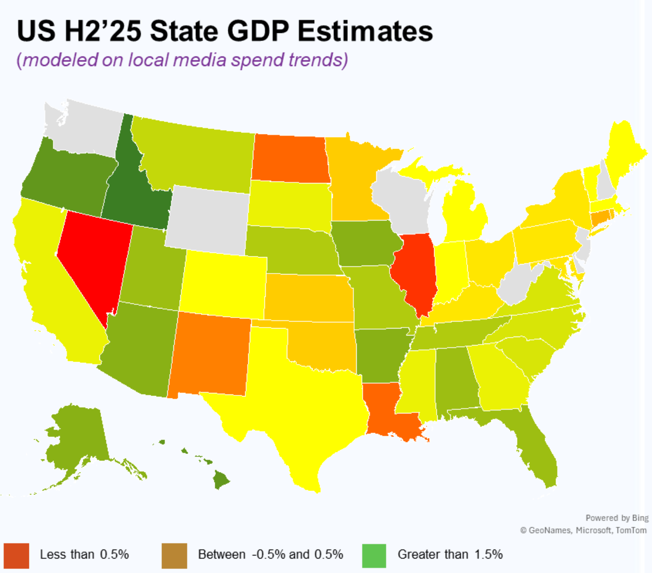
Canada and US central banks cut rates. How local media spend may offer clues for future economic outlooks

Topline Analysis:

- Yesterday, the US Federal Reserve and the Bank of Canada cut **interest rates 25bp**, citing weakening job markets and inflation heating up. The US Fed has signaled potential for 2 more cuts this year based on changing economic conditions
- Using Guideline's local media spend trends modeled on economic data, we **estimate 36% of states have negative GDP** for Q2 with an **additional 20 states trending downward in H2'25.** These economic headwinds will **likely slow media spend**
- Facing increasing **economic headwinds, brands will need to pivot strategies.** Publishers proving **ROAS or ROI** will fare better in economic downturns as brands will be under pressure to show results benefiting topline revenue or cost savings
- Using Guideline's local media data, here is what our model forecasts for H2'25 state level GDP:



* Guideline local media econometric model. Figures are presented as advisory only and should not be considered as future economic data

- Leveraging the same local analysis, we see a **similar relationship between local media spend and GDP** output in **Canada** and **the UK.** Our model predicts modest GDP growth for Canada in H2'25 based on current local media spend trends

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US Larger Context:

The summer has seen economic and media spend growth moderate as tariff related costs navigate their way through the economy. Using an econometric model, we found that Guideline's local media spend is predictive of state level GDP. Given Guideline's data is available roughly 3 months ahead of state level GDP, we modeled out what the economy could look like in H2'25 based on state level local media spend trends. (details on how we built an econometric model using local ad spend on page 5)

What this means for the US economy and H2'25:

As Q3 winds down, our economic model shows conditions worsening in most states as local ad spend is on pace to decline faster than historic benchmarks, a potential bellwether of economic activity for H2. This tracks with a Financial Times article that published research by Moody's Analytics that **showed 33% of the US is already in a recession**. For added context on average, 11% of the US states have negative quarterly GDP since 2006, so 33% is elevated but not full recession territory.[1]

Guideline's econometric model projects 23 states' GDP to be below 0.6% in H2[2]. September is not fully closed so the forecast may turn around, but taken with the Fed's rate cuts, weakening job numbers and CPI heating up, it signals a softening US economy.

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Impact on brands and publishers in H2'25:

If the US economy softens in H2 of this year, there are a few things we know from the past:

1. Brand's best strategy is to maintain or *increase ad spend.* There are many out there who have written more on it and better than we can cover here but the benefits are big. For every brand that cuts there are two that will continue to advertise and gain market share
2. If not an option, ad campaigns focused on keeping existing customers are best. Customer acquisition is costly. Especially when customers are trying to save money. Trying something new means risking not liking it and in turn, wasting money. In the event of a downturn, we expect to see a shift to promotions, LTOs and direct-response campaigns to drive traffic. We'd also expect brand ad budgets to shift to more ad targeting. Companies with robust 1P data are better positioned in downturns as they can leverage it to find the right customers at the right time with the right message

[1] All State GDP figures are from US Bureau of Economic Analysis, data retrieved 9/16/2025

[2] Subject to revision as the quarter has not closed, forecasting off an incomplete trend

