

Russia-Ukraine war deals setback to Europe's ad market

Article

The news: Russia's invasion of Ukraine is having dramatic effects on the advertising world. With many brands having pulled back from Russia, we have forecast new ad spending figures both within Russia as well as Central and Eastern Europe.

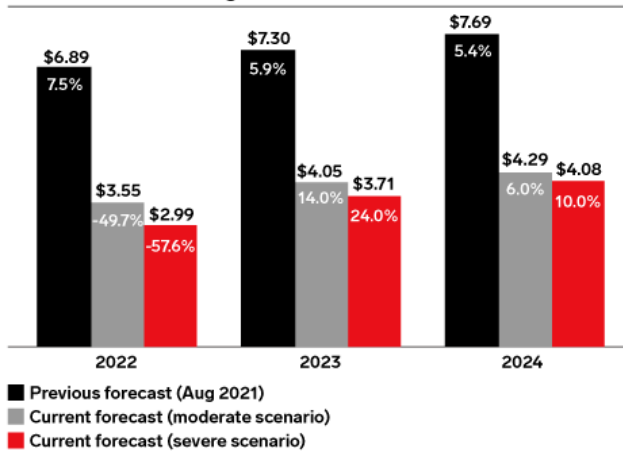
Slowdown in view: We developed two ad spending [forecasts](#) for Russia and Central and Eastern Europe, using a scenario-based approach. Our "moderate" scenario is our official

estimate, which shows a drastic decline. The “severe” scenario would apply if the war in Ukraine lasts an exceptionally long time.

- **Ad spending in Russia will be hit hard.** In US dollar terms, we forecast that total media ad spending in Russia will decline by 49.7% YoY to \$3.55 billion in 2022. Russia’s ad spending will remain small compared with its counterparts in Western Europe. For example, we expect total media ad spending in the UK to reach \$46.05 billion in 2022, while Germany’s will be \$26.89 billion.

Total Media Ad Spending in Russia, by Scenario, 2022-2024

billions and % change



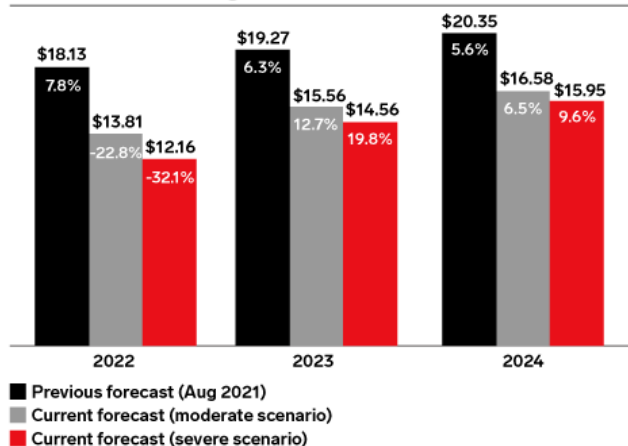
Note: converted to US dollars using the exchange rate of US\$1=RUB126.4586; includes digital (desktop/laptop, mobile, and other internet-connected devices), directories, magazines, newspapers, out-of-home, radio, and TV
Source: eMarketer, March 2022

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- The ad market in Central and Eastern Europe will also contract significantly. The region, which includes Russia, Ukraine, and over 20 other countries, will see 22.8% less ad spending this year compared with 2021. We reduced our forecast for 2022 ad spending in the region by \$4.32 billion.
- Despite the hit to parts of Europe and Russia, total worldwide ad spending is moving full steam ahead and will **pass \$900 billion** this year.

Total Media Ad Spending in Central & Eastern Europe, by Scenario, 2022-2024

billions and % change



Note: converted from local currency to US dollars; includes digital (desktop/laptop, mobile, and other internet-connected devices), directories, magazines, newspapers, out-of-home, radio, and TV
Source: eMarketer, March 2022

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Brand effects: For most brands, the geopolitical reverberations of the war are the biggest challenge, not immediate revenue losses. Few of the world's biggest tech or consumer brands are highly dependent on operations in Russia. Even so, some companies have felt pain.

- Social media giant **Meta** said the Ukraine war hurt its Q1 2022 results, citing “a further deceleration in growth” because of lost revenue in Russia and “reduction in advertising demand both within Europe and outside the region.” Meta also suffered because it stopped taking ads from Russian companies globally.
- Meanwhile, **Snap** said that advertiser concerns over the war contributed to a slowdown in its Q1 revenue growth.
- Media and retail companies—among them **Netflix**, **Warner Bros. Discovery**, and **Amazon**—paused or closed operations in Russia, but these moves won't have a major impact on their bottom lines. Netflix, for example, lost 700,000 Russian subscribers, amounting to less than 1% of its 221.6 million worldwide paid subscriptions.
- Some companies, like **McDonald's**—which recently announced it would sell its business in Russia—have had greater-than-average exposure, but for many, the biggest challenge will be the instability in global markets and higher pricing brought by the war.

Why it matters: The war could exacerbate economic challenges that are already straining the ad spending environment. Although Ukraine and Russia's ad markets represent a tiny

percentage of the global total, the war could have a wider-ranging impact on the ad industry eventually.

- Inflation, the tech downturn, and impending recessionary conditions are aggravating the ad spending deceleration that was already underway worldwide. Marketers, particularly those in Europe, should be aware that an enduring—or intensified—war in Ukraine will add further instability to an industry in flux, potentially depressing the size of the market even further.