

Carat predicts robust growth in 2013 with global investment in digital advertising set to overtake newspapers for the first time

Carat, the world's leading independent media communications agency, today publishes its first forecasts for worldwide advertising expenditure in 2013, with updated figures for advertising expenditure in 2011 and 2012.

Carat's data shows robust global growth in 2013 at +5.8% - a year with tougher comparators and a lack of major events – with all major markets back in growth. The data also shows that, for the first time, global investment in digital advertising is set to overtake Newspapers as audiences increasingly migrate online for content.

The forecast growth for 2013 comes on the back of the advertising recovery of 2011 and the expectation for continued positive momentum through 2012. Carat has kept its forecast for global advertising expenditure for 2012 steady at 6% when the ad spend will be stimulated by the US Presidential Elections, the Olympic Games and the UEFA European Football Championship.

	<i>Year on year % growth at current prices</i>		
	2011	2012	2013
GLOBAL	4.9 (5.0)	6.0 (6.0)	5.8
NORTH AMERICA	3.9 (3.2)	5.0 (5.5)	4.3
USA	3.8 (3.1)	4.9 (5.4)	4.2
CANADA	6.1 (6.1)	5.4 (6.6)	6.1
WESTERN EUROPE	0.9 (2.3)	1.5 (3.0)	2.2
UK	2.1 (2.0)	4.0 (5.1)	3.4
GERMANY	0.5 (1.8)	1.2 (0.8)	2.0
FRANCE	2.6 (2.6)	1.5 (2.5)	1.9
ITALY	-3.2 (-0.5)	1.2 (1.6)	1.0
SPAIN	-6.8 (-2.9)	-4.7 (1.9)	1.6
C&EE	11.2 (10.1)	9.5 (11.6)	9.0
RUSSIA	20.6 (16.9)	15.2 (16.4)	12.8
ASIA PACIFIC	7.2 (7.1)	8.7 (6.9)	8.6
AUSTRALIA	1.0 (4.8)	2.9 (4.9)	2.7
CHINA	15.4 (14.8)	14.7 (11.8)	14.6
JAPAN	-2.9 (-2.9)	3.0 (-2.2)	0.7
LATIN AMERICA	10.8 (13.0)	10.7 (12.9)	8.2
BRAZIL	8.1 (12.0)	10.5 (13.1)	8.0
<i>Figures in brackets show our previous forecasts from Aug 2011</i>			



Carat Global Advertising Spend Forecasts

15 March 2012

Summary

Carat's first global forecasts of the year highlight the positive outlook for global advertising in 2012 with a forecast +6.0% increase in ad expenditures. In 2012 North America continues to perform robustly with a projected +5.0% increase, Asia Pacific will remain strong with a forecast +8.7% growth in ad spend, an upward revision on the previously forecast +6.9%, while Latin America continues to have the highest regional growth rate at +10.7%. With continued economic uncertainty in Western Europe, the region remains subdued with growth of +1.5% for 2012.

While 2013 is a year with tougher comparators and lacks the major events of 2012 which typically stimulate ad spend, the first Carat forecasts for 2013 show continued positive momentum with a further increase of +5.8% in global advertising expenditure. Ad spend growth in North America remains robust at +4.3%, Asia Pacific growth rates are expected to maintain similar rates to 2012 at +8.6%, while growth in Latin America, after several years of double digit growth, is expected to moderate to +8.2%. There are encouraging signs of the shoots of recovery in Western Europe with growth of +2.2% are encouraging.

By media Digital advertising expenditure is expected to perform most strongly in 2012 and 2013, up +16.5% and +13.5% respectively, followed by Out of Home, up +8.8% this year and increasing to +9.2% in 2013, and TV, up +5.5% and +5.3% in 2012 and 2013 respectively.

Regional Breakdown

Americas

For 2012, **North America** is set to perform robustly with a projected +5.0% increase in the region, with the **US**, the world's largest advertising economy up +4.9% and Canada still strong at +5.4%. **Latin America** continues to have the highest growth rate +10.7%.

The **US** advertising market is healthy, with spending gains expected across all media in 2012 with the exception of Newspapers which are down -4.6%. Every category has been investing with Automotives, Retail and Pharmaceuticals leading the charge. Beverages, Financial and Travel/Leisure have also increased their spending. Traditional media, including Out of Home (+6.3%) and Cinema (+3.0%) have proven to be more resilient than many had expected. Radio has shown moderate gains at +5.2% while TV, at +2.8%, remains a key driver of ROI in spite of the fact that spending is migrating to online video platforms. Digital media is seeing significant spending gains at +20% as many use Online Video and Social Media extend their television messages. The Presidential Elections in 2012 are expected to have the greatest impact on local television,

radio and social media. We expect these investment patterns to continue in the US in 2013 when ad spend is expected to remain robust at +4.2% growth.

