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Underlying growth in global adspend strengthens in 2017

Global advertising expenditure will grow 4.2% to US\$559bn in 2017, according to Zenith's new *Advertising Expenditure Forecasts*, published today. That's down from 4.8% growth in 2016. However, 2016 was a 'quadrennial year', and benefited from extra adspend stimulated by the US elections, Summer Olympics in Rio and the football championships in Europe, making the annual comparisons tougher for 2017. These events added about US\$6bn to the global total in 2016; after adjusting for this, underlying growth will actually strengthen from 3.6% in 2016 to 5.4% in 2017. This growth is coming from acceleration in Latin America and Central & Eastern Europe, and continued strong expansion in Asia Pacific.

Recovery in Latin America and Central & Eastern Europe

Conditions in Latin America are improving: Brazil has emerged from its longest recession since the 1930s, while Argentina is finally tackling inflation as its economy starts to recover too. Central & Eastern Europe is gathering speed after conflict and sanctions hit Russia and connected markets in 2015. We forecast 4.1% growth in adspend in Latin America this year, up from a 0.2% decline last year, and 7.3% growth in Central & Eastern Europe, up from 4.1% growth last year.

Asia Pacific is leading global adspend growth

Advertising expenditure in Asia Pacific will grow by US\$30bn between 2016 and 2019, contributing 43% of the global growth in adspend over this period, Asia Pacific will contribute nearly 50% more ad dollars than the next region, North America, which will grow by US\$20bn (29% of global growth). Western Europe will grow by US\$8bn (11%), Central & Eastern Europe will grow by US\$4bn (6%), and Latin America will grow by US\$3bn (4%).

By 2019 Asia Pacific will account for 33.4% of global adspend, up from 32.1% in 2016. This will be the first time it will account for more than a third of the global total. The Asia Pacific ad market will still be smaller than the ad market in North America, which will account for 36.3% of global adspend in 2019, but the gap between the two is narrowing. In 2013 the North

American ad market was US\$35bn larger than Asia Pacific's, but by 2016 the difference had dropped to US\$27bn, and we expect it to fall to US\$18bn in 2019.

Weak growth in the UK drags down Western Europe

The UK was the stand-out growth market in Western Europe from 2011 to 2016, growing at an average of 7.3% a year while the rest of the region grew by just 0.4% a year. However, a slowing economy, gathering inflation, and political uncertainty over the mid-year elections and upcoming Brexit negotiations have all contributed to a sharp drop in adspend growth in the UK in 2017. We now forecast just 0.9% growth in UK adspend this year, compared to 2.4% growth for the rest of Western Europe, and down from 9.6% growth in UK adspend in 2016. This drop in UK growth, together with the quadrennial comparison, will drag growth in Western European adspend down from 4.6% in 2016 to 2.0% in 2017.

Media & entertainment advertisers most confident of growth this year

In the run-up to the Cannes festival, we conducted an exclusive survey about brand growth among key Zenith clients. As part of this survey we asked advertisers around the world how confident they were in the prospects for growth in their category this year. We then ranked each category on a scale from 0 to 100, where 0 means everyone expects substantial decline, 100 means everyone expects substantial growth, and 50 means the average expectation is for no growth.

The results were as follows. Media & entertainment advertisers came out on top, with a score of 82.1, followed by pharma/healthcare and alcohol. The lowest-scoring category was telecommunications, at 33.3, followed food & drink and FMCG (excluding food).

Ranking of categories by advertiser confidence in growth

Survey of 158 key Zenith clients around the world

<i>Category</i>	<i>Confidence index</i>	<i>Category</i>	<i>Confidence index</i>
1. Media & entertainment	82.1	7. Travel	61.4
2. Pharma/healthcare	70.3	8. Retail	60.0
3. Alcohol	70.0	9. FMCG (non-food)	55.7
4. Luxury	67.6	10. Financial/insurance	53.6
5. Beauty	67.2	11. Food & drink	48.4
6. Automotive/vehicles	63.6	12. Telecommunications	33.3

“Latin America and Central & Eastern Europe are improving, but Asia Pacific remains the main engine of global adspend growth,” said Jonathan Barnard, Head of Forecasting and Director of Global Intelligence at Zenith. “China may be slowing, but it’s still growing at US\$5bn a year, while India, Indonesia and the Philippines grow at double-digit rates.”

“Global advertising budgets are rising steadily but cautiously, and are falling slightly behind overall economic growth,” said Vittorio Bonori, Zenith’s Global Brand President. “After a decade of cost-cutting since the financial crisis, we believe brands now need to focus on top-line growth. Our survey shows that brands are looking to data and technology as the main driver of business growth, closely followed by business transformation and new competitive positioning.”

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About Zenith

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