

PRESS RELEASE

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Global ad recovery strengthens as US returns to slow growth

- The advertising recovery continues to strengthen: ZenithOptimedia upgrades its forecast for global ad growth this year from 2.2% to 3.5%
- We now expect all regions to manage at least some growth this year after a stronger-than-expected first half, particularly in the US and Western Europe
- Still a stark contrast between the slow-growing developed world and fast-paced developing markets
- Global growth should rise steadily over the next three years, with 4.5% growth in 2011 and 5.3% in 2012
- The healthy third year after the downturn repeats the pattern of the last two recessions, though with lower growth this time
- Very rapid growth in internet mobile and social media will help drive the internet's share of ad expenditure from 12.7% in 2009 to 17.1% in 2012, narrowing the gap between the internet and newspapers to just two percentage points

ZenithOptimedia has upgraded its forecasts for global ad expenditure growth in 2010 to 3.5%, up from the 2.2% it forecast at the beginning of April. This is the third upgrade in a row, after six consecutive downgrades. Most of the upgrade is in North America and Western Europe, where ad spending was stronger than expected in the first half of the year, but these regions are still growing much more slowly than most developing markets. Overall we forecast 1.3% growth from developed markets (which we here define as North America, Western Europe and Japan) in 2010, compared to 8.6% growth from developing markets (everywhere else). The gap will narrow slightly in 2011, but growth in developed markets will remain modest: we forecast developed markets to grow by 2.4% in 2011 and 2.9% in 2012, while developing markets grow by 9.1% and 9.8% respectively. We expect developing markets to drive most of the growth in global ad expenditure over the next few years, contributing US\$39 billion of the extra US\$60 billion we expect to see added to the world ad market between 2009 and 2012.

A strong downturn in global ad expenditure has historically been followed by a sharp rebound three years later. In 1994, three years after the 1991 recession, ad expenditure grew by 6.8%, and in 2004 (three years after 2001) it grew by 7.4%. These spikes in growth were ahead of the average growth rate of the ad market, which has been 6.1% a year for the last 25 years. We currently forecast a similar year of healthy growth in 2012, the third year after the 2009 downturn, but at 5.3% it is below the trend rate of growth. This reflects the severity of the latest downturn, which will prolong the time it takes advertisers to regain confidence in their growth prospects, particularly in developed markets.

North America is the region we have upgraded the most – by 2.8 percentage points. In our last forecast we expected it to shrink 1.5% this year, but we now forecast 1.3% growth. This is

because consumer confidence and spending has recovered quite strongly in the US, despite persistent unemployment. Network TV had a very healthy Q1 in the US, benefiting from an unusually strong post-season football line-up in January (Super Bowl XLIV was the most-watched programme ever, drawing 106.5 million viewers) and the Vancouver Winter Olympics in February. This strong start was followed by 6%-10% rate increases for the 2010/2011 network upfront. Strength in television has been balanced by continued, though slower, decline in newspapers, magazines and spot radio, but we still expect 1.1% growth in US ad expenditure this year. Canada has bounced back from the recession much more quickly, and we expect it to grow 5.4% this year.

We have upgraded most of our forecasts for Western Europe, despite concerns over Eurozone debt, after advertisers demonstrated willingness to spend in the first half of the year. We now predict 2.2% growth in 2010, up from 0.4%. The only market we have not upgraded is Spain, one of the most vulnerable euro markets, which we have downgraded from +0.4% growth to -0.7%. We currently forecast growth in the region to build up gradually in 2011 and 2012, to 2.6% and 3.4% respectively, though we will keep a close eye on demand as government austerity measures kick in later this year.

Japan – which we forecast to shrink by 0.7% this year – is almost completely decoupled from the rest of Asia Pacific, where we expect 10.6% growth this year, including double-digit growth rates from seven markets (China, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam). In most of the region the recession is now something of a distant memory, and advertising is growing as quickly as it was before the downturn. (Between 2001 and 2008 ad expenditure grew by 10.1% a year in Asia Pacific, excluding Japan.) Over the next few years we expect slow improvement in Japan together with continued impressive growth from the rest of the region, generating 5.8% growth for the region as a whole in 2010, followed by 6.5% in 2011 and 7.5% in 2012.

A few of the smaller markets in Latin America are facing a year of slow growth in 2010: we forecast Chile, Costa Rica, Puerto Rico and Uruguay to grow by 1%-2% each. But most markets have fully recovered and are enjoying a year of healthy expansion. We forecast 7.0% growth for the region as a whole in 2010, and very strong growth of 11%-14% from Mexico, Panama, Peru and Venezuela. We expect Latin America to maintain 7.0% growth in 2011, strengthening to 8.5% in 2012.

Central & Eastern Europe suffered more from the downturn than any other region, losing 24.6% of ad expenditure in 2009. The region is now split between those markets that quickly recovered and are now making up lost ground (notably Belarus, Bosnia and Herzegovina, Russia, Serbia, Slovenia, Turkey and Ukraine, which we forecast to grow by between 11% and 26% this year), and those where entrenched economic problems are still dragging down ad expenditure (Bulgaria, Estonia, Greece, Hungary and Latvia, which we expect to shrink by between 3% and 16%). We predict that Greece – suffering from debt crisis and austerity – faces the most prolonged decline, with a 13.9% drop in ad expenditure in 2010, followed by a 7.0% drop in 2011 and a 0.3% drop in 2012. We expect all other markets to return to growth in 2011, however, and forecast steady improvement in ad expenditure for the region as a whole, from 7.0% growth in 2010 to 9.8% in 2011 and 10.9% in 2012.

