

Ad-cost inflation is slowing, but the trouble is far from over

Article

The news: Ad-cost inflation is set to fall in the US and worldwide this year, per ECI Media Management.

- The US will see a 1.7 percentage point fall to 4.2%, while ad-cost inflation will drop 0.8 point worldwide to 4.4%.

- TV will account for most of the lower inflation, falling to 6.8% from 12.6% in 2022, per ECI.

The ad downturn scare: Ad spending slowed down significantly in the second half of 2022 as rising interest rates, addressability issues, and fears of a recession mounted, prompting the industry to fall from pandemic-induced highs. But now, the smoke is beginning to clear.

- For one, advertisers generally feel better about the state of the industry. **Eighty-four percent** of ad executives say they are not lowering budgets for 2023.
- But why were costs so high to begin with? Several factors were at play: General inflation caused the average price per ad to rise, dwindling TV viewership meant networks had to sell in bulk, creating scarcity, and new players like **Warner Bros. Discovery** and **Netflix** came into upfronts and newfronts with guns blazing, cranking up CPMs overall.
- But now, the industry is adjusting to a new normal. With inflation steadily falling and the cost per ad decreasing, some of the advertising spending that was staunch in the second half of last year may return.

Our take: Lower ad-cost inflation is a good sign for channels like TV that lost key relationships with industries like automotive thanks to higher-than-ever advertising costs, but some changes will be permanent. The economy’s outlook is still uncertain, and there are signs that advertisers are pulling spending and gearing up to go all-in on loyalty-first strategies.

Cost per Thousand (CPM) Worldwide, by Media, 2019-2022

	2019	2020	2021	2022
Newspapers	\$30.94	\$29.89	\$30.96	\$31.45
Magazines	\$21.59	\$21.16	\$22.08	\$22.43
TV	\$14.86	\$15.43	\$17.92	\$20.01
OOH	\$8.03	\$7.62	\$8.46	\$9.02
Digital display	\$6.17	\$6.15	\$6.58	\$6.78
Radio	\$4.79	\$4.76	\$5.11	\$5.30

Note: media cost figures calculated by applying World Federation of Advertisers (WFA) media inflation figures to historic data
Source: Warc Media, "Global Ad Trends: The Rising Cost of Incremental Reach," Aug 16, 2022

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