

## IPA Bellwether Report – 2021 Q2

### Total marketing budgets return to growth as businesses prepare for economic recovery

#### Key points:

- Total marketing budgets expand for the first time since Q4 2019
- Marketing budgets see strongest upward revisions since Q1 2019 as businesses prepare for economic recovery
- Financial prospects at company and industry level remain firmly in positive territory
- Adspend forecasts revised higher for 2021

UK marketing budgets turned a corner in the second quarter of 2021, according to the latest Bellwether data, as businesses began to prepare for a strong economic recovery in the second half of 2021 and upwardly revised their marketing spend accordingly.

A net balance of +6.0% of surveyed companies expanded their total marketing budgets during the second quarter. Just over one-in-five (21.2%) panellists registered growth, compared to 15.2% that reported a decline. This was the first time since the fourth quarter of 2019 that total marketing expenditure had been revised up. Furthermore, it was the sharpest increase since the beginning of 2019 and a notable contrast to the net balance of -11.5% of firms last quarter that had recorded spending cuts. The latest data brings to an end a five-quarter sequence of continual cuts to overall marketing spend.

According to anecdotal evidence from the survey panel, strong vaccination uptake and the end of virus containment measures supported expectations of an economic recovery. Many firms are also anticipating strong sales as consumers unleash demand which has been pent-up over the course of the pandemic.

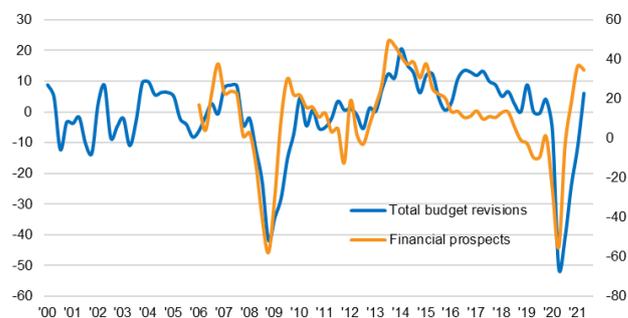
That said, some erred on the side of caution and were uncertain of the impact of new strains of the virus. Others were also concerned that consumer behaviours may not return to what they were before the pandemic and were unsure on the best way to position their business in this event.

Three categories of marketing spend recorded upward revisions during the second quarter. Public relations led the upturn with a net balance of +1.8% of firms growing their expenditure in this space (up from -8.0% in Q1). The key segment of marketing, main media, also recorded growth in the second quarter. A net balance of +1.3% of businesses raised their main

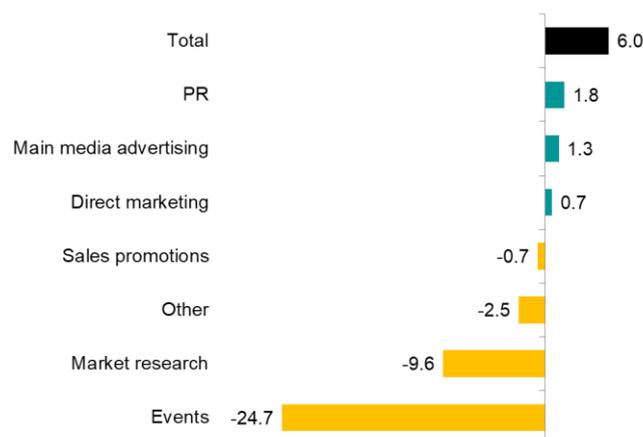
media budgets (up from -8.2% previously). Within main media, video (+4.2%, from +3.3%), audio (+1.1%, from -9.0%) and other online advertising (+11.0%, from 0.0%) all grew, while published brands (-6.1%, from -22.2%) and out of home (-7.5%, from -24.1%) budgets were downwardly revised.

Elsewhere, latest data signalled a slight uptick in direct marketing budgets (+0.7%, from -11.8%), while sales promotions (-0.7%, from -16.2%), market research (-9.6%, from -17.8%) and other (-2.5%, from -14.7%) marketing expenditure were all cut. Given the continued restrictions on large gatherings that were in place during the second quarter, it was no surprise to see events budgets (-24.7%, from -43.2%) register by far the strongest decline of the monitored forms of marketing.

