2020 UK adspend to drop to £21.4bn before rebounding to £25bn in 2021

UK adspend to decline by 15.6% this year followed by 16.6% increase next year

London, July 30 2020: The latest Advertising Association/WARC Expenditure Report shows UK adspend is predicted to fall 15.6% year-on-year in 2020 to £21.4bn, which is a slight improvement on the drop of 16.7% forecast in April. The data demonstrate the deep impact that COVID-19 continues to have on advertising and the wider UK economy. New figures for Q1 2020 show total adspend rose 2.9% year-on-year to reach £6.4bn, just as the COVID-19 crisis was beginning to take hold. This contrasts with the 39.0% decline estimated for Q2.

The 1.1pp improvement in the outlook this year, from -16.7% to -15.6%, is linked to the estimated impact of recent measures announced by the Government to stimulate consumer spending. However, with high unemployment levels expected well into next year, alongside the possibility of a second COVID-19 wave this winter, year-on-year growth is not expected before Q2 2021. Growth is then anticipated to be substantial, with total 2021 adspend forecast to be 16.6% higher than 2020 – this assumes a successful vaccine will be in place. Despite this growth, total 2021 adspend is still predicted to be lower than the 2019 figure of £25.3bn, meaning pre-COVID-19 levels of adspend will not be seen until 2022 at the earliest.

The data show online and digital formats performing strongly in Q1 2020 – search and online display grew by 10.1% and 11.8%, respectively, while video on demand (VOD) recorded growth of 11.3% and online national newsbrands saw a rise of 14.2%. However, these are all expected to see a significant fall in Q2 2020 due to the impact of the pandemic and the consequent lockdown. The biggest falls are predicted to be for cinema with a 100% decline and out of home with a 70.4% decline. These media are both forecast to record some of the largest gains in 2021, with digital out of home (DOOH) seeing a rise of 38.7% and cinema witnessing the highest increase of all formats at 79.6%.

The stark figures reinforce the Advertising Association's call for a tax incentive scheme for advertising and marketing services, with the aim of stimulating investment and encouraging advertisers to continue, or return to, advertising. Such a plan would also encourage companies that do not currently advertise, typically SMEs, to invest in advertising and act as a stimulus for the wider economy.

Keith Weed, President, Advertising Association commented:
"It is vital that our industry continues to do all it can to support the recovery, most pertinently by joining the 'Enjoy Summer Safely' coalition to help mainstream essential public health messages. It has been incredibly impressive to see how our industry has so quickly rallied together to carry public health campaigns and other initiatives to inform and assist people across the country."

Philippa Brown, Chair, Advertising Association & CEO, PHD commented:
"These figures point to light at the end of the tunnel, which will come as a welcome relief to companies and colleagues across the advertising and media industries. While the focus remains on returning our economy to growth, it is also important we keep focus on the social recovery too and what this means for our industry around such issues as climate change and

building a truly inclusive workforce, areas central to the Advertising Association's work over the coming months."

Stephen Woodford, Chief Executive, Advertising Association commented:
"Today's figures show that the outlook for UK advertising remains fragile, with a significant decline forecast for the rest of the year, before welcome growth in 2021. This forecast demonstrates the need for Government to continue working with the advertising industry to boost confidence in the economy and among consumers. This can be achieved through initiatives such as our tax credits scheme for advertising, but also by ensuring we have a regulatory environment that is open and fair, to ensure businesses have the confidence to invest. This means avoiding increased rules and regulations, such as those proposed for HFSS advertising, that will weigh on the much-anticipated recovery we hope to see next year."

James McDonald, Head of Data Content, WARC commented:
"First quarter metrics were softer than had been anticipated going into lockdown, but we believe the second quarter will represent the nadir. With unemployment expected to remain well above pre-pandemic levels into next year, and the possibility of a second virus wave during the winter, no growth in total adspend is forecast until Q2 2021.

"Our cautious optimism that investment will rebound from April 2021 is rooted, in part, in a belief that a 'new normal' will then have been established, borne by a successful vaccination programme. Under these circumstances, we feel the UK's ad industry can attain a full recovery during 2021 as a whole, though total market value will still be down on 2019's peak."

Media	Q1 2020 year-on-year % change	2020 forecast year-on-year % change	Percentage point (pp) change in 2020 forecast vs April	2021 forecast year-on-year % change
Search	10.1%	-12.3%	-0.2pp	19.4%
Online display*	11.8%	-7.9%	+4.8pp	15.7%
TV	-1.7%	-14.5%	+5.3pp	13.2%
of which VOD	11.3%	-1.2%	+5.1pp	21.1%
Online classified*	-5.0%	-26.8%	-2.5pp	10.6%
Direct mail	-18.0%	-26.2%	-5.0pp	3.5%
Out of home	-3.1%	-25.4%	-6.7pp	34.7%
of which digital	5.2%	-20.9%	-6.2pp	38.7%
National newsbrands	-6.3%	-21.2%	-0.7pp	12.5%
of which online	14.2%	-11.4%	+3.1pp	17.0%
Regional newsbrands	-15.5%	-27.5%	-3.4pp	12.6%
of which online	0.9%	-21.0%	-2.2pp	19.7%
Magazine brands	-11.9%	-24.2%	+0.8pp	15.4%
of which online	-18.7%	-23.3%	-1.5pp	21.1%
Radio	-5.2%	-21.0%	=	16.9%
of which online	-7.1%	-18.4%	-7.5pp	23.1%
Cinema	-10.4%	-44.2%	-10.6pp	79.6%
TOTAL UK ADSPEND	**2.9%**	**-15.6%**	**+1.1pp**	**16.6%**

