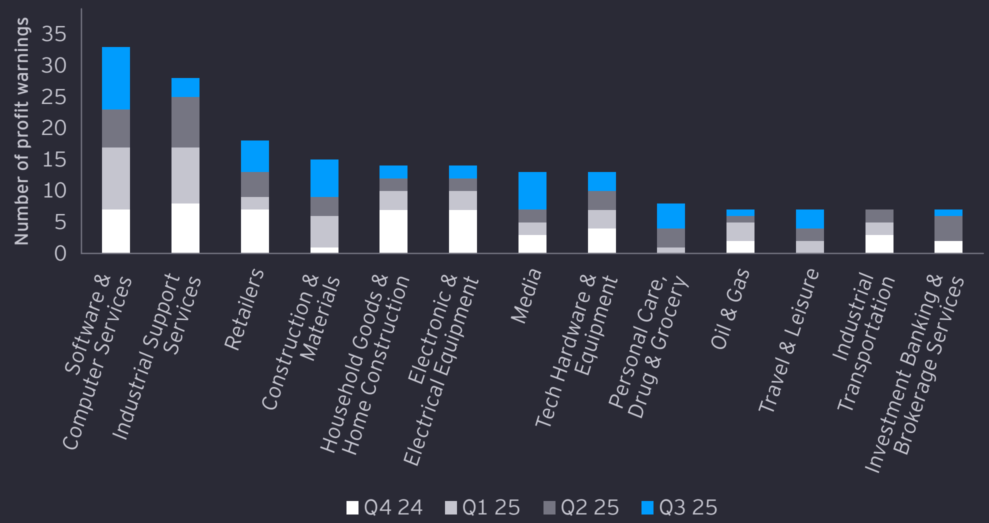
Uncertainty is still the dominant theme in UK profit warnings. What changed in the third quarter was the marked spread of 'confidence warnings' into consumer-facing sectors. Companies in retail, travel, and hospitality reported customers trading down, delaying purchases, and limiting discretionary spending – behaviours that echo earlier warnings from business services and industrial firms.

Across the board, the greatest stress is appearing where multiple pressures converge, and it's in these sectors that we've seen the sharpest rise in profit warnings so far in 2025.

- Labour-intensive consumer sectors are struggling to absorb rising employment costs amid softening demand.
- Construction warnings are already nearly triple their 2024 level, as the sector contends with residential market weakness, commercial uncertainty, budget constraints, and delays tied to new safety regulations.
- Media warnings are at their highest level in almost two years, driven by reduced business spending, shifting consumer habits, and the impact of technological change, especially AI, on legacy models.
- Healthcare warnings reflect shifts in government spending and sector reorganisation, especially in the UK and US, where policy paths are still uncertain.

As uncertainty continues to shape the economic landscape, sectors navigating multiple headwinds – including consumer demand, cost inflation, regulatory change, and digital transformation – are likely to remain at the forefront of profit warning activity.

Profit warnings by FTSE sector in the last 12 months



Our profit warning console contains more current and historic data:
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Navigating uncertainty: supply chain management

Uncertainty is no longer a temporary disruption – it's a defining feature of the business landscape that's prompting UK companies to rethink long-held strategies. Major events like Brexit and the pandemic have kept supply chain risk in focus for over a decade, but the geopolitical and policy shifts of the past year have reshaped the conversation once again.

Nearly half of all profit warnings in the last six months have referenced geopolitical or policy uncertainty – including the impact of tariffs and protectionist policies, potential or actual policy change and fiscal tightening. Almost two in every five warnings have cited delays to contracts and customer spending over the same period.

The EY-Parthenon *CEO Outlook Survey* suggests that many businesses are now treating this level of geopolitical and policy uncertainty as endemic, with 41% of UK leaders expecting this to persist for up to three years. This new reality is forcing a fundamental rethink of long-held strategies, including supply chains.

