

PRESS RELEASE

Embargoed until 00.01 GMT Monday 11 April 2011

Underlying ad recovery continues despite shocks in Japan and the Middle East

- This year's growth revised down from 4.6% to 4.2% after the turmoil in Middle East and the earthquake in Japan
- Our first estimate is that these one-off events have knocked about US\$2.4 billion off this year's global ad expenditure
- The underlying recovery remains healthy, though, and we have upgraded our forecast for 2012 from 5.2% to 5.8%
- Developing markets to increase their share of global ad expenditure from 30.9% in 2010 to 35.1% in 2013
- Internet to become the world's second-largest advertising medium in 2013, overtaking newspapers

ZenithOptimedia now forecasts global ad expenditure to grow by 4.2% in 2011, down from the 4.6% we forecast in December, as a result of the political turmoil in the Middle East and the devastating earthquake in Japan. These events had immediate consequences for advertising in the affected markets. In Egypt – by far the largest ad market to be caught up in the Middle Eastern uprisings – there was almost no advertising on television during the revolution, and in the aftermath advertisers have been very careful about the content and placement of their messages. In Japan broadcasters replaced almost all commercial ad slots with public-service announcements for weeks after the earthquake, and blackouts and distribution problems will hinder media consumption for months to come. We do not expect these shocks to derail the global recovery in the long term, however. We expect some of the missing advertising to reappear later in the year, followed by strong growth in these markets in 2012 thanks to the easy comparison with the first quarter of this year. Japan is forecast to shrink 4.1% this year then grow 4.6% next year, while Egypt follows this year's 20.0% drop with 12.1% recovery in 2012.

Overall we predict 5.8% growth in global ad expenditure in 2012, up from our prediction of 5.2% growth last December. This is partly the result of the rebound in Japan and the Middle East, and partly thanks to further strengthening in Western and Central & Eastern Europe, where advertisers are becoming more confident of the long-term economic prospects.

The large disparity in growth rates between developed and developing markets continues. We forecast North America to grow by an average of 3.1% a year between 2010 and 2013 and Western Europe to grow by 3.5%. We expect Japan to grow just 0.7% a year, though this obscures the big drop in 2011 followed by the recovery of lost ground over the next two years. We forecast 0.1% annual growth in the Middle East, as advertisers tread carefully amid political instability. Meanwhile we forecast Latin America to grow by 8.2% a year, Central & Eastern Europe by 12.4%, Asia Pacific by 6.6%, and Asia Pacific excluding Japan to grow by 10.2%. Developing markets – which we here define as everywhere outside North America, Western Europe and Japan – will increase their share of the global ad market from 30.9% in 2010 to 35.1% in 2013.

There are now two 'developing' markets in the world's top ten ad markets, and there will be three in 2013. China (which we forecast to grow at an average 13.6% a year to 2013) will overtake Germany (where we forecast 2.4% annual growth) to become the world's third-largest ad market in 2011, and stay at that position throughout our forecast period. China is currently just over half (54%) the size of Japan, the second-largest ad market, and will be just over three-quarters (77%) of its size in 2013. Brazil (with 15.4% annual growth) will overtake France (with 2.9%) to take sixth place in 2011. Russia (23.3% growth) will rise from 12th place in 2010 to tenth in 2011, eighth in 2012, and then seventh in 2013.

Top ten ad markets

US\$ million, current prices. *Currency conversion at 2009 average rates.*

2010		Adspend	2013		Adspend
1	USA	151,519	1	USA	165,903
2	Japan	43,297	2	Japan	44,173
3	Germany	24,535	3	China	33,999
4	China	23,208	4	Germany	26,361
5	UK	18,042	5	UK	19,970
6	France	13,181	6	Brazil	16,268
7	Brazil	12,950	7	Russia	14,751
8	Italy	10,801	8	France	14,362
9	Australia	9,705	9	Italy	11,738
10	Canada	8,891	10	Australia	11,167

Source: ZenithOptimedia

The sheer size of the US – 3.5 times the next-largest market - means it will contribute the most new ad dollars to the global market over the next three years (US\$14.2 billion), despite its slow growth. However, the next five largest contributors are all developing markets: China (which contributes almost as much as the US, US\$10.8 billion), Russia (US\$6.9 billion), Brazil (US\$3.3 billion), India (US\$2.5 billion) and Indonesia (US\$2.4 billion). Overall we predict developing markets will contribute 62% of new ad dollars over the next three years.

