

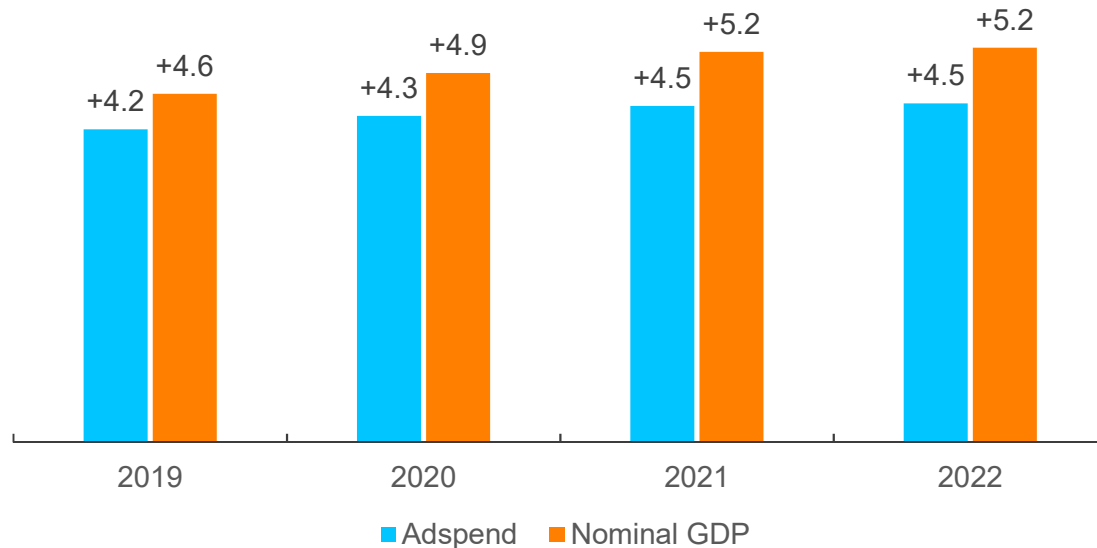
Advertising Expenditure Forecasts December 2019

Executive summary

Zenith predicts global ad expenditure will grow 4.3% in 2020, reaching US\$666bn by the end of the year. This is unchanged from the 4.3% growth prediction we made in September. Next year's growth rate will be barely above 2019's 4.2%, a big disappointment given the presence of the Summer Olympics, UEFA Euro 2020 and the US Presidential elections, which we estimate will add a net US\$7.5bn to the global market. The trade war between the US and China is disrupting economies around the world, and will prevent the global ad market achieving its potential in 2020.

We expect advertising expenditure to grow behind the global economy as a whole for the next three years.

Growth of advertising expenditure and GDP 2019-2022 (%)

