

PRESS RELEASE

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Global ad market continues to improve, heralding healthy growth in 2011 and 2012

- ZenithOptimedia upgrades its forecast for global ad growth this year from 0.9% to 2.2%
- This is the second upgrade in a row, after 18 months of consecutive downgrades
- Hard-hit developed markets are stabilising and will return to growth in 2011
- Recovery is well under way in developing markets, where we forecast 8.5% growth in 2010
- As is usual after a downturn, the global market will improve steadily over the next three years, with 4.1% growth in 2011 and 5.3% in 2012
- Internet's share of ad expenditure will rise from 12.6% in 2009 to 17.1% in 2012

Confidence in the global economic recovery, while tentative, continues to grow, and this improvement has been apparent in ad markets across the world. Ad expenditure is accelerating in bullish developing markets, while in the developed world the downturn is coming to an end more quickly than expected. We now forecast global ad expenditure to grow 2.2% in 2010, up from the 0.9% growth we forecast in December. This is our second upgrade in a row, and a much more solid one than the first, with a 1.3 percentage point improvement this time compared to a 0.4 point improvement in December.

We have also upgraded our forecasts for the next two years, though not so dramatically: we forecast 4.1% growth in 2011, up from 3.9%, and 5.3% in 2012, up from 4.8%. This pattern of recovery is normal: after the previous two recessions it took three years of progressive recovery for the global ad market to return to normal growth.

After suffering a deep 12.1% decline in 2009, the developed markets (which we here define as North America, Western Europe and Japan) are stabilising, with occasional signs of surprising strength. The UK's television market, which has been shrinking since 2005, was up 7% in Q1 2010, and will be up at least 16% in Q2. In the US, network radio is up about 20% for the first half of 2010, with strong support from retail (which has nearly doubled its spend year on year). Since the beginning of 2010 Spain's TV market has managed to absorb a 20% reduction in capacity, after advertising was removed from all public channels, with little to no reduction in expenditure. At the moment these represent isolated pockets of recovery, but they demonstrate that advertisers are becoming more willing to take advantage of good opportunities when they arise. We expect the recovery to become more general as the year progresses, leading to overall growth next year. We forecast a 0.8% decline in developed-market ad expenditure in 2010, followed by 1.8% growth in 2011. North America, having led the world into recession, will be last out, with a 1.5% drop in ad expenditure in 2010, while Japan drops 0.7% and Western Europe grows 0.4%.

Markets in the developing world (everywhere apart from North America, Western Europe and Japan) followed two very different paths in 2009. Many markets in Central & Eastern Europe suffered a very sharp drop in ad expenditure at the beginning of the year, when investors and advertisers were afraid that the financial crisis and drop in global demand would permanently

damage these markets' prospects. Ad expenditure fell much faster here than in the developed world: across the whole of 2009 ad expenditure fell 23.1% in Central & Eastern Europe, with drops as extreme as 42% in Russia, 44% in Latvia and 48% in Ukraine. The fears of early 2009 have now largely receded, and we expect these markets to make up their lost ground quickly over the next few years. We forecast 5.7% adspend growth in Central & Eastern Europe in 2010, and 8.5% in 2011.

The rest of the developing world was more robust during the downturn. In 2009, ad expenditure grew 4.8% in the Middle East, 0.4% in Latin America and held steady in Asia Pacific (excluding Japan). Many markets in these regions continued to grow throughout the year, notably Lebanon (25.4%), Indonesia (18.8%), the Philippines (14.5%), Argentina (12.7%) and China (7.4%). These growth rates demonstrate the fundamental health of these markets, which we expect to maintain similar performances over the next few years. Other markets in these regions were not as resilient in the downturn and will not grow so quickly during the upturn, but most should comfortably outpace the developed markets. Overall we forecast the Middle East to grow 4.7% in 2010, Latin America to grow 9.3% and Asia Pacific (again excluding Japan) to grow 10.0%.

Advertising expenditure by region

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

US\$ million, current prices. Currency conversion at 2008 average rates.

