

Carat predicts positive growth of 5.0% in 2014, with 2013 up on 2012

Digital advertising to achieve 20% market share by 2014

Carat, the world's leading independent media communications agency, today publishes its first forecasts for worldwide advertising expenditure in 2014, combined with its latest forecasts for 2013 and 2012.

Based on data received from 57 markets around the world, Carat predicts further positive momentum for global advertising expenditure in 2014, increasing by +5.0% compared with the latest 2013 forecast of +3.7%. Positive growth is forecast across all markets and regions in 2014, including Western Europe which, following two consecutive years of decline is expected to return to growth as it benefits from the increase in multi-platform opportunities and the resulting increase in digital spend.

From a global perspective, growth in advertising spend continues to be led by two of the original BRIC economies of Russia and Brazil who are forecast to continue delivering double digit growth in 2014, also benefiting from host nation status for the prestigious Winter Olympic Games and FIFA World Cup respectively.

By category, in line with expectations, the data also shows investment in Digital advertising, increasing its share of global advertising spend by approximately +2% each year. Predicted to command +20% of the overall global advertising spend by 2014, Digital advertising is already the leading advertising medium in the UK, the Netherlands and Sweden.

	<i>Year on year % growth at current prices</i>		
	2012	2013	2014
GLOBAL	3.1 (5.0)	3.7 (5.3)	5.0
NORTH AMERICA	3.9 (4.9)	3.5 (5.3)	4.0
USA	4.0 (4.9)	3.5 (5.3)	4.0
CANADA	2.6 (3.3)	3.4 (4.3)	3.9
WESTERN EUROPE	-3.2 (0.2)	-0.3 (1.1)	1.8
UK	2.2 (2.8)	2.7 (2.8)	4.4
GERMANY	-1.0 (1.1)	0.0 (1.5)	1.0
FRANCE	-3.6 (0.5)	-0.4 (1.9)	0.7
ITALY	-12.0 (-5.0)	-4.8 (-0.4)	0.4
SPAIN	-15.4 (-8.0)	-8.4 (-5.4)	1.2
C&EE	6.8 (7.9)	6.4 (8.8)	7.6
RUSSIA	12.9 (14.1)	11.3 (13.1)	10.9
ASIA PACIFIC	4.9 (6.8)	5.3 (6.5)	6.2
AUSTRALIA	-1.1(1.0)	1.5 (2.0)	1.4
CHINA	6.1 (11.0)	6.9 (9.8)	7.8
JAPAN	3.0 (2.9)	2.7 (2.8)	2.8
LATIN AMERICA	12.2 (12.0)	9.1 (9.0)	14.8
BRAZIL	12.9 (12.8)	9.4 (9.4)	17.2
	<i>Figures in brackets show our previous forecasts from Aug 2012</i>		

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

“Carat’s latest advertising forecast gives us increased optimism for the outlook for global advertising spends, particularly for 2014. For some markets the journey will remain challenging as the economic trend of two-speed world continues, with lower growth in Western Europe and North America and higher growth in the faster-growing regions of Asia Pacific and Latin America.

“As expected, the trend of audiences moving online continues and with digital advertising comes greater accountability. So while television remains the dominant medium it is clear that the advertising businesses which can innovate and implement truly cross-platform converged communication plans, combining online and offline campaigns will be the most successful and deliver the best results for clients. Evolving and challenging, the advertising industry is never anything but exciting.”

ENDS

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Notes to Editors

Digital: ‘Digital Advertising’ or ‘Digital Media’ or ‘Digital’ includes advertising spend from Search, Display, Online Video, Social Media and Mobile.

Methodology: Carat’s advertising expenditure forecasts are compiled from data which is collated from around the Carat network and based on Carat’s local market expertise. We use a bottom-up approach, with forecasts provided for 57 markets covering the Americas, EMEA, Asia Pacific and Rest of World by medium - Television, Newspapers, Magazines, Radio, Cinema, Out-of-Home and Digital Media. The advertising spend figures are provided net of negotiated discounts and with agency commission deducted, in current prices and in local currency. For global and regional figures we convert the figures centrally into USD with the average exchange rate. The forecasts are produced bi-annually with actual figures for the previous year and latest forecasts for the current and following year.

Carat Advertising Spend Forecasts – March 2013

SUMMARY

Carat’s first global advertising expenditure forecast of the year highlights healthy global growth predictions for 2014, with forecasts for global advertising expenditure in 2013 up on 2012.

Global growth in 2013 is expected to increase by +3.7%, versus +3.1% for 2012. Within this Carat expects growth of +9.1% in Latin America, mid- to high- single digit growth in Central & Eastern Europe of +6.4%, growth in Asia Pacific of +5.3% and gains in North America of +3.5%. Clear signs of stabilisation are also taking place in Western Europe moving from a decline of -3.2% in 2012 to an improved -0.3% this year.