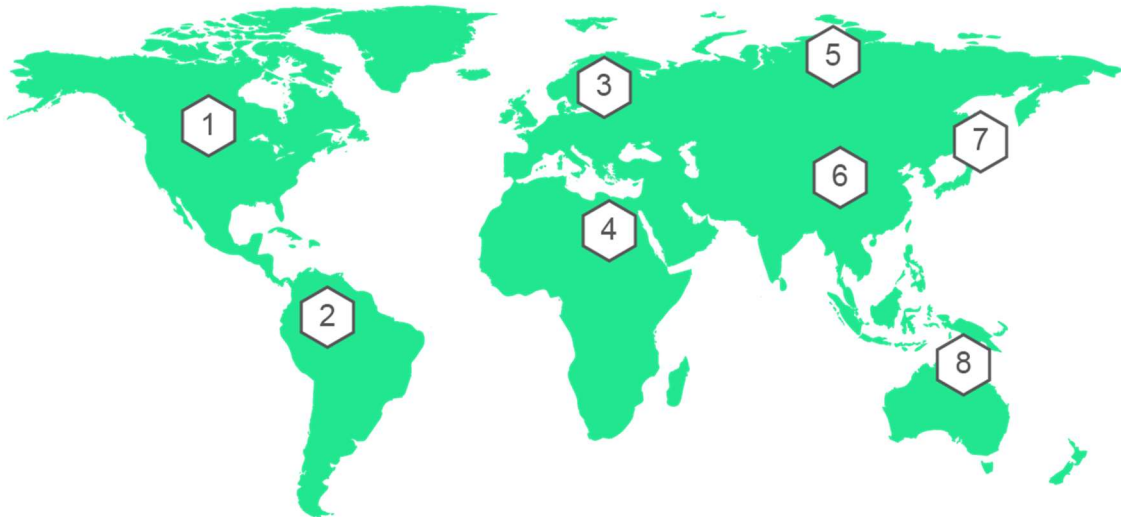


Source: Zenith/IMF

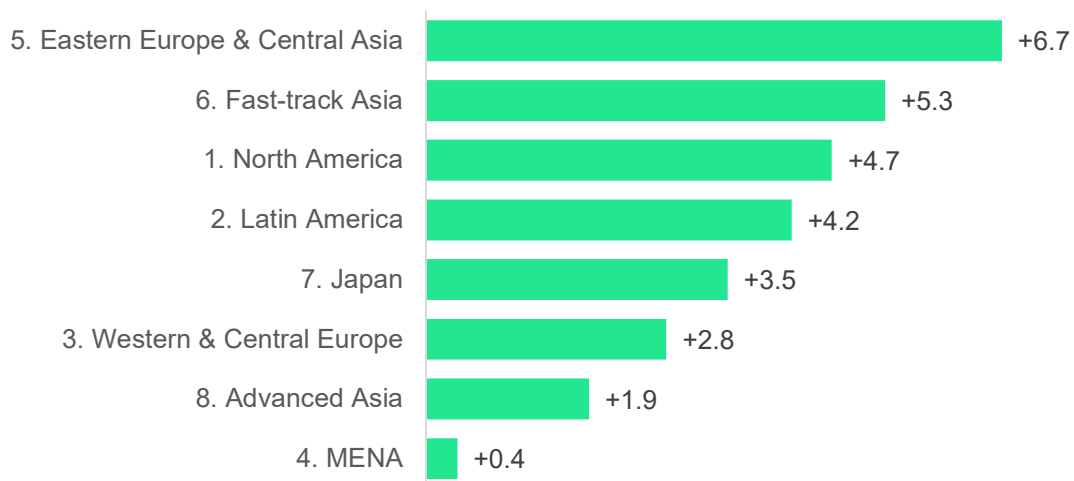
Forecast by regional bloc

We regularly examine the growth rates of different regional blocs defined by the similarity of the performance of their ad markets as well as their geographical proximity. This captures the behaviour of different regional ad markets more effectively than looking at regions

defined purely by geography, such as Western Europe, Central & Eastern Europe and Asia Pacific. See the end of the Executive Summary for a complete list of countries by bloc.



Growth in adspend by regional bloc 2019-2020 (%)



Source: Zenith

1. North America

North America's ad market has been boosted by the flood of new small and medium-sized companies using Facebook and Google to advertise for the first time, as well as digital-native brands using both digital and traditional media to boost awareness. Adspend grew by 8% in both 2017 and 2018, followed by 5% growth in 2019, and we forecast continued 5% annual growth to 2022. The pace of change is set by the US, where advertisers spend 20 times more than they do in Canada. The US economy seems relatively robust, with a strong labour market and healthy consumption, though arguments over international trade continue.

2. Latin America

Argentina enjoyed a brief respite from recession in 2017, but succumbed again in 2018. Its economy has continued to shrink in 2019, with no respite in sight. We estimate that adspend has shrunk by 20% in 2019, and forecast another 20% decline for 2020, followed by 10% declines in 2021 and 2022. This will weigh on Latin America's overall growth rate, which we forecast at 4.5% between 2019 and 2022, boosted by strong growth from Mexico. We estimate Mexico's growth in 2019 at 12%, and forecast 8% growth in 2020 and 2021.