In **Canada** the advertising market is stable, with all medias experiencing modest growth of between 2% and 3% with the exception of double-digit growth in Digital media spending at +15.3%. The retail sector will be the one to watch in the coming year as competitors prepare for the entry of popular US retailer Target into the Canadian market.

In **Brazil**, ad spends are predicted to be robust and increase by +10.5% this year with the highest growth rates from Digital at +21%, TV at +12% and Out of Home at +12%. Categories with high growth rates in 2011 were Personal Care, Media and Telecommunications. In terms of share of ad spends TV dominates with 68%. This is followed by Newspapers at 11% which, in spite of relatively low growth rates and decreasing share, remain an important medium for key categories such as Automotives and Real Estate. Magazines are the third most popular medium in Brazil with 7% share followed by Digital at 6%, Radio at 4% and Out of Home at 3%. Early indicators are that 2013 will see the rate of growth slowdown in the market – after several years of double-digit expansion - to a more moderate +8.0%.

In **Mexico** the ad market is expected to grow by +4.2% this year and a further +3.1% in 2013 and in **Argentina**, boosted by increasing media rates in the market, by +19.6% and +14.5% respectively.

EMEA

Western Europe continues to feel the effects of economic uncertainty, with low growth of +1.5% forecast for 2012, down from the forecast previously +3.0%. Western Europe is predicted to grow in 2013 by +2.2%.

UK growth forecasts for 2012 are expected to lead the Western European region with a positive +4.0%. By media, Newspapers are expected to decline by -2.0% and Magazines by -3.0% this year. Out of Home looks positive for 2012, with a forecast increase from -2% last year to a healthy +6%. This is in light of the heavy ad spend expected in 2012 for the Olympics Games in London. TV continues to show steady growth at +3.0%.

Digital media remains strong at +10.5% in 2012, with Display, Social Media and Video on Demand all continuing to grow impressively at double digit rates. Digital's share of ad spend in the UK currently stands at 33%. These positive trends are expected to continue in 2013. The highest growth rates in 2011 by category were Telecoms at +19.6%, Autos at +10.5% and Travel and Transport at +6.9%. These offset significant declines in Government spend down -11.8% and also in the Food category which was -11.3% lower. The Retail sector experienced a small reduction in spend at -3.4% as did Finance at -1.3%.

In **Germany**, the second half of 2011 and particularly the last quarter came in behind expectations with overall full year spends broadly flat at +0.5%. With the economic uncertainty continuing, ad spends are forecast to increase moderately by +1.2% in 2012 and by +2.0% in 2013.

The advertising market in **France** is expected to increase modestly in 2012 by +1.5% with more optimism for a better outlook in 2013 at +1.9%. 2012 is an election year in France, with national newspapers and news channels expected to see a rise in ad spend share.

After rebounding in 2010 by +4.5%, the ad market in **Italy** returned to negative figures in 2011 at -3.2%. With the exception of Digital which was very buoyant at +16.4%, all media saw a decline in spend in 2011. 2012 is expected to be more positive at +1.2% with a further marginal increase in 2013 +1.0%.

In **Spain** the ad market is still declining, driven by difficult economic conditions. 2012 is expected to be another negative year for the advertising market at -4.7%. This follows the -6.8% decline in 2011. The market is expected to return to growth in 2013 at +1.6%. Elsewhere in Western Europe, in 2012 ad spend is set for further declines in **Greece** (-8.7%), **Ireland** (-1.6%) and **Portugal** (-10%).

Central & Eastern Europe continues to perform strongly and is forecast to be up +9.5% in 2012 driven largely by Russia. Carat's forecast for Russia in 2012 is predicted to see a modification to +15.2% from the previously forecast +16.4%. The Russian advertising market will continue to rise by a predicted +12.8% in 2013.

Elsewhere in Central & Eastern Europe **Turkey** is expected to see growth of +5%, **Poland** +1%, **Czech Republic** +2.4% with **Hungary** declining by -2%, but returning to positive figures of +1.5% in 2013.

The **Middle East and North Africa** is expected to see an increase in ad spends for 2012 of +4.6%. Current trends indicate the positive growth momentum continuing into 2013, at +6.6%, although ongoing political uncertainty in some parts of the region could adversely impact growth prospects.

Asia Pacific

Asia Pacific remains strong with a predicted +8.7% growth in ad spend, an upward revision on the previously forecast +6.9% and an acceleration on +7.2% growth in 2011. A major factor in the performance in the region has been the recovery in Japan, returning to predicted positive growth rate of +3.0% in 2012, after four consecutive years of decline. This comes on top of consistent double-digit ad spend growth in China in 2012 - the world's second largest ad market - at +14.7%.

