HIGHER MEDIA VALUE

REPORT ISSUE 32
Q2 2023

ECI Media Management

media inflation report

Update
Q2 2023

Contents

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Media Inflation

Update Q2 2023

ECI Media Management's annual Media Inflation Report, released in the first quarter of every year, provides our media inflation forecasts for the year ahead globally, regionally and for nearly 60 individual countries, and explores the economic context behind those predictions. I am proud that the report has become a go-to reference on the changes in media pricing for advertisers and industry bodies globally.

However, in times of economic volatility, it's more important than ever to have timely, accurate information on which to base media investment decisions. That's why we have decided to publish quarterly updates to our report, so that advertisers can be sure they have the most up-to-date information at their fingertips. We will focus on ten key markets globally – the US, the UK, Germany, France, Spain, Italy, China, South Korea, Australia and Mexico, providing updated inflation forecasts for seven media types in 2023, and our analysis of any changes that have occurred. More details on these countries and inflation updates for other countries are available; if you would like to request these or to discuss how to optimize your media investment strategy with our senior leadership team, you can find our individual contact details at the end of this report, or you can simply email us at value@ecimm.com.

It is our hope that, armed with these insights, advertisers will feel confident in their ability to not just survive the current situation, but to capitalize on the rapidly-changing media landscape and economic context in order to drive higher media value for their brands.

Fredrik Kinge
Global CEO, ECI Media Management

Photo: Colton Duke / Unsplash

Global economic context

2022 was a challenging year in many respects, but anyone who thought that 2023 would be better has been sorely disappointed. Economies across the world are struggling under the multiple burdens of low growth, stubborn inflation, rising interest rates and heightened uncertainties, meaning that many countries have seen little or no growth in 2023 – and it seems that the worst is yet to come for some. The UN's latest World Economic Situation and Prospects Report predicted in May that the world economy would grow by 2.3% in 2023 – well below the average growth rate of 3.1% in the two decades leading up to the pandemic. Average global inflation is predicted to be at 5.2% in 2023, down from a two-decade high of 7.5% last year.

The US economy has had a volatile few months, with the collapse of Silicon Valley Bank, First Republic Bank and Credit Suisse, and the Federal Reserve approving its tenth interest rate increase in a little over a year at the start of May in an attempt to pump the brakes on inflation. While in many respects the US is faring better than other countries, there are fears that higher borrowing costs will plunge the economy into a recession in the second half of this year, as they have previously. This would do huge damage to the employment market, which has so far been remarkably resilient despite large, high-profile layoffs from the likes of Amazon, Disney and Ford.

Meanwhile, the European economy is expected to grow faster than previously expected, despite high inflation and rising interest rates across the continent. The 27 countries of the European Union are forecast to grow at an average of 1% in 2023, compared to a previous estimate of 0.8%. The UK economy is set to be weaker, with growth of just 0.25% this year. Inflation in Europe remains higher than expected - it is set to average out at 5.8% across the eurozone in 2023, compared to the previously forecast 5.6%; high inflation has forced the European Central Bank to maintain high interest rates.

Slow consumer and export demand are placing pressure on China's economy. Consumer spending is taking longer to recover after Covid restrictions were eased in December; the Chinese government has set a modest target for economic growth of around 5% in 2023 after missing its 2022 target by a significant amount. That said, China and India together are forecast to generate about half of global growth this year, with the APAC region contributing 70% of global growth in 2023, according to the IMF.

Photo: tobiasjo / iStock

Media Inflation

Q2 2023

Many countries enjoyed economic growth in 2022: consumer confidence had returned following the pandemic, and businesses were responding by hiring additional people and ramping up business activities, including marketing. But the market is now readjusting and course-correcting: with rising inflation, interest rates and the cost of living skyrocketing in many countries, consumers are tightening their belts and businesses are following suit. Marketing budgets are being reduced again and many companies have had to make significant layoffs.

Media pricing has reflected the changing situation, with inflation slowing in many markets due to decreased demand as marketers scrutinise their budgets. Nowhere is this truer than in the US, where we are forecasting that linear TV pricing will deflate by 1.9% in 2023. This is a significant adjustment compared to our Q1 report, in which we forecast that TV pricing would inflate by 6.6%. There are several factors at play here: economic factors including banking volatility, corporate budget cuts and strategy shifts; and the WGA strike, which will impact on TV programming, particularly if it is prolonged. NFL games will help offset the declines that TV networks will suffer, but not enough to keep pricing inflationary. Due to the strike, many networks are already pushing back program releases, and advertisers and agencies will opt for flexibility, e.g. scatter, Online and programmatically-purchased CTV, over upfront commitments. It goes without saying that this decrease in TV pricing will offer welcome opportunities for advertisers with financial flexibility and risk tolerance to secure long-term deal structures in a buyers' market

