

PRESS RELEASE

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Global ad expenditure to return to pre-recession peak level this year

- Global ad expenditure forecast to reach US\$471 billion this year, the same as the peak level of expenditure reached in 2008
- Expenditure predicted to grow 4.1% in 2011, essentially confirming the 4.2% growth predicted in April
- Small softening in the Americas and Europe counterbalanced by stronger spending in Asia Pacific
- Middle Eastern advertising continues to decline as political disruption spreads
- 2012 and 2013 forecasts marginally upgraded
- Internet the fastest-growing medium (14.2% a year) between 2010 and 2013
- Television to contribute most new ad dollars (49% of total)

ZenithOptimedia now predicts global ad expenditure will grow by 4.1% in 2011, just 0.1 percentage points below the prediction we made in April. It will return to US\$471 billion, the level it reached in 2008 before the recession. The ad market continues to recover from the 2009 recession, but growth has dipped this year in response to economic pressures, natural disaster and political disruption. More robust growth is forecast to resume in 2012 and 2013.

We have made small downward adjustments to our forecasts for North America, Western Europe, Central & Eastern Europe and Latin America. High oil prices have depressed consumer and corporate expenditure, and worries about public debt on the European periphery – particularly the threat of default in Greece – have damaged confidence in the stability of the world economy, the Eurozone in particular. We now expect North America to grow 2.3% this year and Western Europe to grow 3.3%; these figures are down 0.3 and 0.2 percentage points respectively. We have downgraded Central & Eastern Europe and Latin America by more (1.0 and 1.2 points respectively) but we still expect these regions to grow far faster than North America and Western Europe. We forecast 9.0% growth in Central & Eastern Europe and 6.7% growth in Latin America this year.

These adjustments are counterbalanced by our increased forecast for Asia Pacific, which we now expect to grow 5.9% this year, up from the 4.6% we forecast in April. This is partly because the earthquake in Japan has been less disruptive than initially feared: we now forecast ad expenditure in Japan to decline 2.4% this year, down from 4.1%. But we have also increased our forecasts for the rest of the region from 10.5% to 11.4%, driven by upgrades in China (from 11.7% growth to 13.4%) and Malaysia (from 10.0% to 12.3%).

The big change for this forecast is for the Middle East and North Africa, where we now forecast a decline of 12.1% in 2011, down from our previous forecast of 0.1% growth. The political turmoil has spread further, and advertisers have continued to pull campaigns in the three relatively large ad markets that have been engulfed in this turmoil (Bahrain, Egypt and Oman), as well as cutting back their exposure in pan-regional media. On the upside, we now predict an 8.9% rebound in 2012 (compared to the 4.8% we predicted in April), on the assumption that the political situation in the region stabilises. The effect of these adjustments at the global level is limited by the fact that the Middle East and North Africa accounts for only 1% of global ad expenditure.

Overall we predict 5.9% growth in global ad expenditure in 2012, up from our 5.8% prediction in April. 2012 will benefit from the 'quadrennial' events: the summer Olympics in the UK, the European Football Championship in Poland and Ukraine, the Presidential elections in the US. We then expect growth to slip slightly to 5.6% in 2013 (up from our previous forecast of 5.5%).

Developing markets continue to expand far faster than developed markets. We forecast North America to grow by an average of 3.1% a year between 2010 and 2013 and Western Europe to grow by 3.4%. We expect Japan to grow just 0.9% a year, after a big drop in 2011 followed by the recovery of lost ground over the next two years, and we forecast 0.1% annual growth in the Middle East and North Africa following the same pattern. Meanwhile we forecast Latin America to grow by 8.0% a year, Central & Eastern Europe by 12.4%, Asia Pacific by 7.0%, and Asia Pacific excluding Japan to grow by 10.7%. Developing markets – which we here define as everywhere outside North America, Western Europe and Japan – will increase their share of the global ad market from 30.7% in 2010 to 35.1% in 2013.

