

IPA Bellwether Report – 2024 Q2

UK marketing budget growth hits decade high in Q2 as economic conditions improve

Key points:

- After a challenging few years, UK companies gear up for growth as marketing budgets see strongest upward revision since Q1 2014
- Upward revisions to budgets recorded in every main category, with events continuing to lead growth
- Company-own financial prospects at most positive in nearly three years as mood amongst businesses improves

The *Bellwether* survey signalled a resoundingly strong quarter for UK marketers in the three months to June. Despite the announcement of a general election in late May, which brings with it some political uncertainty, it appears *Bellwether* companies largely brushed this off as a reason to act more cautiously with their finances and instead upwardly revised their marketing budgets at the strongest rate since the first quarter of 2014.

Rising from +9.4% in Q1 to +15.9% in Q2, the net balance of UK businesses that expanded their total marketing budgets was at its highest level in over a decade. Additionally, the net balance has registered in positive territory in each of the past 13 quarters, signalling a sustained period of growth in UK marketing spend. While 14.0% of respondents reported budget cuts in the second quarter, this was half the proportion recording expenditure growth (29.9%).

Events continued to be the best-performing mode of marketing from a budgeting perspective, with another robust quarterly expansion during the latest survey period (net balance of +17.2%, from +23.1%), showing a still-strong appetite for in-person interactions with clients and prospects.

Direct marketing was also an area which continued to flourish, with budgets for this category increasing for a sixth successive quarter. The net balance of firms reporting upward revisions (+8.9%) also rose on the quarter (+7.0% previously).

Encouragingly, main media budgets, which include spending allocated for big-ticket advertising campaigns broadcasted on television and radio, returned to growth after a marginal reduction in Q1. The net balance of companies recording upward budget revisions was +3.5%, up from -0.7%

previously. Granular data revealed the expansion here was driven by other online (net balance of +15.3%, from +7.1%) and video (net balance of +7.8%, from +0.8%), as the remaining monitored categories either stagnated (out of home recorded a 0.0% net balance) or contracted. Indeed, audio (net balance of -5.5%, from -4.5%) and published brands (net balance of -6.3%, from -5.7%) registered slightly stronger decreases.

Elsewhere, sales promotions saw the third-strongest expansion in budgets, with the net balance of firms posting growth rising from +4.9% to +6.9%, a one-year high. Upward revisions to market research (net balance of +3.2%, from +1.4%) and PR (net balance of +2.6%, from +0.6%) rounded off a quarter of broad-based strength in marketing, as the "other" category – which accounts for any other method of marketing not included – was the only part of the survey to register in contraction (net balance of -7.6%, from -4.3%).

Company-own financial prospects at strongest since Q3 2021

Bellwether companies are queried on their sentiment towards the financial outlook for their own company and wider industry in each quarter. In the three months to June, surveyed companies showed further improvements, particularly with regards to their own business outlook.

While the proportion of companies that were more optimistic towards financial prospects at their own company remaining broadly unchanged since the first quarter at 29.0%, negative sentiment fell, with 15.4% expressing pessimism (compared to 19.5% previously). As a result, the respective net balance increased to +13.6%, its highest level since Q3 2021 and therefore signalling the greatest degree of confidence towards company-own financial prospects in almost three years.

The negative trend towards overall industry financial prospects persisted in the second quarter of 2024, although back-to-back improvements were registered as the level of pessimism fell again. While one-fifth (20.1%) of the *Bellwether* panel noted a downbeat forecast, 16% were optimistic towards the financial outlook of their industry. The subsequent net balance of -4.1% was the least negative print since the opening quarter of 2022.

