

PRESS RELEASE

Rocketing internet advertising to overtake radio a year early

- ZenithOptimedia predicts internet adspend to overtake radio in 2008, a year earlier than forecast in December
- The internet will grow six times faster than traditional media between 2006 and 2009 and increase its share of the ad market from 5.8% to 8.7%
- All of the fastest-growing ad markets are in the Middle East and Central & Eastern Europe
- These regions are growing at double-digit rates, compensating for an underperforming North America
- World adspend to grow 5.2% in 2007, on par with long-term trend
- Olympics, elections and football to lift growth to 6.2% in 2008

Global advertising expenditure by medium

US\$ million, current prices *Currency conversion at 2005 average rates.*

	2005	2006	2007	2008	2009
Newspapers	119,269	123,405	126,191	130,231	133,719
Magazines	52,772	54,604	56,445	58,626	61,154
Television	150,881	160,670	167,823	178,735	186,412
Radio	34,382	35,334	36,347	37,503	39,105
Cinema	1,740	1,836	1,950	2,135	2,356
Outdoor	21,806	23,775	25,483	27,396	29,487
Internet	18,727	24,385	31,271	37,910	42,912
Total	399,577	424,008	445,511	472,536	495,145

Share of total adspend by medium 2005-2009 (%)

	2005	2006	2007	2008	2009
Newspapers	29.8	29.1	28.3	27.6	27.0
Magazines	13.2	12.9	12.7	12.4	12.4
Television	37.8	37.9	37.7	37.8	37.6
Radio	8.6	8.3	8.2	7.9	7.9
Cinema	0.4	0.4	0.4	0.5	0.5
Outdoor	5.5	5.6	5.7	5.8	6.0
Internet	4.7	5.8	7.0	8.0	8.7

ZenithOptimedia predicts that internet adspend will grow 28.2% in 2007, while the rest of the market grows 3.7%. We now expect the internet to overtake radio in 2008, a year earlier than in our last forecast. We forecast the internet to account for nearly 9% of global adspend by 2009, and its share should reach double digits early next decade. The internet already attracts more than 10% of adspend in three markets (Norway, Sweden and the UK), and by 2009 we expect it to do so in eleven markets (Australia, Canada, Denmark, Israel, Japan, Norway, South Korea, Sweden, Taiwan, the UK and USA). The internet has its highest share in the UK, where it will attract 16.6% of adspend this year and 22.6% in 2009.

Apart from the internet, only cinema and outdoor are forecast to grow faster than the market to 2009. Cinema is new and growing quickly in the US, while outdoor continues to gain share as contractors invest in better displays and better research.

Last December we voiced concerns that television was about to enter its first ever sustained period of market-share loss at the global level. Demand has picked up since then, and we have revised our forecasts for television expenditure upwards. We now expect television's share of global ad expenditure to be just 0.2 percentage points lower in 2009 than it was in 2005.

We have downgraded our forecasts for newspapers and magazines as publishers – eyeing the growth rate of internet advertising – have decided to invest more in their online products and less in print. Ad expenditure is still growing in both media, in nominal terms at least, but after adjusting for inflation newspaper expenditure is essentially stagnant, as readers and advertisers migrate to the internet.

Advertising expenditure by region

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)
US\$ million, current prices. Currency conversion at 2005 average rates.

	2005	2006	2007	2008	2009
North America	174,072	183,182	189,551	198,103	204,192
Western Europe	98,425	102,319	106,123	110,336	114,744
Asia Pacific	85,511	90,332	95,878	103,267	108,297
Central & Eastern Europe	19,160	22,310	25,702	29,596	33,428
Latin America	18,403	20,346	21,578	23,043	24,462
Africa/M. East/ROW	10,682	13,072	15,097	17,792	21,001
World *	406,254	431,562	453,928	482,137	506,123

Source: ZenithOptimedia

* The totals here are higher than the totals in the 'Global advertising expenditure by medium' table above, since this table includes total adspend figures for a few countries for which spend is not itemised by medium

**Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)
Year-on-year change (%)**

	2005 v 04	2006 v 05	2007 v 06	2008 v 07	2009 v 08
North America	3.0	5.2	3.5	4.5	3.1
<i>of which USA</i>	2.9	5.2	3.4	4.5	3.0
Western Europe	3.9	4.0	3.7	4.0	4.0
Asia Pacific	5.4	5.6	6.1	7.7	4.9
Central & Eastern Europe	3.5	16.4	15.2	15.2	12.9
Latin America	19.0	10.6	6.1	6.8	6.2
Africa/M. East/ROW	16.6	22.4	15.5	17.8	18.0
World	4.7	6.2	5.2	6.2	5.0

Source: ZenithOptimedia

ZenithOptimedia predicts the world ad market will grow fractionally above its trend rate in 2007 after a stronger-than-average year in 2006. Over the last ten years ad expenditure has grown at an average rate of 5.0% a year. It grew by 6.2% in 2006 – thanks partly to the Winter Olympics and the football World Cup – and we expect it to grow by 5.2% in 2007. 2008 is a quadrennial year – that is, it will contain the summer Olympics, presidential elections in the US, and the European football championship, all of which are traditionally strong stimulants of advertising. We therefore expect growth to rise by one percentage point to 6.2% in 2008 before falling back to 5.0% in 2009.

All of the fastest-growing markets are in the Middle East and Central & Eastern Europe. Media markets in both regions are maturing rapidly, and advertising is playing a growing role in local economies. High, if erratic, oil prices are providing a boost to several countries in both regions. We expect growth in our Africa/Middle East/Rest of World region (which is mainly driven by the Middle East) and in Central & Eastern Europe to remain comfortably in double digits over our forecast period.

**The ten fastest-growing ad markets
Growth (%)**

	2009 v 05
Qatar	304.2
Egypt	220.7
Moldova	185.7
Romania	160.4
UAE	154.8
Pan Arab	146.8
Russia	143.2
Saudi Arabia	113.5
Kuwait	113.2
Slovakia	106.4

Source: ZenithOptimedia

Ad expenditure in Asia Pacific is accelerating in the run-up to the Beijing Olympics in 2008, when growth should reach 7.7%; we then expect growth to slip to 4.9% in 2009 when the one-off Olympics activity drops out. China, India, Indonesia and Vietnam all continue to grow at double-digit rates and should continue to do so.

We have revised downwards our forecasts for both North America and Western Europe.

The shift in publishers' investment from print to the internet now leads us to expect no growth from newspapers in the US this year, and less growth from magazines than we forecast in December. Over the last ten years the North American ad market has grown at an average rate of 5.3%, so its current performance is disappointing, with average growth in 2006 and below-average growth forecast for 2007 to 2009.

The UK ad market is starting to recover from stagnation in 2006, though not to the extent that continued economic growth and low media prices led us to expect in December, so we have downgraded our forecasts for UK ad expenditure. Continued signs of improvement in Germany have encouraged us to raise our forecasts for German ad growth slightly, but we still expect Germany to remain the slowest-growing market in the region. The ad market in Western Europe is however still growing at about its long-term average rate of 3.9%.

We have upgraded our forecasts for Latin America from 4%-5% annual growth to 6%-7%, mainly because Argentina has demonstrated continued growth in ad volumes despite high media inflation. This is well above the 3% long-term annual growth rate of the Latin American ad market.

Advertising Expenditure Forecasts is published quarterly priced £395. It may be ordered in hard or soft copy from www.zenithoptimedia.com

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