3. Western & Central Europe

Western & Central Europe has enjoyed solid growth from 2014 to 2018, at 3% to 5% a year. In 2019, though, weak trade and manufacturing have led to a dip in economic growth, though continued growth in consumption has averted recession. Our forecasts for the biggest markets in this bloc are largely unchanged since September, but we have reduced our forecasts for 2019 growth in Belgium and Norway by three percentage points, and in Switzerland by two points. Overall, we estimate growth at just 1.7% in 2019, followed by 2.8% average growth to 2022.

4. MENA

In September last year we thoroughly revised our historic estimates of ad expenditure in MENA, and added figures for Iraq, Jordan and Syria, as well as channels targeting Asian-language speakers across the region. The net effect of these changes is that our estimate of regional adspend is now higher than it was previously, but so too is our estimate of the shock the region has suffered from the drop in oil prices since 2014, political turmoil and conflict. We now estimate that adspend shrank by 47% between 2014 and 2018, will decline by another 4.8% by the end of 2019, before the market stabilises at 0.4% growth in 2020

and then grows by 1.0% in 2021 and 2022, which would be MENA's first substantial growth since 2014.

5. Eastern Europe & Central Asia

Adspend in Eastern Europe & Central Asia has been growing at double-digit rates since 2016, as key markets have been recovering from the disruption caused by conflict in Ukraine, subsequent sanctions, a sharp drop in oil prices and devaluation of local currencies. Now the recovery phase is over, we forecast adspend growth at 7% a year on average to 2022, which will make Eastern Europe & Central the fastest-growing regional bloc over this period.

6. Fast-track Asia

Fast-track Asia is characterised by economies that are growing extremely rapidly as they adopt existing technology and practices and innovate new ones, while benefiting from the rapid inflow of funds from investors hoping to tap into this growth. Fast-track Asia has enjoyed high single-digit or double-digit growth since 1996, and barely noticed the 2009 downturn. Growth is slowing, however, now that some of the region's markets, notably China, have achieved substantial scale. We forecast 5.0% average annual growth between 2019 and 2022. This is less rapid than the growth in Eastern Europe & Central Asia, but Fast-track Asia is ten times larger, so contributes a lot more to global adspend growth in dollar terms.

7. Japan

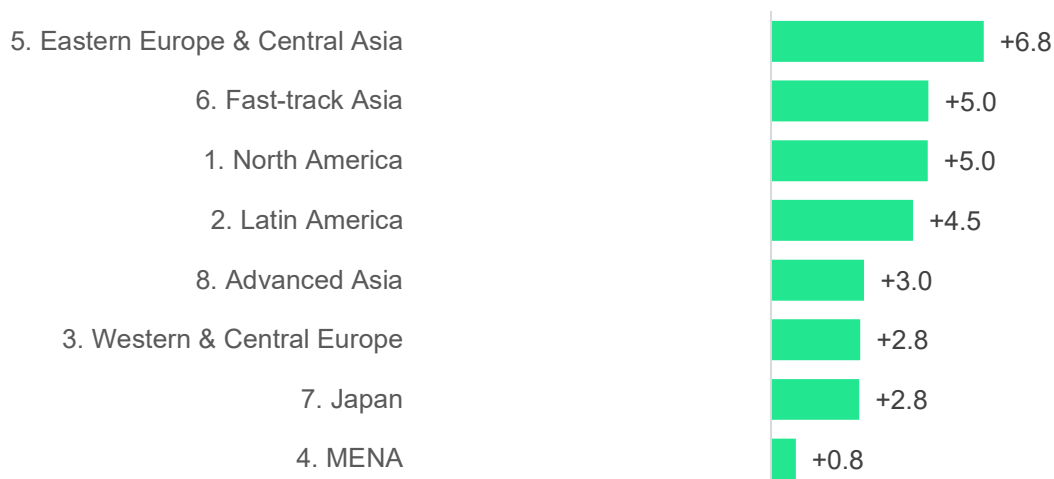
Japan behaves differently enough from other markets in Asia to be treated separately, with a persistent history of low growth. However, the ad market sprang to life in 2018 with 6.2% growth, its best result since 2005. We don't expect this sort of growth to persist, but are more optimistic for the next few years, and forecast 2.8% growth a year to 2022 on average.

