

PRESS RELEASE

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Global advertising downturn slows despite disappointing Q1

Mild global recovery in 2010; all regions to return to growth in 2011

- ZenithOptimedia downgrades its global ad growth forecast for 2009 to -8.5%
- First quarter came in below forecasts; slide continued in second quarter but at a lower pace
- Predictions for the rest of the year held steady as signs emerge that the downturn is approaching its lowest point
- Mild global recovery in 2010, helped by the Winter Olympics, FIFA World Cup and US mid-term elections
- North America to suffer third year of decline in 2010, while Western Europe stagnates
- Asia Pacific, Central & Eastern Europe, Latin America and the rest of the world to return to growth in 2010, followed by North America and Western Europe in 2011
- China overtakes UK to become fourth-largest ad market this year
- Internet advertising to grow 10% this year, and reach 15.1% share of global ad expenditure by 2011
- Newspaper adspend will shrink every year over our forecast period, falling to 22.7% below its 2007 peak in 2011

Advertising expenditure by region

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

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

	2007	2008	2009	2010	2011
North America	188,359	181,333	162,709	158,797	161,229
Western Europe	124,991	123,595	112,223	112,477	115,374
Asia Pacific	105,070	108,384	103,013	107,810	114,561
Central & Eastern Europe	31,293	35,218	29,826	30,837	33,861
Latin America	26,511	30,356	30,405	32,674	35,269
Africa/M. East/ROW	16,486	20,181	18,302	21,226	23,476
World	492,709	499,067	456,479	463,822	483,770

Source: ZenithOptimedia

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

	2007 v 06	2008 v 07	2009 v 08	2010 v 09	2011 v 10
North America	2.7	-3.7	-10.3	-2.4	1.5
of which USA	2.5	-4.1	-10.6	-2.7	1.4
Western Europe	6.0	-1.1	-9.2	0.2	2.6
Asia Pacific	6.5	3.2	-5.0	4.7	6.3
Central & Eastern Europe	23.9	12.5	-15.3	3.4	9.8
Latin America	16.3	14.5	0.2	7.5	7.9
Africa/M. East/ROW	24.8	22.4	-9.3	16.0	10.6
World	6.8	1.3	-8.5	1.6	4.3

Source: ZenithOptimedia

We have revised downwards our forecast for ad expenditure growth in 2009 to -8.5%, from our April prediction of -6.9%, after Q1 came in below our predictions. Faced with extreme uncertainty, advertisers in most sectors planned for the worst and cut their costs in anticipation of steep drops in revenue. In uncertain times advertising is often treated as a discretionary expense and cut early, despite much research that shows companies maintaining their ad expenditure in a recession come out of it stronger than those that do not.

The early predictions of steep revenue decline have been realised in some sectors (notably finance, automotive and business travel), but in not in others (such as retail and fast-moving consumer goods, and value products in general). For all sectors the shape of the rest of the year is becoming clearer. Q2 was not quite as tough as Q1, and we have held our expectations for the rest of the year steady, as signs emerge that the downturn is approaching its nadir. The downturn started in Q3 2008, so from now on year-on-year comparisons will start to get a lot easier.

Not every market is in decline this year. Of the 79 markets we cover, 25 are still growing. Many of these are small, young markets, but they also include heavyweights like China and India. We forecast China to grow 5.4% this year, overtaking the UK to become the world's fourth-largest ad market, while India grows 7.7% and overtakes Norway, Mexico and the Netherlands to become the 14th largest.

In 2010 we predict a mild global recovery of +1.6%, as 62 of our 79 markets experience growth. Looking at the different regions, those that went into the ad downturn first will suffer the most and come out of it last. We expect North America to shrink a further 2.4% in 2010, after shrinking 3.7% in 2008 and 10.3% in 2009. We forecast a stagnant 0.2% growth rate in Western Europe in 2010, following 1.1% decline in 2008 and 9.2% decline in 2009. But we predict that 2009 will be the only year of decline for Asia Pacific, Central & Eastern Europe, and Africa/Middle East/Rest of World, while Latin America will come to a halt rather than go into reverse. These regions will return to growth in 2010, followed by North America and Western Europe in 2011. In 2011 we predict all but five markets (Finland, Greece, the Netherlands, Norway and Taiwan) will grow, while global ad recovery builds to +4.3%.