The ten largest contributors to global adspend growth (2013 v 2010)

US\$ million, current prices. *Currency conversion at 2009 average rates.*

Adspend growth	
1	USA 14,238
2	China 10,791
3	Russia 6,880
4	Brazil 3,318
5	India 2,493
6	Indonesia 2,422
7	UK 1,928
8	Germany 1,826
9	South Africa 1,552
10	Australia 1,462

Source: ZenithOptimedia

Advertising expenditure by region

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)

US\$ million, current prices. *Currency conversion at 2009 average rates.*

	2009	2010	2011	2012	2013
North America	156,556	160,556	164,768	170,475	176,118
Western Europe	100,327	105,392	109,094	113,116	116,926
Asia/Pacific	100,129	107,863	112,877	122,216	130,511
Central & Eastern Europe	26,801	28,488	31,332	35,519	40,423
Latin America	25,331	29,140	31,445	33,864	36,909
Middle East & North Africa	10,618	11,156	11,166	11,703	12,354
Rest of world	8,658	9,348	10,147	11,169	12,347
World	428,421	451,943	470,829	498,062	525,587

Source: ZenithOptimedia

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)

Year-on-year change (%)

	2009 v 08	2010 v 09	2011 v 10	2012 v 11	2013 v 12
North America	-12.6	2.6	2.6	3.5	3.3
<i>of which USA</i>	-12.9	2.3	2.5	3.4	3.2
Western Europe	-11.0	5.0	3.5	3.7	3.4
Asia Pacific	-5.9	7.7	4.6	8.3	6.8
<i>excluding Japan</i>	-0.5	13.8	10.5	10.4	9.6
Central & Eastern Europe	-18.1	6.3	10.0	13.4	13.8
Latin America	2.1	15.0	7.9	7.7	9.0
Middle East & North Africa	8.9	5.1	0.1	4.8	5.6
Rest of world	5.5	8.0	8.6	10.1	10.5
World	-9.6	5.5	4.2	5.8	5.5

Source: ZenithOptimedia

Global advertising expenditure by medium

We now predict that the internet will overtake newspapers to become the world's second-largest advertising medium in 2013. While we have long expected this to happen in the near future, this is the first time this event has fallen within our forecast period. Newspaper ad expenditure was still 51% larger than internet ad expenditure in 2010, but newspaper expenditure is shrinking by 1.4% a year, as circulations continue to fall in developed markets, and readers migrate to the internet. Meanwhile internet advertising continues to grow at breakneck pace, at a forecast average rate of 14.4% a year between 2010 and 2013. We forecast newspaper ad expenditure to fall from US\$95.2 billion in 2010 to US\$91.2 billion in 2013, while internet ad expenditure rises from US\$63.0 billion to US\$94.5 billion over the same period.

This year display advertising has taken over from search as the main driver of internet ad growth. Display, broadly defined here to include online video and social media, has been invigorated by these fast-growing segments. Affordable, do-it-yourself tools to create streaming video ads have opened online video to small and local advertisers. Social media sites now attract huge audiences, though click-through rates and therefore costs are often very low. We expect global display ad expenditure to grow at an average of 16.4% a year to 2013, while paid search grows by 12.8% and classified by 10.2%.

Television remains by far the largest medium and is continuing to increase its market share. Television attracted 40.4% of global ad expenditure in 2010, up from 37.3% five years earlier, and we expect it to attract 41.7% in 2013. Bigger and higher-quality displays, more channels delivered by digital television, and the convenience of PVRs mean people are watching more television than ever. We forecast television ad expenditure to rise from US\$180.3 billion in 2010 to US\$216.0 billion in 2013.

Advertising expenditure by medium

US\$ million, current prices *Currency conversion at 2009 average rates.*

	2009	2010	2011	2012	2013
Newspapers	97,421	95,235	92,997	91,867	91,246
Magazines	43,856	43,768	43,246	43,007	42,835
Television	165,502	180,315	190,169	203,698	215,980
Radio	31,672	31,995	32,828	34,077	35,243
Cinema	2,091	2,308	2,451	2,606	2,764
Outdoor	28,184	29,456	31,172	33,306	34,946
Internet	54,230	63,049	71,623	82,358	94,467
Total *	422,956	446,126	464,486	490,920	517,481

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 (%)

	2009	2010	2011	2012	2013
Newspapers	23.0	21.3	20.0	18.7	17.6
Magazines	10.4	9.8	9.3	8.8	8.3
Television	39.1	40.4	40.9	41.5	41.7
Radio	7.5	7.2	7.1	6.9	6.8
Cinema	0.5	0.5	0.5	0.5	0.5
Outdoor	6.7	6.6	6.7	6.8	6.8
Internet	12.8	14.1	15.4	16.8	18.3

Internet advertising by type

US\$ million, current prices *Currency conversion at 2009 average rates.*

	2009	2010	2011	2012	2013
Display	18,230	21,435	24,958	29,184	34,126
Classified	9,773	10,554	11,630	12,706	13,832
Paid search	26,227	31,059	35,035	40,468	46,509
Total	54,230	63,049	71,623	82,358	94,467

Source: ZenithOptimedia

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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