

Carat moderates global ad spend growth forecasts to 5.0% for 2011, and to 6.0% for 2012

– Long-term trend of two-speed world and rapid digital growth continues –

Carat, the world's leading independent media communications agency, today publishes its updated forecasts for global advertising expenditure for 2011 and 2012.

Carat's data shows global advertising expenditure has and will continue to grow in 2011, outperforming the advertising market levels of 2008. Carat now predicts that global advertising expenditure will grow by + 5.0%, dipping from the + 5.7% predicted in March 2011, reflecting the caution sparked by global macro-economic factors, natural disasters and political instability in a number of parts of the world.

For 2012, Carat continues to predict robust growth with the global advertising market growing by + 6.0% (March 2011: + 6.2%), boosted by a year of events including the 2012 Olympics, the UEFA European Football Championship and the US presidential elections.

By media, digital remains the driving force in the market in terms of growth, continuing to outstrip other media sectors, followed by Out of Home and Television.

(NB: All figures in brackets show our previous forecasts from March 2011. The forecasts for August 2011 (and for future forecasts) include data from the Middle Eastern countries of Bahrain, Egypt, Kuwait, Lebanon, Morocco, Oman, Pan Arab, Qatar, Saudi Arabia and the UAE.)

Year on year % growth at current prices		
	2011	2012
Global	5.0 (5.7)	6.0 (6.2)
North America	3.2 (3.9)	5.5 (5.9)
Western Europe	2.3 (3.5)	3.0 (3.3)
Central & Eastern Europe	10.1 (9.5)	11.6 (11.9)
Asia Pacific	7.1 (8.0)	6.9 (7.0)
Latin America	13.0 (13.0)	12.9 (12.9)

Sector Breakdown

Global year on year % growth at current prices		
	2011	2012
Television	6.0 (6.7)	6.2 (6.5)
Newspapers	0.1 (0.3)	0.6 (0.6)
Magazines	-0.4 (0.3)	2.3 (2.0)
Radio	4.0 (6.1)	5.5 (6.5)
Cinema	5.2 (5.6)	3.8 (5.6)
Out of Home	6.3 (7.2)	8.1 (7.8)
Digital	13.3 (13.6)	14.4 (14.5)

Global % Share of Advertising Spend		
	2011	2012
Television	46.0 (46.1)	46.1 (46.3)
Newspapers	16.2 (15.8)	15.4 (15.0)
Magazines	10.0 (10.2)	9.6 (9.8)
Radio	7.1 (7.3)	7.1 (7.3)
Cinema	0.6 (0.6)	0.6 (0.6)
Out of Home	7.1 (7.0)	7.2 (7.1)
Digital	13.0 (13.0)	14.0 (14.0)

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

“Carat’s updated global ad forecasts demonstrate that the recovery in most major advertising markets has continued in 2011 and is set to continue in 2012, against the backdrop of uncertain times. The impact of global macro-economic and political issues, combined with natural disasters, has led us to soften the full-year outlook for 2011 and 2012.

“At the heart of the market, the long-term trend of the two-speed advertising world and the rapid growth of digital are very much in force. The faster-growing regions of the world – particularly China, Russia and Latin America – will continue to eclipse performances from the developed economies. In terms of the growth in media share digital remains the leader of the pack, with Out of Home and TV growing faster than the overall market.

“Looking ahead, we remain cautiously optimistic, particularly about the outlook of 2012, when global events such as the Olympics will undoubtedly fuel advertising demand.”

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Carat Advertising Spend Forecasts

Summary

The latest Carat ad spend forecasts show global growth of +5.0% in 2011, with the advertising market reaching US \$481 billion – exceeding the pre-recession levels of 2008 when spending stood at US \$469 billion, at current prices. The pace of growth, however, has slowed from the forecasts made in March when global ad spend was forecast to grow at +5.7%. Since March confidence has

been hit by economic uncertainties, including the debt crises in the US and the Eurozone, political instability in a number of countries around the world and natural disasters.

Looking ahead to 2012, Carat expects the advertising market to continue to grow, up +6.0%, boosted by a year of events including the London 2012 Olympics, the UEFA European Football Championships and the US presidential elections.

By media, digital remains the driving force in the market, continuing to outstrip growth in other media sectors for 2011 and 2012, followed by Out of Home and Television.

Regional Review

Figures for the advertising market in 2011 remain in positive territory in almost all parts of the world with the exception of Spain and Italy – where macro-economic factors have hit confidence – and Japan, in the wake of the devastating earthquake and tsunami in the first part of 2011.

In the **US**, growth for 2011 is up +3.1% (March 2011: +3.7%). Digital continues to show the highest percentage growth at +11.3%. Almost every category has increased its post-recession spending. Automotives, retail, pharmaceutical, movie studios, technology and packaged goods (both food and personal products) are investing heavily. The financial services sector has also made a strong return to the market. In 2012 political campaigns will be major spenders, ahead of the US presidential elections and the full year forecast is for an upbeat +5.4% (March 2011: +5.9%).

