

UK AD SPEND TO RECOVER FASTER THAN KEY INTERNATIONAL MARKETS IN 2021

An upgraded forecast of 15.2% growth comes in the latest AA/WARC Expenditure Report published today, which also indicates better-than-expected results for 2020

London, January 26, 2021: The latest Advertising Association/WARC Expenditure Report expects the UK's ad market to grow by 15.2% this year, an upgrade of 0.8 percentage points from the last forecast in October 2020. The preliminary estimate for growth in 2020 now stands at -7.9% with adspend of £23.17bn – a marked improvement (+6.6 percentage points) since the last outlook owing mostly to brighter prospects for online platforms.

The new forecasts show that the UK's ad market will make up for 2020's decline and accelerate further into growth this year, reaching a total of £26.69bn – above the previous high of £25.37bn recorded in 2019. Further, the decline seen in the UK's ad market during 2020 is estimated to be softer than the global rate (-10.2%) and that of the rest of Europe (-13.7%). The UK's projected ad market growth in 2021 is also expected to be ahead of key international markets, with the US expected to grow 3.8%, Germany 9.3%, Europe (excluding UK) 8.8%, and China 10.3%.

Internet adspend leads to stronger Q3 2020 performance

The latest dataset includes actual figures for Q3 2020 and predictions for the coming eight quarters. The key findings show that UK adspend fell 3.3% to £5.9bn in Q3 2020. This was far better than the -17.9% forecast in October 2020, owing mostly to better-than-expected internet growth. Internet spend rose 10.1% to £4.2bn during the quarter, buoyed by a 14.5% rise in search spend (which in turn was driven by e-commerce advertising). Overall, UK adspend was down 11.1% over the first nine months of 2020, at £16.2bn.

Fast growth forecast for all media in 2021

Double-digit growth is expected across most media sectors in 2021 – and even triple-figure growth in the case of cinema. Particularly strong results are expected in cinema at 228.4% and reflective of the fact the sector was closed for most of 2020; digital out of home at 53.6%, traditional out of home at 37.7%, and video on demand at 21.2%.

Stephen Woodford, Chief Executive, Advertising Association commented:

“The latest figures from the AA/WARC Report come as welcome news at the beginning of the year. Not only does the data show the overall decline expected in 2020 may be less than feared, but the recovery in 2021 will be stronger than we would have dared hope even a few months ago. With the vaccine rollout accelerating and a Brexit trade deal in place, the 2021 business outlook is brightening, reflected by these new forecasts showing a stronger and quicker recovery in adspend, with a stronger rebound than in other large economies. With every £1 of advertising spend generating £6 of GDP, this is good news for jobs and growth in the wider economy.”

James McDonald, Head of Data Content, WARC commented:

“The latest market data show that the largest online properties were shielded from the worst of the industry downturn last year. Indeed, with consumption and commerce migrating online during the pandemic, the results show that ad money followed to these platforms’ benefit.

“Paid search – which accounts for over a third of all advertising spend in the UK – was the format that gained most from a surging e-commerce sector. Ancillary research by WARC shows that online sales recorded a six-year leap in penetration in 2020, as e-commerce’s share of all UK retail value rose by 8.4 percentage points to 27.6%. This rate was ahead of China (24.9%) and double that of the US (13.4%) last year.

“The outlook for the year ahead is bullish, reflecting greater certainty around Brexit and the potential for the vaccination programme to unlock economic growth. We now believe that the ad market can overcorrect in these circumstances to top its 2019 peak, though large parts of the industry remain in a fragile state.”

Media	Q3 2020 year-on- year % change	9M 2020 year-on- year % change	2020 estimated year-on-year % change	Percentage point (pp) change in 2020 forecast vs October	2021 forecast year-on-year % change
Search	14.5%	2.5%	5.5%	+13.0pp	19.5%
Online display*	12.0%	4.3%	6.0%	+9.1pp	9.3%
TV	-4.5%	-15.1%	-9.0%	+3.0pp	11.6%
of which VOD	11.9%	0.3%	4.3%	+2.9pp	21.2%
Online classified*	-23.0%	-29.4%	-26.0%	+6.7pp	16.7%
Direct mail	-35.9%	-38.4%	-35.7%	-6.0pp	7.5%
Out of home	-49.5%	-46.5%	-44.2%	-4.7pp	37.7%
of which digital	-42.1%	-40.0%	-38.1%	-3.1pp	53.6%
National newsbrands	-32.3%	-27.7%	-25.7%	-0.7pp	13.8%
of which online	-7.9%	-4.7%	-3.4%	+4.1pp	14.7%
Regional newsbrands	-39.5%	-36.0%	-35.3%	-2.2pp	12.3%
of which online	-29.6%	-25.8%	-26.3%	-1.9pp	15.4%
Magazine brands	-38.1%	-33.6%	-32.7%	-4.0pp	14.6%
of which online	-28.0%	-32.3%	-31.2%	-4.2pp	16.1%
Radio	-5.0%	-18.6%	-15.0%	+7.0pp	12.5%
of which online	6.4%	-11.2%	-8.4%	+7.5pp	15.0%
Cinema	-96.2%	-73.7%	-75.8%	-11.3pp	228.4%
TOTAL UK ADSPEND	-3.3%	-11.1%	-7.9%	+6.6pp	15.2%