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

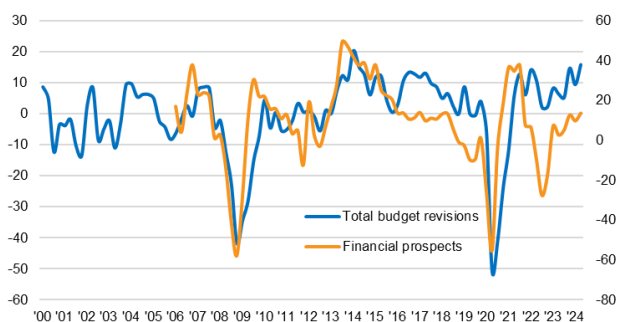
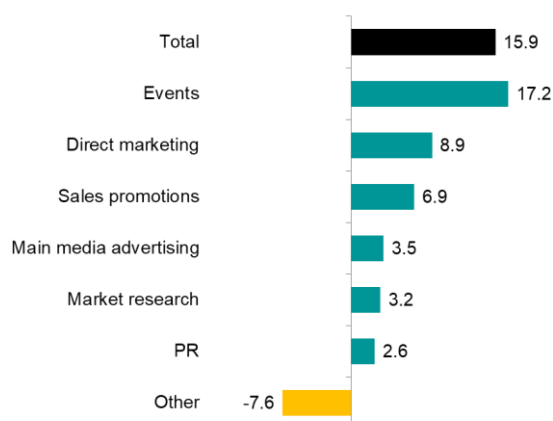


Chart 2: Analysis of marketing budgets in Q2 2024 (net balance, %)



Adspend forecast revised higher for 2024

So far in 2024, the condition of the UK economy has vastly improved, with a strong rate of expansion in GDP seen in the first quarter likely to be followed up with further growth in the three months to June. Indeed, S&P Global Market Intelligence's GDP forecast for 2024 has improved noticeably since the last *Bellwether* report, with annual growth of 0.6% anticipated, up from 0.2%.

That said, while the mild recession experienced at the end of last year may have ended, recovery headwinds persist. Elevated borrowing costs, dwindling government financial support and persistently high food and energy prices are a few risks which continue to dampen the economy and particularly household finances. As such, we are still expected to see some caution from businesses, and S&P Global Market Intelligence anticipates adspend (in real terms) to flatline in 2024 when compared with last year. However, this does mark an improvement from the forecast in the first quarter, when adspend was predicted to contract by an annual rate of 0.5%.

As for 2025 onwards, the outlooks for both the UK economy and adspend are much more upbeat. Interest rates are expected to fall a few times this year, while inflation is also set to cool further. S&P Global Market Intelligence has adspend growth forecasts of 1.2%, 1.7% and 1.9% for 2025, 2026 and 2027, respectively.

Commenting on the latest survey:

Paul Bainsfair, IPA Director General:

"In line with the brightening economy, decreasing levels of inflation and a new Government, this quarter's Bellwether Report reveals real vim and vigour regarding UK companies' marketing spend intentions. As we know, advertising is a real lever for growth for companies and so it is great to see them capitalising on these developments."

"While we welcome this positivity, it is worth noting that while inflation levels have come down, this hasn't yet translated into prices, and as such strains on many household finances prevail. This is something we've seen in our recently launched 2024 IPA TouchPoints data where more than a third of consumers say they are struggling to cope on their current income. Companies would benefit from being cognisant of this in terms of their communications approach and messaging to their consumers. I suspect that those brands that can bestow their sense of value, trust and reward will fare well here."

Joe Hayes, Principal Economist at S&P Global Market Intelligence and author of the Bellwether Report:

"While a general election carries the potential to generate a lot of uncertainty and decision-making paralysis in its lead up, it seems that UK companies in the Bellwether survey largely shrugged it off as a factor to consider when assessing their marketing budgets in the second quarter as growth jumped to a ten-year high. A strong performance by the UK economy so far this year, in tandem with falling inflation and the expectation of an imminent interest rate reduction by the Bank of England, has helped lift confidence, providing more fertile grounds for companies who wish to invest into their brands and position themselves for long-term growth."

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 2024 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

All press enquiries, please contact:

S&P Global Market Intelligence

Joe Hayes, Principal Economist

Telephone +44-134-432-8099

Email joe.hayes@spglobal.com

IPA

Sylvia Wood, Head of Press Office

Telephone +44-20-7201-8247

Email sylvia@ipa.co.uk

Sabrina Mayeen, Corporate Communications

Telephone +44-7967-447-030

Email sabrina.mayeen@spglobal.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. 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 S&P Global

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.