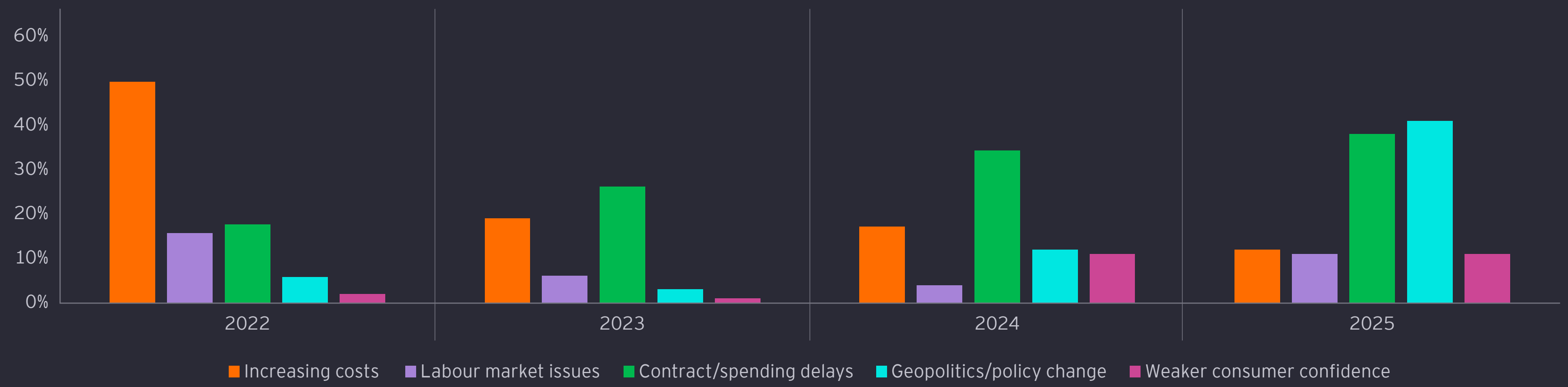
New tariffs, shifting trade thresholds, and sector-specific regulations are turning once-stable supply chains into strategic risks. In response, companies are investing in agility, visibility, and localisation. According to the EY-Parthenon *CEO Outlook Survey*, 41% of UK business leaders have already implemented localisation strategies, with another 44% in progress. Regionalisation is also gaining traction, with 60% viewing it as a long-term strategic pivot.

Technology, sustainability, and strategic partnerships are central to this transformation. AI and automation are enhancing responsiveness, whilst circular economy models and decarbonisation efforts are strengthening resilience. Cyber security has also become a critical element of strategy, with recent attacks exposing vulnerabilities across entire supply chains – as we'll explore later in this paper.

Traditional supply chains were linear. The most resilient supply chains today resemble a spider's web – flexible, adaptive, and built to withstand disruption. In a fractured global economy, resilience depends on preparing for constant change.

Uncertainty remains a dominant feature of profit warnings

Selected reasons for profit warning (%)



Market reaction

Fracturing resilience

In Q3 2025, capital markets continued to show resilience despite persistent geopolitical tensions, tariff escalations, and policy uncertainty. Investors continued to look through the noise, but signs of selective risk aversion are emerging.

Equity markets remained strong in Q3 2025. The FTSE 100 rose 6.7%, its best quarterly performance since 2022, whilst the S&P 500 gained 7.8%, driven by robust earnings in energy, pharma, and AI-led technology stocks. However, market concentration in the S&P 500 is at a 60-year high, with the top 10 stocks accounting for nearly 40% of its value. This raises concerns about the fragility of market confidence, especially since AI firms face mounting pressure to deliver. Bain & Co. estimates the industry will need $2 trillion in annual revenue by 2030 to fund computing power, but could fall $800 billion short, casting doubt on the sustainability of current valuations.

In contrast, bond markets are signalling caution. UK 30-year gilt yields hit a 27-year high in the third quarter, reflecting concerns over fiscal sustainability, sticky inflation, and the Bank of England's accelerated gilt sales. Record gold prices and falling oil prices further highlight investor unease.

Meanwhile, the US dollar has also weakened 7% on a trade-weighted basis – its worst start to a year since 1973 – amid rising debt concerns, reduced trade flows, and political instability, including the fourth quarter government shutdown.