8. Advanced Asia

Apart from Japan, there are five countries in Asia with developed economies and advanced ad markets that we have placed in a group called Advanced Asia: Australia, New Zealand, Hong Kong, Singapore and South Korea. In these markets adspend growth normally sits in between growth in Fast-track Asia and Japan, and generally closer to Japan. Adspend growth turned out to be stronger than expected in 2018, ending the year at 4.0%, but has

slipped back to 1.4% in 2019. Singapore has suffered the worst year of its four consecutive years of decline, with an estimated 13% drop in adspend this year, triggered by a sharp drop off in exports related to the US-China trade war. We forecast 3.0% average annual growth for Advanced Asia to 2022, assuming mild recovery in Singapore from 2020.

Average annual growth in adspend by regional bloc 2019-2022 (%)



Source: Zenith

Of the various blocs, MENA is the clear underperformer, and Eastern Europe & Central Asia the outperformer. There are two other clusters, with Fast-track Asia, North America and Latin America outpacing Advanced Asia, Western & Central Europe and Japan.

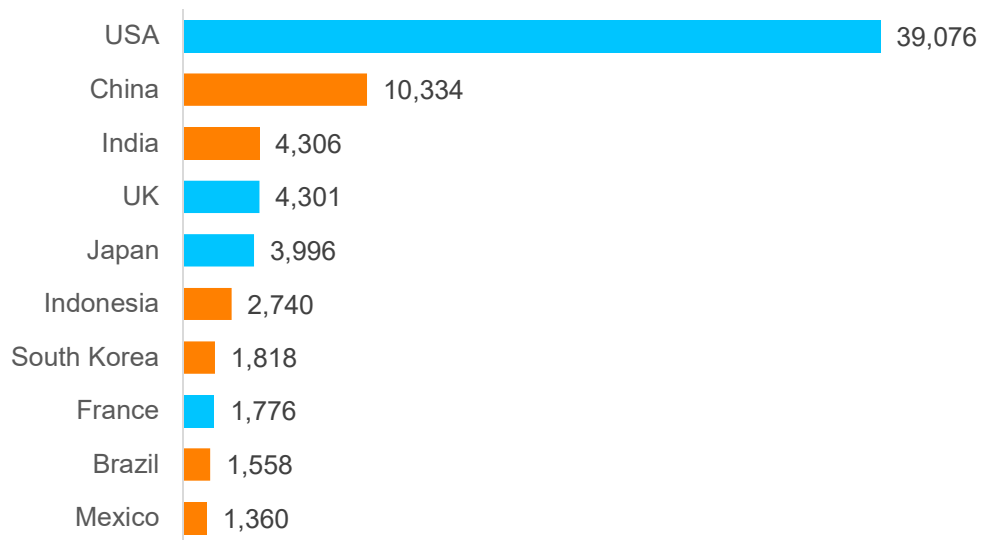
Forecast by leading advertising markets

The US will be by some distance the leading contributor of new ad dollars to the global market over the next three years, followed by China. Between 2019 and 2022 we forecast global advertising expenditure to increase by US\$89bn in total. The US will contribute 44% of this extra ad expenditure and China will contribute 12%, followed by India, the UK and Japan at 5% each.

Six of the ten largest contributors will be Rising Markets* (China, India, Indonesia, South Korea, Brazil and Mexico), and between them they will contribute 25% of new adspend over the next three years. Overall, we forecast Rising Markets to contribute 40% of additional ad

expenditure between 2019 and 2022, and to increase their share of the global market from 35% to 36%.

Top ten contributors to adspend growth 2019-2022 (US\$m)



Source: Zenith

The world's top eight advertising markets by size will remain stable between 2019 and 2022. India will overtake Australia to take ninth place, pushing Australia into tenth and Canada out of the top ten.

Top ten ad markets

US\$m, current prices. Currency conversion at 2018 average rates.

