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An insight into the UK's Recruitment Margins

INVESTMENT VOLUMES WORSEN

The pricing disparity between buyers and sellers maintained during the first half of this year, with the slowing of investment volumes worsening the problem and leaving buyers and sellers with minimal transactional information to judge current price levels. A lack of transactional data can, in turn, lead to additional drops in investment by increasing market players' uncertainty.

COMMERCIAL

-2.59%

22.77%

The **Commercial** sector experienced a significant decline of 2.59% to **22.77%** this quarter. Clothing stores witnessed uneven demand as customers chose cheaper products, and unfavourable weather conditions hindered sales of spring and summer ranges. Demand for durable goods remained low, and home improvement stores faced a continued decline in demand due to rising living costs, reduced pandemic-related demand, and higher loan rates. Despite the improved availability of new automobiles, some consumers were discouraged by long wait times, leading to increased demand for used cars. Sales increased due to pricing, while overall volume remained relatively stable. However, the decrease in volume resulted in reduced demand for candidates and lower profit margins for recruiters in this sector.

HOSPITALITY

+0.36%

22.93%

Hospitality has increased by 0.36%, increasing the margin percentage to **22.93%**. Despite slower footfall patterns, restaurants and pubs indicated robust consumer spending as prices rose. In general, there was a high demand for accommodation. The tourism industry predicted a healthy summer, with any decrease in demand from fewer staycations likely to be compensated by an increase in international tourists. Recruiters' margins will increase with the demand for candidates to support the industry's growth.

INDUSTRIAL

-1.98%

21.82%

The **Industrial** sector has decreased by 1.98% to **21.82%**. Despite industrial market issues, retail sales volumes continued to fall in the first half of 2023. This would have negatively impacted occupiers within the industry and reduced the demand for workers along with recruiter's margins. Make UK, which represents 20,000 manufacturers nationwide, has warned that British companies risk losing out to businesses from other parts of the world due to the government's absence of a long-term industrial strategy.

Margin = Sales less payroll costs, which is made up of contractor/temp wages, including NI where applicable. Percentage figures shown = margin/sales x 100

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CONSTRUCTION

-0.39%

12.21%

The **Construction** sector saw another decline of 0.39% this quarter to **12.21%**. Construction output volumes have fallen due to lower public and housing industry demand and higher expenses and planning restrictions. Homebuilders responded to reduced demand by decreasing their building rates, while the increased costs of improving existing housing units slowed down social housing construction. The slowdown in home renovation spending indicated financial strain on households. The construction of office and commercial structures has been sluggish due to higher finance and construction costs, resulting in reduced potential profits. Despite a positive demand for office renovation, the public sector's demand declined as rising prices limited project budgets. All of this has led to the need for workers decreasing, and recruiter margins.

DRIVING

+0.78%

20.42%

The **Driving** sector increased this quarter by 0.78% to **20.42%.** Shippers' use of freight brokers surged considerably during the most challenging supply chain crisis in recent history. The value proposition of freight brokers is too compelling for many shippers to return to insourced freight management. It's hardly surprising, however, that despite recent setbacks, the freight brokers polled indicated optimism about future growth, profit sustainability, and growing usage. Demand for more workers increases as the supply chain stabilises, meaning profit margins for recruiters are following suit and increasing.

OIL & GAS

-5.15%

20.14%

Another sector where recruiters' margins have decreased is **Oil & Gas**, with a dramatic 5.15% fall from 25.29% to **20.14%**. A drop in energy prices, as energy bills and oil prices are among the most powerful influencers on a consumer's perception of inflation. Indeed, a mild winter, as well as policy and behavioural reforms, helped to alleviate the energy crisis in winter 2022/2023, resulting in a recent drop in domestic energy costs, with the Chancellor announcing in March that the Energy Price Guarantee would be kept at £2,500 for another three months, until the end of June 2023. As anticipated, it would then rise to £3,000 from July 2023 to March 2024. Watching how this plays out in future quarters will be interesting.

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