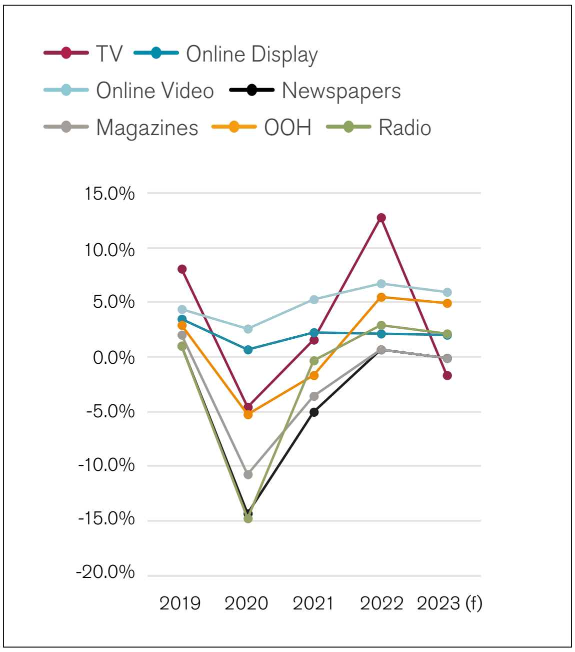
In most of the other nine markets for which we have updated our 2023 forecasts, media inflation is expected to remain more or less consistent with our forecasts in Q1. TV inflation in the UK, France, Italy and Australia is on a downward trend, although it has not yet followed US TV into deflationary territory. In China, while local TV has been affected, wider-reaching vendors have been more buoyant. Online media inflation remains largely consistent with both 2022 levels and Q1 2023 predictions.

The following pages contain further details on media inflation in each of the ten countries, including a graph charting media inflation over the last five years, and our analysts' observations.

Photo: Lerone Pieters / Unsplash

USA

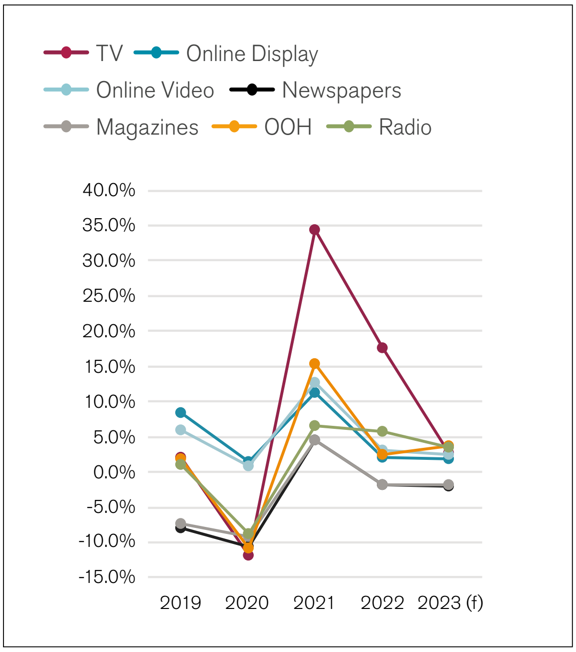
The key update is that linear TV is expected to fall into deflationary territory. This is largely down to the economic context and the ongoing Writers Guild of America strike; there is likely to be a short-term contraction in premium scripted content, with the scatter market taking the initial brunt. The NBA Playoffs and upcoming NFL season starting in September will help offset further erosion experienced outside of non-sports programming. OOH and Radio are expected to hold steady thanks to an increased number of employees returning to the office, increasing drive time and road traffic. Online Video is experiencing significant growth in part due to the proliferation of AVOD services; the fragmentation of CTV is allowing for more precision marketing.