In **Australia** the advertising market in 2011 performed less well than expected affected by natural disasters and economic uncertainty with six of the top 10 categories reducing spends, including the top two categories of Retail (-2.3%) and Autos (-1.8%). Indicators, however, are for a better year in 2012, with the ad market forecast to increase by +2.9% and by +2.7% in 2013.

In **China**, ad spends in 2011 exceeded expectations growing by +15.4%. Similar growth rates are forecast for 2012 at +14.7% and in 2013 +14.6%. Digital spends grew by a very impressive +34.9% in 2011 with online video growth up +38% as audiences switched online for movie and programme content with improving broadband speeds. Mobile adspends saw the highest growth rate + 68.6% as smartphones became more affordable. Digital spends, however, make up only 9% of total investment, lower than the global average of 15%, with TV still dominating at c.61% share. Digital share, however, is expected to increase to 10% next year and 12% in 2014.

In **Japan** the ad market is expected to return to growth in 2012, up +3%. TV is expected to show a significant recovery, increasing by +2.9% after a decline in 2011 following the devastating earthquake and tsunami; Digital media spends are expected to grow by +9% this year.

India is forecast to grow by +9.0% in 2012 and by a further +9.9% in 2013. Unlike other major markets, Newspaper share of spend dominates in India at 39%, followed by TV at 38% and Out of Home at 7.5%. Against this backdrop, Digital media spend still has vast growth potential, with a current 4% share of spend, building on stellar growth rates of +35% this year and +38% next year.

Sector Breakdown

	Global year on year % growth at current prices		
	2011	2012	2013
Television	5.5 (6.0)	5.5 (6.2)	5.3
Newspapers	-1.0 (0.1)	0.0 (0.6)	1.0
Magazines	-0.7 (-0.4)	1.8 (2.3)	2.0
Radio	4.5 (4.0)	5.3 (5.5)	5.2
Cinema	7.2 (5.2)	4.8 (3.8)	5.4
Out of Home	7.1 (6.3)	8.8 (8.1)	9.2
Digital	14.0 (13.3)	16.5 (14.4)	13.5

	Global % Share of Advertising Spend		
	2011	2012	2013
Television	46.1 (46.0)	45.9 (46.1)	45.7
Newspapers	15.9 (16.2)	15.0 (15.4)	14.3
Magazines	9.9 (10.0)	9.5 (9.6)	9.2
Radio	7.1 (7.1)	7.1 (7.1)	7.1
Cinema	0.6 (0.6)	0.6 (0.6)	0.6
Out of Home	7.2 (7.1)	7.4 (7.2)	7.6
Digital	13.2 (13.0)	14.5 (14.0)	15.5

Figures in brackets show our previous forecasts from Aug 2011

Global Digital ad spend continues to drive the highest growth rates and is set to increase by a forecast +16.5% in 2012, as demand for Search and Display advertising continues and consumer appetite for Online Video and Social Media builds. This trend is set to continue in 2013 as multi-screen usage and mobile internet access grows and Digital ad spend growth is forecast to remain high at +13.5%. Most notably, in 2013, global share of Digital ad spend is forecast to overtake Newspapers to become the second most popular medium for advertiser's media investments.

From a global perspective Digital's share of ad spend is highest in the developed markets (North America, Western Europe, Australia, Japan and New Zealand) at 18% in 2012 and set to increase a % point next year to 19%. In Asia Pacific the average share of Digital ad spend is 13% but with Australia, Japan and South Korea exceeding 20% and China and India at just 9% and 4% respectively. In Latin America share of Digital ad spend averages 6%.

Both TV and Radio continue to be robust with predicted global ad spend growth of +5.5% and +5.3% respectively in 2012 and Out of Home is forecast to perform strongly in 2012 with +8.8% growth in ad spend as the media benefits from the expansion of digital Out of Home platforms. The growth of Digital, TV, Radio and Out of Home is at the expense of print media with Newspapers and Magazines set for very low single digit or no growth in 2012.

Overall by share, TV continues to take the lion's share of global ad spend at a predicted 45.9% for 2012. TV's share is dominant most notably in the faster-growing regions - Latin America at 62.9%, Asia Pacific at 49.7% and Central and Eastern Europe at 49.5%. In 2013 TV will continue to dominate ad spend at 45.7%, with Digital ad spend at 15.5% and Newspapers and Magazines shares declining to 14.3% and 9.2% respectively. Out of Home share is expected to increase to +7.6% (from +7.4% in 2012) whilst Radio and Cinema share are on a par with 2012 at +7.1% and +0.6%.