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IPA Bellwether Report – 2013 Q3

Strengthening economic climate supports largest recorded upward revision to marketing budgets

Key points:

- Survey-record improvement in marketing budgets signalled.
- Confidence in own financial outlook hits survey high.
- Marketing budgets on course to deliver positive growth for 2013.

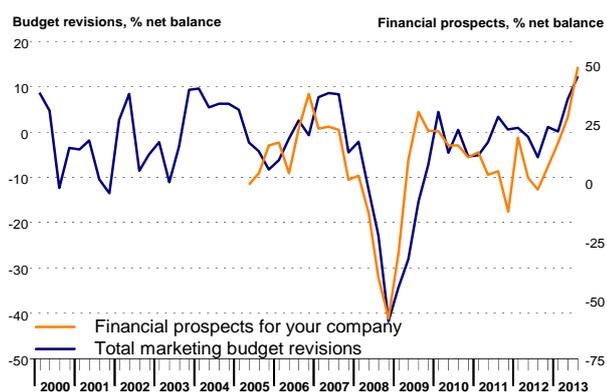
Marketing budgets revised sharply higher in third quarter

The latest survey of company marketing executives indicated a survey-record upward revision to marketing budgets during Q3. The IPA *Bellwether Report*, which has been conducted on a quarterly basis since Q1 2000, revealed that a net balance* of 12.3% of companies registered an increase in budgets during Q3 2013. That compared to +7.3% in Q2 and was a fourth consecutive reading above zero.

Marketing executives responding to the survey widely reported that economic conditions had improved, supporting business revenues and offering a platform for increased marketing investment.

*calculated by subtracting the percentage reporting a downward revision from the percentage reporting an upward revision

Chart 1: Revisions to total marketing budgets



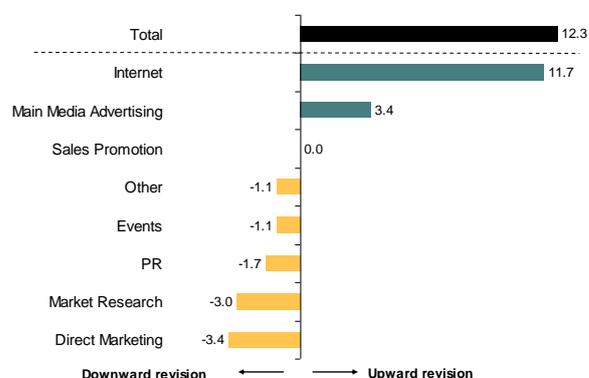
Internet and main media advertising both record net upward revisions

However, there remained some evidence of companies taking a cost cautious and prudent approach to spend, with a number of respondents choosing to boost budgets in some areas, but offsetting to a degree with cuts elsewhere.

Internet spending budgets seemed to benefit, with a net balance of +11.7% of companies boosting their

budgets in this area (albeit down from +17.4% the previous quarter), while there was a net rise seen in main media advertising (+3.4%). In contrast, direct marketing (-3.4%), events (-1.1%), market research (-3.0%), 'other' (-1.1%) and PR (-1.7%) all recorded net reductions.

Chart 2: Analysis of marketing budgets in Q3



Financial prospects for companies and wider industries improve sharply

The rise in total marketing budgets during the third quarter was closely linked to a strong upturn in the confidence of companies regarding their own and their wider industry's financial prospects.

Q3's survey indicated that confidence regarding own financial prospects had grown to the greatest degree in eight-and-a-half years of data collection, with the net balance of firms becoming more optimistic reaching +49.2% (up from +27.6% in the previous quarter).

The improvement in wider economic conditions was noted as a factor supporting optimism and this was further borne out by the latest figures regarding industry financial prospects. The respective net balance hit a level of +35.4% and was also at a series record-high (up from +6.1% in Q2).

2013 remains on course to deliver marketing budget growth

The combination of a survey-record upward revision to marketing budgets and unprecedented confidence regarding financial prospects further bolsters hopes that the 2013 financial year will deliver net growth. Marketing executives suggested earlier in the year that they had positive plans for 2013 budgets, with a net balance of +13.5% of companies expecting to

see a rise relative to 2012.

Chart 3: Marketing executives' business confidence



UK economy performing strongly through second half of 2013

The latest results from the *Bellwether* adds further to recent evidence of a strengthening business climate in the UK and bolsters hopes that official data will show a strong expansion of the economy in the second half of 2013. GDP growth in the third quarter alone could be in excess of 1%.

These positive trends means an increase in GDP forecasts for 2013 as a whole and with momentum set to carry through to 2014, real UK adspend growth is now projected to be 2.4% in 2013 and 3.6% next year.

For additional information, please purchase the full report which also has content demonstrating how surveys such as the Bellwether are more reliable economic indicators than official GDP data. Charts include 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. Other charts detail how key wider variables have impacted on current marketing spend.

A downloadable PDF for Q3 can be purchased for £99+VAT for IPA members (£140+VAT for non-members) at www.ipa.co.uk/page/ipa-bellwether-report

Annual subscription is also available by contacting economics@markit.com

Commenting on the latest survey:

Paul Bainsfair, IPA Director General:

“This latest Bellwether report will provide a welcome boost to our industry, building on last quarter’s results. It indicates that companies are beginning to move forward away from the recession and that the UK economy is on the rise again. This optimism will send a continued upbeat message to the advertising industry and the wider economy.”

Chris Williamson, Chief Economist at Markit and author of the *Bellwether* report:

“The Bellwether survey adds to the growing flow of upbeat data on the UK economy. Marketing spend looks set to rise sharply as companies boost their budgets to an extent not seen in the 13-year history of the survey.

“The increased appetite to spend on advertising and marketing is being fuelled by a surge in business optimism, with firms seeing their financial prospects to be the brightest for at least eight years.

“These survey findings are not only great news for the marketing industry but also for the UK’s broader economic recovery. The fact that business are starting to spend in earnest again suggests we may finally see a long awaited upturn in investment spending, which will help take the UK’s recovery onto a more sustainable footing.”

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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, which is structured according to industry contribution to GDP. 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 Markit

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see www.markit.com

About Markit Economics

Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index® (PMI®) series, which is now available for 32 countries and also for key regions including the Eurozone. The PMIs have become the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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