2023 Ebiquity Canada Media Inflation Forecast

December 2022

2023 Inflation Update for Canadian Media

Ebiquity Canada's 2023 Media Inflation Forecast is developed via a survey conducted among Canada's leading media agencies and building upon years of monitoring and reporting inflation in the Canadian marketplace.

This data is a forecast only, and not intended to dictate the level of fees paid to agencies, which are entirely the subject of individual negotiation.

Economic Overview

Both the global and Canadian financial outlooks were less positive over the past 12 months, driven among other things, by a perfect storm of Global events, including the Ukraine – Russia conflict, lingering pandemic effects, ongoing global and local supply-chain issues, unstable fuel prices, and rising inflation across most sectors including food, housing and transportation.

In early December 2022, The Bank of Canada took a proactive approach to managing overall inflation and avoid a prolonged recession period by increasing the Bank Rate to 4.0% and the Lending Rate to 3 ¾%.

As of December 2022, inflation was tracking at 6.3% in Canada. This down from 6.8 in November 2022. and up from 2021 same period of 4.8%. With the recent rate adjustments by the Bank of Canada, Canadian economic leaders forecast 2023 inflation to fall between 4.2 and 2.1% with the Bank of Canada landing at a 3% projection by the end of 2023.

Some positive indicators have been noted; however, with economic activity, GDP, expanded for five consecutive quarters, (Q2 2021- Q3 2022), increasing by 0.7% in Q3 2022. Additionally, the December 2022 Canadian unemployment rate decreased to 4.9% from 6.0% YAG.

Total 2023 Media Investment in Canada is projected to increase by 8% with 74%, (+2% YAG), invested in digital formats. (source: eMarketer)

2003 Media Inflation Projections

	2022 Mid-Year %	2023 %	Change
TV	+10.7%	+9.7%	**-1.0%**
Online Video	+7.4%	+6.7%	**-0.7%**
Online Display	+2.5%	+2.5%	**0.0%**
Social Media Video	+4.8%	+6.8%	**2.0%**
Social Media Display		+4.6%	**-0.2%**
Search	+3.7%	+3.6%	**-0.1%**
Retail Digital Media Networks*	n/a	+3.3%	**n/a**
VOD*	n/a	+5.6%	**n/a**
Connected TV*	n/a	+9.3%	**n/a**
Addressable TV*	n/a	+5.1%	**n/a**
Radio	+2.6%	+2.5%	**-0.1%**
Magazine	+0.6%	+0.9%	**0.3%**
Newspaper	+0.5%	+0.4%	**-0.1%**
Outdoor	+5%	+4.3%	**-0.7%**

* New Categories for 2023
source: Ebiquity Canada December 2022

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Online Video (+6.8%)
Demand continues to outpace supply. The focus on quality impressions, including viewability metrics, will continue to shift funds away from underperforming sites and towards proven and measurable media properties. While the industry at large is growing the availability of premium level impressions, the elevated demands will drive inflation throughout 2023.

Online Display (+2.5%)
Online display will remain a core channel with focus on quality opportunities within brand safe environments. Overall investment is anticipated to be flat to 2022 resulting in modest 2023 inflation.

Social Display (+4.6%)
Social Media Video (+6.8%)
The uncertainty around the corporate strategies of Twitter and Meta will continue into the first half of 2023 as will the concerns around user generated content management and the limitations of digital ID tracking capabilities. Even with these critical headwinds, it is anticipated that current demand will continue into 2023 as Social is seen as an essential channel for acquisition and some brand based KPIs.

Search (+3.6%)
Google's continued dominance gives them the ability to control the environment and influence bid structures. The recent trends to deliver larger physical ads while reducing the number of ads displayed is expected to continue. The proven business success of SEM coupled with consumers desire to source advice, reviews, information and entertainment on-line will lead to another year of strong SEM demand..

Retail Digital Media Networks (+3.3%)
Large corporations including Amazon, Walmart and Loblaw have created a reliable business model that drives consumer demand and marketer interest by offering a more direct path between the brand, buyer and the seller. Growth in advertising demand is an outcome of efficient technology, consumer comfort within the platforms and growing consumer preference for Ecommerce.

Video on Demand — VOD (+5.6%)
This space will change throughout 2023 as Netflix and Disney+ establish their subscription models to include advertising supported options. Continued growth in demand is anticipated from both the cord cutter and linear TV groups.

Connected TV (+9.3%)
The continued reduction of linear TV audience levels has supported the growing interest in digital video opportunities including CTV. Although mass standardized measurement is not yet available, expected demand coupled with limited inventory will elevate ad rates in Canada throughout 2023.

Addressable TV (+5.1%)
Not at scale and working through the test and learn phase in Canada, Addressable TV attracts marketers looking to understand how they can elevate their ability to target to few within a mass channel.

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TV (+9.7%)
The media community at large is anticipating TV inflation to exceed estimated market inflation estimates. Market timelines and strategies will continue to impact broadcast cost structures.

- Audience levels continue to fall across all demographic groups including traditionally stable women demographics which pushes rates higher as more "spots" will be required to deliver flat audience levels to the previous year.
- Program acquisition fees continue to rise given active competition for limited quality programs and content concepts. These costs will be passed along to advertisers.
- Annual investment is expected to be stable with a modest 1.6% growth. (source: eMarketer) Focus will continue to shift away from traditional broadcast as advertisers leverage other video formats.

Radio (+2.5%)
Terrestrial Radio tuning levels are not expected to reach pre-2020 levels and will experience a flat investment vs previous year. Larger markets will maintain a solid audience and demand while smaller and mid-sized markets are expected to experience a decrease in demand. Audiences and advertisers will continue to investigate ad supported digital audio platforms including music streaming services and podcasts.

Newspaper & Magazine (+0.4% & +0.9%)
Print will continue to feel the pressure of rising costs and declining demand. A channel that continues to add value and opportunity to niche marketers.

Outdoor (+4.3%)
Outdoor continues to rebound with the largest anticipated media channel increase of 12% vs YAG. The availability of digital out-of-home inventory placed along highways, city roadways and within venues continues to grow within large and mid-sized markets across the country. Modernized mapping, validation and reporting tools will support the growth and demand of this resurging channel.

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Ebiquity is the world leader in media investment analysis

We harness the power of data to provide independent, fact-based advice, enabling brand owners to perfect media investment decisions and improve business outcomes

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