5-year trend 2019–2023(f)

UK

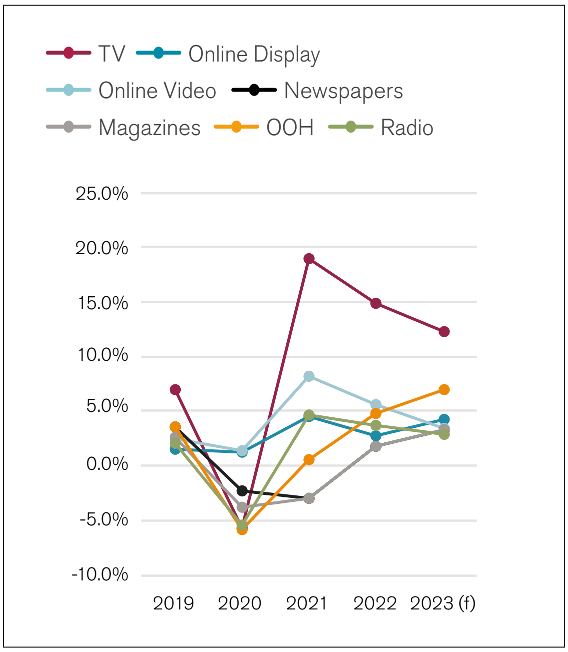
TV inflation is forecast to continue its downward trend, the result of a drop in revenue year on year and a slowdown in the decline in audience viewership. OOH should see a bump thanks to increasing revenue, with two-thirds of the medium now digital. Radio inflation will remain consistent with 2022 estimates, although price increases are expected from both Bauer and News Broadcasting.



5-year trend 2019–2023(f)

Germany

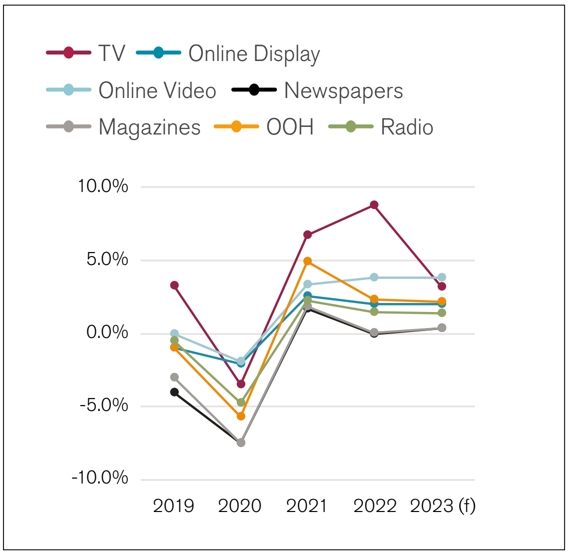
Germany is seeing a decline in TV investment, a phenomenon that is fueling larger investments into Online media. TV inflation is forecast to remain higher than other media due to a fall in viewership, making reaching audiences tougher and more expensive comparatively.



5-year trend 2019–2023(f)

France

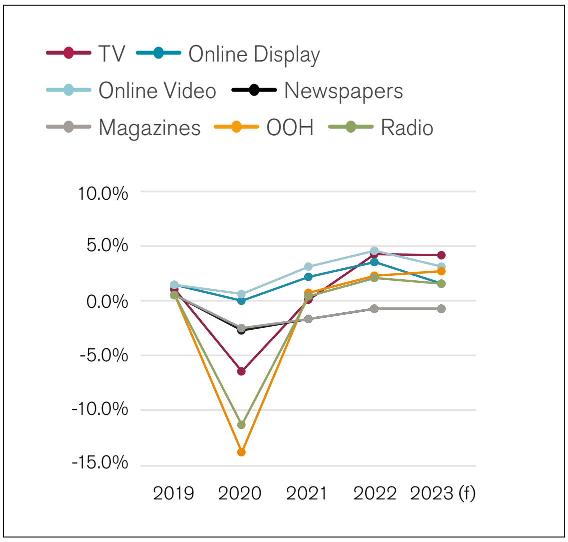
TV inflation is forecast to be lower than in 2022 as a result of a decrease in linear TV viewership; meanwhile, VoD share is increasing amongst younger audiences. Print continues to lose market share, but publications' online presences are enjoying increased viewership. Inflation for non-TV media is set to remain largely consistent with 2022 levels.



5-year trend 2019–2023(f)

Spain

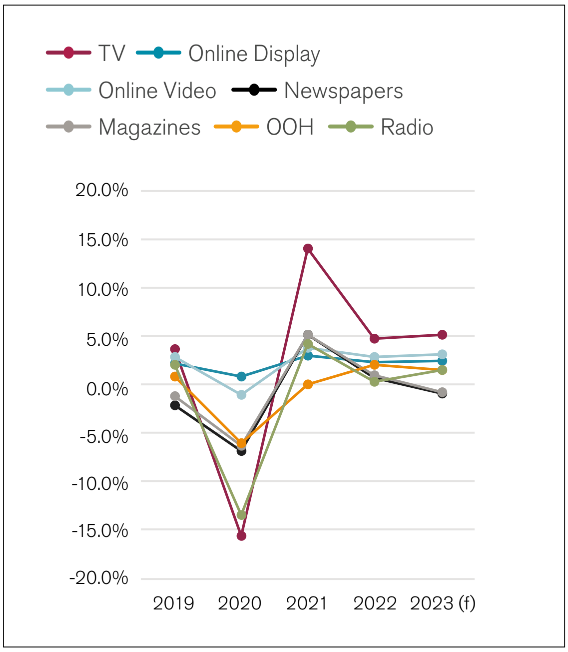
Our media inflation forecasts this quarter are consistent with both Q1 forecasts and and 2022 inflation. This is despite national elections at the end of the year, and attempts to restructure sales policies by the two major TV sales houses who are looking to gain a larger share of the market. Advertisers and media agencies are refusing to allow this to dramatically affect the way they do business with TV operators, so it is unlikely to have a significant impact on media inflation.



