

IPA Bellwether Report – 2025 Q1

UK marketing budgets decline for first time in four years but year-ahead plans stay upbeat

Key points:

- Despite a decrease in overall marketing budgets in Q1 2025, over 36% of marketing executives expect greater funding for the 2025/26 financial period
- Direct marketing emerged as a standout performer, with the net balance rising to +9.0%
- Events and sales promotions also saw upward revisions in budgets, reflecting a reallocation of spending amid a substantial rise in uncertainty and broader economic risk
- Companies show diminished confidence in their financial outlooks, both at the firm and industry levels

Bellwether survey data for the opening quarter of 2025 indicated that total marketing budgets were revised down across the UK, marking the first decrease in four years. A net balance of -4.8% of firms cut their marketing budgets, a marked shift from the previous quarter which recorded growth with a net balance of +1.9%. Just under a quarter of panel members reported a reduction in their marketing budgets (24.2%), compared to 19.4% indicating an increase. Anecdotal evidence suggested that declining sales and reduced revenue led to a reallocation of marketing spend.

The segment breakdown of tracked marketing categories highlighted that the most significant drag came from the "other" marketing category, which encompasses any paid-for marketing not specifically included in the survey. The net balance fell to a 16-quarter low of -11.7%, down from -4.2%. Market research also dropped sharply, as signalled by the net balance coming in at -10.5%, down sharply from +3.1% in the prior quarter.

The only other sector to experience cuts in marketing budgets was the main media category, which recorded a net balance of -6.7%, down from -4.3%. Further analysis of this segment revealed that the downward budget revisions were nearly widespread. Out-of-home (-18.9% vs. -12.8% previously), audio (-10.8%, vs. -17.8% previously), published brands (-8.3%, vs. -10.2% previously), and video (-1.0% vs. -10.7% previously) all recorded contractions. Conversely, the other online advertising category saw a slight increase in marketing budgets (+0.7%, vs.

+2.2% previously).

Despite the overall downturn, there were standout performers in the opening quarter, with direct marketing leading the way. This category experienced a solid budget expansion, with the net balance rising to +9.0% (up from +5.6%). Budgets were also revised higher for events (net balance of +5.4%, from +12.3%) and PR (net balance of +3.4%, from +6.8%), although both categories recorded weaker expansions than in the previous quarter. Finally, sales promotions budgets were again revised upwards in the opening quarter of 2025, with a net balance of +8.0%, up from +4.1%, indicating the strongest increase in almost two years.

Budget plans for 2025/2026

While marketing executives revised their budgets down at the start of 2025, finalised data from *Bellwether* firms indicated largely positive forecasts for the 2025/26 financial period, albeit slightly less optimistic than the preliminary results suggested. Just over 36% of respondents expect an increase in their total marketing budgets, roughly double the 17.8% who foresee a decrease. This results in a final net balance of +18.4%, signalling strong optimism among marketing executives regarding their advertising spending budgets for the coming year.

Underlying data revealed that marketing budgets for all monitored categories, with the exception of sales promotions, are expected to increase. The highest level of optimism was recorded for events, which registered a net balance of +16.6%, followed by direct marketing at +12.9%. Projected budget growth for the other marketing tools was comparatively more modest. This includes PR (+3.3%), market research (+3.1%) and main media (+2.0%), with a subdued year-ahead outlook for the latter highlighting some caution regarding big-ticket campaigns.

Sentiment regarding own-company and industry-wide outlook continues to deteriorate

The opening quarter of 2025 heralded a significant decline in financial prospects, both at the company and industry-wide level. The latest data revealed that 31.0% of respondents felt less optimistic about their own company's financial outlook in Q1 compared to the previous quarter, while 18.1% reported a positive outlook. As a result, the net balance fell to -12.9%, from -1.2% in Q4 2024, marking the lowest level since

the closing quarter of 2022. Respondents recorded a pessimistic outlook for a third straight quarter.

A similar trend was observed at the industry level, where the net balance hit a ten-quarter low of -37.4%, down from -20.1% in the previous quarter, indicating a less confident start to the year. Among the survey participants, 45.0% were less optimistic about the financial outlook for their industry compared to three months ago, while only 7.6% expressed stronger growth forecasts.

