

# The ad outlook for next year: Deceleration—but far from a depression

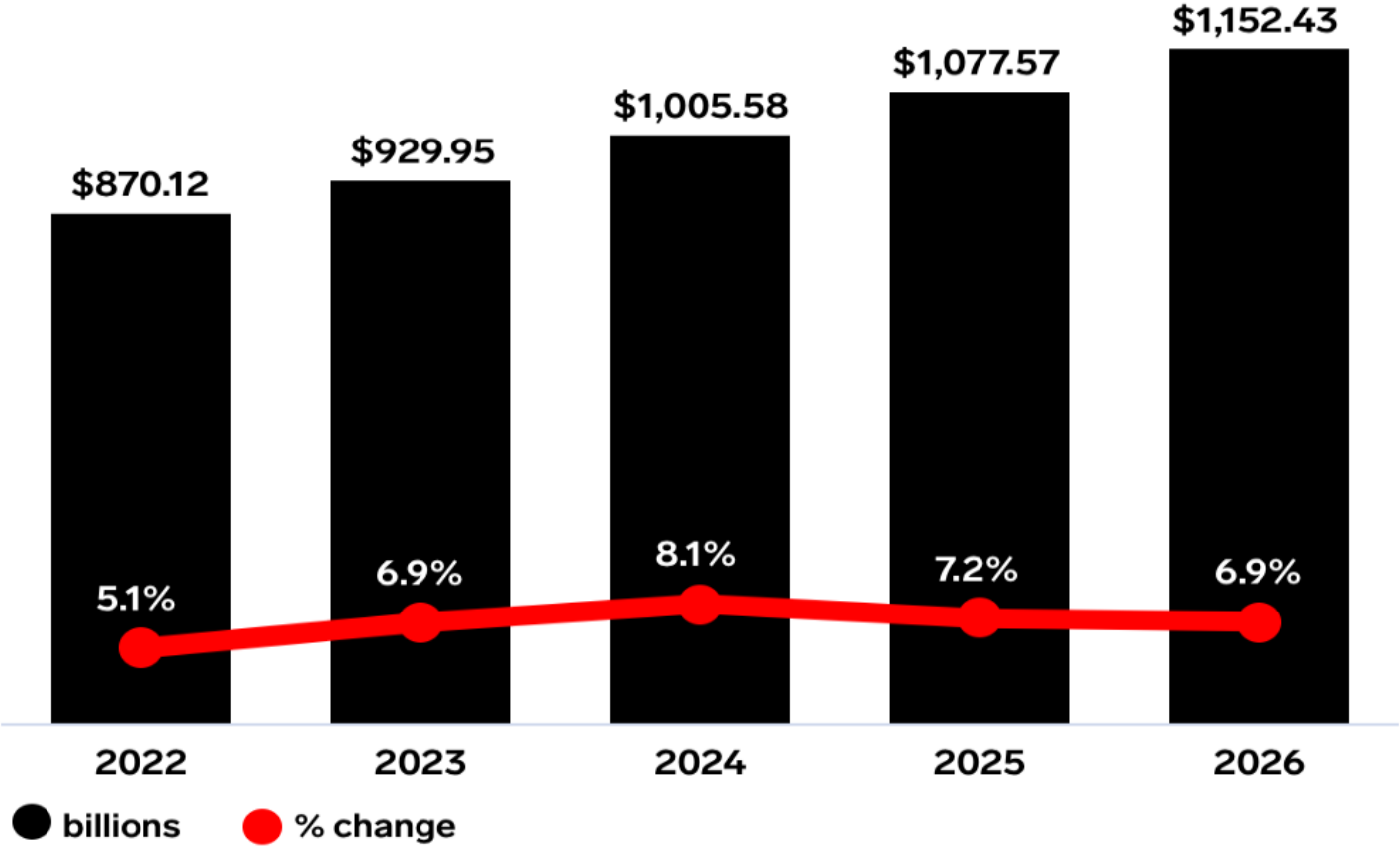
## Article

**The news:** The worldwide advertising outlook for next year isn't as dismal as some have feared, with WPP media investment arm **GroupM forecasting a 5.9% increase** and **IPG Mediabrands' Magna anticipating 4.8% growth**.

- That's a decrease from the 6.4% GroupM forecast in June; earlier this year, Magna had said 2023 would see a 6.3% increase in the global ad market.

- Much of the growth comes from the strength of connected TV, retail media, and markets that continue to experience rapid expansion, such as India, Group M notes. Magna largely blames China for the weaker outlook due to its coronavirus policies (which, admittedly, appear to be lifting) and harsh digital restrictions hampered expansion there.
- Our own forecast for total media ad spending, last updated in October, **calls for 6.9% growth in 2023 to \$929.95 billion.**

**Total Media Ad Spending Worldwide**  
*Worldwide, 2022-2026*



*Note: All years converted to US dollars using average 2021 exchange rates; includes digital (desktop/laptop, mobile and other internet-connected devices), directories, magazines, newspapers, out-of-home, radio and TV*  
*Source: eMarketer, October 2022*

**eMarketer | InsiderIntelligence.com**

**A look back:** GroupM published the figures in a year-end report, where it also projected worldwide advertising investment would increase by 6.5% in 2022, excluding the (lucrative) US political ads market.

- Despite all the doom and gloom in today's headlines, **the US market actually performed better than the global market**, with \$305 billion in sales and 7.1% growth, per GroupM. Its mid-year June estimate expected ad spend would increase by 8.4% this year.
- The updated prediction for global media revenue growth at IPG's Magna division is 6.6% for 2022, down from the 9.2% predicted back in June.

