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## Carat forecasts 3.9% global advertising spend growth for 2010 and 4.7% for 2011

Carat, the leading independent media communications agency, today publishes upgraded forecasts for global advertising expenditure in 2010 and 2011, driven by a faster than expected rebound in the US advertising market and continued robust growth in Asia Pacific and Latin America. Our data show the major markets generally continuing the recent trends towards stabilisation.

	<i>Year on year % growth at current prices</i>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>GLOBAL</b>	<b>-9.2 (-9.0)</b>	<b>3.9 (2.9)</b>	<b>4.7 (4.0)</b>
USA	-14.1 (-14.1)	1.1 (0.2)	1.7 (1.4)
CANADA	-2.2 (-3.6)	3.6 (1.2)	4.5 (2.1)
<b>WESTERN EUROPE</b>	<b>-11.9 (-11.3)</b>	<b>1.3 (0.6)</b>	<b>2.7 (2.1)</b>
UK	-12.0 (-12.0)	3.5 (2.9)	4.1 (4.2)
GERMANY	-8.1 (-7.4)	-0.5 (-2.6)	0.9 (-1.2)
FRANCE	-11.3 (-6.3)	2.9 (1.7)	2.7 (2.8)
ITALY	-13.8 (-13.8)	1.5 (0.2)	2.9 (1.5)
SPAIN	-18.9 (-24.3)	-1.5 (-2.0)	1.1 (1.0)
NORDICS	-17.1 (-17.4)	4.2 (0.1)	3.5 (2.3)
<b>C&amp;EE</b>	<b>-22.8 (-21.3)</b>	<b>5.0 (3.0)</b>	<b>10.2 (6.5)</b>
RUSSIA	-26.0 (-24.5)	10.8 (1.5)	15.3 (6.9)
<b>ASIA PACIFIC</b>	<b>-1.2 (-0.5)</b>	<b>8.2 (6.8)</b>	<b>7.6 (7.2)</b>
JAPAN	-11.8 (-11.8)	-3.1 (-3.1)	-3.1 (-3.1)
CHINA	12.4 (12.2)	16.8 (16.1)	15.3 (16.6)
AUSTRALIA	-8.0 (-5.0)	7.5 (2.3)	5.8 (3.2)
<b>LATIN AMERICA</b>	<b>8.7 (4.6)</b>	<b>11.2 (11.2)</b>	<b>14.0 (9.9)</b>
BRAZIL	10.4 (7.6)	12.7 (11.6)	14.4 (10.1)
<i>Figures in brackets show our previous forecasts from Mar 2010</i>			

Commenting on the forecasts, Jerry Buhlmann, Chief Executive of Aegis Group plc, said:

“Carat’s revised global forecast adspend for 2010 and 2011 is further evidence of a rebound in advertising markets. The indications are that global spending this year will rise by 3.9%, a 1% upward revision from the forecast of six months ago, which is a further signal of an increasingly optimistic environment. The overall data, however, does compare against weak 2009 figures and is comprised of some significant regional variances.

“While all major markets are now showing signs of stabilisation, this is being led by a faster than expected rebound in the US and continued growth in Asia Pacific and Latin America. Western Europe continues to be slower, and is impacted by Germany and Spain which remain in negative territory.

“Overall, while the short term economic outlook remains uncertain, these forecasts are an encouraging sign.”

## Summary

Carat's revised prediction for worldwide global advertising expenditure this year is for an increase of 3.9% - the beginning of a modest recovery for the market. This compares to the forecast of 2.9% issued in March. The forecasts for 2011 are for further modest recovery of 4.7% - an increase of 0.7% from the forecast in March.

The predicted growth, however, is against weak comparators, coming as it does in the wake of the steep spending declines in 2009. Even allowing for the growth, the global advertising market is expected to be in line with 2006 levels.

Growth in 2010 has been driven by a recovery in **North American** markets, supported by robust growth in **Asia Pacific** and **Latin America**. In **Western Europe** forecasts have been revised upwards in the UK, France and Italy and Germany. The rebound in Russia has significantly boosted growth in **Central & Eastern Europe**.

By Media, on-line growth is expected to accelerate by 13.5%, with further increases in spend forecast.

The faster growing sectors for 2010 are expected to be Retail, FMCG, food and beauty & healthcare. Public sector spend, is forecast to be in decline along with the travel and entertainment sectors. The automotive sector is seen to be recovering, particularly in Europe and China. Financial services and telecommunications sectors remain a mixed picture in all markets in 2010.

## Regional breakdown

Expectations for 2010 have improved in almost all regions against the forecasts issued in March 2010.

In the **US**, the advertising market has rebounded more quickly than expected from last year's depressed economy, with an improvement across most advertising categories and media sectors so far in 2010. The newspaper sector remains challenged, while television and radio have rebounded. Digital, in particular on-line search, is capturing a bigger percentage of total media spending at 10.3%. We forecast growth of 1.1% in 2010, with moderate continued growth in 2011 of 1.7%. Digital and mobile spending are expected to increase at a faster pace, although traditional media will still have the largest share of advertising revenues. The impact of the Winter Olympics in **Canada** has boosted our growth forecast for 2010 to 3.6%. The economy there is in full recovery mode and the advertising market has returned to normal conditions. In 2011, growth is expected to be 4.5%, with clients beginning to spend more and diversifying communications channels to optimize their media mix.

