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Brexit could cost UK advertising market £1bn by 2030

Leaving the European Union could cost the UK £70m in adspend growth each year – a total of £1bn by 2030 – according to new analysis by Zenith. This damage would be caused by a reduction in economic growth in the long term, not by advertisers' short-term reaction to a vote to leave, which is likely to be minimal.

The UK Treasury has assessed how the UK economy might fare in the event of Brexit. It found that all post-Brexit scenarios for the UK's relationship with the EU signal reductions in the flow of trade and investment, with the Treasury's overall finding that by 2030 the UK's GDP would be 6.2% lower outside the EU than it would be inside it. Several other institutions have published their own models; most are fairly similar and almost all are negative. Assuming the Treasury's forecast is borne out, Zenith estimates that, at today prices, Brexit would cost the UK ad industry £1bn in advertising growth over 15 years.

Zenith has tracked a clear relationship between economic growth and the health of the advertising industry. Increased growth leads to more products from existing advertisers and more new products from start-ups, all of which need to be marketed to consumers. Over the past 35 years, the UK ad market has averaged 1.1% growth for every 1% increase in GDP, according to Zenith's long-running *Advertising Expenditure Forecasts* report. Reduced economic growth resulting from Brexit would lower the growth of the UK's ad market in the long term.

However, the effects of deciding to leave the European Union would not be felt for at least several months after the vote. Zenith has conducted an exclusive survey among key UK and European advertisers, to gauge the short-term effects of Brexit uncertainty and a vote to leave. We asked respondents whether the prospect of Brexit had caused them to revise their budgets so far this year, and whether they intended to revise their budgets in the event of a vote to leave to EU. The results were unanimous: all of them said they had not changed their budgets in the light of a possible Brexit,

and none of them planned to make any immediate changes in the event of a victory for the Leave campaign, simply as a response to the vote.

This suggests Brexit would have little to no immediate effect on the UK ad market. This is not necessarily a surprise: advertisers are generally pragmatic when setting their budgets, and they allocate what they estimate will be enough money to allow them to achieve their growth targets, given consumers' spending habits and the options available for communicating with them. Brexit would be an unprecedented situation, and is unlikely to instantly change the way people shop or consume media, providing no signals for advertisers to vary their spending plans. We expect that advertisers would begin revising their advertising budgets, though, once the economic consequences of a vote to leave start to become clear.

“While the immediate effect would be muted, Brexit would have a long-term cost for the UK ad industry, holding back its growth by £70 million a year,” said Jonathan Barnard, Zenith’s Head of Forecasting. “It would also threaten to make cross-border accounts in Europe more costly and cumbersome to operate.”

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