

## **UK AD MARKET'S COVID RECOVERY CONTINUES BUT FORECAST GROWTH SLOWS**

*Ad market set to reach £36bn this year despite the possibility of real-terms decline*

**London, January 26, 2022:** The latest quarterly data from the Advertising Association / WARC Expenditure Report show UK advertising spend rose by 4.3% to a total of £8.5bn between July and September 2022, the ninth consecutive quarter of growth and demonstrative of an ongoing, resilient recovery from the COVID-19 pandemic.

The UK's ad market is expected to grow by a further 3.8% this year, totaling £36.1bn and following on from an estimated 8.8% rise in 2022, based on the latest advertising revenue data collected directly from media owners. The projection for 2023 is on par with the previous forecast (published in October 2022) but equates to a 3.0% real terms decline once inflation is accounted for. Forecasts for the coming year show reduced growth expectations for almost all sectors of advertising in line with pressures felt by all parts of the economy.

### **Q3 2022 results**

Actual figures released by the Advertising Association/WARC for the first nine months of 2022 confirm that growth was up by 10.8%, with the total figure standing at £25.3bn. Out of Home (OOH) and cinema, specifically, continued their strong recovery during Q3, while search rose 7.7% – equating to almost 40% of total adspend during the quarter. Social media, included within online display, continued growing (+4.4%), while broadcast video on-demand (BVOD) spend rose by 4.3%.

### **Revised 2022 projections**

The UK's ad market is now thought to have reached a total of £34.7bn in 2022, as preliminary estimates put growth at 8.8% last year – this represents a slight downgrade of -0.4pp from the October projections. After accounting for inflation, real growth was thought to have been flat in 2022, at -0.1%. Crucially, a retained recovery is projected for the 'golden quarter' (Q4 2022). Spend during this time was estimated to have grown by 4.0%, to a total of £9.5bn, as the winter period hosted the two biggest events for adspend: Christmas and the FIFA Men's World Cup. This growth was still half a point behind previous forecasts but should nonetheless be considered as a good performance given economic challenges.

### **Stephen Woodford, Chief Executive, Advertising Association said:**

"The UK advertising industry has held firm in its continued recovery from the COVID pandemic, with ad investment holding up in the face of significant headwinds. However, the economic pressures of 2022 including high inflation's impacts on the wider economy and on media costs means in real terms spend is likely to be flat. These pressures all contribute to slower growth projections for the year ahead.

"Advertising plays a vital role in helping brands communicate with their customers and navigate the cost-of-living pressures that everyone faces. As we publish our new 3-year strategy which puts trusted, inclusive and sustainable advertising at the heart of our mission,

we are determined to show the economic and social value of responsible advertising to the UK.”

**James McDonald, Director of Data, Intelligence & Forecasting, WARC** said:

“With the economy enjoying modest growth in November, and inflation appearing to have reached its peak, it is likely that the UK narrowly avoided slipping into the recession at the end of last year that many had feared – but a downturn now seems unavoidable in 2023.

“Despite an air of resilience in recent market results, a looming recession will put pressure on ad trade this year. We foresee ad market growth easing to 3.8%, equating to a real terms decline and the weakest rise in a decade if the pandemic-hit 2020 were excluded. The silver lining here is that our current modelling suggests that the slump will be short lived, with advertising investment set to lift by 5% over the first nine months of 2024.“

<b>ADVERTISING ASSOCIATION WARC</b>	<b>Q3 2022 year-on-year % change</b>	<b>2022 forecast year-on-year % change</b>	<b>Percentage point (pp) change in 2022 forecast vs October</b>	<b>2023 forecast year-on-year % change</b>	<b>Percentage point (pp) change in 2023 forecast vs October</b>
Search	7.7%	11.7%	=	6.2%	=
Online display*	6.3%	7.4%	+0.3pp	5.4%	-0.5pp
TV	-6.6%	0.9%	-2.0pp	0.4%	-0.1pp
of which VOD	4.3%	10.5%	+0.4pp	4.4%	-2.8pp
Online classified*	7.2%	20.9%	+0.8pp	-6.1%	-1.6pp
Direct mail	-4.7%	1.8%	-1.0pp	-6.0%	-1.5pp
Out of home	13.2%	33.7%	+2.5pp	5.8%	+1.0pp
of which digital	13.3%	33.2%	+0.9pp	7.2%	-1.2pp
National newsbrands	-11.2%	0.6%	-2.8pp	-4.8%	-2.3pp
of which online	-3.7%	5.8%	-2.4pp	1.0%	-2.7pp
Radio	-7.5%	2.6%	-3.6pp	-0.2%	-0.3pp
of which online	-9.6%	2.9%	-5.2pp	6.0%	-0.3pp
Regional newsbrands	-10.4%	0.4%	-2.2pp	-7.9%	-0.8pp
of which online	-6.6%	4.0%	-3.2pp	-1.1%	-0.6pp
Magazine brands	-4.2%	0.6%	-0.1pp	-6.4%	-0.5pp
of which online	-6.3%	3.8%	-1.6pp	-0.9%	-0.8pp
Cinema	148.1%	148.6%	-25.4pp	31.0%	+8.9pp
<b>TOTAL UK ADSPEND</b>	<b>4.3%</b>	<b>8.8%</b>	<b>-0.4pp</b>	<b>3.8%</b>	<b>-0.1pp</b>

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, January 2023**

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.

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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](http://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**

For over 35 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 100,000+ case studies, best practice guides, research papers, special reports, advertising trend data, news & opinion articles, as well as awards, events and advisory services. WARC operates out of London, New York, Singapore and Shanghai, servicing a community of over 75,000 marketers in more than 1,300 companies across 100+ markets and collaborates with 50+ industry partners.

WARC is an Ascential company. Ascential delivers specialist information, analytics and ecommerce optimisation platforms to the world's leading consumer brands and their ecosystems.

Its world-class businesses improve performance and solve problems for its customers by delivering immediately actionable information combined with visionary longer-term thinking across Digital Commerce, Product Design and Marketing. Ascential also serves customers across Retail & Financial Services.