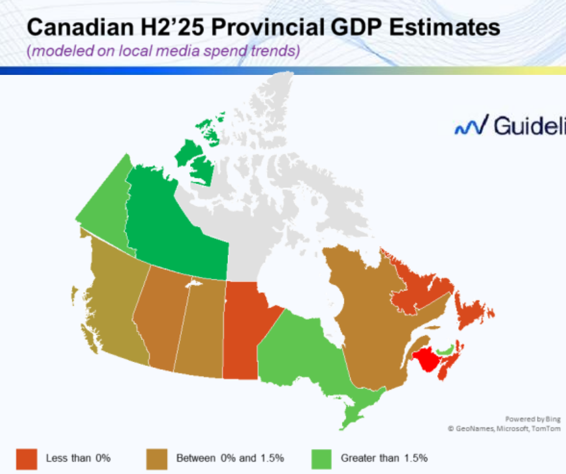
3. KPIs are key. Pressure will increase on brands to show how their marketing efforts are driving sales in tough times. Publishers that can prove their ROAS or ROI easily and quickly will be better positioned than those who cannot

A Note on the Global Economy

Consensus estimates for global economic growth have mostly been revised down, averaging 2.8%[3]. Most forecasters have cited lower US outlooks due to tariffs as a drag on the global economy. Using Guideline's global data pools to model GDP, both Canada and the UK have moderate but positive economic outlooks in H2, similar to consensus estimates.

Canada

The Bank of Canada and RBC Economics both note that H2 is likely to fair better economically as job cuts have stabilized post tariffs with GDP growth coming albeit modest for the remainder of the year.[4] Conversely, the Bank of Canada also cut rates by 25bp, citing an unclear economic environment moving forward. Risks still remain around ongoing trade tensions with the US, making it difficult to predict exactly how H2'25 could perform.



Interestingly, when we apply our Guideline econometric model to Canadian provincial data going back to 2017, local media spend has some predictive power in future GDP. While not as strong of a relationship as US state GDP to local ad spend, Canadian local media spend does in fact correlate to economic GDP.[5] Using Guideline's econometric model, our GDP estimate for Canada in H2 looks to be improving with light growth as ad spend trends have moderated, in line with the consensus estimate on economic outlook.

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[3] Simple average across mostly recently published forecasts from: IMF, EY, S&P, Oxford Economics, OECD (just G20), Euromonitor and Morgan Stanley

[4] https://www.rbc.com/en/thought-leadership/economics/economy-and-markets/macroeconomic-outlook/quarterly-canadian-outlook-low-but-positive-growth-ahead/

[5] Media spend data from Guideline's Canadian data; Canadian economic data access from: Statistics Canada. Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000)

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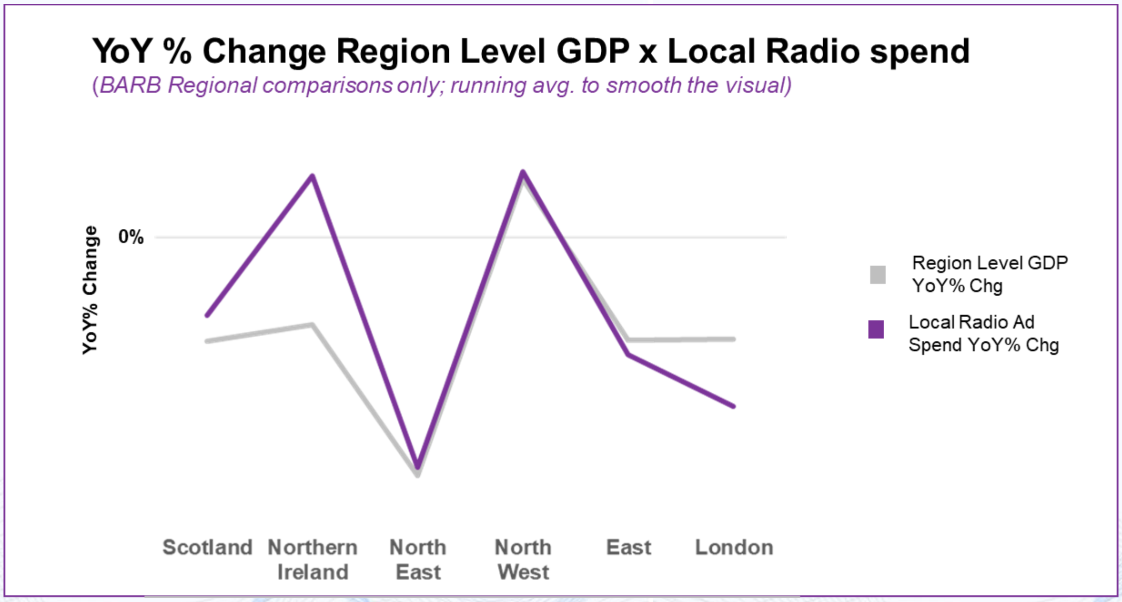
The UK

While additional testing is needed, the UK shows similar relationships between economic output and local media spend. However, in the UK, only local radio was strongly correlated with economic output.[6]



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How we built our model:

We were curious, could Guideline's local media spend trends actually be used to predict economic output?