Note: Broadcaster VOD, digital revenues for newsbrands, magazine brands, and radio station websites are also included within online display and classified totals, so care should be taken to avoid double counting. Online radio is display advertising on broadcasters' websites.
Source: AA/WARC Expenditure Report, July 2020

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Forecast year-on-year % change	Q2 2020	Q3 2020	Q4 2020	Q1 2021	2020	2021
Search	-31.5%	-21.0%	-8.2%	-3.8%	-12.3%	19.4%
Online display*	-27.1%	-14.4%	-2.1%	1.2%	-7.9%	15.7%
TV	-41.3%	-15.1%	-2.4%	-4.7%	-14.5%	13.2%
of which VOD	-24.8%	-5.1%	10.3%	5.7%	-1.2%	21.1%
Online classified*	-52.7%	-28.3%	-17.4%	-27.0%	-26.8%	10.6%
Direct mail	-48.0%	-28.0%	-12.0%	-12.0%	-26.2%	3.5%
Out of home	-70.4%	-27.7%	-3.1%	3.1%	-25.4%	34.7%
of which digital	-68.3%	-24.0%	-0.6%	5.3%	-20.9%	38.7%
National newsbrands	-46.0%	-24.1%	-11.6%	-8.1%	-21.2%	12.5%
of which online	-40.2%	-17.5%	-4.2%	-6.1%	-11.4%	17.0%
Regional newsbrands	-52.4%	-28.1%	-14.1%	-12.3%	-27.5%	12.6%
of which online	-50.5%	-23.6%	-6.4%	-9.9%	-21.0%	19.7%
Magazine brands	-46.2%	-28.1%	-9.7%	-8.2%	-24.2%	15.4%
of which online	-45.1%	-25.3%	-4.0%	3.7%	-23.3%	21.1%
Radio	-48.7%	-20.4%	-10.6%	-7.0%	-21.0%	16.9%
of which online	-47.1%	-14.1%	-6.8%	-0.1%	-18.4%	23.1%
Cinema	-100.0%	-61.4%	-9.1%	16.6%	-44.2%	79.6%
TOTAL UK ADSPEND	**-39.0%**	**-20.7%**	**-6.7%**	**-4.4%**	**-15.6%**	**16.6%**

Note: Broadcaster VOD, digital revenues for newsbrands, magazine brands, and radio station websites are also included within online display and classified totals, so care should be taken to avoid double counting. Online radio is display advertising on broadcasters' websites.
Source: AA/WARC Expenditure Report, July 2020

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About the Advertising Association/WARC Expenditure Report

The Advertising Association/WARC quarterly Expenditure Report is the definitive guide to advertising expenditure in the UK. Impartial and independent of any media channel or agency affiliation, it is the only source of historical quarterly adspend data and forecasts for the different media for the coming eight quarters. With data from 1982, this comprehensive and detailed review of advertising spend includes the AA/WARC's own quarterly survey of all national newspapers, regional newspaper data collated in conjunction with Local Media Works and magazine statistics from WARC's own panels. Data for other media channels are compiled in conjunction with UK industry trade bodies and organisations, notably the Internet Advertising Bureau, Outsmart, Radiocentre and the Royal Mail.

All data are net of discounts and include agency commission, but exclude production costs. The survey was launched in 1981 and has produced data on a quarterly basis ever since.

Methodology for WARC's quarterly forecasts

Analysis of annual adspend data over the past 35 years shows that there is a link between annual changes in GDP and annual changes in adspend (after allowing for inflation, and excluding recruitment adspend). Over this period, GDP changes account for about two thirds of the change in adspend. WARC has developed its own forecasting model to generate forecasts for two years based on assumptions about future economic growth. The model provides an indication of likely overall spend levels – adjusted to allow for short-term factors (Olympics, World Cup etc).

The Expenditure Report (www.warc.com/expenditurereport) launched online in February 2010 and combines data from the discontinued print publications the Quarterly Survey of Advertising Expenditure and the Advertising Forecast. It is relied upon daily by the world's largest brands, ad agencies, media owners, investment banks and academic institutions. Alongside over 200 readymade tables, subscribers can create their own customised tables for analysis of different media and time periods, as well as track the different media's share of adspend. All reports can be exported from the online interface. An annual subscription is priced at £760 for AA members and £1,175 for nonmembers.

About the Advertising Association

The Advertising Association promotes the role, rights and responsibilities of advertising and its impact on individuals, the economy and society. Responsible businesses understand that there is little point in an advertisement that people cannot trust. That's why, over 50 years ago, the Advertising Association led UK advertising towards a system of independent self-regulation which has since been adopted around the world. There are nearly thirty UK trade associations representing advertising, media and marketing. Through the Advertising Association they come together with a single-voice when speaking to policy-makers and influencers.

About WARC

WARC provides the latest evidence, expertise and guidance to make marketers more effective. WARC's mission is to save the world from ineffective marketing.

WARC's clients include the world's largest brands, advertising and media agencies, media owners, research companies and universities. They rely on WARC for rigorous, unbiased information and advice on almost any advertising and marketing issue, which WARC delivers via best practice guides, case studies, research papers, special reports and advertising trend data, as well as via webinars, awards, events and advisory services.

WARC collaborates with more than 50 respected industry organisations globally including: The Advertising Research Foundation, Cannes Lions, Effie Worldwide, Association of National Advertisers, ESOMAR, 4A's, IPA and DMA.

WARC was founded in 1985, and has offices in the UK, US, China and Singapore. In July 2018, WARC became part of Ascential plc, the global specialist information company.

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