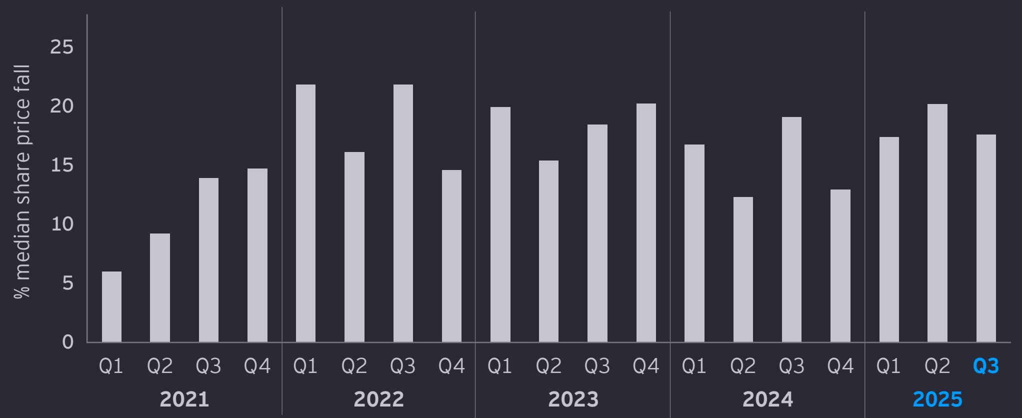
Investor reaction to profit warnings reflects this still cautious mood. The median share price fall on the day of warning rose slightly from 14.2% in Q2 to 14.3% in Q3, whilst the average fall dropped from 20.2% to 17.6%, but this is still well above the post-pandemic average of 15.1%.

This is still a delicately balanced environment. Sustaining current valuations may require a 'Goldilocks' scenario with moderate growth, falling inflation, and rate cuts. But with inflation proving sticky and political uncertainty rising in major economies, including UK, US, and France, there could be greater market volatility – especially if the narrative around future interest rate cuts continues to fluctuate.

Our profit warning console contains more current and historic data: ey.com/warnings

A rollercoaster era in the markets

% median share price drop on day of profit warning



Cyber attacks: from IT concern to strategic imperative

Cyber risk has evolved from a technical issue to a strategic threat and brand-defining concern that sits firmly on the boardroom agenda. These incidents are no longer isolated, they're systemic, and the urgency to act has never been greater.

The nature of cyber threats is changing. Attacks are becoming more sophisticated, often targeting supply chains as entry points. A breach at a single vendor can cascade across ecosystems, disrupting operations, damaging reputations, and shutting down the operations of companies within the supply chain.

Boards need to ask themselves tough questions about their vulnerabilities. What are our critical assets? Who owns cyber risk? How prepared are we to detect, respond to, and recover from an attack? Rehearsals and scenario planning are essential – not just to test systems, but to build confidence that teams know what to do when an attack occurs.

Cyber attacks have also placed supply chain resilience under added scrutiny. Many supplier agreements still lack robust cyber security clauses, leaving organisations exposed. As businesses deepen reliance on cloud platforms and software providers, new points of failure are emerging. Without enforceable standards and a shared understanding of risk, interdependencies can become liabilities. Gartner predicts that by 2027, 17% of cyber attacks will involve generative AI, amplifying both the scale and complexity of threats.

The financial and reputational fallout can be significant. Cyber attacks have forced companies to shut down production, isolate systems, and halt operations for weeks. Financial losses have run into millions, with shutdowns affecting regional economies – making this a systemic issue for government. Beyond the immediate loss in output, customer trust and investor confidence can also be seriously eroded. Credit and trade insurers may tighten terms, with businesses perceived as vulnerable facing reduced cover.

To build resilience, companies need to map dependencies across their full supplier network, embed cyber security into procurement, and invest in secure backups and tested recovery protocols. Localisation and diversification strategies can reduce exposure, whilst AI and automation can enhance threat detection and response.