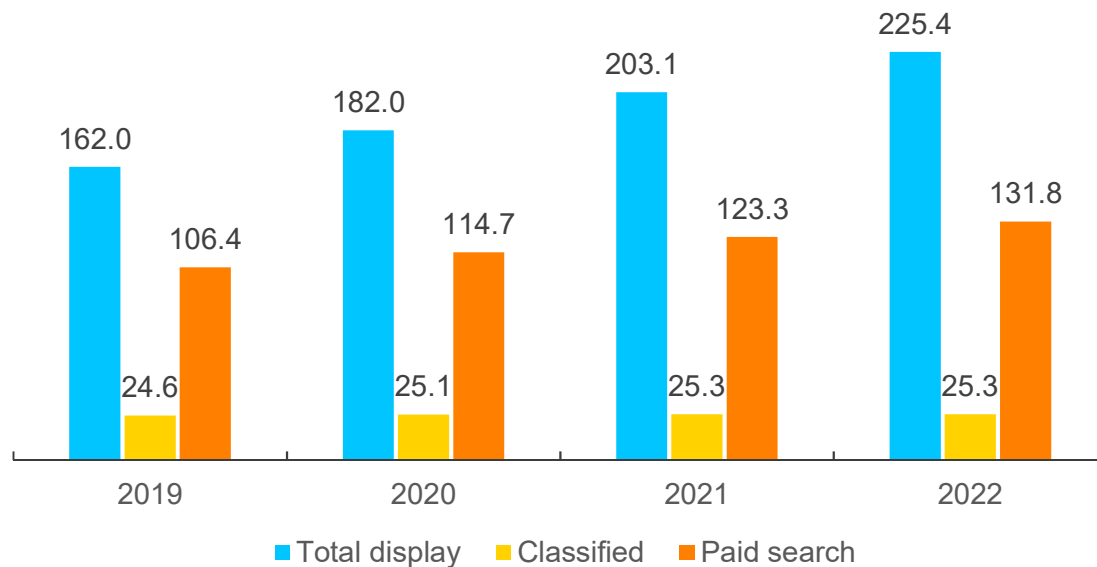
<i>Country</i>	<i>Adspend 2019</i>	<i>Country</i>	<i>Adspend 2022</i>
1. USA	242,536	1. USA	281,612
2. China	91,410	2. China	101,744
3. Japan	46,037	3. Japan	50,033
4. UK	28,374	4. UK	32,675
5. Germany	24,755	5. Germany	25,217
6. France	13,905	6. France	15,681
7. Brazil	13,846	7. Brazil	15,404
8. South Korea	13,471	8. South Korea	15,289
9. Australia	12,695	9. India	14,354
10. Canada	11,019	10. Australia	13,385

Source: Zenith

Global advertising expenditure by medium

In 2016 internet advertising overtook advertising on traditional television to become the world's biggest advertising medium, accounting for 35% of total ad expenditure. Despite its size, internet adspend continues to grow rapidly, with 11% growth in 2019. We forecast 10% growth in internet advertising in 2020, and an average of 9% growth to 2022, when we expect internet advertising to account for 54% of global adspend, up from 47% in 2019.

Internet adspend by type 2019-2022 (US\$bn)



