

## **IPA Bellwether Report – 2024 Q3**

### **UK marketing budgets stall ahead of Autumn Budget announcement**

#### **Key points:**

- Total marketing budgets fail to grow for first time in 14 quarters, but growth areas remain
- Main media budgets expand at fastest rate in a year, with video campaigns at the centre
- Company-specific financial prospects turn downbeat and industry-wide sentiment erodes further, but adspend forecasts lifted for 2024 and 2025

The imminent Autumn Budget and uncertainty surrounding what policy announcements could come from the new Chancellor has prompted a more cautious approach to marketing spend among our surveyed panellists. According to the latest Bellwether survey, revisions to total marketing budgets were put on ice during the third quarter, with the respective net balance dropping from +15.9% in Q2 to 0.0%, indicating a significant shift in behaviour from the robust growth observed over the previous 13 quarters, which had averaged an impressive net balance of 8.8%.

In the third quarter, the number of panellists who revised their marketing budget upwards (21.6%) matched those that implemented cuts, reflecting more cautious undertones among UK companies in the face of renewed political uncertainty.

Despite this renewed apprehensive approach to marketing budgets, the category breakdown revealed several strong-performing segments in the third quarter. Notably, public relations saw the most significant upward revision, with the net balance soaring to a record high +11.0%, from +2.6% in the previous quarter.

Ranking second was events with a net balance of +9.9% (vs. +17.2% previously) as demand for in-person and face-to-face interactions with customers and prospects remained strong. The net balance declined further from the all-time high seen in the first quarter, however, as underlying data revealed that the gap between marketing executives increasing their budgets and those reducing them narrowed. Direct marketing followed closely behind, with the net balance printing the strongest reading in three quarters at +9.7% (+8.9 in Q2), signalling a continuation of this segment's impressive growth streak.

Main media advertising, one of the most potent tools

available to UK marketers, experienced a second consecutive quarter of budget increases, with the net balance climbing from +3.5% to +4.3%, indicating the strongest growth in a year. The breakdown by sub-category showed that this growth was driven by big-ticket video campaigns, which saw the net balance of firms registering upward revisions rise to +11.7% from +7.8%, its highest since Q4 2022. This surge masked declines in the remaining segments. Following stabilisation in the previous quarter, out of home experienced the most significant downward revisions to marketing expenditures in the third quarter. The net balance fell back into contraction territory, with a reading of -15.7%, marking the steepest decline since Q2 2022. Audio weighed down main media marketing, with the net balance dropping to -10.0% from -5.5%. Published brands advertising (net balance of -4.4%, from -6.3%) and other online marketing budgets (net balance of -1.4%, from +15.3%) also saw contractions, the latter recording its first negative net balance in four years.

Sales promotions budgets continued to grow, registering a fourth consecutive quarterly increase. However, the net balance fell to +3.2%, from +6.9% in the previous quarter, as UK inflationary pressures come back under control.

Finally, budget allocations were reduced for both market research, which saw a net balance drop to -1.5% from +3.2%, and other forms of paid marketing (-9.7% from -7.6%).

#### **Sentiment towards company-own and industry-wide finances deteriorates**

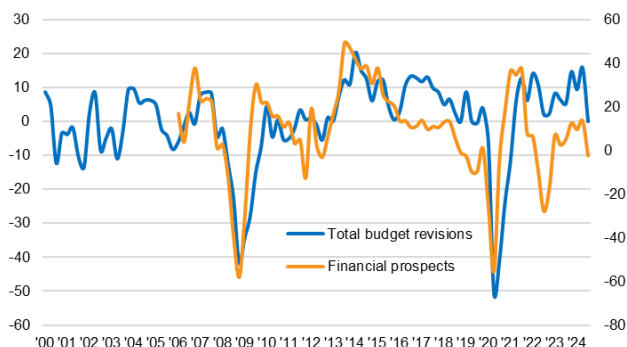
Bellwether data for Q3 indicated a shift in sentiment compared to the previous quarter, with attitudes toward company-specific prospects turning negative after nearly two years of optimism.

