

UK Ad market resilient in Q2 2023: Online channels drive growth

The most recent *Advertising Association/Warc Expenditure* Report reveals that the UK's advertising market experienced a slight increase of 1.0% in the second quarter of 2023. This growth aligns with AA/Warc's July forecast of 0.9% and brings the total market value to nearly £9bn.



Source: www.unsplash.com

The latest figures show key online formats, including search (+5.3%) and online display (+5.8%) registered growth between April and June, alongside BVOD (+5.6%) and out of home (+4.4%), which continued its recovery from the pandemic downturn.

Macroeconomic headwinds

The advertising industry is often seen as a barometer for the broader state of the UK economy, and AA/Warc's latest results continue to demonstrate this trend. The industry-verified data for Q2 of 1.0% adspend growth is just ahead of ONS figures for the same period, which show GDP rose 0.6%.

In the first half of 2023, the UK advertising market recorded a 1.0% year-on-year increase, equivalent to £17.5bn in spend from January to June 2023, compared to £17.3bn the previous year.



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Looking ahead to forecasts for the full year, AA/Warc expects ad spend to grow 2.6% to reach £35.6bn in 2023. Double digit growth is expected from Broadcaster Video on Demand (BVOD) at 16.1% year-on-year, with increases also projected for online display (7.4%), out of home (7.7%) and cinema (7.6%). Sporting events such as the FIFA Women's World Cup and the Rugby World Cup, as well as key content moments such as the return of *Big Brother* to ITV and the success of the *Barbie* and *Oppenheimer* films, are expected to give ad spend a fillip in the second half of 2023 in the face of ongoing macroeconomic headwinds.

The latest dataset shows that the UK's ad market is set to grow by 3.9% to reach £37.0bn in 2024, a minor downgrade from July's forecast of +4.0%. More channels are expected to return to growth next year, such as the online portions of national and regional newsbrands and magazines, though the economic backdrop is likely to remain challenging.

Strong economy

Stephen Woodford, CEO, Advertising Association, said: "Advertising continues to show itself as a weathervane for the UK economy, with the advertising market expected to grow slightly more than the economy, with both barely in positive figures. Looking ahead to 2024, we expect to see more channels experience growth again, as the ad market grows to £37bn for the year.

As we anticipate the General Election next year, the Advertising Association will continue to demonstrate advertising's contribution to a strong economy, not least that brands that continue to invest in advertising during a downturn are more likely to post better returns when emerging from tough conditions.

James McDonald, director of data, intelligence & forecasting, Warc, said: "The UK's economy continues to skirt with recession as households make cutbacks in the face of stubbornly high inflation and unemployment slowly ticks upwards as activity in the private sector cools. It is therefore encouraging that, amid this backdrop, the UK's advertising industry was able to grow during the first six months of 2023, and that the market is on course to be 2.6% larger this year overall.

It should however be noted that this growth is concentrated in certain corners of the industry, with broadcasters and publishers bearing the brunt of an unfavourable trading climate while digitally native platforms largely prosper."

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