Looking ahead to 2014 – a year of events including the Sochi Winter Olympics in Russia, the FIFA World Cup in Brazil and the Commonwealth Games in Glasgow, we forecast an acceleration in the global advertising growth rate to +5%, with Western Europe expected to return to positive growth of +1.8% after two consecutive years of

decline; within this there is a return to growth for the key markets of France (+0.7%), Italy (+0.4%) and Spain (+1.2%).

Digital advertising investment continues to drive growth in every region and market, increasing globally year-on-year by +14.4% in 2013 with this figure exceeded in Central & Eastern Europe (+22%), APAC (+19.9%) and Latin America (+20.3%). Now commanding the second largest share of total advertising spend globally at +18.3% (2013), Digital media spend continues to gain share by an average of +1-2% points each year, increasing to a predicted +20.0% in 2014.

Regional Breakdown

AMERICAS

The advertising market in the **US** is predicted to deliver a stable +3.5% increase in spend in 2013. This is forecast to be a slight slowdown in pace compared to +4.0% forecast for 2012 - a tough comparative year, which was boosted by incremental political dollars from the Presidential Elections and the Olympic Games.

Whilst the market as a whole has not yet returned to pre-recession advertising spending levels of 2007, Digital, TV, Out-of-Home (OOH) and Cinema advertising spends have recovered, with the market as a whole forecast to recover by 2015. Growth, as expected, this year will be driven by +13.6% Digital media spend growth which now makes up 20.1% share of total media spend in the US. Within this, Search will maintain the top share of Digital media spend in 2013 and 2014, however Display (comprising video, sponsorships, banners and rich media) is predicted to equal Search share of spend by 2015. Social Media share of digital media spend is projected to reach 10.5% by 2014. For OOH media, a +5.8% growth in advertising spend is forecast for 2013 with Q2 and Q3 stronger than Q1 as demand increases from categories such as Automotives.

National and local TV remains healthy as both drive significant reach, awareness and trial, a +2.8% increase is forecast for 2013. Newspapers continue to lose business to the internet -4.1% (2013). For Magazines low single digit growth is forecast at +2.0%, Radio is flat and Cinema is up +3% bolstered by improvements in technology such as digital projection and 3D. Overall the pace of growth is forecast to pick up in 2014 by +4.0%.

In **Canada** the third quarter of 2012 saw a weakening of the advertising market which suppressed growth in tactical mediums, resulting in growth figures for the full year of 2012 revised down from a previously forecast +3.3% to +2.6%. However both consumer confidence and GDP have recently posted gains, indicating a modest strengthening of the economy. Our forecast for 2013 is for uplift in growth rate to +3.4%, with TV, Radio and OOH experiencing modest growth of 2-3%, Newspapers and Magazines declining -5.2% and -2.2% respectively. Digital media will be the exception with continued double digit growth of +14.6% (2013).

The **Brazilian** advertising market is forecast to grow strongly in 2013 by +9.4%, with all media seeing growth. The FIFA World Cup in 2014 is expected to positively affect the advertising market with +17.2% growth forecast for next year. TV share of spend dominates at +69.6%. Growth in this medium will be +10% in 2013. Newspapers have the second highest share of spend at +10.6%. Unlike the trend globally, Print media is not in decline in Brazil but growing at a healthy rate. Newspapers have increased by +4.0% and Magazines by +5.0%. Digital media is growing at the highest rate of +20.0%.

In **Argentina**, the advertising market is set to see double digit growth in 2013 and 2014, +16.2% and +18.1% respectively, driven by high inflation both in the general economy and in the media market. In **Mexico** more moderate forecasts are expected with a decline in media spending by key advertisers observed in Q4 2012 leading to a small increase expected in 2013 of +2.5%. Moving into 2014 an improvement in the advertising market in

Mexico is forecast with an uplift of +5.5%, driven by the FIFA World Cup in Brazil. Mexico and Argentina, like Brazil are still TV dependant markets with a 65% (2013) and 43.5% (2013) share of investment respectively.

WESTERN EUROPE

2013 is to forecast to see uplift in the **UK** growth rate from +2.2% in 2012 to +2.7%. Despite the continued weak economic outlook, the increasing number of multi-platform opportunities for advertisers will deliver steady growth through 2013. A slow performance for traditional media – Newspapers down -3.5%, Magazines down -4.5%, OOH down -3.0% (a non-repeat of OOH budgets following the Olympics increase in 2012) and TV up +1.2% - is off-set by a strong performance in the Digital landscape of +10% (2013). An acceleration in growth for the UK market is forecast for 2014 (+4.4%) as TV growth picks up with the many events taking place including the FIFA World Cup, print decline eases and OOH returns to positive growth.

