ZenithOptimedia

PRESS RELEASE

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Western ad markets continue to slow, but surging developing markets propel healthy world growth in ad expenditure

- ZenithOptimedia forecasts world adspend growth of 6.6% in 2008, up slightly from the 6.5% growth predicted in its March forecast
- Growth forecasts for 2008 have been downgraded from 3.7% to 3.5% for North America, and from 3.9% to 3.7% for Western Europe
- But forecasts for the rest of the world are up from 11.1% to 11.8%
- Developing markets to contribute 62% of ad expenditure growth between 2007 and 2010, and increase their share of the global ad market from 27% to 33%
- Economic uncertainty in developed markets is accelerating the shift of budgets to accountable internet advertising
- ZenithOptimedia now forecasts internet advertising to break the 10% share barrier this year and account for 13.6% of world adspend in 2010

Advertising expenditure by region

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)
US$ million, current prices. *Currency conversion at 2007 average rates.*

	2006	2007	2008	2009	2010
North America	183,520	188,415	194,990	200,271	207,570
Western Europe	113,513	119,976	124,420	129,770	135,781
Asia Pacific	94,719	102,807	111,534	119,001	127,916
Central & Eastern Europe	25,799	31,563	37,041	42,628	48,424
Latin America	22,638	26,329	30,924	35,130	38,920
Africa/M. East/ROW	13,406	16,490	18,606	21,871	25,938
World	**453,595**	**485,580**	**517,515**	**548,671**	**584,550**

Source: ZenithOptimedia

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

	2006 v 05	2007 v 06	2008 v 07	2009 v 08	2010 v 09
North America	5.3	2.7	3.5	2.7	3.6
of which USA	*5.2*	*2.5*	*3.4*	*2.6*	*3.6*
Western Europe	5.6	5.7	3.7	4.3	4.6
Asia Pacific	6.6	8.5	8.5	6.7	7.5
Central & Eastern Europe	18.4	22.3	17.4	15.1	13.6
Latin America	14.5	16.3	17.5	13.6	10.8
Africa/M. East/ROW	25.9	23.0	12.8	17.5	18.6
World	**7.3**	**7.1**	**6.6**	**6.0**	**6.5**

Source: ZenithOptimedia

The credit crunch continues to worry investors, consumers and advertisers in Western markets, so we have downgraded our forecasts for ad expenditure growth in 2008 from 3.7% to 3.5% for North America, and from 3.9% to 3.7% for Western Europe. High energy and commodity prices are stoking inflation, so real growth – after adjusting for inflation – is unlikely to exceed 1% in either region. However, we have upgraded our forecasts for both regions in 2009 and 2010 in the light of stronger than expected growth in internet advertising, which will be discussed in more detail later.

The rest of the world, in stark contrast, is exhibiting even more strength than it was three months ago. We now expect ad expenditure outside North America and Western Europe to grow 11.8% over the course of this year, 0.7 percentage points more than we forecast at the end of March. After earlier export-led expansion, domestic consumption is assuming growing importance in developing-market economies, providing fertile ground for advertisers to establish and expand their brands.

The net result is that we predict the world ad market will grow 6.6% this year, fractionally more than the 6.5% we predicted in March and well above the 5.2% rate at which it has grown over the last ten years. We expect its growth to remain above-trend in 2009 and 2010, thanks to continued dynamism in Asia Pacific, Central & Eastern Europe, Latin America and the Middle East.

Top ten contributors to global adspend growth between 2007 and 2010

Country	Growth (US$ million)	Growth (%)
USA	17,720	9.9
China	10,194	63.5
Russia	8,248	92.1
Brazil	7,723	79.6
UK	5,808	22.8
India	3,465	52.2
Japan	2,318	5.7
South Korea	2,153	21.6
South Africa	2,070	47.7
Philippines	2,035	56.6

The table above demonstrates the contribution of developing markets to the growth in global ad expenditure. China, Russia and Brazil follow closely behind the US as contributors to growth over the next three years, even though China's ad market is just 9% of the size of the US ad market, and Brazil's and Russia's are 5%. Over the same period we predict that developed markets (which we define as North America, Western Europe and Japan) will contribute 38% of new ad expenditure, while developing markets (everywhere else) will contribute 63%. Over that period the proportion of global ad expenditure going to developing markets will rise from 27% to 33%

Between 2007 and 2010 Brazil will rise in the rankings of the largest advertising markets from eleventh to sixth, and Russia will rise from thirteenth to seventh, displacing Spain and Australia from the top ten.