Chart 1: Revisions to total marketing budgets (net balance, %)

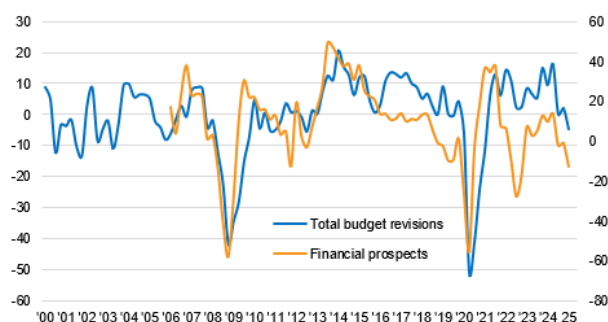
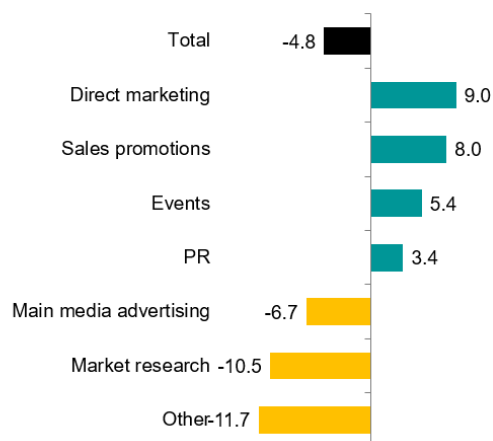


Chart 2: Analysis of marketing budgets in Q1 2025 (net balance, %)



Adspend forecasts remain unchanged for 2026

S&P Global Market Intelligence has cut its 2025 GDP growth forecast to 0.6% from 1%, reflecting the weak economic performance in late 2024 and seen so far this year, according to survey data. The government's fiscal tightening announced in the Autumn 2024 Budget may hinder business investment due to the expected increase in company tax burdens. High interest rates continue to burden households, with a slow easing of monetary policy expected from the Bank of England. Additionally, higher tariffs on US imports are anticipated to impact the second quarter of 2025, denting the UK industrial sector given the US is the country's largest single export market.

Growth prospects for 2026 through to 2028 have also been lowered since the previous quarter, indicating that the UK faces short- and medium-term risks. However, no changes have been made to adspend forecasts, with those for 2025 and 2026

already coming in below-trend given the weaker economic outlook since last year. Nevertheless, advertising expenditures are still predicted to grow, which is a positive outcome in the prevailing business environment, and this is further reflected in *Bellwether* respondents plans for the coming year.

Commenting on the latest survey:

Paul Bainsfair, IPA Director General:

"In the face of President Trump frequently overturning political and economic norms, it's understandable that more UK businesses have adopted a cautious, 'wait and see' approach to marketing spend this quarter. Even before the introduction of US tariffs on 2 April (thankfully now paused), the anticipation alone - combined with rising costs from National Insurance increases and the minimum wage hikes - was already influencing budget decisions.

"We're seeing a familiar pattern emerge in these challenging times: increased investment in short-term sales promotions and cuts to main media budgets. While these adjustments may offer immediate relief, they are not a sustainable path to long-term brand growth. That's why it's encouraging to see that, when looking ahead to annual marketing budget plans, many businesses are preparing to reinvest in main media, demonstrating a continued belief in the importance of brand building, even in uncertain times.

"It is also noteworthy that revisions to direct marketing budgets remain firmly in positive territory, reinforcing last quarter's insight that AI is playing a growing role in enhancing both the personalisation and efficiency of this medium for UK companies."

Maryam Baluch, Economist at S&P Global Market Intelligence and author of the *Bellwether* Report:

*"In the face of considerable macroeconomic headwinds for businesses, the *Bellwether* survey does provide some evidence of resilience among UK marketers. While the opening quarter of 2025 saw overall marketing budgets revised downwards, surveyed executives remain optimistic about the future on balance. Over 36% anticipate an increase in their marketing spend for the 2025/26 period, reflecting businesses' commitment to driving growth and sales through volatile trading conditions. Increased budgets for direct marketing, events and sales promotions indicates a proactive and agile approach to overcoming these challenges."*

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 2025 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@spglobal.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. 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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