PRESS RELEASE
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Mid-year surge pushes global ad market to 4.8% growth this year

- The advertising recovery has continued to surprise on the upside, prompting ZenithOptimedia to upgrade its forecast for global ad growth this year from 3.5% to 4.8%.
- We have upgraded our forecasts for all regions in 2010.
- Our forecasts for 2011 have increased from 4.5% to 4.6%, but this now represents a mild slowdown from the unexpectedly strong 2010.
- Advertising has shrunk as a proportion of world GDP from 0.88% in 2007 to 0.75% in 2010. We do not expect this proportion to rise while debt, unemployment and austerity threaten the recovery.
- However, 2012 will be the strongest year of the upturn so far, with 5.4% growth, and growth rates of 6%+ are in prospect once advertisers regain confidence in the economy.
- Television and the internet did well in the downturn and will continue to win market share during the recovery. We predict television's share to rise from 39.2% in 2009 to 41.6% in 2012, and the internet's share to rise from 12.8% to 16.5% over the same period.

ZenithOptimedia has upgraded its forecasts for global ad expenditure growth in 2010 to 4.8%, up from the 3.5% it forecast at the beginning of July. This is the fourth upgrade in a row, after six consecutive downgrades.

All regions have grown faster than expected this year. We have given minor upgrades to Asia Pacific, Central & Eastern Europe and Africa/Middle East/Rest of World (of between 0.2 and 0.5 percentage points), all of which have been growing healthily for some time now. North America is up from 1.3% to 2.4%, and Western Europe is up from 2.2% to 3.0%. The most dramatic revision is in Latin America, where we now expect 16.8% growth this year, up from 7.0%, after an explosion of growth in Brazil. We were initially cautious about prospects for Brazil after a sharp quarter-on-quarter drop in spend in Q1, but Q2 was so strong – up by 32% quarter on quarter, and 57% year on year – that we completely overhauled our forecasts for the market. We do not expect it to maintain this pace of year-on-year growth throughout 2010, but forecast 26% growth over the course of the year.

Although we have increased our forecast for global growth in 2011 from 4.5% to 4.6%, this now represents a minor slowdown after the surprisingly strong growth of 2010. Advertisers in the developed markets remain cautious about the future, and will not commit to ambitious expansion plans while unemployment and debt remain so high, and government spending cuts threaten the recovery in demand. Our forecasts for ad expenditure growth remain below the expected growth in nominal GDP (which is growing at about 6% a year) throughout our forecast period. Advertising has fallen as a proportion of GDP from 0.88% in 2007 to 0.75% in 2010, and will slip

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to 0.74% in 2012. We do, however, expect ad expenditure to grow 5.4% in 2012 (just below the growth rate of nominal GDP), making it the strongest year of recovery so far. Once advertisers are confident that the economic upturn will be sustained, we can expect growth in ad expenditure to exceed the 6% GDP growth rate.

We now forecast 2.4% growth in North America, up from the 1.3% growth we forecast three months ago. Most of the large financial, retail and automotive spenders have returned to the market in the US. Political advertising spend on local television is 61% higher than in 2008, and – alongside public relations spend by BP – is pushing sales by television stations in Florida, Texas and Louisiana to record levels. Magazine readership is up, and publishers have invested heavily in new titles – 68 new magazines launched in July, for example. We have doubled our forecasts for US growth this year from 1.1% to 2.2%, while Canada is up from 5.4% to 6.5%.

Summer is traditionally a quiet season for advertising in Western Europe, but this summer was a strong one, partly thanks to the World Cup football in a favourable time zone for European viewers. The best-performing markets were France (where we now expect 4.0% growth in 2010), the UK (4.5% growth in 2010), Finland (4.9%), Norway (6.0%), Sweden (6.6%) and Belgium (7.4%). We now predict 3.0% growth for Western Europe in 2010, and the same in 2011.

We now forecast Japan to shrink by 0.3% this year, an improvement on the 0.7% decline we forecast in July, after a strong GDP report in September. The only other market that is shrinking in Asia Pacific is New Zealand, which we expect to shrink 0.4%. The rest of the region is growing healthily and in eight markets (China, India, Indonesia, Malaysia, Pakistan, the Philippines, Thailand and Vietnam) growth is in double digits. Over the next few years we expect slow improvement in Japan, together with continued strong growth from the rest of the region, generating 6.3% growth for Asia Pacific in 2010, followed by 6.4% in 2011 and 7.4% in 2012.

A few of the smaller markets in Latin America are facing a year of slow growth in 2010: we forecast Chile, Costa Rica, Puerto Rico and Uruguay to grow by 1%-2% each. But most markets have fully recovered and are enjoying a year of healthy expansion, particularly – as we mentioned earlier – Brazil, which we forecast to grow 26%. We also expect 12%-16% growth from Argentina, Mexico, Panama, Peru and Venezuela, and 17% growth for the region as a whole, slowing to a more sustainable 9% in 2011 and 2012.

