

# IPA Bellwether Report – 2022 Q1

## Total marketing budget growth at strongest since 2014 amid waning pandemic impact

### Key points:

- Total marketing budget growth close to eight-year high as businesses adjust to living with COVID-19
- Marketing executives signal strong optimism towards budgets for 2022/23
- Rising living costs, supply-chain disruption and war in Ukraine noted as key threats to the business outlook by panellists
- Adspend forecasts lowered in 2022 and 2023 amid growing economic risks

Total marketing budgets were once again revised higher during the opening quarter of 2022, with panellists stepping up efforts to position their businesses for growth as pandemic-related risks recede.

According to *Bellwether* data, total marketing budgets were upwardly revised by nearly one-quarter of panellists (24.1%). By contrast, 10.0% of companies recorded budget cuts, yielding a net balance of +14.1% (vs. +6.1% in Q4 2021), which was the highest since Q2 2014 and marked a fourth successive quarter in which marketing expenditure has expanded.

Data split by the different categories of marketing monitored by the survey showed positive trends in several cases. The top-performing segment during the first quarter was events, with a net balance of +18.7% (from -3.9%). The switch to a "living with COVID" strategy within the UK, alongside a further easing of pandemic restrictions during the first few months of the year, gave businesses the confidence to plan larger-scale gatherings with clients and set up exhibitions. Solid budget expansion was also seen in main media (+9.4%, from +3.1%), with other online (+18.6%), video (+9.0%) and published brands (+1.3%) driving growth in this segment. Out of home and audio continued to decline, however (-4.6% and -8.5% respectively). Elsewhere, sales promotions (+8.0%, from 0.0%) and direct marketing budgets expanded (+6.0%, from +3.8%). The final category to register growth was PR, although the expansion here was only marginal (+0.6%, from +2.0%).

The overall upturn in total marketing budgets was however slightly weighed down by market research (-3.5%, from +7.0%) and the "other" segment, which

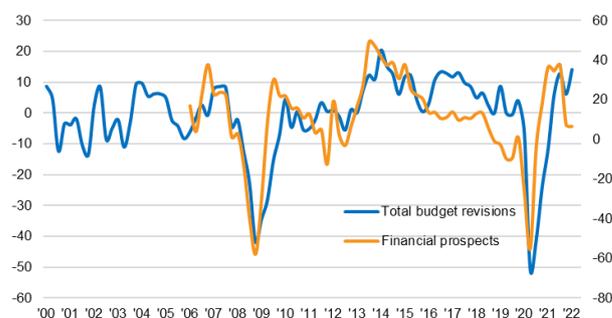
accounts for any other form of paid-for marketing not included in the survey (-0.9%, from -11.2%).

### Budget plans 2022/23

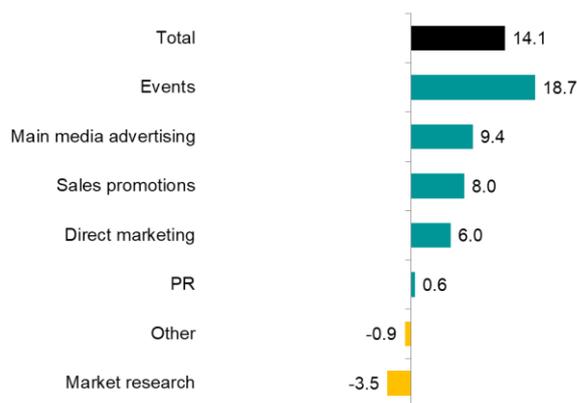
The outlook among surveyed marketing executives with regards to their budgets for the 2022/23 period was strongly positive, with 43.8% of respondents anticipating growth in their available marketing spend in the coming year. This compared with 10.6% that expect cuts, resulting in a net balance of +33.1%.

All monitored marketing activities are set to receive budget expansions, led by events (+22.1%). This was closely followed by main media (+20.1%), while direct marketing and sales promotions are also set for strong growth (+14.0% and +13.6% respectively). Meanwhile, budgets for "other" marketing activity, PR and market research are also all predicted to increase (+11.1%, +10.2% and +8.6% respectively).

