simplicity

20 YEARS IN BUSINESS

Q2 2024

MARGIN INDEX

AN INSIGHT INTO THE UK'S RECRUITMENT PROFIT MARGINS

https://www.simplicityinbusiness.co.uk/margin-calculator/

Executive Summary

Demand for goods and services rose promisingly in Q2, bouncing back from the Q1 slowdown, partly due to weather conditions. Despite consumer caution posing a challenge, they remain optimistic. Potential reductions in the Bank Rate, increasing real incomes, and major summer sporting events are expected to fuel further quarterly volume growth this year.

Commercial

This quarter, the **Commercial** sector fell by 2.15 % to **23.37%.** Retail demand remains subdued, with contacts expecting a gradual recovery as rising real incomes slowly reduce consumer caution on discretionary spending. While demand for electrical appliances is normalising post-pandemic, big-ticket household goods and home improvement products continue to see weak sales. Higher financing costs and declining used-car prices are impacting new car demand. Electric vehicle sales are feeble due to cost, range, charging, and regulatory issues, leading some manufacturers to limit total car sales to meet EV targets.

23.37% -2.15 %

Hospitality

26.25% +3.83%

The **Hospitality** sector has shown a steady 3.83% increase, with the margin percentage rising to **26.25%.** This steady growth, driven by discounts and offers and supported by sector consolidation, reassures us of the sector's resilience. The sector is steadily growing, with recruitment margins rising as staffing increases to meet growing demand.

Industrial

23.37% -2.14%

After an excellent first quarter, **Industrial** has had a decreased of 2.14% to **15.71%.** The prices of materials and fuels imported by UK manufacturers fell by 0.7% in the year to May 2024, improving from a 1.3% decline in April. Positive investment activity, job growth, and an expansion in output are encouraging signs for the sector. Manufacturers' confidence is at its highest since early 2022, with slowing inflation and easing supply-chain disruptions contributing to their optimism. However, recruitment margins are decreasing as manufacturers face a slowdown in the domestic market. They are increasingly relying on exports to sustain their work pipelines.

IT

The **IT** sector has seen an incredible increase of 6.05%, with the margin percentage rising to **23.37%.** The robust earnings growth in the Tech sector, with an expected increase of +15.8% year-on-year, and the anticipation of a +17.4 % rise for the full year 2024, instills confidence in the sector's future prospects. Recruitment margins in the sector are increasing as companies expand their workforce to support this sustained growth.

23.37% +6.05%

Oil and Gas

The **Oil and Gas** industry's recruitment margins decreased by 4.93% to **19.87%**. Refining margins will be significantly lower this quarter due to weak diesel prices and narrower North American heavy crude oil differentials. The energy sector has underperformed the market, primarily due to lower oil and gas prices, and is experiencing the second-largest year-over-year earnings decline among all 11 market sectors.

19.87% -4.93%

Construction

13.85%

-0.41%

The **Construction** industry fell 0.41% this quarter to **13.85%,** keeping margins consistent. The decline in construction output is slowing, with expectations of higher output by year-end due to stabilising costs and a possible bank rate cut. Private housebuilding is down year-on-year, though smaller builders saw a modest Q2 improvement. Large developers focus on social housing, but new builds in this area continue to decline. There are fewer public sector projects due to budget constraints, offset by utility and infrastructure developments. Repair and maintenance remain stable, with ongoing refurbishment for energy efficiency. Commercial development is modestly down, with high costs causing project deferrals and low confidence due to subcontractor failures and long planning processes.

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