Cyber risk is now central to value protection. In a volatile and interconnected world, companies must move beyond reactive measures and embed cyber resilience into their core strategy. The cost of inaction is rising – and the time to act is now.

FTSE Travel and Leisure

Is the sector's resilience crumbling? Whilst retailers have faced sustained pressure from weaker consumer confidence and finances, travel and leisure companies have felt the benefit of consumers' pent-up demand for experiences. Profit warnings are still relatively few, but there are signs that the tide is turning

Our Q3 2025 profit warning data highlights a sharp shift in consumer sentiment. Nineteen percent of warnings cited the impact of weaker confidence – up from just 6% a year ago and the highest level since 2022 when a spike in inflation severely dented disposable incomes. This trend aligns with the GfK Consumer Confidence Index, which fell to -19 in September, as economic and Budget concerns weighed on sentiment.

The sector has weathered volatile consumer confidence before, with spending on meals out and holidays typically resilient during downturns. Discretionary spending continues to hold up – but Barclays reported a rise of just 0.2% in September. Meanwhile, rising price sensitivity is becoming a growing challenge amid intensifying cost pressures. Hospitality faces an estimated £3.4 billion in added annual costs, driven by increases in National Insurance, the National Living Wage, business rates, and food and beverage inflation. These pressures are catching up with operators, particularly those with less flexible models or limited pricing power.

Operators with strong branding, adaptable formats, and clear value propositions are better positioned to absorb mounting pressures. As consumers become more selective, authenticity and value increasingly drive choice. Innovation – from small plates and wellness concepts to tech-enabled service models – is helping some operators stay ahead. However, casual dining continues to struggle with market saturation, rising costs, and declining footfall. Many are responding by trimming menus, reducing hours, or shifting toward quick-service formats, although this isn't always effective for family-focused venues where discretionary spend is more vulnerable to price sensitivity.

Pubs are proving more resilient, but managed hospitality groups are generally finding it challenging to deliver like-for-like sales growth in an increasingly competitive and price-sensitive environment.

Travel is also showing signs of feeling the strain of rising costs and changing consumer behaviour. Late and irregular booking patterns are creating challenges around demand and liquidity planning across the airline and holiday sector. Meanwhile, cautious US travellers faced with dollar weakness are travelling less to the UK, softening hotel demand in London in particular, where hoteliers are struggling to maintain the room rate increases achieved in the post Covid period. Budget chains that thrived post-pandemic are also contending with softer demand, aggravating their operating costs challenges.

In a more costly and unpredictable environment, the ability to increase adaptability, innovate, and deliver value will play a big part in helping companies to thrive.

Public sector parallels

Public sector bodies may not feature in profit warning data, but many of the same pressures – rising employment costs, regulatory change, policy uncertainty, and cyber risk – are affecting public institutions, often more intensely due to budget constraints. Where are we seeing the greatest impact – and what knock-on effects are there for the corporate sphere?

The public sector is feeling the pressure too. Universities are contending with falling international student numbers, rising pension liabilities, and constrained research funding, prompting restructuring and course closures. The NHS is contending with staff shortages, growing demand and the rising cost of long-term care. Local authorities are facing acute financial pressure, with several councils issuing Section 114 notices, effectively declaring bankruptcy. These pressures are compounded by increasing social care demands, housing obligations, and infrastructure maintenance. Charities are also under stress, with rising demand for services and stagnant funding leaving many organisations struggling to plan beyond the short term.

These challenges have clear implications for the wider economy. In Q3 2025, 20% of profit warnings cited policy change and regulatory impacts – often linked to the difficult decisions governments must make in the face of rising costs and constrained budgets. Half of the eight profit warnings in FTSE Healthcare sectors over the past two quarters referenced disruption to NHS or US healthcare contracts, also highlighting how fiscal pressure and policy shift isn't limited to the UK.

The fiscal backdrop is unlikely to ease in the near term, making it essential for the public sector to rethink how it delivers services and builds resilience. The EY *Mind the Productivity Gap* report highlights the scale of the challenge: if public sector productivity had kept pace with the private sector between 2019 and 2024, UK GDP would be 3% larger, equivalent to £80bn annually. Without intervention, this shortfall could grow to £170bn a year by 2030.