Among the many dimensions in Guideline's pool, geography is one way to cut our data. If Wally in Wichita buys a few radio spots to advertise Big Wally's World of Widgets but sales start to decline, Wally is going to cut ad spend. One-off, this wouldn't show up in national economic data but taken together in a cumulative effect, local spot buys may tell us more about future economic health than national ones. Looking into Guideline's data across local ad buys and the US Bureau of Economic Analysis revealed an interesting picture.

[6] Economic data sourced from the Office for National Statistics: regional economic activity by gross domestic product. Media spend data from Guideline's UK data pool

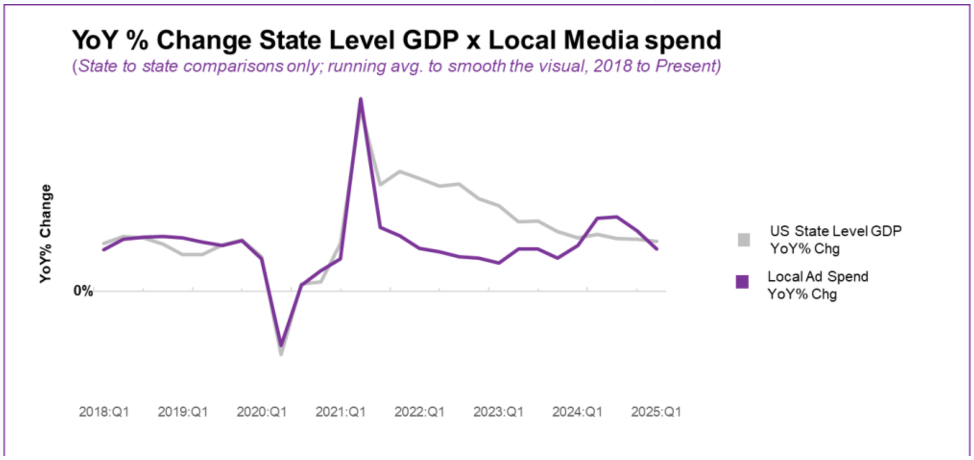

Figure 1 - Source - Guideline data, Bureau of Economic Analysis

Post-COVID, local advertising took longer to recover but the general trend held with a spike in 2021 followed by tempered growth through 2024 for both state level GDP and local ad spend. Prior to COVID, the trends were nearly identical. It showed enough promise that for US based media data, we applied a standard min-max scaling normalization for modeling and fed into a multivariate regression with minimal parameter tuning. Given quarterly swings on local media spend can be substantial, percent changes created additional noise in the data given the disparities to the smaller GDP percent changes. Applying the normalization allowed to see a stronger correlation between local media spend and state level GDP.

Taken together, we believe this, in conjunction with economic indicators can help forecast future GDP. Additionally, having a modest (.4) to strong correlation (.65) in multiple media markets provide us with additional confidence that our hypothesis is at worst directionally correct.

Some additional call outs on the modeling and where there is opportunity for future research:

- US Local media spend includes all Guideline pool data billed to local states including but not limited to TV spots, digital, radio, print and OOH.
- For simplicity sake, we leveraged a multivariate regression to forecast GDP from local media spend. The model includes actuals from the quarter (in dollars) and YoY % change from the same quarter prior year. A more robust and diverse pool of data would likely strengthen the model's performance but we wanted to keep it simple to show the power of just local media ad spend
- The US based model performed reasonably well. We won't be winning any economic awards but adjusted R2 was 77%, standard error on the model was 9.8% and all variables were statistically significant at 95% or higher
- Each state was normalized and forecasted independently. For future iterations, we may explore a nearest neighbor or logit modeling to determine if GDP or ad spend is

changed to similar localities (given broadcasts cross state lines). Ideally, we would model these dependencies to improve accuracy to the model

- Local media spend trends have been declining in most markets post-COVID. The model takes into account some degree of decline as part of the estimate so worsening trends would be weighted heavier than simply being down
- Additional testing is needed for the UK , China, New Zealand and Australia but they show directional promise that local ad spend might be a good forward looking economic indicator or at worse, a proxy for economic activity
- Our model should be taken as informational only and does not guarantee future performance of the economy or ad market