Advertising expenditure by region

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

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

	2008	2009	2010	2011	2012
North America	179,149	156,486	158,546	162,930	167,861
Western Europe	112,579	99,919	102,090	104,737	108,259
Asia Pacific	106,783	100,378	106,151	113,039	121,539
Central & Eastern Europe	33,570	25,301	27,082	29,723	32,955
Latin America	29,931	28,942	30,954	33,108	35,925
Africa/M. East/ROW	20,112	21,262	22,722	24,264	26,060
World	482,125	432,288	447,546	467,801	492,600

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	-3.8	-12.7	1.3	2.8	3.0
<i>of which USA</i>	<i>-4.2</i>	<i>-12.9</i>	<i>1.1</i>	<i>2.7</i>	<i>3.0</i>
Western Europe	-1.3	-11.2	2.2	2.6	3.4
Asia Pacific	1.8	-6.0	5.8	6.5	7.5
<i>excluding Japan</i>	<i>7.3</i>	<i>-0.3</i>	<i>10.6</i>	<i>10.6</i>	<i>11.2</i>
Central & Eastern Europe	12.8	-24.6	7.0	9.8	10.9
Latin America	14.4	-3.3	7.0	7.0	8.5
Africa/M. East/ROW	22.7	5.7	6.9	6.8	7.4
World	1.0	-10.3	3.5	4.5	5.3

Source: ZenithOptimedia

Global advertising expenditure by medium

Television did relatively well in the downturn (because consumers tend to spend more time at home watching it when they have less disposable income) and continues to do well as the world recovers. New technologies, such as hard-drive recorders and high-definition channels, are encouraging viewers to watch even more television. Television tends to be much more dominant in developing markets, so their rapid rise is increasing television's share of global expenditure. We expect television to attract 40.8% of total ad expenditure in 2012, up from 39.2% in 2009 and 38.0% in 2008.

The internet continues its steady rise, increasing its global market share from 10.5% in 2008 to 12.7% in 2009. By 2012 we expect it to account for 17.0% of total expenditure, just two percentage points below newspapers. Newspapers have been losing share every year since 1987, when they accounted for 40.6% of expenditure. By 2009 that share had fallen to 23.0%, and we expect it to fall further to 19.2% 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 52.6% in 2012. Display's contribution to total internet spend fell from 32.9% in 2008 to 31.9% in 2009. New formats – especially internet video, mobile and social media – should help display stabilise in 2010 and increase its share of internet spend to 32.0% in 2012.

In the US, where they are most visible and best measured, mobile advertising and social media are growing much faster than any other internet format. Between 2009 and 2012 we forecast mobile advertising to grow by an average of 43.2% a year, while social media advertising grows by 30.2% a year, compared to 15.6% a year for the internet as a whole. The two formats overlap to an extent, since many consumers use their mobile devices to access their social profiles, and mobile social networking will become more and more important to advertisers over the coming years. Mobile and social advertising accounted for just 5% of internet expenditure in the US in 2009, but we expect this proportion to rise to 8% in 2012.

Advertising expenditure by medium

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

	2008	2009	2010	2011	2012
Newspapers	118,896	97,990	95,066	93,632	92,788
Magazines	55,067	44,148	43,234	42,739	42,790
Television	180,550	166,931	177,679	187,368	197,603
Radio	36,511	32,453	32,005	32,651	33,989
Cinema	2,213	2,082	2,215	2,344	2,485
Outdoor	31,877	28,292	29,415	30,745	32,141
Internet	49,767	54,244	61,312	71,114	82,709
Total *	474,882	426,139	440,925	460,592	484,505

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	25.0	23.0	21.6	20.3	19.2
Magazines	11.6	10.4	9.8	9.3	8.8
Television	38.0	39.2	40.3	40.7	40.8
Radio	7.7	7.6	7.3	7.1	7.0
Cinema	0.5	0.5	0.5	0.5	0.5
Outdoor	6.7	6.6	6.7	6.7	6.6
Internet	10.5	12.7	13.9	15.4	17.1

Internet advertising by type

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

	2008	2009	2010	2011	2012
Display	16,388	17,281	19,519	22,474	26,461
Classified	9,610	9,749	10,260	11,315	12,711
Paid search	23,769	27,214	31,533	37,325	43,537
Total	49,767	54,244	61,312	71,114	82,709

Source: ZenithOptimedia

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For further information, please contact:

Jonathan Barnard

Head of Publications

Tel: +44 20 7961 1192

Fax: +44 20 7291 1199

E-mail: jonathan.barnard@zenithoptimedia.com

Anne Austin

Senior Publications Executive

Tel: +44 20 7961 1194

Fax: +44 20 7291 1199

E-mail: anne.austin@zenithoptimedia.com

Nicky Hutcheon

Senior Publications Executive

Tel: +44 20 7961 1195

Fax: +44 20 7291 1199

E-mail: nicky.hutcheon@zenithoptimedia.com

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For further information on ZenithOptimedia, please contact:

Steve King

Chief Executive Officer

Tel: +44 20 7961 1046

Fax: +44 20 7961 1042

E-mail: steve.king@zenithoptimedia.com

John Taylor

Chairman

Tel: +44 20 7961 1133

Fax: +44 20 7961 1002

E-mail: john.taylor@zenithoptimedia.com

Tim Jones

Chief Executive Officer – Americas

Tel: +1 212 859 5100

Fax: +1 212 727 9495

E-mail: tim.jones@zenithoptimedia-na.com

Philip Talbot

Chief Executive Officer – Asia Pacific

Tel: +852 2236 9080

Fax: +852 2250 9388

E-mail: philip.talbot@zenithoptimedigroup.com.hk

All our publications are available online at www.zenithoptimedia.com