

# IPA Bellwether Report – 2021 Q1

## Cuts to UK marketing budgets ease in Q1 2021

### Key points:

- Total marketing budgets fall at the softest rate since the first quarter of 2020
- Coronavirus restrictions continue to weigh on business conditions
- Sentiment regarding industry-wide financial prospects turns positive, while own-company expectations strengthen further
- Budget plans for 2021/2022 point to a recovery in total adspending, led by Main Media

The latest Bellwether survey results pointed to a further decline in UK marketing budgets in the opening quarter of 2021, as coronavirus lockdown restrictions continued to hinder economic activity and businesses looked to reduce costs. However, the downward trend softened for the third quarter in a row, in a sign that business conditions were beginning to stabilise after a year of turmoil in 2020.

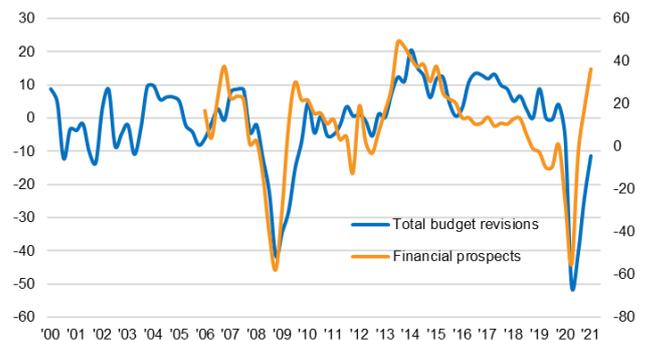
A net balance of -11.5% of panellists reported a contraction in total marketing budgets during the first quarter of 2021. Although the rate of decline remained historically marked, it eased substantially from the final quarter of 2020 (net balance of -24.0%). Overall, just over a quarter (25.7%) of surveyed businesses saw a decrease in available adspend in the latest survey period, while 14.2% recorded an increase.

Unsurprisingly, restrictions related to the coronavirus disease 2019 (COVID-19) pandemic continued to act as the main drag on marketing budgets, according to anecdotal evidence. Amid softer demand conditions and ongoing closures in some sectors, businesses mentioned cost cutting programmes which had weighed on adspending in the latest survey period.

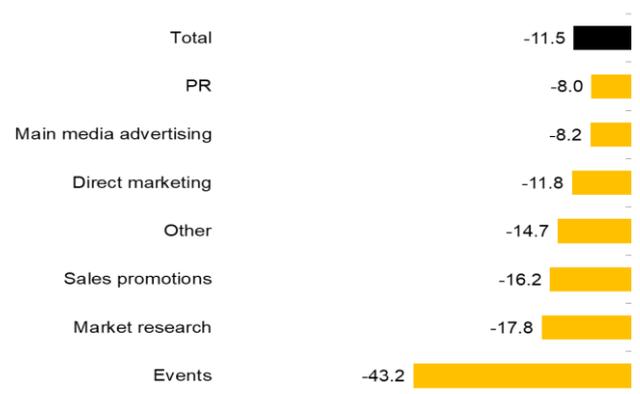
Each of the seven monitored marketing categories saw a further decline in budgets at the start 2021, the sharpest of which was seen in Events. Although the net balance of firms reporting a contraction eased to -43.2% from -62.9% at the end of last year, the pace of reduction was among the quickest ever recorded. Cuts to budgets were also seen in Market Research (net balance of -17.8%, up from -25.0% in 2020 Q4), Sales Promotions (-16.2%, from -26.5%), Other (-14.7%, from 29.6%), Direct Marketing (-11.8%, from -13.9%), Main Media (-8.2%, from -21.8%) and Public Relations (PR) (-8.0%, from -8.5%).

Underlying data for Main Media indicated that the decline in this category was driven by lower budgets for Out of Home advertising (net balance of -24.1%, from -36.7% in 2020 Q4), Published Brands (-22.2%, from -29.0%) and Audio (-9.0%, from -21.6%). At the same time, Other Online spending budgets stabilised (0.0%, from +0.7%), while Video adspending returned to growth in the first quarter (+3.3%, from -3.5%).

**Chart 1: Revisions to total marketing budgets**



**Chart 2: Analysis of marketing budgets in Q1 2021**



### Budget plans 2021/2022

Forward looking data regarding adspending in 2021/2022 suggests that budgets could recover in the next financial year. A net balance of +17.4% of firms expect their total marketing budgets to increase over the next 12 months. This reading signals the strongest growth expectations for adspending since 2018, with the latest figure having been upwardly revised from a preliminary estimate of +12.0% in the previous report.

Of the seven broad marketing categories, expectations for the coming year remain strongest in

Main Media Advertising, where a net balance of +10.1% of firms anticipate higher expenditure. Marketing executives also anticipate a rise in budgets related to Public Relations (net balance of +7.4%) and Direct Marketing (+6.8%), while expectations were neutral regarding Sales Promotions (0.0%). The other three types of marketing were forecast to experience further cuts, with the sharpest reduction expected in Events (-28.4%), followed by Other marketing (-5.4%) and Market Research (-4.9%) respectively.

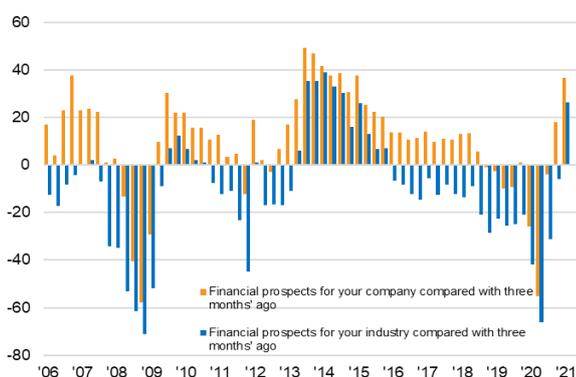
### Industry-wide outlook points to recovery

Both industry-wide and own-company financial prospects improved significantly in the opening quarter of 2021, following a year of subdued expectations during 2020.

