

Digital Momentum Leads MAGNA to Raise 2024 Advertising Market Forecast to +9%

KEY FIGURES

- The US Ad Market will grow by +9% this year to reach \$369 billion.
- Social Media advertising will grow by +14% to reach the \$80 billion milestone.
- Long-Form Streaming advertising will expand by +13% to reach \$10 billion milestone.

KEY FINDINGS

- Based on MAGNA's analysis of media companies' financials, **non-cyclical advertising revenues grew by +9.1% in the fourth quarter of 2023** i.e., the strongest quarterly growth in almost two years, bringing full-year 2023 ad market growth to +5.7%.
- Because of an improving macro-economic outlook, the momentum of digital media and streaming, and the impact of cyclical events, **MAGNA anticipates more growth in 2024: total media owners ad revenues will increase by +9.2% to reach \$369 billion.** That's nearly one percentage point above the previous forecast (+8.4% in Dec. 2023).
- **Most industry verticals will grow ad spend in 2024** led by Retail (+9%), Travel (+9%), Food & Drinks, and Automotive (both +6%). On the other hand, MAGNA anticipates stagnating or declining advertising activity for Entertainment (-4%) and Technology (+1%).
- **Advertising spend around major cyclical events will drive approx. \$10 billion of incremental ad sales as the 2024 election cycle will generate \$9 billion of additional ad revenue for media owners (+13% vs the 2020 cycle). This will add 2.5 percentage points to the non-cyclical growth rate,** bringing total revenue growth from +6.7% (non-cyclical ad sales) to +9.2% (total ad sales). The impact will be even greater for some media categories like Local TV (excluding political -4%, including political +26%).
- **Digital pure players will capture most of the market growth in 2024,** with non-cyclical advertising sales growing by +12% to \$261 billion (a 72% market share) while the advertising revenues of traditional media owners will grow by just +3.5% (as the influx of cyclical dollars offsets a -3% decline in non-cyclical ad sales).
- Several media channels will outperform in 2024. **Premium long-form streaming** (CTV, AVOD, FAST) will expand ad sales by +13% this year, driven by the introduction of advertising on Amazon Prime Video, to reach the \$10 billion milestone (22% of total national TV). Social Media advertising will also grow by +13% while the ad sales of Search/Retail formats will grow by +12%.

Vincent Létang, EVP Global Market Intelligence and author of the report, said: *“Several factors led MAGNA to increase its US ad market growth forecast. That includes an improved macro-economic outlook with GDP growth raised from 1.7% to 2.4% in the last few months, the momentum of digital media formats: social media, retail media, and streaming. The latter is driven by a strong expansion in the reach and marketing opportunities offered by ad-supported streaming. That leads MAGNA to raise the non-cyclical growth forecast to +6.7%. We are slightly reducing the forecast for cyclical spending (due to a slowdown in political fund-raising) but, overall, we now expect total media owner*

ad sales to grow by +9.2% this year (compared to +8.4% in our previous update) to reach \$369 billion."

THE 2024 OUTLOOK IS IMPROVING...

Macro-economists are more optimistic about the economy in 2024 than they were a few months ago. In the Philadelphia Fed's latest report, released in February, economists increased 2024 real GDP growth expectations from +1.7% (November update) to +2.4%. In fact, the economic consensus on 2024 GDP growth has now increased in the last three updates, from a mere +1% back in May 2023. Other macro indicators are generally encouraging too.

Economists expect consumer price inflation to slow down to 2.5% (incl. food & energy) from 9% mid-2022 and still 3% and 4% in January and February. Slower inflation contributed to a **significant improvement in consumer sentiment in the last three months**. The University of Michigan index stood at 77 in March 2024, compared to 50 in mid-2022 (when inflation peaked) and only 61 in November 2023.

... BUT INDUSTRY VERTICALS ARE A MIXED BAG

In 2024 MAGNA still believes most verticals will grow all-media ad spend including Retail (+9%), Travel (+9%), Food & Drinks, and Automotive (both +6%). CPG companies (Food, Drinks, Personal Care) benefit from the stabilization of production costs and consumer prices, while Automotive marketing is still driven by the transition to electric vehicles.

