

**EMBARGOED UNTIL**  
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# IPA Bellwether Report – 2017 Q1

## Marketing budget growth sustained in first quarter at marked rate as financial prospects improve

### Key points:

- Run of marketing budget growth extended to four-and-a-half years
- Internet and main media advertising record strongest increases in budgets
- Company financial prospects strengthen...
- ...underpinning positive projections for growth in 2017/18
- UK economic resilience leads *Bellwether* to predict rise in adspend in 2017

### Budget growth remains historically high

Ongoing upward revisions to marketing budgets were recorded during the first quarter of 2017, extending the current period of expansion to four-and-a-half years.

The **headline net balance from the survey**, which shows the percentage of respondents indicating an upward revision to their marketing budgets minus those that indicated a fall, declined to a level of **+11.8% (from +12.9% in Q4 2016)**.

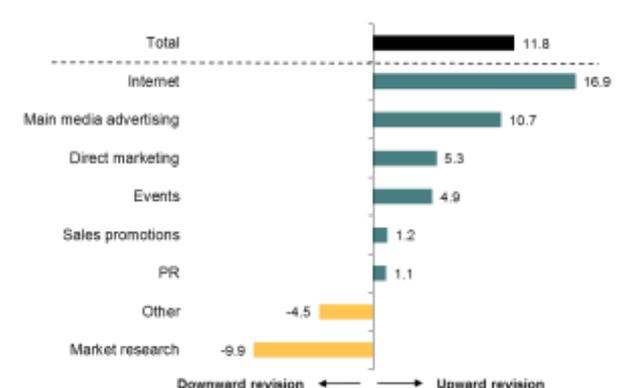
The latest survey signalled that 26.5% of panellists reported an increase in marketing activity against 14.7% of the survey panel that recorded a reduction. Moreover, the latest report marked the seventeenth successive quarter that an expansion in marketing budgets has been recorded.

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



The latest survey again highlighted that budgets were raised across a broad range of Bellwether categories, led by **internet** where growth picked up to the highest recorded in just under four years (net balance: +16.9%, from Q4 2016's +12.1%).

**Chart 2: Analysis of marketing budgets in Q1 2017**



Within this category, marketing activities related to **search/SEO** rose to the greatest degree in over two years, as highlighted by the respective net balance improving to +15.1% (from +7.1% in the preceding quarter). **Mobile-based advertising** also picked up, with the net balance of +10.3% (Q4 2016: +3.9%) the highest recorded in the short three-quarter series history.

**Main media advertising** also enjoyed a strong upward revision to budgets during the first quarter of 2017, continuing the recovery in this key *Bellwether* category following the marked decline registered in the third quarter of last year. The respective net balance jumped to +10.7% during Q1, up from +5.1% in Q4 2016 and the best recorded by the survey for just under three years.

Elsewhere, **direct marketing budgets** increased to the greatest extent for two years following stagnation in the previous quarter (net balance: +5.3%, from 0.0%), while there was a noticeable slowdown in the **events** category. Latest data showed the respective net balance declined to +4.9%, from +12.3% in the previous quarter and the lowest reading recorded by the survey for over a year.

Other categories that registered an increase in marketing spend included **sales promotions (+1.2%)** and **PR (+1.1%)**. However, **'other' (-4.5%)** and **market research (-9.9%)** both recorded deteriorating budget positions relative to those at the end of 2016.

### Company financial prospects strengthen

Forward-looking data indicated that **marketing executives are confident** regarding growth in budgets from present levels over the coming

financial year.

Final data indicated that exactly 41% of the survey panel expect to record an increase in their overall marketing budgets, compared to around 15% that forecast a fall. The result was a net balance of +26.1%. Although indicative of a marked degree of confidence, notably year ahead expectations continue to lag those seen prior to the start of the global financial crisis in 2008.

Latest data revealed an **improvement in company financial prospects** during the first quarter of 2017.

With over 32% of the survey panel indicating positive financial prospects, compared to under 19% that indicated a fall, the respective net balance of +13.9% was up from +11.2% in the previous survey period and the best recorded in over a year. That said, the degree of confidence remains well down on those levels seen over the period 2013-2015.

Meanwhile, confidence around **wider industry business prospects** remained inside negative territory for a fifth successive quarter. However, the respective net balance also showed an improved trend, rising to its highest level since the end of 2014. This was highlighted by a rise in the respective net balance to -5.7%, from -14.6% in the previous quarter.

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



### Modest growth of adspend predicted in 2017

Our latest round of annual **adspend forecasts** for the years through to 2020 provide a slightly more positive picture for 2017 than previously stated, but thereafter the trend becomes a little more subdued in line with lower forecasts for GDP, consumer spending and investment growth.

With the UK economy showing considerably more resilience during the second half of 2016 than was generally envisaged by economic commentators, this momentum is now forecast to carry through into 2017. Although GDP growth is expected to slow in the first quarter of the year, the economy seems to have sufficient momentum to grow at a solid pace in 2017 (the OBR are expecting a rise in GDP of 2.0%). This should help lift **adspend by 0.6% in real terms over the year as a whole** (previous forecast: -0.7%).

Further out, 2018 is now expected to see stagnation in adspend, before growth recovers in 2019 and 2020 to rates of 1.8% and 2.3% respectively. However, given the difficulties in trying to predict the effects on the economy of Brexit negotiations and subsequent UK departure from the EU in 2019, current forecasts remain especially uncertain.

### Commenting on the latest survey:

**Paul Bainsfair, IPA Director General:**

*“Once again the Bellwether shows that while the impact of Brexit remains uncertain, marketers are continuing to invest in marketing. Furthermore, despite the current, turbulent digital ecosphere, it is clear that marketers are attracted to the cost-effectiveness of digital advertising and its ability to reach and accurately target their consumers.”*

**Paul Smith, Senior Economist at IHS Markit and author of the Bellwether Report:**

*“The Q1 2017 Bellwether survey paints a picture of a solidly growing UK economy, with companies continuing to show a willingness to commit increased resources to marketing and capitalise on current positive sales trends.*

*“Given the prevailing backdrop of Brexit-related economic uncertainties, a key question is whether the resilience in spend shown post referendum can be maintained. At present, marketers seem confident, with both sentiment around their own company financial prospects and budgets for the year ahead remaining inside positive territory.*

*“But perhaps reflective of the relative limbo we find ourselves in ahead of the start of negotiations between Britain and the EU, degrees of confidence remain historically low and marketers continue to note plenty of threats to the outlook.”*

- 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 reports 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 2017 can be purchased for £99+VAT for IPA members (£140+VAT for non-members) at [www.ipa.co.uk/page/ipa-bellwether-report](http://www.ipa.co.uk/page/ipa-bellwether-report)**

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

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Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)**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.

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