Bellwether panellists were optimistic regarding industry-wide financial prospects for the first time since the end of 2015 in the latest survey period. In fact, the net balance of firms that were more confident than three months ago was +26.2%, up sharply from -5.8% in the fourth quarter of 2020, and the highest since the start of 2015. Overall, 41.2% of firms were more optimistic on industry-wide financial prospects compared to three months ago, while only 15.0% were less so.

When questioned on own-company financial prospects, panellists were also more upbeat than three months ago. The result followed the first positive reading for a year in the final quarter of 2020. In the first quarter of this year, the degree of confidence strengthened markedly, with a net balance of +36.6% of firms more confident of an improvement in their own financial prospects. This marked the strongest level of optimism for six years, with almost four times as many companies reporting improved sentiment compared to those recording a deterioration (+49.5% versus 12.9%).

**Chart 3: Marketing executives' business confidence**



### Adspend recovery set to gather pace in 2022

With COVID-19 restrictions having been in place throughout much of the year, IHS Markit forecasts a -9.9% contraction in UK GDP for 2020. The sharp downturn in activity was predominantly driven by severe economic disruption in the second quarter of the year, when the lockdown restrictions caused many firms to temporarily close. Although the

reopening of businesses during the summer months provided a boost to GDP in the third quarter, this was not enough to offset the earlier decline. Consumer spending and business investment are estimated to have fallen by -11.0% and -8.7% for the year as a whole. These figures point to a decline of approximately -15.7% in adspending during 2020.

However, amid the ongoing rollout of COVID-19 vaccines and the planned relaxation of UK restrictions later this year, the outlook is set to improve. We expect a +3.7% expansion of GDP in 2021, followed by an even quicker rise of +5.8% in 2022. Assuming that the economic recovery progresses as expected, we foresee a 3.5% increase in adspend during 2021, followed by a further acceleration to +6.9% in 2022, before stabilising nearer the long-run trend. Principle downside risks to these forecasts include the emergence of new vaccine-resistant strains of the virus and the delay of vaccine rollouts in other countries that act as key trading partners to the UK, such as those in continental Europe.

### Commenting on the latest survey:

#### Paul Bainsfair, IPA Director General:

*"Despite remaining in negative territory overall, the vital signs from this quarter's Bellwether Report are looking 'V' encouraging for a bounce back in UK marketing investment. With companies' confidence levels regarding their financial prospects soaring and with almost three quarters of UK companies either revising their marketing budgets upwards or keeping them the same this quarter versus last, the trajectory is very much moving in a positive direction and at a good pace. As the nation comes out of lockdown consumers will be actively seeking out new products, experiences and entertainment, for which it will be more important than ever for companies to build and rebuild their brand awareness."*

#### Eliot Kerr, Economist at IHS Markit and author of the *Bellwether Report*:

*"Although marketing budgets continued to decline at a marked pace amid ongoing COVID-19 restrictions, it was positive to see a further trend towards stabilisation. Meanwhile, upbeat forecasts from UK marketers for the coming financial year, after the marked reduction in budgets through 2020, bolsters expectations for a post-pandemic recovery and bodes well for the UK economy. Without a doubt, the improvement in budget plans from the previous survey period will have been supported by the release of the UK government's roadmap to relaxing restrictions. It has allowed businesses to look beyond the current climate and begin to build towards a time when demand will recover. If all goes to plan, a strong economic recovery should see adspending rise sharply in the second half of the year."*

– Ends –

*For additional information, please purchase the full report which also has content detailing threats and opportunities facing marketers and their companies over the coming 12 months. The report also includes charts comparing business confidence amongst survey panellists to wider economic output, which depicts how views on financial prospects are a function of the current business environment.*

A downloadable PDF for Q1 2021 can be purchased for £99+VAT for IPA members (£140+VAT for non-members) at <https://ipa.co.uk>

Annual subscription is also available by contacting [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

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#### About the *Bellwether*

The *Bellwether* is based on a questionnaire survey of around 300 UK-based companies that provide regular quarterly information on trends in their marketing activities. The survey panel has been carefully selected to ensure that the survey data provide an accurate indication of actual marketing trends in the whole economy. Participating companies therefore include a broad variety of advertisers in terms of market sector and geographical location. The survey panel has been recruited from the nation's top 1000 companies. Respondents are primarily marketing directors or similar.

Questionnaires are dispatched to companies in the final three weeks of each calendar quarter, requesting information relating to two key issues:

- (a) whether their marketing budgets for the year (either calendar or financial year) have been set higher, lower or the same as the actual expenditure outcome for the previous year.
- (b) whether their original budgets for the current year – as reflected in their original answers to (a) above – have been revised since they were first set.

The financial prospects data are based on responses from the *Bellwether* survey panel of marketing professionals at 300 UK firms. The question asked each quarter is as follows: "Taking all things into consideration, do you feel more or less optimistic about the financial prospects for (a) your company, and (b) your industry as a whole, than you did three months ago?"

#### About the Institute of Practitioners in Advertising

The IPA is the industry body and professional institute for leading UK advertising, media planning and buying, and marketing communication agencies. It provides a full range of services to its members: from advice (legal, sector and management), awards and events, best practice, information, research studies and training as part of an extensive CPD programme. It is also the agency industry spokesman.

#### About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and expertise to forge solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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