Global advertising expenditure by medium

Internet advertising has held up even better than we predicted three months ago. Its familiar virtues of transparency, accountability and flexibility have proved even more attractive in a recession than ever. We forecast internet ad expenditure to grow 10.1% globally in 2009, ahead of our 8.6% prediction in April. By 2011 we expect it to account for 15.1% of all ad expenditure, up from 10.5% in 2008. Most of this growth will come from paid search, which is an ideal method of reaching consumers looking for bargains. In the US we predict search advertising to grow 20.0% in 2009, while traditional display grows 3.0% and classified grows just 1.8%. Microsoft's launch of its new search engine – Bing – provides welcome competition to Google and should spur further innovation in search.

The internet is the only medium we expect to grow in 2009. Among the other media, we forecast television, cinema and outdoor to decline by less than the market as a whole, shrinking by 7.1%, 4.8% and 7.0% respectively. Some advertisers, particularly in the fast-moving consumer goods sector, are taking advantage of cheap television and increasing their volumes, targeting higher market share. Cinema often does relatively well in a recession, providing consumers with escapist entertainment. Digital billboards and other non-traditional forms of outdoor are attracting budgets from other media by offering new types of eye-catching display.

Newspaper advertising peaked at US\$131 billion in 2007 and has fallen ever since. We predict newspaper ad expenditure to shrink 14.7% in 2009 and to continue shrinking for the rest of our forecast period. In 2011 we forecast newspaper ad expenditure will total US\$101 billion, 22.7% below its 2007 peak. Magazines face an even tougher time this year as luxury advertisers cut back severely: we forecast a 16.7% decline in magazine advertising in 2009. But their long-term prospects are brighter than those of newspapers, since the experience of reading a magazine is less easy to replicate on the internet. We predict that magazine advertising will return to 1.5% growth in 2011, reaching US\$46 billion, 22.4% below its own 2007 peak.

The return to growth in 2010 and 2011 will bring no end to the pain of many big media owners. New technologies are reducing entry costs, providing a lot of new competition for the established players. Television networks are losing viewers to digital channels and video websites; newspaper websites are losing readers to bloggers; radio stations are losing listeners to podcasts; and so on. Competition for consumers' attention, and the ad revenue that comes with it, will only get more intense as the world economy recovers.

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

	2007	2008	2009	2010	2011
Newspapers	130,744	123,748	105,533	101,499	101,019
Magazines	59,475	56,886	47,373	45,490	46,161
Television	181,322	186,822	173,625	179,508	186,929
Radio	38,697	37,853	34,036	33,676	34,515
Cinema	2,283	2,394	2,278	2,427	2,641
Outdoor	31,730	32,764	30,469	31,468	33,384
Internet	42,281	51,601	56,797	63,124	72,085
Total *	486,532	492,067	450,110	457,192	476,733

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 2007-2011 (%)

	2007	2008	2009	2010	2011
Newspapers	26.9	25.1	23.4	22.2	21.2
Magazines	12.2	11.6	10.5	9.9	9.7
Television	37.3	38.0	38.6	39.3	39.2
Radio	8.0	7.7	7.6	7.4	7.2
Cinema	0.5	0.5	0.5	0.5	0.6
Outdoor	6.5	6.7	6.8	6.9	7.0
Internet	8.7	10.5	12.6	13.8	15.1

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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

ZenithOptimedia is one of the world's leading global media services agencies with 218 offices in 72 countries.

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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

Director of Client Service - Worldwide

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@zenithoptimegroup.com.hk

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