

CARAT FORECASTS MARKET RECOVERY IN ALL REGIONS IN 2014

-Continued growth of 3% for 2013, accelerating to 4.5% in 2014 -

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

Based on data received from 57 markets around the world, Carat's data shows continued positive momentum for global advertising expenditure in 2013 and 2014. Carat predicts global advertising expenditure will grow by +3% in 2013, a slight decline from the +3.7% predicted in March 2013, and global advertising spend forecast for 2014 will grow by +4.5%, also down fractionally from the previous forecast of +5.0% in March 2013.

Predictions for 2013 are lower than previously forecast due to a slower upturn of the global economy; however the expectation of market recovery to positive growth in all regions in 2014 is predicted. After two consecutive years of market decline, Western Europe is predicted to experience a slow and gradual recovery even in markets registering double digit decline in 2013, such as Greece and Portugal.

Confidence in the post-Olympics UK economy is reflected in the country's strong performance and resulting in an increase of +3.6% year-on-year growth in 2013, rising to a predicted +5.0% in 2014.

By media, Digital spend continues to outpace all other media with the highest year-on-year growth rate of +15.6% in 2013, more than +10% higher than any other media and a trend which is expected to continue as emerging markets, such as Brazil adopt a more digital approach. Digital spend predictions continues to meet expectations of taking one out of every five dollars from the advertising wallet in 2014.

	<i>Year on year % growth at current prices</i>	
	2013	2014
GLOBAL	3.0 (3.7)	4.5 (5.0)
NORTH AMERICA	3.1 (3.5)	3.0 (4.0)
USA	3.1 (3.5)	3.0 (4.0)
CANADA	3.4 (3.4)	3.3 (3.9)
WESTERN EUROPE	-2.3 (-0.3)	1.4 (1.8)
UK	3.6 (2.7)	5.0 (4.4)
GERMANY	-1.0 (0.0)	0.0 (1.0)
FRANCE	-3.3 (-0.4)	0.8 (0.7)
ITALY	-11.7 (-4.8)	-1.3 (0.4)
SPAIN	-9.7 (-8.4)	1.1 (1.2)
C&EE	5.9 (6.4)	7.4 (7.6)
RUSSIA	11.2 (11.3)	11.0 (10.9)
ASIA PACIFIC	4.7 (5.3)	5.2 (6.2)
AUSTRALIA	0.0 (1.5)	1.0 (1.4)
CHINA	6.9 (6.9)	7.9 (7.8)
JAPAN	1.3 (2.7)	1.0 (2.8)
LATIN AMERICA	9.0 (9.1)	14.5 (14.8)
BRAZIL	4.6 (9.4)	12.3 (17.2)
<i>Figures in brackets show our previous forecasts from Mar 2013</i>		

Commenting on the Carat forecasts, Jerry Buhlmann CEO of Aegis Media and Dentsu Aegis Network, said:

‘Carat’s latest ad spend forecasts highlight the positive momentum and global growth for 2013, a year which has proven extremely challenging for some markets to maintain their 2012 ad spend levels, in light of the poor recovery of the global economy. In parallel to this, the new trend of a three-speed world is reinforced, with the rates of growth in the faster growing markets remaining ahead of steadily recovering markets, such as the US, followed by the struggling Eurozone markets.

“Looking ahead, Carat’s forecasts do however predict that we are at a significant point of change with all regions expected to see a steady recovery in 2014, even those currently experiencing deep declines for 2013.

The forecasts also reinforce the strength of digital media in today’s world and the upward direction of its market share, a media which is somewhat untouchable from the current, uncertain economic conditions. This buoyant and alluring media is attracting a crowded market, but for those with focused and specialist offerings, and the scale and reach to provide innovative and integrated solutions, the future of digital and the whole of the advertising industry remains exciting and enticing.”