On the other hand, MAGNA anticipates stagnating or declining advertising activity for two large verticals: **Entertainment (-4%) and Technology (+1%)**. The Entertainment industry (including theatrical studios and streaming platforms) will release and advertise fewer-than-usual new shows and movies due to the 2023 Hollywood strike delaying production, as well as cuts in production volumes as media companies focus on controlling costs. The Technology industry is also focusing on profitability and cost control, as innovation and sales slowed down in recent years. Consumers are not upgrading smartphones as frequently as they used to, and developing new technologies like VR sets are far from reaching mainstream adoption.

Most of the spending growth will fuel digital media formats (for Retail and Auto in particular), while linear media spend will be flat or down for most verticals. In fact, only two verticals - Pharma and Travel - are expected to grow linear media spend.

AD MARKET FORECAST RAISED TO +9.2% (+6.7% EXCL. CYCLICAL)

In this economic and business environment, MAGNA expects non-cyclical advertising spending to grow by **+6.7%** this year as media owners' ad revenues reach **\$360 billion**. This is almost a percentage point increase from MAGNA's previous forecast of +5.9% in the December 2023 report. **Including cyclical spending, total media owners' ad revenues will grow by +9.2% to \$369 billion.**

Digital pure players (DPP) dominating Search, Retail, Social and Short-Form Video formats will once again capture most of the growth, with **DPP ad sales growing by +11.7% to \$260 billion** (previous forecast +10.5%).

Meanwhile, the non-cyclical ad sales of Traditional Media Owners (TMO: television, audio, publishing, OOH, and cinema) will decline by -3.0% this year (previous forecast -2.9%). Luckily for TMOs, the 2024 cyclical events will primarily benefit traditional media channels: the election cycle will boost local TV ad sales (+26%) and the Olympics will mitigate the erosion of national TV advertising. **Including cyclical spending, TMO ad revenues will therefore increase by +3.5% to \$109 billion.**

DIGITAL PURE PLAYERS: +12%

Short form, pure player digital video ad sales (primarily YouTube and Twitch), will grow by +12% this year to reach \$22 billion.

Social media sales will feel the wind at their back and will rise +14% to \$81 billion. Artificial intelligence (AI) is becoming an increasingly important tool used by advertisers to set up, run, and optimize their social media campaigns. MAGNA looks for this to drive additional sales in 2024, especially for small businesses setting up their first campaigns.

Search/Retail ad sales will increase by nearly +12% to \$146 billion in 2024 and will also benefit from increasing AI functionality in helping brands set up and run new advertising campaigns. Furthermore, keyword search formats continue to benefit from the rise of product search on retail media networks, which grew by +21% yoy in the fourth quarter of 2023. Amazon dominates but Wal-Mart, Target, and other brick-and-mortar retailers are making inroads. Retailers are now entering the streaming video marketplace to branch out from Search formats. For example, the new Walmart+ subscription included Paramount+, and the retailer is about to enter the Connected TV space with its acquisition of Vizio for a reported \$2.3 billion.

TRAD. MEDIA OWNERS: +3.5% (-3% EXCL. CYCLICAL)

Non-cyclical national TV ad sales (including linear networks and AVOD on premium long-form streaming) **will decline by nearly -5%** to \$44 billion this year, as the growth in streaming ad sales (+13%) will not fully offset the continued decline of linear ad sales (-9%). Linear TV continues to struggle from eroding reach and poor ratings. This is despite the resilience of sports and tentpole events so far this year and eroding pricing power as brands diversify their video budgets towards streaming and digital media. However, when including cyclical spending, total cross platform ad sales will drop by just -2%, thanks to incremental viewing and ad spending around the Olympic games (approx. one billion dollars).

Premium long form streaming ad sales will reach the \$10 billion milestone, or nearly a quarter of total national TV ad sales (22% of \$44 billion), further boosted by the launch of advertising on Amazon Prime Video in January. Amazon Prime will generate approx. 2.6 billion viewing hours per quarter in 2024, of which - MAGNA assumes - the bulk will be ad-supported from February onwards. That alone will expand the volume of streaming ad impressions by at least 8% in 2024. With the introduction of advertising on Amazon Prime Video, all the leading streaming platforms except AppleTV+ are now offering an ad-supported tier.