Central & Eastern Europe suffered more from the downturn than any other region, losing 24.6% of ad expenditure in 2009. The region is now split between those markets that quickly recovered and are now making up lost ground (notably Belarus, Bosnia and Herzegovina, Russia, Serbia, Slovenia, Turkey and Ukraine, which we forecast to grow by between 10% and 30% this year), and those where entrenched economic problems are still dragging down ad expenditure (Bulgaria, Estonia, Greece, Hungary, Latvia and Romania, which we expect to shrink by between 4% and 17%). We predict that Greece – suffering from debt crisis and austerity – faces the most prolonged decline, with a 17% drop in ad expenditure in 2010 followed by a 5% drop in 2011. Latvia is not far behind, with 14% decline forecast for 2010 and 4% decline forecast in 2011. We expect all other markets to return to growth in 2011, however, and forecast steady improvement in ad expenditure for Central & Eastern, from 7.2% growth in 2010 to 9.9% in 2011 and 11.0% in 2012.

Advertising expenditure by region

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)
US$ million, current prices. *Currency conversion at 2009 average rates.*

	2008	2009	2010	2011	2012
North America	179,139	156,556	160,303	164,377	169,306
Western Europe	112,780	100,129	103,176	106,221	109,941
Asia Pacific	106,664	99,719	106,049	112,830	121,206
Central & Eastern Europe	33,594	25,325	27,139	29,813	33,094
Latin America	27,210	25,733	30,067	32,756	35,828
Africa/M. East/ROW	20,098	21,251	22,752	24,306	26,096
World	**479,485**	**428,712**	**449,486**	**470,305**	**495,471**

Source: ZenithOptimedia

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)
Year-on-year change (%)

	2008 v 07	2009 v 08	2010 v 09	2011 v 10	2012 v 11
North America	-3.8	-12.6	2.4	2.5	3.0
of which USA	*-4.2*	*-12.9*	*2.2*	*2.4*	*2.9*
Western Europe	-1.3	-11.2	3.0	3.0	3.5
Asia Pacific	1.6	-6.5	6.3	6.4	7.4
excluding Japan	*6.8*	*-1.2*	*11.4*	*10.1*	*11.2*
Central & Eastern Europe	12.8	-24.6	7.2	9.9	11.0
Latin America	13.9	-5.4	16.8	8.9	9.4
Africa/M. East/ROW	22.7	5.7	7.1	6.8	7.4
World	**0.8**	**-10.6**	**4.8**	**4.6**	**5.4**

Source: ZenithOptimedia

Global advertising expenditure by medium

Television did relatively well in the downturn (because consumers tend to spend more time at home watching it when they have less disposable income) and continues to do well as the world recovers. New technologies, such as hard-drive recorders and high-definition channels, are encouraging viewers to watch even more television. Television tends to be much more dominant in developing markets, so their rapid rise is increasing television's share of global expenditure. We expect television to attract 41.6% of total ad expenditure in 2012, up from 39.2% in 2009 and 38.0% in 2008.

The internet continues its steady rise, increasing its global market share from 10.5% in 2008 to 12.8% in 2009. By 2012 we expect it to account for 16.5% of total expenditure, just 2.5 percentage points below newspapers. Newspapers have been losing share every year since 1987, when they accounted for 40.6% of expenditure. By 2009 that share had fallen to 23.0%, and we expect it to fall further to 19.0% in 2012.

Paid search is the main engine of internet growth: it accounted for 49.2% of all internet expenditure in 2009, and we forecast this proportion to rise to 51.4% in 2012. Display's contribution to total internet spend fell from 33.2% in 2008 to 32.6% in 2009. New formats – especially internet video, mobile and social media – should help its share of internet spend return to 33.0% by 2012.

In the US, where they are most visible and best measured, mobile advertising and social media are growing much faster than any other internet format. Between 2009 and 2012 we forecast mobile advertising to grow by an average of 44.3% a year, while social media advertising grows by 31.2% a year, compared to 14.6% a year for the internet as a whole. The two formats overlap to an extent, since many consumers use their mobile devices to access their social profiles, and mobile social networking will become more and more important to advertisers over the coming years. Mobile and social advertising accounted for just 5% of internet expenditure in the US in 2009, but we expect this proportion to rise to 8% in 2012.

Advertising expenditure by medium

US$ million, current prices *Currency conversion at 2009 average rates.*

	2008	2009	2010	2011	2012
Newspapers	118,783	97,265	94,353	93,335	92,740
Magazines	54,939	43,832	43,062	42,453	42,413
Television	179,345	165,445	180,353	191,319	202,807
Radio	35,732	31,645	31,736	32,288	33,626
Cinema	2,214	2,082	2,239	2,364	2,499
Outdoor	31,760	28,169	29,684	31,382	33,176
Internet	49,470	54,124	61,450	69,992	80,188
Total *	**472,242**	**422,563**	**442,876**	**463,133**	**487,449**

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 (%)

	2008	2009	2010	2011	2012
Newspapers	25.2	23.0	21.3	20.2	19.0
Magazines	11.6	10.4	9.7	9.2	8.7
Television	38.0	39.2	40.7	41.3	41.6
Radio	7.6	7.5	7.2	7.0	6.9
Cinema	0.5	0.5	0.5	0.5	0.5
Outdoor	6.7	6.7	6.7	6.8	6.8
Internet	10.5	12.8	13.9	15.1	16.5

Internet advertising by type

US$ million, current prices *Currency conversion at 2009 average rates.*

	2008	2009	2010	2011	2012
Display	16,433	17,618	20,164	23,008	26,492
Classified	9,739	9,902	10,320	11,369	12,502
Paid search	23,298	26,604	30,966	35,615	41,193
Total	**49,470**	**54,124**	**61,450**	**69,992**	**80,188**

Source: ZenithOptimedia

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