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, January 2021

Forecast year-on-year % change	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022

**ADVERTISING
ASSOCIATION**

WARC[^]

Search	14.1%	10.6%	42.3%	17.5%	15.3%	9.8%
Online display*	10.2%	8.1%	24.4%	4.4%	4.9%	4.3%
TV	6.7%	-0.9%	55.5%	9.6%	1.7%	4.3%
of which VOD	14.4%	10.6%	58.3%	14.0%	17.6%	11.6%
Online classified*	-16.0%	-14.0%	64.0%	28.2%	6.2%	2.3%
Direct mail	-28.0%	-18.0%	85.0%	15.0%	-8.0%	-8.0%
Out of home	-38.7%	-43.5%	295.7%	76.8%	47.8%	55.3%
of which digital	-34.1%	-33.0%	278.0%	89.8%	60.9%	59.5%
National newsbrands	-20.7%	-11.7%	52.6%	22.6%	9.9%	7.4%
of which online	-0.4%	1.5%	43.5%	13.6%	7.4%	7.7%
Regional newsbrands	-33.3%	-21.4%	52.2%	22.8%	16.9%	7.4%
of which online	-28.0%	-18.7%	50.8%	21.2%	22.1%	11.1%
Magazine brands	-30.0%	-20.5%	46.5%	31.8%	14.3%	2.0%
of which online	-28.3%	-11.3%	43.2%	23.3%	13.4%	2.9%
Radio	-5.0%	-7.7%	60.1%	7.6%	10.8%	3.9%
of which online	-1.0%	-4.6%	54.1%	5.4%	17.3%	12.4%
Cinema	-80.0%	-76.9%	-	2,227.1%	484.8%	315.1%
TOTAL UK ADSPEND	0.4%	0.1%	46.6%	15.7%	10.3%	7.6%

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, January 2021

Market	2018 year-on-year % change	2019 year-on-year % change	2020 estimated year-on-year % change	2021 forecast year-on-year % change
China	12.1%	5.2%	-3.5%	10.3%
United States	10.2%	4.7%	-4.1%	3.8%
Canada	3.1%	6.3%	-5.6%	4.2%
United Kingdom	8.1%	7.1%	-7.7%	15.5%
Germany	8.9%	0.5%	-10.6%	9.3%
Europe (excl. UK)	8.0%	3.0%	-13.7%	8.8%
Global	8.0%	4.1%	-10.2%	8.3%

Note: Adspend growth measured in Purchasing Power Parity units.

Source: WARC Data

The Advertising Association/WARC quarterly Expenditure Report is the definitive guide to advertising expenditure in the UK with data and forecasts for different media going back to 1982.

- ends-

Advertising Association

**ADVERTISING
ASSOCIATION**

WARC[^]

Matt Bourn, Director of Communications
Matt.Bourn@adassoc.org.uk

Matthew Evans, Head of Corporate Affairs
Matthew.Evans@adassoc.org.uk

Ellie Mason, Senior Communications Executive
Ellie.Mason@adassoc.org.uk
T: +44 (0) 20 7340 1100

WARC

Amanda Benfell, Head of PR & Press
amanda.benfell@warc.com
T: +44 (0) 20 7467 8125

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

**ADVERTISING
ASSOCIATION**

WARC[^]

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 is part of Ascential: the path-to-purchase company that combines intelligence, data and insights to drive growth in the digital economy. We do this by delivering an integrated set of business-critical products in the key areas of product design, marketing and sales.

For over 30 years WARC has been powering the marketing segment by providing rigorous and unbiased evidence, expertise and guidance to make marketers more effective. WARC services include 18,000+ case studies, 90,000+ best practice guides, research papers, special reports and advertising trend data, webinars, awards, events and advisory services; has 1,200+ client companies, 21,500+ active users in 100+ countries; collaborates with 50+ industry partners; has offices in the UK, US, China and Singapore.