There are now two 'developing' markets in the world's top ten ad markets, and there will be three in 2013. China is now the third-largest ad market in the world, and is catching up quickly with second-placed Japan. In 2005 China was 23% of the size of Japan, in 2010 it was 57% and by 2013 we predict it to be 83%. Brazil, at sixth place, is even closer to the UK: 81% of the size of the UK in 2010 and will be 91% in 2013. Russia, which was in 13th place in 2010, will be in ninth in 2013.

Top ten ad markets

US\$ million, current prices. *Currency conversion at 2010 average rates.*

2010		Adspend	2013		Adspend
1	USA	151,665	1	USA	165,469
2	Japan	46,153	2	Japan	47,392
3	China	26,122	3	China	39,127
4	Germany	23,791	4	Germany	25,505
5	UK	18,086	5	UK	19,954
6	Brazil	14,716	6	Brazil	18,237
7	France	12,564	7	France	13,604
8	Australia	11,414	8	Australia	13,134
9	Italy	10,296	9	Russia	12,756
10	Canada	9,891	10	Canada	11,450

Source: ZenithOptimedia

The sheer size of the US – 3.3 times the next-largest market – means it will contribute the most new ad dollars to the global market over the next three years (US\$13.8 billion), despite its slow growth. However, the next five largest contributors are all developing markets: China (which contributes almost as much as the US, US\$13.0 billion), Russia (US\$6.1 billion), Brazil (US\$3.5 billion), Indonesia (US\$2.8 billion) and India (US\$2.6 billion). Overall we predict developing markets will contribute 62% of new ad dollars over the next three years.

The ten largest contributors to global adspend growth (2013 v 2010)

US\$ million, current prices. Currency conversion at 2010 average rates.

		Adspend growth
1	USA	13,804
2	China	13,005
3	Russia	6,068
4	Brazil	3,521
5	Indonesia	2,768
6	India	2,639
7	UK	1,868
8	South Africa	1,797
9	Australia	1,719
10	Germany	1,714

Source: ZenithOptimedia

Advertising expenditure by region

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)

US\$ million, current prices. Currency conversion at 2010 average rates.

	2009	2010	2011	2012	2013
North America	157,499	161,556	165,315	171,232	176,919
Western Europe	97,121	102,717	106,059	109,909	113,529
Asia/Pacific	106,372	116,466	123,330	133,470	142,724
Central & Eastern Europe	23,928	25,406	27,705	31,463	35,854
Latin America	27,063	31,320	33,409	36,116	39,466
Middle East & North Africa	4,633	5,085	4,469	4,867	5,095
Rest of world	9,380	10,139	11,015	12,119	13,389
World	425,996	452,689	471,302	499,177	526,977

Source: ZenithOptimedia

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)

Year-on-year change (%)

	2009 v 08	2010 v 09	2011 v 10	2012 v 11	2013 v 12
North America	-12.6	2.6	2.3	3.6	3.3
<i>of which USA</i>	<i>-12.9</i>	<i>2.3</i>	<i>2.1</i>	<i>3.5</i>	<i>3.2</i>
Western Europe	-11.0	5.8	3.3	3.6	3.3
Asia Pacific	-4.9	9.5	5.9	8.2	6.9
<i>excluding Japan</i>	<i>1.4</i>	<i>17.0</i>	<i>11.4</i>	<i>11.1</i>	<i>9.6</i>
Central & Eastern Europe	-18.0	6.2	9.0	13.6	14.0
Latin America	2.0	15.7	6.7	8.1	9.3
Middle East & North Africa	-18.1	9.7	-12.1	8.9	4.7
Rest of world	5.7	8.1	8.6	10.0	10.5
World	-9.6	6.3	4.1	5.9	5.6