5-year trend 2019–2023(f)

Italy

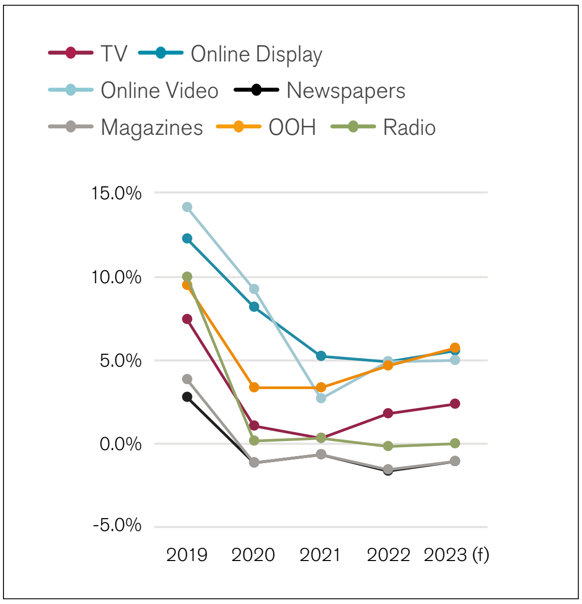
TV inflation has been influenced by the wider macroeconomic context; uncertainty and caution have resulted in decreasing audiences, leading to reduced demand and therefore slowing inflation is forecast. Radio inflation is set to increase thanks to good listener numbers and more competitive pricing than TV. Online inflation is set to see only minimal fluctuations year on year; social is attracting a large share of Online investment, but is seeing flat pricing.



5-year trend 2019–2023(f)

China

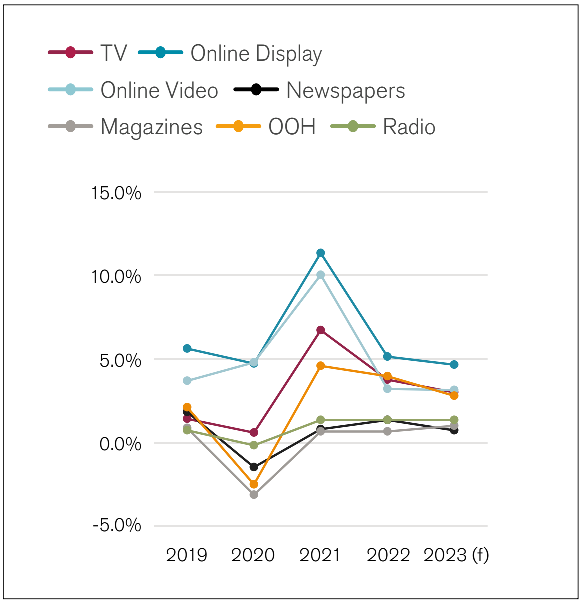
Minimal shifts in inflation for most media types in 2023 versus 2022 are reflective of slowing GDP growth in 2022. Online inflation is being driven by short-form platforms such as Douvin. OOH is set to see an uplift following a difficult period during the pandemic; as demand rises, there will be less inventory available, so prices will increase. Local TV is set to take a hit in 2023, while wider reaching vendors are expected to take an inflationary position.



