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Ad outlook for the rest of the year shows signs of hope

Article

A hurting US ad market is showing signs of recovery. Our forecast predicts 3.8% growth in overall US media ad spend this year, for a total of $353.86 billion. Magna upped its US ad spend forecast for 2023 YoY growth from 4.2% to 5.2% in September. And in August, the US ad market achieved two consecutive months of growth for the first time since last June.

“As it relates to advertising, we’ve seen so many signs of small improvements compared to what we might’ve expected a year ago,” said our analyst Paul Verna on our “Behind the Numbers” podcast. Here’s a breakdown of the good and bad signs.

Positive: There’s appetite for ad-supported TV

Big platforms like Netflix, Disney+, and Amazon Prime Video have incorporated ad-supported tiers into their previously subscription-based approaches. We project connected TV (CTV) ad growth will reach 21.2% this year, outpacing the overall media market.

CTV advertising is becoming synonymous with TV on the whole. “I think soon we’re going to start getting away from delineating between linear and digital TV because the lines are blurring,” said Verna.

Positive: Retail media is “on a rocket ship”

That’s according to Verna, who said “retailers’ digital platforms and a lot of their off-platform advertising are very robust right now and that, I think, will remain the case. It’s a form of advertising that has a lot of benefits to advertisers from the point of view of attribution, or at least the potential for attribution and for being very close to the point of purchase.”

Retail media also has the overall media ad market outpaced, at 19.7% projected growth for this year, according to our forecast.

Negative: Inflation is still high

That makes it difficult to know if ad spend is going up because people are advertising more or if figures are inflated by higher prices, said Verna.

Negative: Interest rates are also high

High interest rates mean people are hesitant to spend on big-ticket items like homes and cars. Without as many potential buyers, advertisers need to do more with less. This could impact companies like Zillow and Carvana in terms of spend, Verna noted.

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