Source: ZenithOptimedia

Global advertising expenditure by medium

The internet continues to grow at the fastest rate of any medium, at an average of 14.2% a year between 2010 and 2013. Display is the fastest-growing segment, growing by 16.4% a year, driven mainly by online video and social media. Streaming video ads are growing extremely quickly, thanks to the emergence of do-it-yourself tools that have allowed local advertisers to enter the market. In most developed markets, social media sites are near the top of the list of most-popular websites, and they are often way ahead of their rivals in time spent by users. In the US, social media use has jumped 25% over the last year, and now accounts for 16% of all time spent online, and 34% of display impressions. Paid search is growing by 14.4% a year, but its growth is being slightly restrained by the shift in search behaviour from desktop to mobile devices, where costs are currently lower. Online classified is growing relatively slowly, by 9.1% a year, while employment and property markets remain weak in the biggest countries. Overall, we predict internet advertising will grow by US\$31.3 billion, from US\$63.7 to US\$95.0 billion between 2010 and 2013.

Television is the next fastest-growing medium, at 6.2% a year. It is also the largest contributor to global growth, accounting for 49% of new ad dollars between 2010 and 2013. Television's share of the global ad market has risen steadily over time and shows no sign of reaching a plateau: it attracted 40.1% of spend in 2010, up from 37.3% in 2005, and we forecast it to attract 41.4% in 2013. The amount of time viewers spend watching television continues to increase, and even though viewers are presented with a wider choice of channels than ever, the biggest television events are attracting record audiences. This year's Super Bowl, for example, was watched by 111 million Americans, making it the most watched broadcast in US history. It beat the previous year, itself a record breaker, by 4.2%. We forecast television ad expenditure to grow by US\$35.4 billion, from US\$179.6 to US\$215.0 billion between 2010 and 2013.

Newspapers and magazines have been declining since 2007, with a brief pause for magazines in 2010, when ad expenditure remained essentially static. We expect this decline to continue throughout our forecast period. Magazines are suffering less than newspapers, because the experience of reading a magazine is less easy to replicate online, and because they do not rely so much on the timely delivery of information, where the internet has a big advantage over newspapers. We predict magazine ad expenditure will shrink by 0.6% a year over our forecast period, while newspaper ad expenditure shrinks by 1.1%. In 2013 newspapers will fall behind the internet, which will take newspapers' place as the world's second-largest medium.

Advertising expenditure by medium

US\$ million, current prices *Currency conversion at 2010 average rates.*

	2009	2010	2011	2012	2013
Newspapers	97,354	95,945	93,750	93,253	92,892
Magazines	43,776	43,810	43,201	43,094	42,992
Television	163,484	179,601	189,412	202,712	214,968
Radio	31,917	32,259	33,025	34,397	35,604
Cinema	2,099	2,310	2,440	2,593	2,746
Outdoor	27,830	29,926	31,721	34,042	35,689
Internet	54,700	63,690	72,176	82,818	94,967
Total *	421,161	447,541	465,724	492,910	519,857

Source: ZenithOptimedia

** The totals here are lower than the totals in the 'Advertising expenditure by region' table above, since that table includes total adspend figures for a few countries for which spend is not itemised by medium.*

Share of total adspend by medium (%)

	2009	2010	2011	2012	2013
Newspapers	23.1	21.4	20.1	18.9	17.9
Magazines	10.4	9.8	9.3	8.7	8.3
Television	38.8	40.1	40.7	41.1	41.4
Radio	7.6	7.2	7.1	7.0	6.8
Cinema	0.5	0.5	0.5	0.5	0.5
Outdoor	6.6	6.7	6.8	6.9	6.9
Internet	13.0	14.2	15.5	16.8	18.3

Internet advertising by type

US\$ million, current prices *Currency conversion at 2010 average rates.*

	2009	2010	2011	2012	2013
Display	18,329	21,799	25,275	29,530	34,400
Classified	9,940	10,765	11,815	12,852	13,961
Paid search	26,431	31,126	35,086	40,436	46,606
Total	54,700	63,690	72,176	82,818	94,967

Source: ZenithOptimedia

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