**Bright spots:** Many big advertisers are still growing revenue, suggesting they will continue to spend. Moreover, unemployment is still low by historical measures.

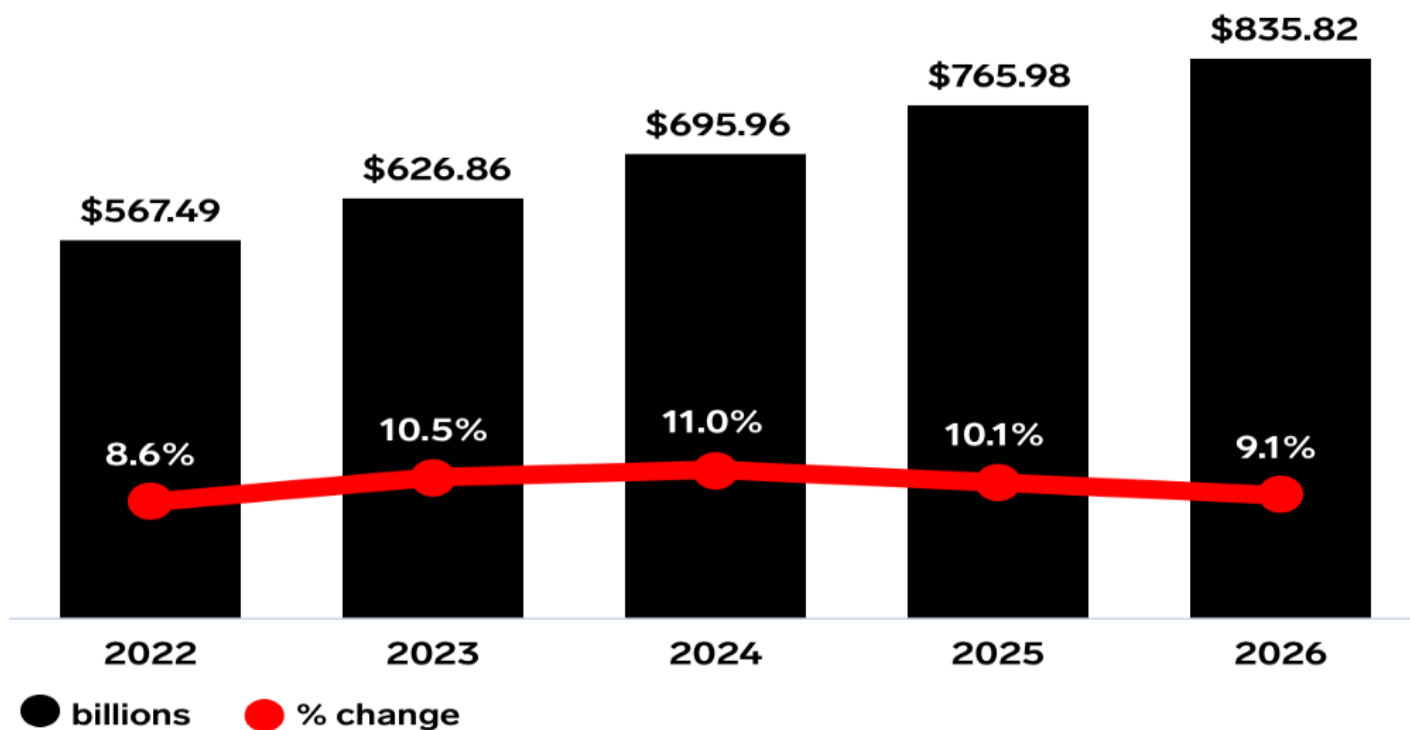
- Although significant ad spend declines are real, they're also restricted to a few high-profile markets—not necessarily indicative of the health of the industry overall.
- The fastest-growing digital investment channel, retail media, is expected to reach \$110.7 billion in 2023, posing a serious challenge to other digital companies.

**Digital deceleration:** Investments in digital advertising are still increasing more quickly than overall ad investments, but they're expected to slow. Insiders shouldn't be surprised by this, since digital expenditures now account for the bulk of total ad spending.

- It will take until 2027 for digital to account for 73% of all ad spend, according to GroupM's figures, despite increasing by 31.9% last year and accounting for 67% of all ad spending in 2022 and 60.5% two years prior. Magna projects digital advertising will grow 8% next year and reach 65% of the total ad market.
- Despite some of the most significant platforms having significant setbacks in 2022—massive layoffs (**Snap**, **Meta**, **Twitter**) caused by weaker-than-anticipated revenue gains and greater **government scrutiny of TikTok**—digital is still generating faster growth than the market writ large.

## Digital Ad Spending

### Worldwide, 2022-2026



*Note: All years converted to US dollars using average 2021 exchange rates; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; excludes SMS, MMS and P2P messaging-based advertising; eMarketer benchmarks its Canada digital ad spending projections against the IAB Canada for which the last full year measured was 2021; \*excludes Hong Kong*  
*Source: eMarketer, October 2022*

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**Analyst insight:** “Even in an economy facing serious headwinds, the global ad market is showing resilience heading into 2023,” said principal analyst **Paul Verna**. “We are in difficult, uncharted times, and some sectors of the ad economy, like social, are faring worse than others. But overall, recent forecasts should give ad buyers, sellers, and intermediaries a measure of hope.”

**Our take:** Deceleration is not the same as decline, and the aforementioned estimates show that the advertising sector will remain relatively strong even during a recession.

- The important social media sector should rebound next year after its dismal 2022.
- Search advertising should remain relatively stable in 2023.