ENDS

Enquiries:

Aegis Media:

Louise Evans	Global Director of Communications	020 7550 3469
Kirsten Doddy	Corporate Communications Manager	020 7070 7751
Helen Morris	Marketing Manager, Carat	0207 430 6151

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 – September 2013

SUMMARY

Carat's latest forecasts for global advertising expenditure remains positive with a 3.0% growth expected for 2013, a slight decline from the +3.7% predicted in March 2013. This will be followed by an accelerated growth rate of +4.5% in 2014 boosted by a year of significant events including the FIFA World Cup in Brazil, the Sochi Winter Olympic Games in Russia, the Commonwealth Games in Glasgow and the US mid-term elections. The pace of growth in advertising spend is expected to accelerate in every region in 2014 notably in Latin America with an increase of +14.5%, Central & Eastern Europe at +7.4% and Asia Pacific at +5.2%. Western Europe, after two consecutive years of decline, is expected to see a recovery in 2014 of +1.4%. In North America steady growth is forecasted in 2014 at +3.0%.

By media, Digital spend continues to increase at the highest rates with positive growth of +15.6% this year and +14.3% next year. Global share of spend is gaining each year, at 18.3% in 2013 and an increase of nearly +2% to 20.0% in 2014. Market share is being taken primarily from traditional print media but also radio, whilst cinema and outdoor shares is holding up well, at 0.6% and 7.3% this year respectively. TV spend also remains resilient at 43.8% this year and 43.9% next year; it continues to command by far the highest share of spend globally.

Despite the promising growth prospects of Digital media and huge growth potential from the faster growing BRIC markets, Indonesia and the Philippines, global advertising spend continues to be impacted by the uncertain economic climate. This has been reflected in the downward revisions to the 2013 global forecast to +3.0% from 3.7% Carat previously forecast in March this year. Also, relating to 2014 forecasts, the percentage growth predictions have been revised down from +5.0% to +4.5%.

REGIONAL BREAKDOWN

WESTERN EUROPE

Growth in the Eurozone continues to be sluggish with the second consecutive year of decline in **Western Europe**, with negative growth rates of -3.4% in 2012 and -2.3% in 2013 and continuing declines in markets such as Greece (-10.6%) and Portugal (-16.4%). There is however anticipated optimism, with both markets expected to return to positive growth next year and a recovery for the region to +1.4%. Within Western Europe the **UK** is standing out as a star performer, demonstrating continued steady growth. Figures for Q1 and Q2 2013 were slightly down on the same period in 2012 – the Queen's Diamond Jubilee, UEFA European Football Championships and the London Olympics have proved to be a tough act to follow for 2013 – but the forecasts for the second half of the year give rise to confidence.

By category, Telecoms is leading the way in 2013 with a high growth rate of +9%. The top spending Retail category will see a marginal increase in advertising spend of +1%. The third highest spending category Finance is expected to see a -9% advertising spend decline this year. Cosmetics and Personal Care is a top 10 category and notably seeing growth of +5%. The full year forecast for the UK advertising market is an uplift of +3.6% this year, an upward revision on the previously forecast of +2.7%. This pattern of growth is expected to continue into 2014 with the added factor of the FIFA 2014 World Cup boosting sales and the anticipated steady recovery of the economy restoring confidence in the market, a strong +5.0% growth is forecast for 2014.

In contrast to this, deeper than expected declines are forecasted for the remaining key markets of Germany, France, Italy and Spain. In **Germany** despite positive economic forecasts the advertising market is expected to see a moderate decline this year of -1% revised down from the 0% forecasted in March,

with Digital being the only media type to see strong growth with an increase of +5.9%. Newspapers, whilst still a key media channel along with TV, will continue to decline by a forecasted -6.1%. By category, increased spend are noted for Retail at +1.3%, Telecommunications at +27% and Tourism at +10%, whilst declines in spend for Media (-19.3%), Automotives (-10%) and Food (-7.7%) are forecast this year. Moving into 2014, a stabilisation of investments is expected.

The uncertain economic climate continues to affect media investments in **France**. Forecasts for 2013 have been revised down from the -0.4% forecasted in March to -3.3% with the first quarter showing a weakening of the advertising market. The second half of the year is expected to be better however with a forecast recovery of advertising spending moving into 2014 at levels of +0.8%. By category, Retail (-1.2%), Automotives (-2.9%) and Food (-2.8%) recorded declines this year versus 2012 levels, however growth was delivered for Leisure at +2.4%, Beauty Care at +4.5% and Telecoms at +2.0%. Also a notable rise in Health advertising spend at +20%.

