PRESS RELEASE

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Rate of global adspend decline now clearly slowing, after worse than expected first half of 2009

Modest adspend growth to return in 2010

- New information about weak first half causes ZenithOptimedia to downgrade its global ad growth forecast for 2009 to -9.9%
- But the second half is developing in line with predictions, demonstrating clear improvement in the rate of decline
- Developing markets to grow a healthy 7.8% in 2010 and 9.8% in 2011
- But structural economic problems will drag developed markets down 2.9% in 2010, before modest 1.5% recovery in 2011
- Internet advertising to grow 9% this year, and reach 14.9% share of global ad expenditure by 2011
- Newspaper and magazine ad expenditure will shrink every year over our forecast period, falling to 25% and 28% below their respective 2007 peaks by 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	186,758	179,763	157,107	150,832	152,059
Western Europe	122,888	121,016	107,450	106,341	109,736
Asia Pacific	104,919	107,332	103,966	107,442	114,450
Central & Eastern Europe	31,296	35,227	27,862	29,258	32,071
Latin America	26,511	30,404	30,573	32,533	34,968
Africa/M. East/ROW	16,486	20,181	17,879	20,483	22,627
World	**488,858**	**493,924**	**444,837**	**446,889**	**465,911**

Source: ZenithOptimedia

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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	2.6	-3.7	-12.6	-4.0	0.8
of which USA	*2.4*	*-4.2*	*-12.9*	*-4.4*	*0.7*
Western Europe	4.3	-1.5	-11.2	-1.0	3.2
Asia Pacific	6.3	2.3	-3.1	3.3	6.5
Central & Eastern Europe	23.9	12.6	-20.9	5.0	9.6
Latin America	16.3	14.7	0.6	6.4	7.5
Africa/M. East/ROW	24.8	22.4	-11.4	14.6	10.5
World	**6.3**	**1.0**	**-9.9**	**0.5**	**4.3**

Source: ZenithOptimedia

More details have emerged about how painful the first half of 2009 was for the media industry. The world's largest media owners suffered an average 13.1% drop in their media revenues in the first six months of the year, and this probably understates the decline suffered by the industry as a whole. The average figure does not include the results of the US publisher and broadcaster Tribune Company, which entered Chapter 11 bankruptcy in December 2008. It does include 4.0% growth from Google, which has been the main beneficiary of growth in internet advertising – the only form of advertising that has continued to grow. Apart from Google, every one of the top media owners shrank in the first half of 2009.

The world's top 'pure' media owners
Change in revenues in H1 2009 *Year-on-year (%)*

	Total revenues	**Media revenues**
Time Warner	-7.9	-7.7
News Corporation	-13.2	-16.4
Google	4.5	4.0
CBS Corporation	-12.5	-16.5
Bertelsmann	-6.8	-9.9
Gannett	-17.8	-17.6
Yahoo!	-12.8	-12.8
Clear Channel Communications	-22.1	-22.5
Mediaset	-13.2	-13.7
ITV	-11.8	-16.0
DMGT	-14.6	-16.2
TF1	-16.4	-16.7
Axel Springer	-6.6	-2.9
New York Times Company	-19.9	-18.8
JCDecaux	-13.3	-13.3
Average	**-12.3**	**-13.1**

Source: ZenithOptimedia
Note: 'Pure' media owners here refer to companies that derive more than half their revenues from advertising-funded activities, such as television broadcasting or newspaper publishing. 'Total revenues' refers to all the revenues generated by these companies; 'media revenues' refers only to the revenues generated by these advertising-funded activities, as far as they can be separated from the companies' other activities. Obviously this list only includes media owners that have published financial results for the relevant periods.

In the light of these results we have revised downwards our forecasts for global ad expenditure growth this year to -9.9%, from the -8.5% we published in July. However, this downgrade almost entirely relates to first-half activity. Since then improvements in economic confidence have been accompanied by positive signals from media owners that the downturn is bottoming out. We are still confident that the second half of the year will be much less painful for the ad market than the first half, and expect the market to hit bottom before the end of 2009.

We now forecast a meagre 0.5% recovery in 2010, down from 1.6% in July. This figure marks a sharp disparity between developed markets, which we expect to shrink another 2.9%, and developing markets, which we expect to grow by a very healthy 7.8%. (Here we define developed markets as North America, Western Europe and Japan, and developing markets as everywhere else.) The credit crisis has exposed deep structural problems in developed economies that will take years to resolve, and there remains plenty of uncertainty over the timing and scale of recovery as governments struggle to maintain spending in the face of ballooning debt. In contrast, many developing markets have continued to grow throughout the crisis, and others look well positioned for a strong recovery in 2010. Ad expenditure has continued to grow in 27 developing markets this year, and we predict that number will nearly double to 52 in 2010. All developed markets are shrinking this year, but we expect nine to return to growth in 2010.

Looking to the longer term, we predict 4.3% growth in global ad expenditure in 2011, with all regions experiencing at least some expansion. This number – unchanged from our July forecast – is somewhat below the 5%-6% average growth rate for the global ad market, but would represent a welcome step towards normality. We expect developing ad markets to accelerate to 9.8% growth in 2011, while developed markets experience a mild 1.5% recovery. Developing markets' share of global ad expenditure is rising rapidly: we forecast it to reach 35% in 2011, up from 29% in 2008.

Global advertising expenditure by medium

The internet is the only medium we expect to grow in 2009, by 9.2%. This is slightly lower than the 10.1% growth we forecast in July, but we have downgraded internet advertising by less than the market as a whole. Most of this growth is coming from paid search and innovative formats. In the US – where we have the most detailed breakdown of internet advertising by type – we forecast paid search will grow by 20% in 2009, while internet video grows 19%, social media grows 45% and mobile grows 69%. Traditional display and classified are practically static in comparison: we forecast them to grow by 3% and 2% respectively this year. Globally, we predict internet advertising to account for 14.9% of all ad expenditure by 2011, up from 10.2% in 2008.

All other media are shrinking. Most are shrinking at around the market average rate, but newspapers and magazines are in steep decline: we forecast newspaper ad expenditure to fall 17% this year, and magazine ad expenditure to shrink 20%. In both cases this is a particularly severe example of a longer-term trend; these media have been in decline since 2007, and we expect them to remain in decline for the rest of our forecast period. By 2011 we forecast newspaper ad expenditure to be 25% below its 2007 peak, while magazine ad expenditure is 28% below its own peak. Prospects for other media are more encouraging: we expect television, cinema and outdoor advertising to return to growth in 2010, followed by radio in 2011.

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

	2007	**2008**	**2009**	**2010**	**2011**
Newspapers	130,178	123,109	102,136	97,703	97,228
Magazines	59,196	56,588	45,415	42,762	42,573
Television	180,460	185,788	172,320	174,836	183,177
Radio	38,583	37,630	33,647	33,280	34,216
Cinema	2,268	2,377	2,180	2,274	2,422
Outdoor	31,752	31,888	29,112	29,828	31,430
Internet	40,242	49,544	54,087	60,253	68,557
Total *	**482,680**	**486,924**	**438,896**	**440,936**	**459,603**

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	27.0	25.3	23.3	22.2	21.2
Magazines	12.3	11.6	10.3	9.7	9.3
Television	37.4	38.2	39.3	39.7	39.9
Radio	8.0	7.7	7.7	7.5	7.4
Cinema	0.5	0.5	0.5	0.5	0.5
Outdoor	6.6	6.5	6.6	6.8	6.8
Internet	8.3	10.2	12.3	13.7	14.9

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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