In **Canada**, the forecast for the advertising market in 2011 is growth of +6.1% (March 2011: + 6.4%), against a tough comparative 2010 when the Winter Olympics held in Vancouver boosted ad spend by +17.8%. Spend in 2012 is expected to increase by +6.6% (March 2011: + 6.5%).

In **Latin America**, the outlook is optimistic with growth expected to increase by 13% in 2011. Ad spend in Argentina, Brazil and Mexico is forecast to rise from US \$21billion to US \$24 billion. The ongoing growth seen in the region is expected to continue in 2012, +12.9%, driven by 13.8% growth in TV which holds a dominating 64% share of spend in the region. The share of spend in digital media is expected to increase to +6% (2011: +5.5%) in Latin America in 2012.

In **Western Europe**, overall growth for 2011 has been revised downwards from 3.5% to 2.3% with a mixed picture across the region in terms of both economic conditions and advertising expenditure. Spain and Italy have made significant revisions to their forecasts against a backdrop of economic instability. The outlook has also softened in the UK. Forecasts in France and Germany, meanwhile, remain broadly in line with previous estimates made in March.

In **Spain**, advertisers are cutting budgets due to the economic uncertainty. 2011 is forecast to decline by 2.9%, down 6.3 percentage points on the previous forecast in March of +3.4%. However a positive recovery is expected in 2012, up +1.9%, with the Olympics and Euro 2012 expected to stimulate advertising spend in the second and third quarters.

In **Italy**, the advertising market is also forecast to decline in 2011 by 0.5%, down 4.3 percentage points on the previous forecast of +3.8%. Like Spain, ad spend is expected to return to moderate positive figures in 2012, up +1.6%, again boosted by the Olympics and Euro 2012.

It is a mixed picture in the **UK** where growth forecasts for the current year have been revised down from +4.1% to +2.0% on the back of economic uncertainty – but have been increased for 2012 from +4% to +5.1% with big sporting events expected to help fuel growth. In the current year, like-for-like client spends have remained relatively lacklustre during the course of the year with retail (-13%) and government (-33%) spends seeing the biggest declines from January to June. By contrast automotives, telecommunications and travel/transport have performed strongly, each seeing +9% year-on-year growth in the first half. By media, TV had a strong start to the year, but slowed across the summer with little growth predicted across the latter part of the year, leading to predicted overall annual growth of +1.7%. Press spend is down and is unlikely to make gains in the second half: Newspapers -3.5%, Magazines -2.8%, and Out of Home is predicted to be down -1.4%, ahead of a strong 2012 at +5%. Cinema at +3.3% and Radio +2.1% are showing small revenue increases. The outlook for 2012 is positive with the London 2012 Olympics and Euro 2012; forecasts are for the UK ad market to see a +5.1% increase in ad spend, an increase from the +4.0% predicted in March. Digital will continue to lead the way in revenue growth at +7.7%.

The advertising market in **France** is expected to increase by +2.6% (March 2011: + 2.9%). The first half of the year performed strongly, but with ongoing European economic uncertainties the second half of the year is expected to see growth moderate. The categories that performed strongly were retail (+9%), leisure/entertainment (+7%), telecommunications (+5%) and services (+6%). Ad spends are expected to increase by +2.5% (March 2011: + 2.7%) in 2012 an election year in France.

In Germany, the advertising market is expected to grow by 1.8% this year, on a par with the predictions made in March 2011. For 2012, a more moderate growth figure of 0.8% is anticipated, as Germany too feels the impact of economic instability. In **Central & Eastern Europe** growth has been revised upwards from +9.5% to +10.1% fuelled by double-digit growth from the faster-growing economy in **Russia** (+16.9%) and Turkey (+10.0%), but declines in the Czech Republic (-2.5%), Romania (-5.8%) and Hungary (-2.4%).

In the Asia Pacific region, forecasts in **Japan** have been downgraded from -1.1% to -2.9%, affected by the earthquake and tsunami which made the first half of the year very slow. However, in the second of the year and into 2012, the market is expected to be more active, with positive early indications from clients.

China ranks as the world's second largest advertising market behind the US, with growth in 2011 expected to be +14.8%. While advertising growth in China remains strong, the country is not entirely insulated from global economic uncertainties and, consequently, the pace of growth is expected to dip slightly in 2012 to 11.8% (March 2011: 11.8%).

In **Australia** forecasts have been revised down to +4.8% from +6.0% in March 2011. Adverse weather in the first half of the year and macro economic factors, both locally and globally, have softened the full year outlook for 2011. Forecasts for 2012 remain positive at +4.9%.

In the rest of the **Asia Pacific** region strong advertising growth is being seen in Indonesia (+15.2%), Malaysia (+11.5%), the Philippines (+16.8%) and India (+9.1%).