Source: Zenith

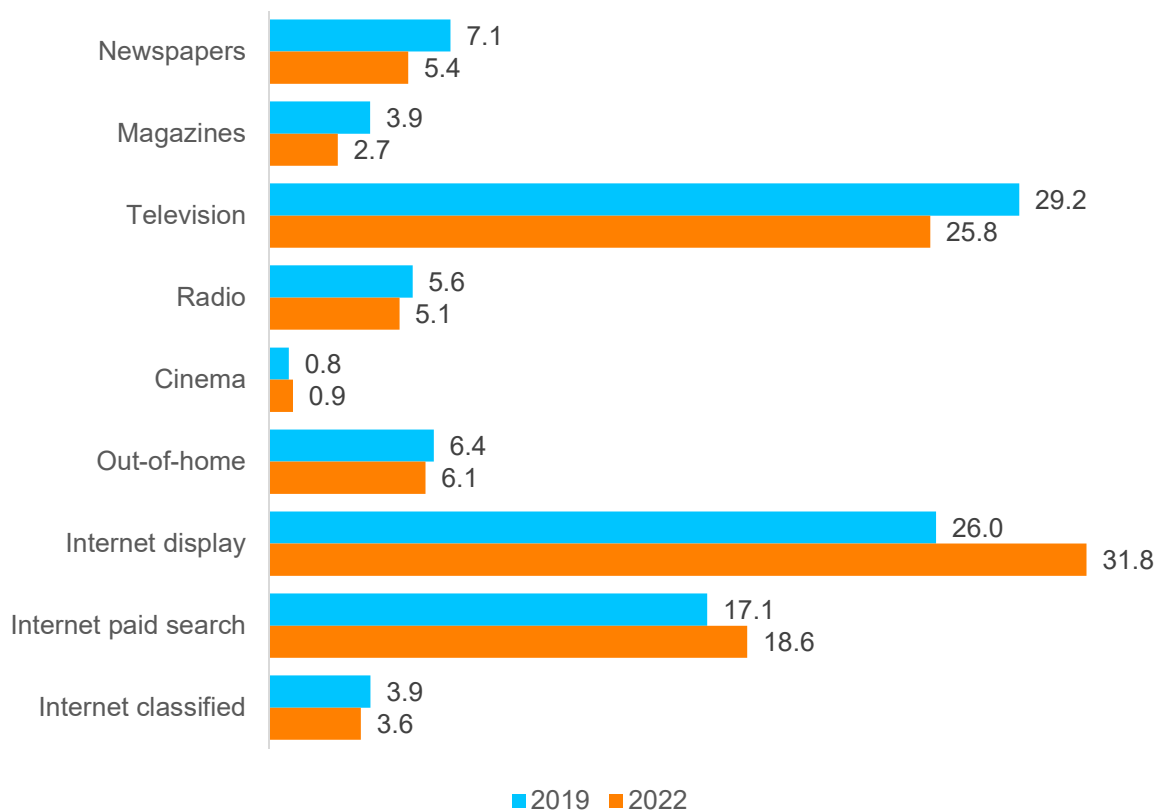
Display is the fastest-growing internet sub-category, with 12% annual growth forecast to 2022. Here we include traditional display (such as banners), online video and social media. All three types of display have benefited from the transition to programmatic buying, which allows agencies to target audiences more efficiently and more effectively, with personalised creative. Online video and social media are currently the driving forces of internet adspend growth: we forecast them each to grow at average rates of 17% and 14% a year respectively between 2019 and 2022. Online video is benefiting from the increasing availability of high-quality content, and improvements to the mobile viewing experience, such as better displays and faster connections. And for many consumers, checking their mobile devices for social media has become a regular, ingrained habit, while social media ads blend seamlessly into their mobile app newsfeeds. Note that these are not mutually exclusive categories: online video ads are now an important component of social media platforms' revenues.

Paid search and classified are now both lagging behind display, growing at an average of 7% and 1% a year to 2022 respectively.

The rise of mobile technology has transformed the way consumers use the internet, and the way brands communicate with consumers. In 2017, more money was spent on mobile ads (US\$117bn) than desktop ads (US\$107bn) for the first time. However, as technology has

developed, the distinction between mobile and desktop has blurred. Instead of a sharp divide between small smartphones, larger tablets, even larger laptops and desktops, devices have a wide range of differently sized screens, some with integral keyboards and others with detachable keyboards. Many large-screen smart-TVs run on mobile operating systems. For many brands, the number of people who view their ads on mobile devices rather than desktop PCs is largely irrelevant to their planning – it is an outcome of whatever their target audiences happened to be using when they came across the ads. While for now we will continue to track mobile and desktop advertising separately, the distinction is becoming less relevant and meaningful all the time.

