

## PRESS RELEASE

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### ***Global ad market to accelerate in 2008 despite credit squeeze***

- ZenithOptimedia predicts global ad expenditure to grow 6.7% in 2008, up from 5.3% this year, thanks to the Olympic Games, elections in the US, and European football
- Developing markets have taken over as the main contributors to global growth, compensating for slow growth in developed markets
- By 2010 China will be the fourth-largest advertising market, and Russia will be sixth
- Between 2007 and 2010 internet adspend will grow 69% and raise its market share from 8.1% to 11.5%
- In 2010 the internet will overtake magazines to become the world's third-largest advertising medium

### **Advertising expenditure by region**

***Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)***  
***US\$ million, current prices.*** *Currency conversion at 2006 average rates.*

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
North America	182,584	187,226	194,972	201,094	207,458
Western Europe	102,442	107,427	112,631	117,873	123,893
Asia Pacific	88,913	94,222	102,683	108,735	116,570
Central & Eastern Europe	23,831	28,188	32,979	38,067	43,188
Latin America	20,619	22,273	23,924	25,438	26,783
Africa/M. East/ROW	13,722	15,784	18,380	21,492	24,876
<b>World</b>	<b>432,111</b>	<b>455,119</b>	<b>485,570</b>	<b>512,700</b>	<b>542,768</b>

*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	2.5	4.1	3.1	3.2
<i>of which USA</i>	5.2	2.5	4.1	3.0	3.0
Western Europe	5.1	4.9	4.8	4.7	5.1
Asia Pacific	6.1	6.0	9.0	5.9	7.2
Central & Eastern Europe	18.1	18.3	17.0	15.4	13.5
Latin America	11.9	8.0	7.4	6.3	5.3
Africa/M. East/ROW	26.3	15.0	16.4	16.9	15.7
<b>World</b>	<b>6.9</b>	<b>5.3</b>	<b>6.7</b>	<b>5.6</b>	<b>5.9</b>

Source: ZenithOptimedia

ZenithOptimedia forecasts global ad expenditure to grow 6.7% in 2008, up from 5.3% in 2007. While the credit squeeze is dampening economic growth around the world, we do not expect the ad market to follow suit, for several reasons.

Unlike in the periods leading up to the last two ad recessions, advertisers have not been increasing their budgets faster than warranted by economic growth. Instead, over the last few years ad expenditure has roughly tracked the economy, and has remained at 0.92%-0.93% of GDP. Before the last two recessions this proportion increased rapidly and peaked at 1.08% (in 1989) and 1.06% (in 2000).

The last ad recession also followed a period of heavy, one-off expenditure by dotcom and telecoms companies convinced that all they needed to do was establish their brands, and profits would inevitably follow. These companies spent their investment capital on advertising instead of building up their business, and when the inevitable crash came this money disappeared for good. There are now lots of dotcom start-ups seeking investment capital again, leading some to worry whether this is another bubble. If it is, it won't have the same effect on the ad market. Most of them are basing their business model on selling advertising: instead of adding demand for advertising space, they are increasing its supply.

The housing downturn and credit squeeze will certainly hit property and finance advertising in advanced economies like the US. But the ad market will be boosted by US\$6 billion in spending from the 'quadrennial events' in 2008: US\$3 billion from the Olympics, US\$2 billion from the Presidential and congressional elections in the US, and US\$1 billion from the European football tournament Euro 2008. The quadrennial accounts for almost all of the acceleration in 2008: without it, growth would remain flat at 5.4%.

But perhaps most significantly, weakness in developed markets no longer guarantee a global downturn, since developing markets have taken over as the biggest contributors to adspend growth. North America is growing at a disappointing 3%-4% a year, Western Europe is growing at 5% a year, and Japan is barely growing at all (0%-2% a year over our forecast period). By contrast, developing markets (by which we mean all markets outside North America, Western Europe and Japan) are growing at double-digit rates. Between 2007 and 2010 we forecast developing markets to add an extra US\$49.5 billion to the world ad market, while the developed markets add US\$37.5 billion. We expect developing markets to contribute 26% of global adspend in 2007, and 31% in 2010.

**The ten fastest-growing ad markets**  
**Growth in adspend (%)**

	2010 v 07
Kazakhstan	155.2
Belarus	101.8
Serbia	101.1
Egypt	100.1
Russia	90.2
Moldova	89.6
Indonesia	85.4
United Arab Emirates	84.6
Ukraine	77.8
Pan Arab	75.0

Source: ZenithOptimedia

Many of the fastest-growing countries are essentially new advertising markets where adspend is growing from a very low base. Russia's ad market is likewise relatively new, but this growth is far from coming from a low base. Russia is currently the 14th-largest ad market in the world, and we expect it to rise to sixth by 2010. That year we also expect China to overtake Germany to become the fourth-largest ad market.

**Global advertising expenditure by medium**

**US\$ million, current prices** Currency conversion at 2006 average rates.

	2006	2007	2008	2009	2010
Newspapers	123,031	124,047	127,366	130,955	134,829
Magazines	52,959	54,393	56,427	58,518	60,588
Television	160,356	168,359	180,335	189,110	198,894
Radio	35,347	36,472	37,782	39,437	41,032
Cinema	1,870	1,984	2,180	2,414	2,691
Outdoor	23,516	25,126	27,145	29,099	31,249
Internet	27,185	35,999	44,583	51,963	60,888
<b>Total *</b>	<b>424,264</b>	<b>446,381</b>	<b>475,818</b>	<b>501,496</b>	<b>530,171</b>

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. That table also excludes some advertising that does not fit into the above media categories.

**Share of total adspend by medium 2006-2010 (%)**

	2006	2007	2008	2009	2010
Newspapers	29.0	27.8	26.8	26.1	25.4
Magazines	12.5	12.2	11.9	11.7	11.4
Television	37.8	37.7	37.9	37.7	37.5
Radio	8.3	8.2	7.9	7.9	7.7
Cinema	0.4	0.4	0.5	0.5	0.5
Outdoor	5.5	5.6	5.7	5.8	5.9
Internet	6.4	8.1	9.4	10.4	11.5

The internet will nearly double its share of global adspend between 2006 and 2010, at the expense of most of the other media. All media are growing, but apart from the internet, only cinema and outdoor will gain share over this period.

Internet advertising will be worth US\$36 billion this year – US\$5 billion more than we predicted in

December 2006. We forecast it to grow 24% in 2008 and 69% over the next three years, reaching US\$61 billion in 2010. We forecast the traditional media to grow 5% and 14% respectively over the same periods.

We predict internet advertising to pass three milestones over the next three years: we expect it to overtake radio advertising in 2008, to attain a double-digit share of global advertising in 2009, and to overtake magazine advertising in 2010, with 11.5% of total adspend. Even then there will remain plenty of scope for further growth. Internet advertising already takes over 15% of adspend in four markets (Denmark, Norway, Sweden and the UK). By 2010 we forecast the internet to take more than 20% in the same four markets and more than 15% of adspend in 10.

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