

PRESS RELEASE

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World adspend to grow 4% in 2008 and 2009 despite economic downturn

Strong growth continues from developing markets and internet advertising

- ZenithOptimedia forecasts world adspend growth of 4.3% in 2008, down from the 6.6% growth predicted in its June forecast
- World adspend growth for 2009 has been downgraded from 6.0% to 4.0%
- Developed markets are hardest hit by the reduced liquidity in the financial markets: growth forecasts for 2008 and 2009 cut by half in North America and Western Europe
- Developing markets' growth rates are lower but remain healthy
- Luxury goods, travel and entertainment categories are most likely to suffer pressure on ad budgets as consumers tighten their belts
- Developing markets forecast to contribute 65% of ad expenditure growth between 2007 and 2010, and increase their share of the global ad market from 28% to 32%
- Internet advertising is still growing 23% a year and is forecast to account for 13.8% 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	183,417	188,300	191,639	193,365	200,810
Western Europe	113,449	119,922	121,846	125,062	130,490
Asia Pacific	94,758	101,939	108,693	114,398	122,121
Central & Eastern Europe	25,843	31,629	36,463	41,097	46,169
Latin America	22,701	26,406	29,058	31,876	34,911
Africa/M. East/ROW	14,043	17,258	18,657	20,815	23,974
World	454,211	485,454	506,356	526,614	558,475

Source: ZenithOptimedia

**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	1.8	0.9	3.9
<i>of which USA</i>	5.2	2.5	1.6	0.7	3.8
Western Europe	5.6	5.7	1.6	2.6	4.3
Asia Pacific	6.7	7.6	6.6	5.2	6.8
Central & Eastern Europe	18.6	22.4	15.3	12.7	12.3
Latin America	14.9	16.3	10.0	9.7	9.5
Africa/M. East/ROW	26.8	22.9	8.1	11.6	15.2
World	7.3	6.9	4.3	4.0	6.1

Source: ZenithOptimedia

ZenithOptimedia has reduced its forecast for adspend growth to 4.3% in 2008, down from the 6.6% growth forecast we published in June. We have also reduced our growth forecast for 2009 from 6.0% to 4.0%. The reason for the downgrade is primarily the financial shock caused by the bank failures during the latest phase of the crisis in financial markets, which has spread uncertainty and undermined confidence in the wider economy. The bank failures will have a fairly small direct effect on ad expenditure – since financial advertising contributes only about 4% of global ad expenditure – but fears for the future will cause consumers to cut their spending, while companies carefully inspect their budgets to find cost savings.

Unlike in the periods leading up to the last two ad downturns, advertisers have not been increasing their budgets ahead of economic growth over the last few years. In the years preceding the downturns of 1990 and 2000, ad expenditure grew well ahead of the general economy, rising as a proportion of GDP and peaking at 1.07% in 1989 and 1.05% in 2000. This left the ad market vulnerable to sharp corrections when the economy slowed. In recent years, however, ad expenditure has roughly tracked the economy, and has remained at 0.92%-0.93% of GDP. There is no bubble in ad expenditure to burst, which is why we expect global ad expenditure to slow in 2008 and 2009 rather than to go into reverse.

Earlier this year ZenithOptimedia, in partnership with *Business Week*, conducted a survey of US consumers to determine how their spending patterns would change in the event of a downturn. Asked where they would make cuts if they had to reduce their total spending, 56% said luxury goods, 50% said travel and 39% said entertainment. These are the categories most at risk as worried consumers tighten their belts, and will be under the most pressure to cut their ad budgets. Household goods, clothing and essential basics are least at risk: 23%, 15% and 6% of consumers said they would cut back in these respective categories. Spending patterns will vary between markets, but in general companies that provide non-essential goods or services are most likely to find their ad budgets under threat.

So far the worst effects of the credit crunch have been felt in the West. Since we published our last forecasts at the end of June, some Western advertisers have cut back campaigns planned for later this year and have postponed budget setting for next year. We have therefore reduced our growth forecasts for North America and Western Europe in 2008 and 2009. We now expect adspend in North America to grow 1.8% this year and 0.9% next year, while in Western Europe we forecast 1.6% growth this year and 2.6% next year. In our last forecast we predicted North America would grow by 3.5% then 2.7%, while Western Europe would grow 3.7% then 4.3%, so our forecasts for these years have roughly halved.