Latin America has endured the economic crisis much more resilience than other regions, with growth in 2009 of 8.7%. We forecast a double digit increase of 11.2% for 2010. The markets are still very much TV driven, with 63% share of spend, whilst the internet is the fastest growing media, with 25% growth, but the share of spend online is still only around 5%.

Our forecasts for **Western Europe** in 2010 have improved to 1.3%, driven by the UK, France and Italy. Following the negative growth seen in 2009, most markets are expected to return to positive growth in 2010 except for Germany, Greece, Ireland, the Netherlands and Spain.

The **UK** market is experiencing a slight resurgence, driven by TV and the online market, with incremental growth coming through in the first two quarters of 2010, supported by 15% growth in the TV market over that period. The total market in the second half is looking reasonably buoyant and we expect growth of between 2% and 3% in the period. We have therefore increased our 2010 forecast to 3.5%, with continued growth of 4.1% expected in 2011.

We forecast 2.9% growth in the **French** advertising market for 2010, compared to our previously published expectation of 1.7%, with growth expected across a number of sectors. Growth in **Italy** is expected to be more moderate at 1.5%, with most media, in particular television and on-line, expected to return to growth.

In **Germany** our expectations for 2010 have significantly improved since March and we expect a return to positive growth in 2011, with digital channels remaining an important growth driver.

**Spain** saw a relatively positive second quarter of 2010, boosted by the World Cup and a number of advertisers bringing forward their budgets into this period. However, the second half of the year remains uncertain, with only minor growth expected. The market is, however, expected to return to moderate growth in 2011 at 1.1%.

Growth in **Central and Eastern Europe** has been revised upwards from 3% to 5%, rebounding from the 23% decline in 2009. Growth in the region has been predominantly driven by the **Russian** advertising market, with many of the markets in the region are expected to report declines in 2010, but not to the extent of those seen in 2009. Russia has started to recover from the 26% decline in 2009 with 10.8% market growth forecast for the full year, approximately level with 2007 spend. This is up from the previous forecast of 1.5%, with all media expected to stabilise or return to growth.

**Asia Pacific** has also seen 2010 forecasts revised upwards - from 6.8% in March to 8.2%, primarily driven by improvements in Australia and China. The **Australian** advertising market recovered in late 2009 and into 2010, boosted by a number of significant sporting and political events. In 2010 and 2011, the two biggest areas of growth, in terms of media, are expected to be digital and outdoor. We forecast a 16.8% increase in the **Chinese** market in 2010, with the general economy continuing to improve.

## **Sector breakdown**

	<b>Global year on year % growth at current prices</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Television	-4.9 (-4.8)	6.3 (6.0)	6.2 (6.1)
Newspapers	-14.8 (-14.0)	-3.2 (-2.9)	-1.3 (-0.7)
Magazines	-20.1 (-20.2)	-0.8 (-3.9)	1.0 (0.8)
Radio	-10.7 (-10.6)	4.2 (2.3)	5.7 (0.9)
Cinema	-3.3 (-3.8)	2.9 (3.6)	4.2 (5.9)
Outdoor	-9.5 (-9.4)	3.9 (2.4)	4.4 (3.9)
Internet	0.9 (0.9)	13.5 (10.1)	12.3 (9.1)
<i>Figures in brackets show our previous forecasts from Mar 2010</i>			

	<b>Global % Share of Advertising Spend</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Television	43.8 (43.9)	44.8 (45.2)	45.4 (46.1)
Newspapers	21.3 (21.6)	19.9 (20.3)	18.7 (19.4)
Magazines	10.7 (10.7)	10.2 (10.0)	9.8 (9.6)
Radio	7.0 (6.9)	7.0 (6.9)	7.0 (6.7)
Cinema	0.5 (0.5)	0.5 (0.5)	0.5 (0.6)
Outdoor	6.4 (6.3)	6.4 (6.3)	6.4 (6.3)
Internet	10.3 (10.1)	11.3 (10.8)	12.1 (11.3)
<i>Figures in brackets show our previous forecasts from Mar 2010</i>			

All media are expected to return to growth, except for the newspaper sector, which, along with magazines, is expected to be the weakest performer. The two biggest areas of growth are internet and television, followed by radio, outdoor and cinema. Whilst magazines are expected to see positive growth from 2011 onwards, newspapers are expected still to be in decline, although at a slower rate. Online continues to capture a bigger percentage of the media spend in 2010 at 11.3%, increasing to 12.1% in 2011. Television, however, retains its position as the most popular medium.

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### **About Carat**

Carat is part of Aegis Media, the media communications business of Aegis Group plc. Carat was the first independent media specialist in Europe and a pioneer of unbundling – the separation of media services from full service creative agencies. It is now a global independent media communications network represented in 82 countries and offers clients a range of services including: communications planning, sponsorship, interactive, direct, event, pr, consumer research and insight, business to business, international services and regional and global client servicing. More details can be found at [www.carat.com](http://www.carat.com) and [www.aegisplc.com](http://www.aegisplc.com).