

# IPA Bellwether Report – 2019 Q2

## Marketing budgets flat-line in second quarter following growth in Q1

### Key points:

- Growth in first quarter proves to be temporary as no change in marketing budgets registered in Q2
- Rising political and economic uncertainty generates caution among businesses
- Own-company financial prospects at most negative since the end of 2011
- Internet marketing strongest growing as firms target digital and social media
- Adspend to grow modestly in 2019, but improvements forecast for 2020 onwards

According to the latest *Bellwether* survey, prior hopes of a sustained marketing budget revival were extinguished in the second quarter as firms reported no change to available expenditure amid growing political and economic uncertainty.

Following a return to growth in the opening quarter of the year, buoyed by firms taking a more pro-active approach to offset risks to their businesses, latest *Bellwether* data signalled a stalling of growth, with the net balance falling from +8.7% to +0.0%. The 20% of panel members reporting greater marketing spend was completely offset by those cutting expenditure, while the remaining 60% kept budgets unchanged since Q1.

Growing economic uncertainty, continued ambiguity over Brexit and additional risk through a change of political leadership in the UK were mentioned by firms as factors expected to challenge the business environment over the coming year. This created hesitancy among clients and delayed decision-making. Panel members also raised concerns that difficult conditions domestically were damaging consumer confidence and impacting consumption.

Businesses were also wary of headwinds from external sources, particularly spillover effects into UK markets from global trade disputes and weaker growth at key export destinations such as Europe and Asia.

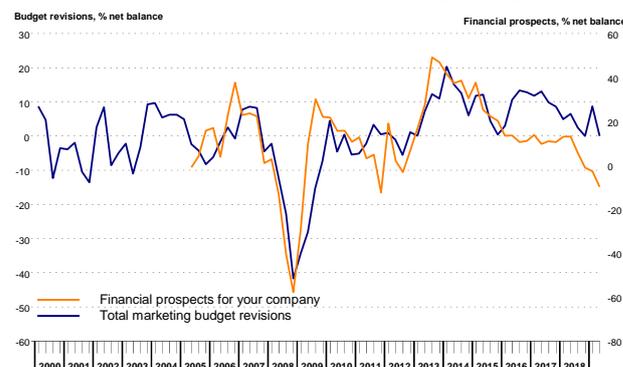
Nevertheless, marketing executives were given extra discretion over internet-based advertising in the second quarter, as signalled by a net balance of +11.5% of firms reporting budget growth (+17.2% in Q1). Efforts to expand brand presence across the digital space, as well as an increased drive to boost

brand awareness on social media platforms were noted by companies. Within internet, search/SEO budgets also grew solidly (net balance of +9.9% from +14.2%).

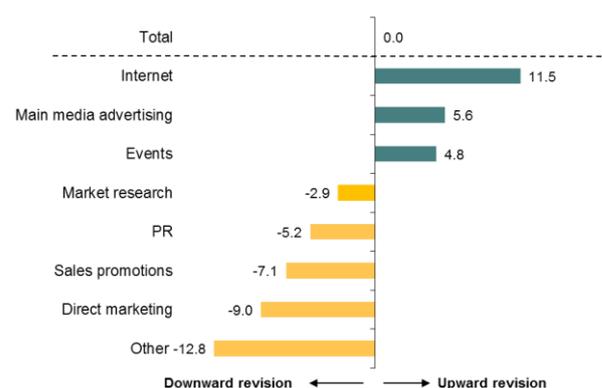
Main media advertising budgets were also given a boost in the second quarter, as some firms used big ticket marketing campaigns to build brand recognition and expand customer bases. There were also suggestions that marketing was being deployed as a defensive strategy due to increased competitive pressures. Overall, a net balance of +5.6% of companies reported greater main media marketing budgets (+5.2% in Q1).

The only other *Bellwether* category to register growth in the second quarter was events. The net balance increased to +4.8%, from +3.4% previously, its highest since the first quarter of 2018 and corroborating with forecasts made earlier in the year that events budgets would grow over the 2019/20 financial year.