5-year trend 2019–2023(f)

Korea

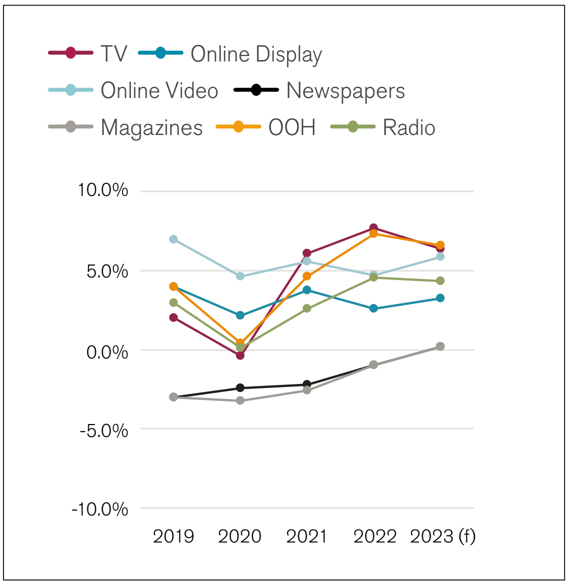
Limited confidence in the South Korean economy is reflected in the minor shifts in inflation forecasts compared to 2022. CPI growth is expected to slow throughout 2023.



5-year trend 2019–2023(f)

Australia

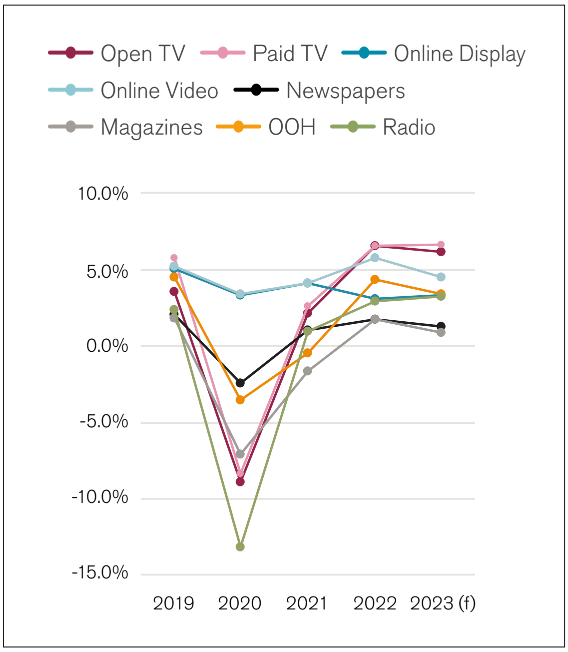
Australian TV and OOH inflation are expected to fall in 2023, while Radio and Online Display will see only minor changes compared to their 2022 positions. With rising interest rates and lower consumer confidence, demand for media is slowing.



5-year trend 2019–2023(f)

Mexico

The Mexican economy is in limbo; on one side there is uncertainty due to the global economic climate – but the expectation of US money entering the economy thanks to progress in trade deals offers hope. With no major events in 2023, inflation is likely to remain consistent with its 2022 positioning.



5-year trend 2019–2023(f)

About ECI Media Management

ECI Media Management: Higher Media Value

Technology is transforming the media landscape at an unprecedented pace. But in the right hands, change can be a force for good. ECI Media Management, the market's fastest-growing global media management company, leverages these changes to help you drive higher media value from your advertising investment.

A modern, forensic approach

Ever since our formation we have championed a modern approach to media and financial auditing. As pioneers in the field of digital auditing, we include sophisticated analysis of programmatic activity in our audit model, and we pride ourselves on a forensic, fact-based approach which harnesses the power of our world-class talent and proprietary technology. Along with our innovative benchmarking capabilities, we are confident in our ability to empower our clients to drive higher media value and media-led impact on business performance. We can measure a very high proportion of media activity, allowing for a more accurate understanding of the efficacy of investments and better optimization for future activity.

Cutting-edge services

Capitalizing on today's dynamic, fast-paced media landscape to drive higher media value requires data-driven decision-making, global experience and a deep understanding of the latest technologies. At ECI Media Management we are proud to be able to offer these and so much more, including TV auditing, financial compliance auditing, pitch management, KPI-setting and management and contract consultancy.

Global experience, local expertise

We are proud of our client portfolio, which contains some of the world's largest and leading advertisers. Our network of owned offices and leading affiliates supports them where our clients need us, across the Americas, Europe and Asia Pacific. We offer them high-level media intelligence, rigorous benchmarking and, ultimately, the insight, experience and savvy to ensure that their advertising investment and agency relationships drive higher media value.

Photo: Borchee / iStock

Our product offering

Relationship Management

- Pitch Management
- Agency Contracts and Remuneration
- Financial Auditing and Contract Compliance

Media Performance Audit

All media, including Online

- **Target Value©**
  Cost Tracking – All Media
- **Target Mark®**
  Analysis & Benchmarking – All Media
- **FastTrack**
  Rapid, automated data tracking and management

Media Consulting

- Media Training and Bespoke Workshops
- Media Strategy Effectiveness Review
- Business Process and Data Management Consulting

Photo: A and J King / Shutterstock

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