In **Spain** the advertising market is still struggling due to the economic climate. Q1 and Q2 2013 continued to see double digit declines (-17.4% and -13.3% respectively) although more moderate than in the preceding quarter at -23% in Q4 2012. The market is expected to still be tough in the second half of 2013, with the full year forecast coming in at -9.7% revised down from -8.4%. Positive signals for the economy in 2014 and the FIFA World Cup are expected to help all media especially TV; the advertising market in Spain is expected to return to positive growth of +1.1%.

In **Italy** the advertising market is forecast to see a similar decline this year to last year at levels of -11.7% (2012 recorded -11.9%.) although deeper than the -4.8% previously forecast in March 2013. Q1 and Q2 2013 saw declines of -17.8% and -15.5% respectively. Similarly to Spain, the second half of 2013 will continue to decline but at a lesser degree, predicted at -5.7%. All main categories have declined in 2013, for instance top category Food is expected to close at -13%, Automotive at -17% and Telecommunications declining by -10%. The forecast for 2014 is still negative, unlike the other key European markets, with a decline on year-on-year growth of -1.3%.

CENTRAL AND EASTERN EUROPE

The picture is much brighter in **Central & Eastern Europe** with +5.9% growth forecast for 2013 and +7.4% in 2014. Progress in this region is boosted by continued double digit growth in **Russia**, reporting +11.2% in 2013 and +11.0% in 2014. All media types are experiencing growth in this market with Digital spend growing at an extremely rapid rate of +28% in 2013. Digital media is the second most popular medium behind TV with 22% share of spend and with host nation status of the Sochi Winter Olympic Games next year, prospects continue to be bright for this market. **Turkey** is also performing well in this region with +4.8% and +5.1% growth forecast for this year and 2014. Growth will come from new and emerging local players and from the growth expectations of global brands for the Turkish market. However some of the other key markets in the region are experiencing a decline in overall advertising spends including **Poland** (-2.4%), **Czech Republic** (-11.5%) and **Hungary** (-3.9%) this year.

AMERICAS

The advertising markets in **North America** are performing well with +3.1% growth this year and +3.0% growth next year. The **US** advertising market showed gains in the first half of 2013 although the pace was slower than in 2012, with the same expected for the second half of the year. The full year forecast for 2013 is for a steady increase in advertising spends of +3.1%. Significant events in 2014 should contribute to increased media spending, the US mid-term elections will boost local advertising spending whilst many advertisers will support the FIFA World Cup in Brazil and the Winter Olympics - some of those dollars however will be a re-allocation of spending. Growth will continue next year with an uplift of +3.0%.

The **Canadian** advertising market is expected to grow in 2013 at a rate of +3.4%. The overall lift in spending is being driven by Digital with +14.6% growth. The strongest growth year to date has been in the Travel and Transportation category at +6.7% due to the increased competition in the airline industry in Canada. 2014 should see growth of +3.3%, with most media with the exception of print posting gains.

Latin America continues to be the region with the highest growth rates, at +9.0% in 2013, accelerating to +14.5% in 2014. Whilst main market Brazil has seen a moderation in its forecasts, the region continues to be boosted by rapid growth in other markets such as Argentina. In **Brazil**, growth forecasts for this year have been revised down after seeing only a marginal growth in advertising spends in the first half of the year, of +2.4% compared to the same period in 2012. There is however much optimism for 2014 with host nation status for the FIFA World Cup. TV spends will notably see a boost of +15%, however all media types are forecast to see significant growth including Digital and Outdoor, with the overall advertising market in Brazil expected to see a +12.3% hike in spend.

ASIA PACIFIC

In **Asia Pacific**, growth is better than in other parts of the world but Asia Pacific has also been touched by the slowdown in the global economy. Forecasts are for a +4.7% growth in advertising spends in 2013 picking up pace in 2014 to +5.2%. Within Asia Pacific, **Indonesia**, **Philippines** and **Vietnam** are showing the highest growth rates. These markets have vast and growing domestic demand, coupled with increased foreign and domestic investment. The Indonesian ad market is forecast to grow +17.1% in 2013 the Philippines by +12.3% and Vietnam by +29.1%. Key BRIC market **India** also continues to see healthy increases in advertising expenditure of +7% in 2013 and a slight increase to +7.6% in 2014.