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



**Chart 2: Analysis of marketing budgets in Q2 2019**



Meanwhile, available market research spend was reduced for a sixteenth successive quarter (net balance of -2.9% from -4.2%), while PR budgets were also cut (net balance of -5.2% from +0.0%). A second successive downward revision to sales promotion budgets was also recorded (-7.1% from -3.7%). Aside from the 'other' advertising category (net balance of -12.8% from -5.4%), it was direct marketing which was the worst performer, with the net balance falling to -9.0% (-3.5% previously), the lowest level in over ten years.

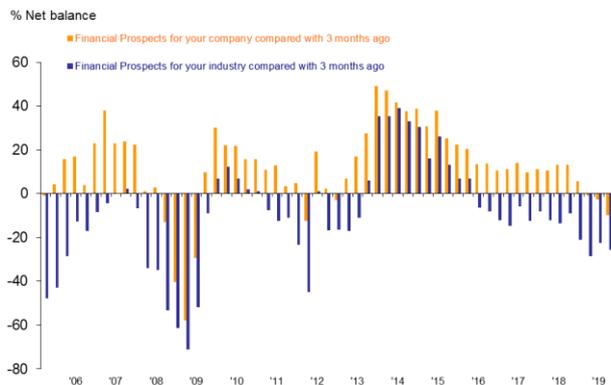
### Own-company outlook turns more negative

*Bellwether* panel members remained negative regarding financial prospects in the second quarter, casting more downbeat assessments towards both industry-wide and company-own finances than seen during the opening quarter of 2019.

With precisely 34% of marketing executives reporting a pessimistic outlook towards finances in their industry, compared to approximately 8% that were optimistic, the resulting net balance (-25.6%) signalled the second-most negative assessment since the fourth quarter of 2011 (surpassed only by the Q4 2018 reading of -28.6%). Furthermore, this was down from a net balance of -22.6% seen in Q1.

Latest data also pointed to deeper negativity towards own-company financial prospects. The net balance fell to -9.8%, from -2.7% in the first quarter, signalling the highest degree of pessimism since Q4 2011.

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



### Adspend forecasts for 2019 subdued, but improvement beyond 2020 foreseen

We remain cautious towards 2019, expecting only a modest 1.1% annual increase in adspend over the year as a whole. Various factors underpin our reservation, namely ongoing Brexit uncertainty, but also recent developments in the UK economy, which this year so far have largely been negative. There is a real possibility that the UK economy will contract in the second quarter, and our panel comments, as well as latest *Bellwether* data, highlight that businesses are looking to contain costs and shield against challenging demand conditions.

Nevertheless, we believe businesses will be eager to accelerate marketing efforts once uncertainty has cleared, and subsequently see 2020 onwards being

more positive on the adspend front. We expect growth of 1.8% in 2020, followed by stronger rates of increase in 2021 (2.0%), 2022 (2.2%) and 2023 (3.1%).

### Commenting on the latest survey:

#### Paul Bainsfair, IPA Director General:

*“Between Boris, Jeremy and Brexit, coupled with a dip in consumer confidence, it is perhaps no wonder that this quarter’s Bellwether shows zero growth to overall UK marketing budgets. Until a clearer political and economic path is outlined, the vast majority of companies are locked in stasis. It is reassuring to see, however, that some companies are revising up their investment in main media advertising; this is where they will build the longer term growth of their brands, which is crucial to weathering these tougher times.”*

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

*“The expansion in marketing budgets during the first quarter proved short-lived, but developments in the wider economy during Q2 have shown that more intense challenges lie on the horizon for UK businesses. Firms have subsequently adjusted to this, belt-tightening in some cases and withdrawing into a wait-and-see approach once again. Given the economic and political uncertainties that remain at large, a neutral stance towards budget setting appears fully justified.*

*“That said, internet marketing remained a bright spot. We see continued growth in the digital space, with panellists pointing to ongoing drives through technological improvements and social media channels. Firms also kept boosting main media marketing spend, with brand recognition and building initiatives ongoing.”*

– 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 2019 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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