	2008	2009	2010	2011	2012
North America	179,776	156,926	154,501	157,285	162,044
Western Europe	121,293	107,865	108,266	110,868	114,463
Asia Pacific	107,332	101,683	107,680	114,774	123,654
Central & Eastern Europe	35,583	27,356	28,909	31,373	34,555
Latin America	30,405	30,535	33,369	35,533	38,328
Africa/M. East/ROW	20,297	21,891	23,275	24,712	26,494
World	494,686	446,257	456,000	474,544	499,539

Source: ZenithOptimedia

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

Year-on-year change (%)

	2008 v 07	2009 v 08	2010 v 09	2011 v 10	2012 v 11
North America	-3.7	-12.7	-1.5	1.8	3.0
of which USA	-4.2	-12.9	-2.0	1.6	2.9
Western Europe	-1.4	-11.1	0.4	2.4	3.2
Asia Pacific	2.3	-5.3	5.9	6.6	7.7
excluding Japan	7.3	0.0	10.0	10.1	10.9
Central & Eastern Europe	12.8	-23.1	5.7	8.5	10.1
Latin America	14.7	0.4	9.3	6.5	7.9
Africa/M. East/ROW	22.5	7.9	6.3	6.2	7.2
World	1.1	-9.8	2.2	4.1	5.3

Source: ZenithOptimedia

Global advertising expenditure by medium

The rise of the internet continued uninterrupted during the downturn – in fact, the downturn probably accelerated the shift of budgets from traditional media by focusing advertisers' minds on the importance of measurable return on investment. The internet increased its share of the global ad market from 10.5% in 2008 to 12.6% in 2009, overtaking magazines for the first time, and we expect its share to increase to 17.1% in 2012.

Paid search is the main engine of internet growth: it accounted for 50.2% of all internet expenditure in 2009, and we forecast this proportion to rise to 52.1% in 2012. Display's contribution to total internet spend fell from 33.0% in 2008 to 32.0% in 2009, and we expect it to fall again to 31.7% in 2010, but new formats – especially internet video – should help it grow faster than internet advertising as a whole in 2011 and 2012, contributing 32.2% of internet ad expenditure by the latter year.

Internet advertising by type

US\$ million, current prices *Currency conversion at 2008 average rates.*

	2008	2009	2010	2011	2012
Display	16,799	17,711	19,821	22,969	27,009
Classified	9,808	9,894	10,586	11,730	13,156
Paid search	24,340	27,828	32,185	37,276	43,730
Total	50,947	55,433	62,592	71,974	83,896

Source: ZenithOptimedia

Television suffered less than other media during the downturn because television viewing rises in a recession (it's a cheap but absorbing form of entertainment), and because its brand-building power is a great complement to the internet's strength in generating response and sales. Television spend fell 6.7% in 2009, but its market share has increased from 38.1% to 39.4%. We expect it to continue to increase its share over the rest of our forecast period, reaching 40.6% in 2012, thanks to the rise of the developing markets, where television is generally a much more dominant medium than in developed markets.

Newspapers and magazines have clearly suffered the most from the downturn, which has exacerbated their structural problems of falling consumer interest and substitution by new media. By 2012 we predict newspapers' share of global ad expenditure will have fallen to 19.4%, from 25.1% in 2008, while magazines' share will have fallen to 8.6% from 11.6%.

Advertising expenditure by medium

US\$ million, current prices *Currency conversion at 2008 average rates.*

	2008	2009	2010	2011	2012
Newspapers	122,282	101,514	97,685	96,264	95,429
Magazines	56,342	45,272	43,279	42,476	42,284
Television	185,813	173,399	180,952	189,614	199,730
Radio	37,614	33,718	33,548	34,331	35,896
Cinema	2,328	2,183	2,250	2,359	2,469
Outdoor	32,116	28,532	29,023	30,286	31,708
Internet	50,947	55,433	62,592	71,974	83,896
Total *	487,443	440,050	449,329	467,304	491,411

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 (%)

	2008	2009	2010	2011	2012
Newspapers	25.1	23.1	21.7	20.6	19.4
Magazines	11.6	10.3	9.6	9.1	8.6
Television	38.1	39.4	40.3	40.6	40.6
Radio	7.7	7.7	7.5	7.3	7.3
Cinema	0.5	0.5	0.5	0.5	0.5
Outdoor	6.6	6.5	6.5	6.5	6.5
Internet	10.5	12.6	13.9	15.4	17.1

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