China is forecast to see a solid +6.9% growth in 2013. This is more modest than the stellar growth rates we are used to in China but in line with the market's moderating GDP growth rate. That said China's advertising market growth is still the second highest of the key advertising markets in 2013 behind Russia's at +11.2%. Whilst newspapers are seeing a decline in spend -6.7% and TV growth in single digits +3.1%, Digital media spend continues to see substantial year-on-year growth of +44.5% (2013) - fuelled by online video, search and mobile growth at +50%. The forecast for 2014 is for uplift to +7.9%.

In **Japan** there is a steady recovery of the advertising market happening notably for TV and Digital media, at +2% and +7% respectively. Most key advertising categories will maintain a similar performance to the previous year, Transport/Leisure and Automotive categories notably performing well at an increase of +10% in 2013 compared to 2012. While the picture in Q1 and Q2 was that of steady recovery, there is expected to be acceleration in the second half of 2013 moving into the key advertising season in the market. The full year forecast for the ad market in Japan is +1.3% with continued growth next year of +1%.

In **Australia**, the advertising market recorded negative growth in the first half of 2013 of -0.6% which marked the longest recorded period, two and a half years, of consecutive negative growth. However the tide is turning towards improved market conditions with full year 2013 forecast to be flat and with growth of +1% in 2014. Advertising spend is expected to return to peak 2010 levels in 2015.

BY MEDIA

	Global year on year % growth at current prices	
	2013	2014
Television	2.9 (3.0)	4.8 (4.4)
Newspapers	-4.8 (-2.6)	-2.9 (-2.1)
Magazines	-1.4 (-0.1)	-0.7 (-0.1)
Radio	-0.7 (1.4)	0.3 (2.7)
Cinema	2.6 (5.6)	4.5 (5.6)
Outdoor	3.8 (5.0)	4.6 (7.1)
Digital	15.6 (14.4)	14.3 (14.5)
<i>Figures in brackets show our previous forecasts from Mar 2013</i>		

	Global % Share of Advertising Spend	
	2013	2014
Television	43.8 (43.1)	43.9 (42.9)
Newspapers	15.5 (16.0)	14.4 (14.9)
Magazines	8.1 (8.2)	7.7 (7.8)
Radio	6.4 (6.5)	6.1 (6.4)
Cinema	0.6 (0.6)	0.6 (0.6)
Outdoor	7.3 (7.1)	7.3 (7.3)
Digital	18.3 (18.3)	20.0 (20.0)
<i>Figures in brackets show our previous forecasts from Mar 2013</i>		

Digital media spend overtook **Newspaper** spend this year to command the second highest share of total advertising spend at 18.3%. For a number of markets it is the only media type to see any significant growth during the economic downturn. Its positive growth trajectory looks set to continue with double digit growth forecast for this year at +15.6% with **Display** spend growth at +14.1% - with Online Video and Real Time Bidding the drivers. **Paid Search** is forecast to grow by +16.1%. **Mobile** continues to grow exponentially but remains somewhat modest in terms of overall spend. High Digital growth rates are to continue into 2014 with forecasts of +14.3%. Growth potential forecasts for this media are to continue to be strong in the foreseeable future not least because spends are still relatively low in the faster growing markets, for instance in Latin America share of digital spend is currently 6.1%.

On a global basis share of **Digital** spend is to reach 20% in 2014 as reported in our previous forecast. This will be an increase of +16% points over the ten- year period since 2004. This is primarily at the expense of **Newspaper** spend which has seen a decline in share of 13% points over the same period. **Magazines** have seen a more moderate decline with share decreasing by 5% points over the same period and **Radio** by 2% points. In contrast **TV** share of spend has increased by 3% points.

TV spends continue to remain resilient, dominating ad spend with 43.8% share this year and a year-on-year growth rate of +2.9% this year and in a world cup year +4.8% next year. **Outdoor** share has also held up well 7.3% this year and next year and is growing at the second fastest rate this year +3.8% increasing to +4.6% next year. **Cinema** spends showing positive growth of +2.6% this year and +4.5% next year.