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



**Chart 2: Analysis of marketing budgets in Q2 2021**



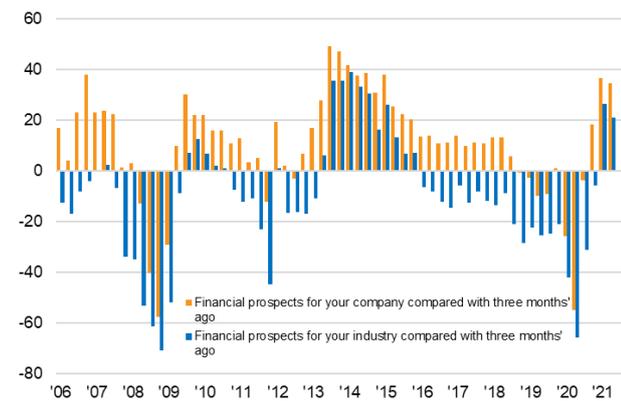
## Firms remain strongly positive towards company and industry prospects

Latest survey data signalled further robust optimism among Bellwether panel members towards both their industry-wide and company-specific financial prospects, as was also the case in the opening quarter of 2021.

With +45.9% of panel members becoming more optimistic regarding their company's financial prospects compared to three months ago, and only +11.4% signalling pessimism, the resulting net balance of +34.6% indicated a strong overall level of confidence. Although the net balance was slightly lower than in the first quarter (+36.6%), it was nonetheless the second-highest reading since the first quarter of 2015.

Similarly, financial prospects at the broader industry level remained firmly in positive territory during the second quarter of 2021. A net balance of +21.1% of surveyed companies were more bullish versus three months ago. Again, the level of optimism was robust overall and only bested by the reading in the first quarter, (+26.2%) which was the strongest for six-and-a-half years.

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



## Adspend forecasts revised higher amid successful vaccination rollout

In light of the UK's successful vaccination programme and phased re-opening of the economy, we are now anticipating a much stronger expansion in GDP this year, followed by a robust rate of growth in 2022. Indeed, increased savings during the lockdowns are likely to fuel a brisk recovery in household spending once the COVID-19-related restrictions end, and the extended furlough scheme has delivered resilient labour market conditions.

Consequently, we anticipate 2021 and 2022 to record strong rates of growth in adspend. We've pencilled in expansions of 7.5% and 6.0% respectively as businesses recover to their pre-pandemic levels of activity. Beyond the next 18 months, we foresee adspend growth moderating to 2.7% in 2023 once the UK economy has recouped the pandemic-related losses, and then adspend growth of 1.2% and 2.4% in 2024 and 2025

respectively.

That being said, there are a number of risks to our forecasts. New variants of COVID-19 could undermine the effectiveness of the vaccine, and job losses once the furlough scheme ends could impact consumer spending. There are also strong fiscal challenges on the horizon given the immense cost of economic support during the pandemic, which is likely to see tax burdens on businesses and households increase.

### Commenting on the latest survey:

#### Paul Bainsfair, IPA Director General:

*"These positive results mark the end of five quarters of continuous cuts. For revisions to UK marketing budgets to bounce back so quickly and strongly, following their nadir at the height of COVID-19 restrictions in Q2 2020, is very welcome news and corroborates our Bellwether prediction for a V-shaped recovery. As the vaccination rollout continues at pace and UK plc gears itself up for growth, we encourage companies to ramp up their advertising to make the most of post-lockdown, pent-up consumer demand."*

#### Joe Hayes, Senior Economist at IHS Markit and author of the *Bellwether Report*:

*"The economic data that has emerged in recent weeks tell us that UK businesses have embarked on what we hope will be a short road to recovery. The Q2 2021 Bellwether Report was no different, and the strongest upward revision to total marketing spend since the beginning of 2019 is a great indication that firms have grown confident towards economic prospects. We hope that this is just the beginning and that the end of lockdown restrictions, further improvements in vaccination rates and buoyant consumer spending will support even stronger growth in marketing spend 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 Q2 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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