We have also reduced our forecasts for all other regions, principally because they are vulnerable to international budget cuts by multinational advertisers. However, for the most part developing markets remain fundamentally healthy. We forecast 6.6% growth for Asia Pacific this year and 5.2% next year; excluding Japan, these figures jump to 10.1% and 7.1%. Central & Eastern Europe continues to grow at double-digit annual rates. We expect Latin America to grow at about 10% a year, while the rest of the world accelerates from 8.1% growth this year to 15.2% in 2010. We expect developing markets (which we define as everywhere except North America, Western Europe and Japan) to contribute 65% of new ad expenditure between 2007 and 2010. Over that period the proportion of global ad expenditure going to developing markets will rise from 28% to 32%.

The very different growth rates of developing and developed markets means that the ranking of the world's largest ad markets is changing quickly. By 2010 we expect Russia and Brazil to be top-ten ad markets – sixth and eighth largest respectively, up from 13th and 11th in 2007 – pushing Spain and Australia out of the ranking.

Top ten advertising markets 2007

Country	Ad expenditure (US\$ million)
USA	179,251
Japan	41,017
Germany	25,758
UK	25,433
China	15,438
France	13,904
Italy	12,249
Spain	10,738
South Korea	9,967
Australia	9,831

Top ten advertising markets 2010

Country	Ad expenditure (US\$ million)
USA	190,210
Japan	43,335
UK	28,691
Germany	27,145
China	22,922
Russia	16,110
France	14,315
Brazil	14,161
Italy	13,050
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	127,473	130,032	128,277	127,217	128,444
Magazines	56,040	57,920	58,433	59,407	61,279
Television	168,355	179,268	187,496	193,854	203,770
Radio	36,990	38,391	39,469	40,033	41,324
Cinema	2,031	2,265	2,458	2,664	2,910
Outdoor	28,048	31,050	33,132	35,117	37,752
Internet	30,404	41,038	51,054	61,729	75,803
Total *	449,341	479,964	500,319	520,021	551,283

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	27.1	25.6	24.5	23.3
Magazines	12.5	12.1	11.7	11.4	11.1
Television	37.5	37.4	37.5	37.3	37.0
Radio	8.2	8.0	7.9	7.7	7.5
Cinema	0.5	0.5	0.5	0.5	0.5
Outdoor	6.2	6.5	6.6	6.8	6.8
Internet	6.8	8.6	10.2	11.9	13.8

At a time when ad budgets are under pressure, the internet has the advantage over traditional media that it provides better levels of measurability. We now forecast internet advertising to grow by an average of 23% a year between 2007 and 2010, and to increase its share of the world ad market from 8.6% in 2007 to 13.8% in 2010, up from 13.6% in our last forecast.

Outdoor is the only other medium to be gaining market share. Contractors are investing in both traditional displays and digital billboards that capture the attention of consumers and advertisers. We now expect outdoor to attract 6.8% of world ad expenditure in 2010, up slightly from 6.7% in our last forecast.

Newspapers, magazines, television and radio are all losing share to the internet, but newspapers are clearly suffering the most. We now forecast newspaper ad expenditure to decline in 2008 and 2009, the first time any medium has shrunk since 2002. Advertisers will spend less in newspapers in 2009 than they did in 2006. We forecast newspapers to attract 23.3% of ad expenditure in 2010, 0.4 percentage points less than in our previous forecast.

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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ZenithOptimedia is one of the world's leading global media services agencies with 195 offices in 70 countries.

Key clients include AlcatelLucent, Beam Global Spirits & Wine, British Airways, Darden Restaurants, Electrolux, General Mills, Giorgio Armani Parfums, Hewlett-Packard, Kingfisher, Mars, Nestlé, L'Oréal, Puma, Polo Ralph Lauren, Qantas, Richemont Group, Sanofi-Aventis, Siemens, Thomson Multimedia, Toyota/Lexus, Verizon, Whirlpool, Wyeth and Zurich.

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This approach is supported by a unique system for strategy development and implementation, The ROI Blueprint. At each stage, proprietary ZOOM (ZenithOptimedia Optimisation of Media) tools have been designed to add value and insight.

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