PRESS RELEASE

Promising outlook for global adspend growth

- The World Cup is stimulating extra adspend in many countries, but not in Germany and the UK
- Internet advertising to overtake outdoor this year
- Advertising growing above trend, along with GDP

New research on global expenditure by the big advertising categories shows
- Newspapers' share of ad expenditure is supported by retail advertising
- Big category advertisers have demonstrated continued confidence in television despite threats of audience fragmentation and ad avoidance
- Internet growth has been driven by telecoms and finance

Advertising expenditure
Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)
US$ million, current prices. *Currency conversion at 2005 average rates.*

	2004	2005	2006	2007	2008
North America	168,971	174,036	183,214	190,893	198,393
Europe	104,950	109,044	113,893	118,756	123,724
Asia/Pacific	79,060	83,419	88,912	94,697	102,119
Latin America	15,476	18,411	19,923	20,847	21,899
Africa/M. East/ROW	18,258	21,605	25,185	28,962	33,349
World	**386,714**	**406,515**	**431,127**	**454,156**	**479,484**

Source: ZenithOptimedia

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

	2004 v 03	2005 v 04	2006 v 05	2007 v 06	2008 v 07
North America	6.2	3.0	5.3	4.2	3.9
of which USA	*6.0*	*2.9*	*5.4*	*4.2*	*4.0*
Europe	6.2	3.9	4.4	4.3	4.2
Asia/Pacific	6.1	5.5	6.6	6.5	7.8
Latin America	12.7	19.0	8.2	4.6	5.0
Africa/M. East/ROW	27.4	18.3	16.6	15.0	15.1
World	**7.3**	**5.1**	**6.1**	**5.3**	**5.6**

Source: ZenithOptimedia

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ZenithOptimedia predicts global ad expenditure will grow 6.1% in 2006. We have upgraded our forecast slightly since April (from 6.0% growth) after strong economic growth in the US and improvement in the Eurozone economies. We forecast growth of 5.3% in 2007 and 5.6% in 2008, slightly above the 5.0% average rate that ad expenditure has grown at over the last ten years.

Like the ad market, the global economy is also growing slightly above trend, so advertising's contribution to total GDP is stable. This suggests that the current regime of steady adspend growth will be sustainable for several years to come. The previous two advertising recessions occurred after advertising grew faster than GDP for several years. During the last recession ad expenditure fell from 1.07% of GDP in 2000 to 0.96% in 2003; it has yet to exceed this level, and we do not expect it to do so over our forecast period.

The World Cup

The World Cup is contributing to this year's strong growth globally, but not in some markets. This is only to be expected in markets like the US, where football remains very much a minority sport, though its popularity has grown in recent years. The Winter Olympics were this year's main international sporting event on US TV; we also expect heavy spending in the run-up to the mid-term elections in November.

The World Cup has had surprisingly little effect on the ad market in the host country, Germany. We forecast total ad expenditure to grow in Germany by 1.6% in 2006, up from 1.2% in 2005. Some of this extra growth may be attributable to football-themed campaigns in print, online and outdoor, but most of the matches have been shown on Germany's public channels. These are permitted to sell very little airtime, so advertisers have not been able to make much use of the television coverage; in fact we expect growth in television expenditure to decline slightly in 2006, to 1.5% from 1.8% in 2005. In the UK the coverage is split between the ad-free public broadcaster and the commercial channel ITV1. ITV1 is suffering from a decline in viewing caused by the spread of digital television, and regulations that effectively require it to sell its remaining viewers more cheaply as its audience declines. It has not therefore been able to extract the premium prices it would normally expect for World Cup viewers.

The football has made a greater impact elsewhere in Europe, notably in Belgium, France and the Netherlands, in each of which we expect television ad expenditure to accelerate markedly in 2006. This is the first World Cup to be shown on commercial television in north Belgium, creating new opportunities for advertisers there. In Asia, the extra advertising stimulated by the competition has been particularly notable in Malaysia and South Korea.

Growth in television ad expenditure – selected markets (%)

	2005 v 04	**2006 v 05**
US	-0.2	4.7
Germany	1.8	1.5
UK	1.9	1.0
Belgium	-2.2	3.4
France	1.0	3.5
Netherlands	2.1	4.0
Malaysia	0.7	3.0
South Korea	-1.5	6.1

The internet

The internet is growing far faster than any other medium, thanks to rapid innovation in the types of internet advertising, and in ways of measuring it and tracking consumers' responses to it. We forecast internet ad expenditure will grow 76% between 2005 and 2008, while the other media grow by between 10% (for radio) and 27% (for cinema). The pace of development has caused us to upgrade our forecasts yet again. We now forecast the internet to account for 7.0% of worldwide ad expenditure by 2008, up from our 6.5% forecast in April and 6.0% in December; it accounted for 4.7% in 2005. We also expect the internet to overtake outdoor this year, a year earlier than our prediction three months ago.