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



**Chart 2: Analysis of marketing budgets in Q1 2022**



*Continued...*

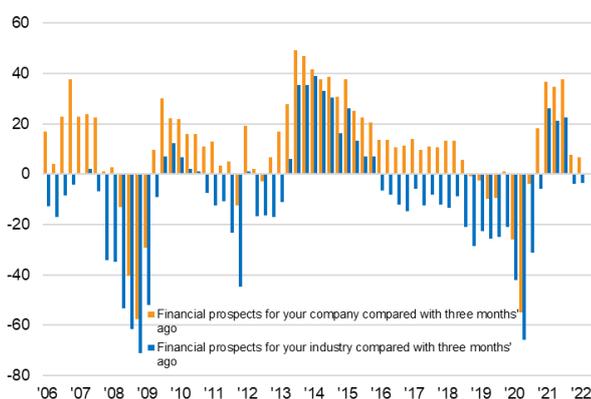
## Business sentiment remains mixed as positive company-own projections come amid worsening industry-wide outlook

As was the case at the end of last year, latest *Bellwether* survey data showed divergent trends in sentiment split by company-own and industry-wide financial prospects.

Regarding their industry as a whole, survey respondents were more pessimistic than they were three months ago, with a net balance of -3.6% of companies downbeat in the first quarter of the year. This was broadly unchanged from the fourth quarter of 2021 (net balance of -3.8%) and therefore the second-greatest degree of pessimism for over a year. The 27.4% of companies that were negative more than offset the 23.9% that were upbeat.

Company-own prospects were more positive, however, as a net balance of +6.6% of companies were optimistic in their outlook. That said, this was down from +7.6% previously and the weakest reading since Q3 2020. Close to one-third of panellists (31.5%) were upbeat with regard to their business' prospects, compared to 24.9% that were more pessimistic than three months ago.

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



## 2022 & 2023 adspend forecasts lowered as rising living costs expected to hamper economic growth

Since the end of last year, we've revised our forecasts for UK economic growth and in turn adspend, a touch lower for 2022 and 2023.

The post-COVID-19 recovery faces strengthening headwinds, namely high inflation and a squeeze on household budgets, supply chain disruptions and labour shortages. The situation is now more precarious, with Russia's invasion of Ukraine accentuating and extending an already-damaging cost of living crisis. As a result, our GDP growth forecasts for 2022 and 2023 have been revised lower to 2.8% and 1.2% respectively (from 4.0% and 1.8% respectively). We anticipate this slower growth trajectory for the next 18 months or so to weigh on adspend. As a consequence, our adspend growth forecasts for 2022 and 2023 have been revised down to 3.5% and 1.8%, from 5.2% and 2.5%

respectively.

Looking beyond the next couple of years, our forecasts for GDP and adspend are little-changed. There has been some uplift for 2024 growth projections (GDP and adspend growth revised up to 1.2% and 1.7% from 0.9% and 1.3% respectively) because of the weaker outlook until 2023, while 2025 and 2026 forecasts are held broadly unchanged since the last *Bellwether* report.

### Commenting on the latest survey:

#### Paul Bainsfair, IPA Director General:

*"With COVID-19 restrictions ending, it is clear that UK companies are keen to capitalise on this moment and ramp up their marketing spend. This is welcome news now, but we know we face soaring inflation levels, cost of living increases, supply-chain issues, all exacerbated by the war in Ukraine and some sector recruitment shortages. With forty years of downturn data to learn from, the IPA knows beyond doubt that brands do best when they maintain their investment in longer-term brand-building media, complemented by a smaller ratio of sales activation media. This is the survival code for surviving a downturn."*

#### Joe Hayes, Senior Economist at S&P Global and author of the *Bellwether* Report:

*"As the UK switches its approach from stopping COVID-19 to living with COVID-19, many businesses have begun adjusting to a post-pandemic world. We've seen strong upward revisions to marketing budgets in a clear sign that companies are gearing up for growth. Events budgets, which saw a particularly strong uplift, were a notable beneficiary of the UK government's new COVID-19 model. That said, risks to the economic outlook have built substantially so far this year. Living costs are rising, we may see inflation get close to or even hit double digits in the coming months, and this will weigh on purchasing power. Supply chain issues are still prevalent and have been exacerbated by the war in Ukraine. Rising geopolitical tensions also create uncertainty, and it may lead to companies re-assessing their decisions until all of these risks reduce."*

– 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 Q1 2022 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.

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