

US ad spend increased in May, but is it a rebound?

Article

After 11 months of US ad declines, Standard Media's US Ad Market Tracker showed **2.5% growth in May**, signaling a potential rebound. Even with mixed signals and uncertainties, there is at last a sign of hope, our analyst Paul Verna said on a recent episode of "**Behind the Numbers.**"

"There is going to be some recovery, hopefully starting later this year, but if not, then certainly in the next couple of years," said Verna. "[May's growth was] encouraging for sure, but it's part of a set of data that's very noisy in an environment where there's just not a lot of clarity. You

almost wish that the economy and the ad industry would make up its mind and just go into a recession if it has to, and then come out as quickly as possible.”

While recent growth signals a possible end to a yearlong advertising slump, some agencies have downgraded their global ad spending forecasts, indicating that the growth might be driven by inflation rather than a genuine rebound.

Positive signs:

- Major events like Pride Month and Juneteenth drive growth in the ad industry.
- Even-numbered years tend to have higher growth rates, due to elections and big sporting events.

Negative signs:

- Dentsu recently downgraded its global ad spending forecast slightly, arguing that ad spend growth is actually an illusion driven by inflation.
- Many tech and media companies are watching their budgets, due to large rounds of layoffs.

Our view: US total ad spend growth will decline to 3.8% in 2023 from 8% last year, according to our forecast, in part due to 2022 challenges that carried over, such as the effect security issues have had on social channels and the ongoing attrition of traditional media spending.

While this year’s US digital ad growth is lower than that of previous years, “it also needs to be said that digital is now huge when you look at how it compares to other forms of advertising,” Verna said. “You can’t just grow off such a large user base [of advertisers] indefinitely.”

That growth will return to double-digit rates beginning next year through 2027, per our forecasts. “That speaks to me of a healthy market, even though the growth figures we had seen the last couple of years were obviously higher and spiked during the pandemic,” said Verna.

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