Adspend by medium 2005-2008

US$ million, current prices *Currency conversion at 2005 average rates.*

	2005	2006	2007	2008
Television	147,814	156,040	163,402	172,929
Newspapers	118,977	123,481	127,569	131,877
Magazines	53,132	55,427	58,055	60,776
Radio	33,962	35,064	36,140	37,345
Outdoor	21,480	23,050	24,744	26,486
Internet	18,478	23,939	28,616	32,532
Cinema	1,666	1,803	1,941	2,110
Total *	**395,516 ***	**418,803 ***	**440,466 ***	**464,054 ***

** The totals here are lower than the total on the first page, since that table includes total adspend figures for a few countries for which spend is not itemised by medium*

Ad expenditure by category

The five largest advertising categories are retail, auto, telecommunications, medicine and finance. Retail is the largest, accounting for US$49 billion in ad expenditure worldwide in 2005, up from US$33 billion in 2001. Of all the big categories, retail advertisers spend the most on newspaper advertising, and the proportion of their budgets they allocate to newspapers has barely fallen over the past five years, from 40% in 2001 to 39% in 2005, despite the steady decline of newspaper circulation in developed markets. Newspapers' short lead times allow advertisers to print timely information on price promotions, and they can be used to promote both national brands and local stores. Without the support of retailers, newspapers' share of the total ad market would have fallen faster than it did, from 32% in 2001 to 30% in 2005.

Of the five largest categories, medicine is the only one to have reduced the proportion it spends on television, and it has done so only fractionally – from 75.2% in 2001 to 74.9% in 2005. Retail, finance and telecommunications advertisers all spent proportionately more on television in 2005 than in 2001. Some of these advertisers may worry about the fragmentation of audiences caused by the spread of digital television and the growing popularity of ad avoidance technology such as personal/digital video recorders, but collectively they have demonstrated their confidence in the continued power of television advertising.

Retail advertisers were early adopters of internet advertising, which quickly demonstrated its ability to drive direct sales, but the internet's share of retail ad expenditure has remained stable at around 3% over the last five years. The main drivers of the growth in internet expenditure have been telecommunications and finance, which together increased their expenditure on internet advertising by US$1.7 billion between 2001 and 2005, and accounted for 17% of the growth in total internet ad expenditure over that period.

Retail – total ad expenditure
US$ billion, current prices *Currency conversion at 2005 average rates.*

	2001	2002	2003	2004	2005
Newspapers	13.4	13.9	15.7	18.3	19.2
Magazines	2.9	3.1	3.4	3.9	4.1
Television	11.8	12.4	13.9	16.5	18.9
Radio	2.7	2.9	3.2	3.4	3.6
Cinema	0.1	0.1	0.1	0.1	0.1
Outdoor	1.4	1.4	1.4	1.6	1.7
Internet	1.1	1.0	1.2	1.3	1.3
Total	**33.3**	**34.8**	**38.9**	**45.0**	**48.9**

Auto – total ad expenditure
US$ billion, current prices *Currency conversion at 2005 average rates.*

	2001	2002	2003	2004	2005
Newspapers	10.0	10.9	11.7	12.4	12.5
Magazines	4.1	4.3	4.7	5.0	5.1
Television	14.6	16.3	16.7	18.8	19.2
Radio	1.5	1.7	1.9	2.1	2.2
Cinema	0.2	0.1	0.1	0.1	0.1
Outdoor	1.0	1.1	1.3	1.4	1.5
Internet	0.2	0.3	0.4	0.6	0.7
Total	**31.6**	**34.6**	**36.7**	**40.3**	**41.4**

Telecommunications – total ad expenditure
US$ billion, current prices *Currency conversion at 2005 average rates.*

	2001	2002	2003	2004	2005
Newspapers	4.4	4.3	5.1	5.7	5.7
Magazines	2.1	1.8	1.9	2.1	2.3
Television	8.6	8.7	8.8	11.8	13.7
Radio	1.6	1.8	2.0	2.1	2.2
Cinema	0.1	0.1	0.1	0.1	0.2
Outdoor	0.7	0.7	0.8	1.1	1.2
Internet	0.5	0.6	0.6	1.0	1.5
Total	**17.9**	**18.0**	**19.4**	**24.0**	**26.9**

Medicine – total ad expenditure
US$ billion, current prices *Currency conversion at 2005 average rates.*

	2001	2002	2003	2004	2005
Newspapers	1.2	1.2	1.5	1.8	1.9
Magazines	2.3	2.6	3.0	3.2	3.6
Television	11.9	12.8	15.0	17.2	19.3
Radio	0.4	0.4	0.5	0.5	0.5
Cinema	0.0	0.0	0.0	0.0	0.0
Outdoor	0.1	0.1	0.1	0.1	0.1
Internet	0.0	0.1	0.2	0.3	0.3
Total	**15.8**	**17.1**	**20.2**	**23.2**	**25.7**

Finance – total ad expenditure

US$ billion, current prices *Currency conversion at 2005 average rates.*

	2001	**2002**	**2003**	**2004**	**2005**
Newspapers	5.7	5.1	5.1	5.8	6.4
Magazines	2.5	2.3	2.3	2.6	2.9
Television	7.5	7.8	8.2	10.2	11.5
Radio	0.9	1.0	1.1	1.3	1.5
Cinema	0.1	0.0	0.0	0.0	0.0
Outdoor	0.5	0.5	0.6	0.7	0.8
Internet	1.0	0.9	1.3	1.4	1.6
Total	**18.1**	**17.6**	**18.6**	**22.0**	**24.7**

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