While a net balance reading of -2.2% indicated only slight pessimism regarding company-own financial outlooks, this marked the first time in seven quarters that the net balance posted below zero and highlighted a stark contrast to last quarter's reading of +13.6% (which was almost a three-year high). Nearly a quarter (23.9%) of panellists expressed downbeat sentiment in the three months leading to September, a shade above the 21.7% who were positive.

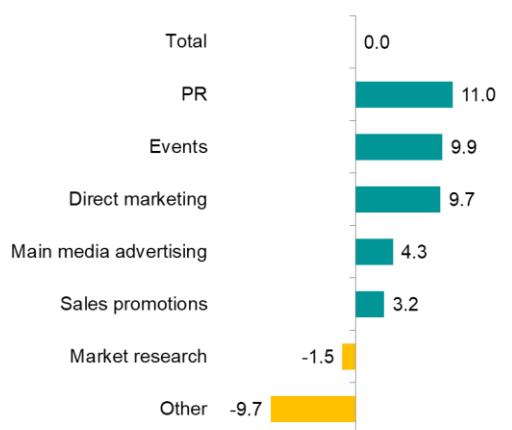
Additionally, survey respondents were more negative about the outlook for their industry overall. The net

balance of -16.2% in Q3 (previously -4.1%) was the lowest recorded since the closing quarter of 2022. A sizeable 29.6% of marketing executives reported a more pessimistic view of the broader industry's financial prospects, almost double the 13.4% who were optimistic.

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



**Chart 2: Analysis of marketing budgets in Q3 2024 (net balance, %)**



**Adspend forecasts revised up for 2024 and 2025**

Since the last Bellwether survey, S&P Global Market Intelligence have upwardly revised their UK GDP growth forecast for 2024 considerably, to 1.2% from 0.6%

This comes off the back of healthy figures in business surveys such as the PMIs, as well as stronger-than-anticipated quarterly GDP data through to the second quarter of 2024. In line with a stronger economic outlook, we have lifted our adspend forecast to 0.6% in real terms for 2024, versus a flat estimate previously (0.0%).

However, actual price levels, particularly for food and energy, remain a concern, and the high cost of borrowing — despite the interest rate cut in August — as well as higher personal taxation for many UK households are headwinds to growth.

Growth in 2025 is expected to be similar, with S&P Global Market Intelligence pencilling in a 1.3% annual GDP expansion, slightly above the 1.2% growth forecasted in the previous report. Positively, advertising spend is anticipated to pick up

considerably next year, growing 1.3%.

2026 onwards should see GDP growth settle at the lower end of the 1% threshold, with adspend in real terms to rise at rates close to 2% in 2027 and beyond.

**Commenting on the latest survey:**

**Paul Bainsfair, IPA Director General:**

*“Negative hype surrounding the impending Budget has no doubt created choppy waters for UK companies and their marketers to navigate.*

*“Looking to the positives, this quarter’s results reveal that companies aren’t cutting their marketing budgets; they are pressing pause until they know more about the Government’s economic plans. As clarity emerges, this may indeed prove to be a temporary dip in overall marketing spend rather than the start of a long-term downward trend.*

*“Building on this, it is worth noting that our adspend forecast has been revised up for 2024 and 2025 because the economic data has been so strong so far this year, and that main media growth strengthened to a one-year high while sales promotion budget growth slowed – both of which are signals of bullishness.*

*“It is also worth remembering, as the expression goes, a smooth sea never made a skilled sailor. It is in the tough times that we know that our highly skilled, experienced agencies and their trusting, brave clients can reap significant market share for brands by continuing to invest in advertising. By raising their advertising voice when others go quiet - particularly in longer-term brand-building media, brands can achieve greater market stand-out, and in doing so strengthen their value and embolden their price elasticity.”*

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

*“After some bumper quarters for UK marketing spend, and a decade-high expansion in the last survey, the Q3 Bellwether report suggests that companies have dialled back their advertising activity levels. The result is disappointing and ends a strong sequence of growth, although perhaps it is more of a temporary step back as opposed to the start of a downward trend. One reason why this might be the case is the Autumn Budget, which is subject to much uncertainty about what new policies the government will announce. Fears of unfavourable taxation changes were frequently cited by panellists. Indeed, throughout the Bellwether survey’s long history, there have been several general elections, and history tells us that political uncertainty often weighs on decision-makers.”*

*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 Q3 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](mailto: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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