Share of global adspend by medium (%)



Source: Zenith

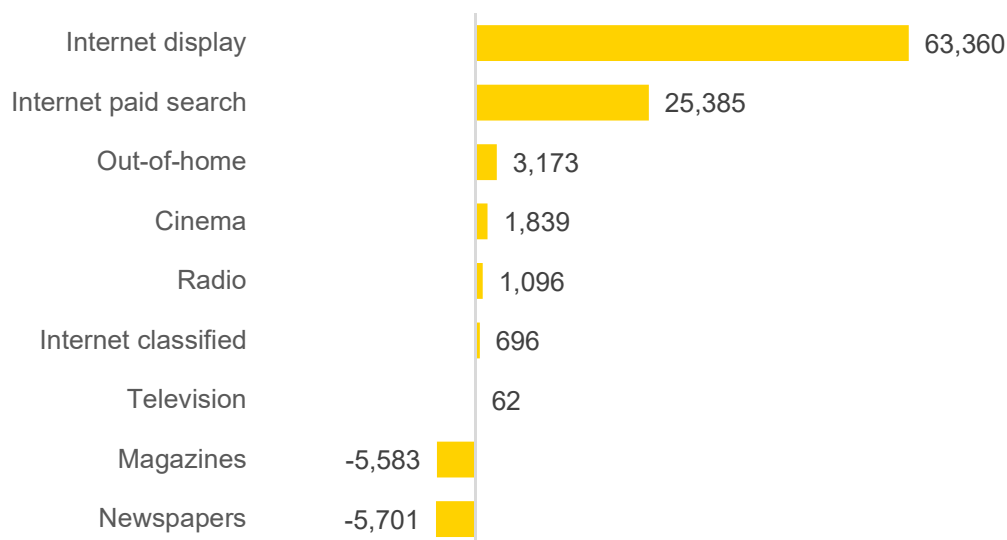
Since it began in the mid-1990s, internet advertising has principally risen at the expense of print. Over the last ten years internet advertising has risen from 15% of total global spend (in 2009) to 47% (in 2019). Meanwhile newspapers’ share of global spend has fallen from 23% to 7%, while magazines’ has fallen from 10% to 4%. Print titles will continue to lose market

share as their readers continue to move to online versions of the print brands or other forms of information and entertainment entirely. We predict newspapers and magazines will shrink at average rates of 5% and 8% a year respectively, ending with respective 5% and 3% market shares in 2022.

Note that our figures for newspapers and magazines include only advertising in printed editions of these publications, not on their websites, or in tablet editions or mobile apps, all of which are picked up in our internet category. The performance of print editions does not describe the overall performance of newspaper and magazine publishers.

Television was the dominant advertising medium between 1996 (when it overtook newspapers with a 37% market share) and 2015 (when it attracted 36% of total advertising expenditure). In 2016, however, the internet overtook television to become the largest advertising medium. Television’s share peaked at 38.7% in 2012, fell to 29.2% in 2019, and will be 25.8% in 2022, its lowest share we have on record. (Our figures go back to 1980.)

Contribution to global growth in adspend by medium 2019-2022 (US\$ million)



Source: Zenith

Internet display is by some distance the main driver of global adspend growth, driven by the (overlapping) expansion of social media and online video. We forecast internet display, search and classified advertising to contribute US\$89bn in extra adspend between 2019 and

2022 (again excluding markets where we don't have a breakdown by medium). This growth will be counterbalanced by a US\$11bn decline from print. Television will be essentially static, while out-of-home will enjoy the most growth among the 'traditional' media, of US\$3bn, powered by contractors' continued investment in digital displays.

Appendix

List of countries included in the regional blocs

North America: Canada, USA

Western & Central Europe: Austria, Belgium, Bosnia & Herzegovina, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK

Eastern Europe & Central Asia: Armenia, Azerbaijan, Belarus, Bulgaria, Estonia, Georgia, Kazakhstan, Latvia, Lithuania, Moldova, Russia, Turkey, Ukraine

Japan

Advanced Asia: Australia, Hong Kong, New Zealand, Singapore, South Korea

Fast-track Asia: China, India, Indonesia, Malaysia, Pakistan, Philippines, Taiwan, Thailand, Vietnam

Latin America: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Peru, Puerto Rico, Uruguay

Middle East & North Africa: Bahrain, Egypt, Iraq, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Syria, UAE

*We define Mature Markets as North America, Western Europe and Japan, and Rising Markets as everywhere else

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