The public sector faces the same imperative as the private: to adapt, innovate, and improve efficiency. Whether through digital transformation, modernisation of assets, smarter procurement, or cross-sector collaboration, public bodies must find new ways to deliver value, protect services, and support the broader economy in an increasingly complex and uncertain environment.

FTSE Retailers

An unusually high number of summer retail profit warnings is clouding the outlook for the crucial final quarter. With five warnings from FTSE Retailers and four from FTSE Personal Care, Drug and Grocery Stores, this marks the highest combined total since Q4 2023 – and the worst third quarter since 2022.

Over half of Q3 2025 retail profit warnings cited weaker consumer confidence, the highest level since inflation peaked at over 11% in 2022. Retailers report more selective spending, delayed purchases, and trading down to lower-cost options with concerns around job security, inflation, and the upcoming Budget – scheduled just days before Black Friday – weighing on sentiment.

Cost pressures are also intensifying. The retail sector employs 10% of the UK workforce and is heavily exposed to rising National Insurance and the National Living Wage. Whilst some retailers have been able to adjust their cost base in response, others are struggling to absorb increases or raise prices.

This has left many retailers caught between rising costs, discount saturation, and value-driven consumers. Even discounters, typically resilient in downturns, face fierce competition and margin pressure.

With the golden quarter underway, success depends less on which sub-sector you are in and more on how well you execute. Resilient retailers have strong operations, clear propositions wand agility with a clear focus on core ranges, full-price strategies, and digital resilience.

FTSE Media

FTSE Media companies issued six profit warnings in Q3 2025 – an almost two-year high – with 30% of the sector warning over the past 12 months. Warnings have been concentrated among media agencies and programme commissioners, driven by falling revenues, rising costs, and shifts in consumption habits.

Whilst advertising spend is rising overall, growth is focused on search, retail media, and online display – formats favouring digital-first platforms. Traditional broadcasters, reliant on linear TV ad spend, are seeing their share eroded as advertisers shift budgets to more targeted, measurable channels.

Audience behaviour continues to evolve. Broadcast content still dominates in-home viewing, but linear TV consumption is declining – especially among younger demographics. This fragmentation is weakening legacy revenue models and intensifying competition from social media and AI-driven platforms.

Programme makers are under pressure, with domestic broadcasters cutting investment in original content due to tighter budgets. This has delayed unscripted and mid-budget productions, leaving independent producers exposed.

Media companies also face rising operational costs, including wage inflation and energy bills, alongside policy uncertainty ahead of the Budget. Global factors – such as US tariff hikes and production slowdowns – are compounding the strain, with the UK's media sector closely tied to international markets, as seen during the US strike.

FTSE Construction and Materials

The FTSE Construction and Materials sector has come under renewed pressure in 2025, issuing 14 profit warnings – nearly triple the total for all of 2024.

In 2024, the sector's recovery was supported by repair and maintenance demand, easing costs, and infrastructure investment. In 2025, these gains have been eroded by renewed cost pressures, regulatory disruption and weaker demand, exposing persistent structural weaknesses.

In 2025, over 70% of sector profit warnings cited weaker confidence or slippage in contract starts and project timelines, which disrupt delivery and strain working capital.

Regulatory complexity – particularly from the Building Safety Act – continues to slow approvals, whilst legacy liabilities and labour shortages weigh on margins. Rising National Insurance Contributions have added further cost pressure.

The latest Construction Purchasing Managers Index (PMI) suggests that pressure is widespread. The index, which has been negative for the whole of 2025, shows residential, commercial, and civil engineering activity all contracting in September, held back by client hesitancy.

Stress has so far been concentrated among smaller firms and contractors, but warnings are rising among larger, mid-market companies. The average turnover of companies issuing warnings in 2025 is just over £400m, up from £300m in 2024 and £200m in 2023 – suggesting broader sector-wide strain.

UK overview

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Midlands/East Anglia

Yorkshire/North East

North West

Scotland and NI

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