

UK ADSPEND CONTINUES RECOVERY IN Q1 BUT REAL-TERMS GROWTH IN 2023 UNDER PRESSURE

*UK adspend rose 28.3% to a total of £8.6bn in the first three months of 2022,
7.7 percentage points ahead of our previous forecast in April.*

London, July 28, 2022: The latest Advertising Association/WARC Expenditure Report is the only source to collect advertising revenue data across the entire media landscape. It shows a strong Q1 for UK adspend with a year-on-year rise of 28.3%, reaching a total of £8.6bn and resulting in slightly improved outlooks for the year ahead. The first three months of 2022 outperformed expectations by 7.7 percentage points as all media recovered in comparison to the lockdowns of Q1 2021.

The outlook for the total UK advertising market in 2022 has been upgraded (+0.2pp) to 10.9% growth, by when adspend is set to reach a new high of £35.4bn. These figures also reflect the consistent growth of online advertising, which is forecast to account for 74.3% of all spend this year, in comparison to 73.5% in 2021.

The latest dataset suggests the UK's ad market will grow by a further 4.4% in 2023, to a value of £37bn. This represents a 1.0pp downgrade from AA/WARC's April forecast, and equates to a 0.9% contraction in real terms. With inflationary pressures and issues faced by all businesses and families such as the rising cost of living – coupled with geopolitical uncertainties – the UK advertising market is liable to see further headwinds on the horizon.

Stephen Woodford, CEO, Advertising Association, commented: "It is encouraging to see growth in our industry over Q1, as the economy continues its recovery year-on-year following last year's Covid-19 lockdown. However, the pressures of inflation on living standards and economic growth are at the top of everyone's mind, and these rising costs may represent a real-term contraction of nearly 1% in 2023 for UK advertising investment.

"As the UK's political leadership changes, it is important to recognise the value that advertising brings to the economy in supporting competition, innovation and growth at this critical time. A consistent, evidence-led policy-making approach, with due consideration of industry views and expertise, will help create the conditions which encourage, not hinder, economic growth and will be integral to the ability for businesses to weather the challenges of the coming year. Together with WARC, we will continue to monitor advertising expenditure results and provide guidance for our industry and policy decision-makers within the UK government."

The full picture in Q1 2022

Data show that UK adspend rose by 28.3% in the first three months of 2022, as growth was recorded across all media. Online formats – notably search, display (including social) and classified – grew the most in absolute terms, as the market share reached 74.9% for online channels combined.

Triple and quad-digit recoveries were seen in the OOH and cinema sectors, respectively. The publishing and direct mail sectors also saw growth over these three months, resulting in improving outlooks for the year ahead. These figures are consistent with AA/WARC’s provisions for year-on-year growth.

Although these figures do show exponential growth, in comparison to Q1 2021, Covid-19 lockdown measures were still in place across the UK, diminishing advertising activities and revenue across the media landscape.

James McDonald, Director of Data, Intelligence & Forecasting, WARC commented: “The latest survey data show that the UK’s ad market is currently experiencing a soft landing from the turmoil caused by the Covid outbreak, with early budget commitments translating into a strong start to the year for the industry – all media recorded growth in the first quarter.

“As predicted, however, inflation is now starting to bite; its impact on the consumer is well documented, but the rising cost of servicing government debt leaves the incoming prime minister with less fiscal flex for stimulating flatlining economic activity. For advertisers, higher costs will carve into margins, and while a real term rise of 1.8% in ad investment is expected this year – compared to a pre-Covid average of +2.6% – the market is now set to contract in 2023 after accounting for these ongoing inflationary pressures.”

Media	Q1 2022 year-on-year % change	2022 forecast year-on-year % change	Percentage point (pp) change in 2022 forecast vs April	2023 forecast year-on-year % change	Percentage point (pp) change in 2023 forecast vs April
Search	29.9%	13.2%	+1.0pp	6.3%	-1.5pp
Online display*	27.6%	11.4%	-0.2pp	6.7%	-0.7pp
TV	19.1%	5.9%	-1.2pp	0.8%	-1.2pp
of which VOD	25.9%	13.3%	-1.2pp	9.2%	-1.3pp
Online classified*	29.9%	5.6%	+2.6pp	-6.5%	-1.8pp
Direct mail	15.6%	-0.2%	+3.9pp	-6.3%	+0.7pp
Out of home	146.2%	28.9%	-2.6pp	10.9%	+2.3pp
of which digital	142.8%	30.5%	-3.8pp	14.9%	+3.4pp
National newsbrands	15.9%	1.1%	+0.1pp	-1.8%	+1.0pp
of which online	18.8%	6.6%	+2.1pp	2.7%	+1.8pp
Radio	19.7%	5.4%	+2.3pp	2.1%	-1.7pp

of which online	24.8%	10.7%	-0.4pp	8.6%	-0.8pp
Regional newsbrands	22.2%	0.0%	+4.8pp	-6.3%	+1.0pp
of which online	25.8%	8.0%	+4.4pp	3.0%	+3.2pp
Magazine brands	7.2%	-1.3%	+0.3pp	-4.2%	+1.1pp
of which online	20.5%	4.0%	+2.5pp	-0.2%	+1.9pp
Cinema	–	191.2%	-21.8pp	18.3%	+6.8pp
TOTAL UK ADSPEND	28.3%	10.9%	+0.2pp	4.4%	-1.0pp

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 includes targeted in-stream radio/audio advertising sold by UK commercial radio companies, together with online S&P inventory.

Source: AA/WARC Expenditure Report, July 2022

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

Matt Bourn, Director of Communications

Matt.Bourn@adassoc.org.uk

Mariella Brown, Communications Manager

Mariella.Brown@adassoc.org.uk

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

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 an Ascential company, the path-to-purchase business 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.