In the UK, Retail is expected to see a moderate decline in advertising spend this year, at -3% with, the second highest spending category Finance at -4%. Telecoms the third highest spending category, after seeing strong growth in 2012 of +11%, is forecast to see a -10% decline as advertising spend returns to the level seen in 2011, plus the merger of Orange and T-Mobile into their EE offering takes effect. The Automotive category is to see its decline ease somewhat this year from -11% in 2012 to -2% this year. These previous leading categories are seeing declines as newer categories such as comparison websites grow dramatically.

In **Germany** advertising forecasts for 2012 have been revised down from a previously forecast +1.1% to -1.0% as advertisers acted more reluctantly due to the continuing Eurozone economic crisis. While the economy is forecast to recover slightly in the spring of 2013 the advertising market will struggle hard to grow in 2013 with forecasts currently flat. For 2014 more stabilisation is in sight but still with only a moderate increase of +1.0%.

In 2013 the advertising market in **France** is forecast to stabilise to a decline of -0.4%. This is an improvement on the -3.6% seen in 2012 when the Presidential Elections and multiple public holidays negatively affected May 2012 advertising spends, down -10%. The forecast is for positive growth to return to the market in 2014 with a +0.7% growth rate.

The advertising market in **Italy** will continue to decline with forecasts for 2013 revised down from -0.4% to -4.8%. TV has seen a significant reduction in demand and is forecast to see a -4.7% decline in advertising revenues this year. Newspapers and Magazines will see a significant decline at -13.4% and -13.5% respectively, Radio at -8.1% and OOH at -17.3%. Digital media however boosted by online video and integration with traditional media is forecast to see a +10.8% increase. Within this, +45% is for Online Video, +12% for Social Media, +9% for Search and +26% for Mobile. There are expectations for a more stable environment in 2014 with an overall +0.4% growth.

The advertising market in **Spain** saw a -15.4% decline in spend in 2012, more than expected due to the economic uncertainty and a contraction in consumption. The Olympic Games had only a minor positive impact as the Games were broadcast on a non-commercial channel. The UEFA European Football Championships 2012 had a positive effect on advertising spends in Q2 2012, however to a lesser extent than on previous occasions. The market is expected to continue on this negative trend in 2013 Q1-Q3 inclusive, with an overall contraction for full year 2013 of -8.4%. There are however indications of a recovery in Q4 leading overall to a slight positive growth in 2014 of +1.2%.

CENTRAL AND EASTERN EUROPE

The **Russian** advertising market is forecast to continue to grow in double digits by +11.3% this year following +12.9% in 2012. Growth is primarily coming from Digital media which now makes up +22% of total media spend

in the Russian media market and is forecast to grow by +28% this year following +34.7% growth in 2012. Two main factors are driving digital growth in the market - rapid growth of online video advertising and the development of RTB (real time bidding) technology. Online video advertising grew by +59% in 2012. TV is however still a very popular medium in Russia, with viewing remaining stable at circa four hours per day. However audience fragmentation is high and consequently the share of audience reached by the top three national channels is in decline. TV advertising spend growth is forecast to be a positive +7.5% but slower than in previous years. The Russian advertising market is expected to continue growing by +10.9% in 2014.

ASIA PACIFIC

In **Australia** the advertising market is forecast to return to moderate positive growth of +1.5% this year after two consecutive years of decline, with -1.4% in 2011 and -1.1% in 2012. A +16.1% Digital media spend growth is forecast in 2013 with all disciplines within this sectors growing at a healthy pace. Display advertising is expected to achieve the highest growth rate over the next two years, driven by Online Video (+20% in 2013), followed by Search (+18% in 2013). At +26.9% share of spend (2013), Digital is the third largest medium in the Australian market. TV still commands more spend at +28.6% whilst Newspapers (+27.9%) is the second most popular medium. TV growth is forecast to be flat this year at +0.3% following declines in 2012 and 2011. Conditions are expected to improve in the Australian TV market from mid 2013. Newspapers however continue to decline (-7.7% in 2013). The overall forecast for the Australian advertising market in 2014 is similar to 2013 with modest growth of +1.4%.

In **China** the advertising market is showing signs of maturing after sustaining many years of stellar growth. The forecast for 2013 is less than we are used to from this market but still strong in comparison to others at +6.9%. Within this Digital media spend is still growing at a very fast pace of +40% with almost all advertisers investing in the medium, its share of spend will reach +13.3% this year. TV advertising spend dominates at +57.7%, however growth is slowing as media restriction policies take effect and Digital grows. Newspaper spend has also been affected by the shift of audience online and is forecast to decline by -7.2% this year. Overall the advertising market in China is forecast to grow by +7.8% in 2014.