Top ten advertising markets 2007

Country	**Ad expenditure (US$ million)**
USA	179,251
Japan	41,017
Germany	25,758
UK	25,429
China	16,049
France	13,890
Italy	12,249
Spain	10,738
South Korea	9,967
Australia	9,831

Top ten advertising markets 2010

Country	**Ad expenditure (US$ million)**
USA	196,971
Japan	43,335
UK	31,237
Germany	27,759
China	26,243
Brazil	17,426
Russia	17,205
France	14,480
Italy	13,382
South Korea	12,121

Global advertising expenditure by medium

US$ million, current prices *Currency conversion at 2007 average rates.*

	2006	**2007**	**2008**	**2009**	**2010**
Newspapers	127,353	130,467	131,870	133,342	136,069
Magazines	56,010	57,926	59,178	61,354	63,569
Television	167,155	178,765	191,918	201,874	213,186
Radio	36,907	38,439	39,725	41,242	42,687
Cinema	1,987	2,219	2,407	2,619	2,857
Outdoor	27,705	29,910	32,800	35,771	38,724
Internet	30,567	41,226	52,222	64,076	78,199
Total *	**447,684**	**478,953**	**510,120**	**540,278**	**575,290**

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 2006-2010 (%)

	2006	**2007**	**2008**	**2009**	**2010**
Newspapers	28.4	27.2	25.9	24.7	23.7
Magazines	12.5	12.1	11.6	11.4	11.0
Television	37.3	37.3	37.6	37.4	37.1
Radio	8.2	8.0	7.8	7.6	7.4
Cinema	0.4	0.5	0.5	0.5	0.5
Outdoor	6.2	6.2	6.4	6.6	6.7
Internet	6.8	8.6	10.2	11.9	13.6

Internet ad growth continues to run ahead of expectations. Faced with an uncertain economic future, Western advertisers are shifting even more of their budgets online, where the returns on their investment are obvious, and easy to quantify and fine tune. Internet ads are cheap, easy to target and to customise for particular audiences. The quantity and quality of online video is improving all the time, and online audiences for full-length films and television programmes – and the ads that surround them – are growing rapidly. Paid search continues to attract new advertisers, particularly small companies that may previously have advertised only in directories, if at all.

We now expect internet advertising to grow 26.7% and break through the 10% share barrier this year, a year earlier than we predicted just three months ago. By 2010 we predict it will attract 13.6% of all advertising, well ahead of our previous prediction of 12.3%.

Newspapers, magazines, television and radio are all losing share to the internet, but newspapers are clearly suffering the most. This is partly because news websites offer more timely coverage and instant reaction, and partly because classified advertising works better online than offline. Newspapers' share of the global ad market fell by 7.6 percentage points in the ten years to 2007, and we expect it to fall another 3.5 points by 2010. We do expect 4% growth in nominal newspaper ad expenditure between 2007 and 2010, but this equates to a 6% drop after adjusting for expected inflation.

Outdoor is the only other medium to be gaining market share. As well as investing in traditional displays, contractors are installing digital billboards that can display eye-catching creative, change at short notice and interact with consumers (for example by sending messages to their mobile phone by Bluetooth, or by using motion sensors to react to their movements), all of which make outdoor more attractive to advertisers. We expect outdoor to increase its share of the global ad market from 6.2% in 2007 to 6.7% in 2010.

Advertising Expenditure Forecasts is published quarterly priced £395. It may be ordered in hard or soft copy from www.zenithoptimedia.com

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