Elsewhere, **local TV/video ad sales** will increase by +26% to \$23 billion this year thanks to the election cycle, more than offsetting a drop in -3.5% in non-political sales, hit by a slowdown in the Automotive vertical. **Audio ad sales** (terrestrial and satellite radio, audio streaming, and podcasting) will be stable at around \$16 billion in 2024. Digital audio usage and ad sales continue to develop but growth rates are maturing (+6%), which means it barely offsets the erosion of linear radio (-3%). One major media

owner, Audacy, voluntarily declared Chapter 11 Bankruptcy protection at the beginning of the year. OOH ad sales are expected to re-accelerate by +5% and close in on the \$10 billion mark, driven by the digital OOH sales (+9.5% to \$3.1 billion). **Direct mail** ad sales will see low single digit declines of -4% in 2024, though the channel has remained very resilient in the face of recent deep cuts to some local media channels.

CYCLICAL EVENTS: \$10 BILLION OF INCREMENTAL AD SALES

Three cyclical events will generate additional ad spend and incremental ad sales in 2024: the election cycle, the Summer Olympics and – to a smaller degree – the Copa America soccer tournament. Political advertising spending is by far the largest cyclical booster, and it's expected to reach new heights this year. MAGNA is forecasting a +13% increase in political ad sales over the previous presidential cycle (2020) to generate \$9 billion in incremental media owners' revenues.

The 13% growth forecast is, however, a reduction from our previous forecast (Dec. 23: +18%). This is because political fundraising has slowed in January and February. According to the Federal Election Commission (FEC) total fundraising by end-February 2024 was -11% than four years ago at the same stage, possibly because of the lack of real primary competition in either party this year. But there is still time for political fundraising and spending to recover and surpass the 2020 tally. In the 2020 cycle 75% of total funds were raised from March.

A 11-minutes video presentation of this research is available [here](#). The next MAGNA Ad Forecasts (US and Global) will be published in June 2024.

KEY FIGURES

MEDIA CHANNELS	2023	2024	2024 (\$BN)
	\$BN	GROWTH	\$BN
Total All Media (excl. Cyclical)	337.2	6.7%	359.8
Total All Media (incl. Cyclical)	338.0	9.2%	369.1
Traditional Media Owners (excl. Cyclical)	102.4	-3.0%	99.0
Traditional Media Owners (incl. Cyclical)	103.0	3.5%	105.8
National TV	46.4	-4.7%	44.2
of which Linear Networks	37.6	-8.8%	34.2
of which Streaming (AVOD, CTV, FAST)	8.8	12.9%	10.0
Local TV (excl. Cyclical)	18.0	-3.8%	17.3
Local TV (incl. Cyclical)	18.5	25.6%	23.2
Radio	13.0	-3.3%	12.6
Publishing	15.4	-4.2%	14.8
OOH	9.2	5.2%	9.7
Cinema	0.4	5.8%	0.4
Pure Play Digital Media (excl. Cyclical)	234.9	11.7%	260.9
Pure Play Digital Media (incl. Cyclical)	235.1	12.0%	263.3
Social Media	71.0	13.4%	80.4
Search/Commerce	131.1	11.6%	146.3
Short Form Pure Play Video (e.g. YouTube)	19.6	12.2%	22.0
Digital Audio	3.1	4.4%	3.3
Direct Mail	17.0	-4.0%	16.3

Source: MAGNA US Ad Forecast, March 2024. Mediabrands clients and MAGNA subscribers can access full report and dataset including additional media granularity and long-term forecasts.

ABOUT MAGNA

MAGNA is the leading global media investment and intelligence company, and part of the IPG Mediabrands network. Our trusted insights, proprietary trials offerings, industry-leading negotiation and unparalleled consultative solutions deliver an actionable marketplace advantage for our clients and subscribers. We are a team of experts driven by results, integrity, and inquisitiveness. We operate across five key competencies, supporting clients and cross-functional teams through partnership, education, accountability, connectivity, and enablement. For more information, please visit our website: <https://magnaglobal.com/> and follow us on [LinkedIn](#).

ABOUT MAGNA MARKET INTELLIGENCE

MAGNA market intelligence is media centric. It estimates net media owners advertising revenues based on an analysis of financial reports and data from local trade organizations; other ad market studies are based on tracking ad insertions or consolidating agency billings. The MAGNA approach provides the most accurate and comprehensive picture of the market as it captures total net media



owners' ad revenues coming from national consumer brands' spending as well as small, local, "direct" advertisers. Forecasts are based on economic outlook and market shares dynamic.

MAGNA has set the industry standard for more than 60 years by predicting the future of media value. We publish more than 50 reports per year on ad market trends and media behavior trends.

To access MAGNA reports, insights, and datasets, or to learn more about our market intelligence services, contact forecasting@magnaglobal.com.

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