The **Japanese** advertising market is forecast to see further positive growth in 2013 by +2.7%, this follows a similar +3.0% growth in 2012. Digital media is to see a +9.4% growth reaching +21.7% share of total spend. TV and OOH will increase by +1.8%, whilst Radio and Print media are to see a year-on-year declines in advertising spend, Radio will decrease by -0.4%, Magazines by -0.4% and Newspapers by -1.4%. TV still has the highest share of spend at +43% with continuing high demand and potential - with possibilities of integration with other media. The forecast for 2014 is similar with good positive growth forecast at +2.8%.

Despite an overall downward revision in the APAC growth rate for 2013 from +6.5% previously forecast in August 2012 to the current forecast of +5.3%, **Vietnam** with growth of +20% this year and Indonesia (+17%), **Philippines** (+8.6%) and **India** (+7.3%) all continue to see impressive growth rates.

BY MEDIA

	Global year on year % growth at current prices		
	2012	2013	2014
Television	2.9 (4.4)	3.0 (4.3)	4.4
Newspapers	-5.3 (-2.8)	-2.6 (-1.7)	-2.1
Magazines	-0.8 (1.0)	-0.1 (1.7)	-0.1
Radio	1.3 (3.9)	1.4 (4.5)	2.7
Cinema	9.2 (6.2)	5.6 (5.2)	5.6
Outdoor	6.1 (6.9)	5.0 (7.0)	7.1
Digital	15.5 (17.9)	14.4 (16.4)	14.5
<i>Figures in brackets show our previous forecasts from Aug 2012</i>			

	Global % Share of Advertising Spend		
	2012	2013	2014
Television	43.4	43.1	42.9
Newspapers	17.1	16.0	14.9
Magazines	8.6	8.2	7.8
Radio	6.6	6.5	6.4
Cinema	0.6	0.6	0.6
Outdoor	7.0	7.1	7.3
Digital	16.6	18.3	20.0

Globally **TV** audiences are in good health and this is reflected in the continuing dominant share of total advertising spend that this medium commands. It holds virtually steady at +43% with only recent signs of a minor decline - globally at +43.1% this year moving to +42.9% next year despite the strength of digital growth. This is in part because of media convergence; Digital media has been complimentary to Television (e.g. TV + Online Video, integration of Social Media with Television). Across media, activity between online and offline media will be the trend in the coming years, the challenge will be measurement of the combined effectiveness of offline and online media. TV is to see increased growth rates in 2014 of +4.4% driven by a year of events.

Digital media continues to grow at a pace, with an expected +14.4% year-on-year growth in investment this year and +14.5% in 2014. Share of spend of Digital media is globally now second only to television with +18.3% share of total media spend this year increasing by +1.7% to +20.0% in 2014. In the UK, Netherlands and Sweden Digital media spend is already the number one medium. Growth is being driven by Online Video as traditional broadcasters look to deliver audiences online and also from the development of real time bidding technology; further growth will come as more publishers open up their inventory.

While **Mobile** advertising remains in its infancy, the increase in Mobile media spend has been significant and in line with increased smart phone penetration and mobile internet usage. In the UK, Mobile media spend was up by +132% in 2012 compared to 2011, with search functionality attracting the majority of the expenditure.

Globally **Newspapers** are showing the lowest growth of all media, a decline of -2.6% is forecast for 2013 and -2.1% in 2014. With circulations, readership and advertising revenue sliding, publishers are focusing on the

digitalisation of print content which is seeing demand from consumers. Those media owners who can successfully monetise their digital platforms will be in a stronger position.

Newspapers are the third most popular medium globally with +16.0% share (2013) considered a vital medium by some categories and also commanding significant share in markets such as the Nordics (+34.6% in Denmark, +40.6% in Finland, +32.6% in Norway, +29% in Sweden), markets in APAC (+38.1% in India, +41.9% in Malaysia, +45.9% in Singapore), Latin America (+33.5% in Argentina) and in the Middle East.

Magazine advertising spend are fairly stagnant at -0.1% this year with a similar forecast for 2014. Share of Magazine spend is +8.2% decreasing to +7.8% in 2014.

Moderate steady growth for the **OOH** sector of +5% this year and +7.1% next year driven by growth in digital OOH.

Radio is delivering steady but modest growth of +1.4% this year and +2.7% in 2014. Share of total media spend for radio is +6.5% this year and +6.4% in 2014.

Cinema although still from a low base, +0.6% of total media spend, is showing some good growth figures of +5.6% this year and next, bolstered by digital advancements making cinema more accessible to advertisers than ever before, with reduced production costs and increased flexibility.