

PRESS RELEASE

World Cup to boost adspend growth in 2006 Internet to sustain momentum to 2008

- Global ad growth to increase from 4.9% in 2005 to 6.0% in 2006, assisted by the stimulus of the World Cup
- Advertising now growing faster than GDP
- Most of the largest contributors to advertising growth are emerging markets
- Internet advertising to overtake outdoor in 2007

Ad expenditure grew 4.9% in 2005, which is the average rate at which expenditure has grown for the last decade. The football World Cup will arouse intense interest and produce plenty of promotional opportunities, and we expect it to help ad expenditure to grow over a percentage point faster – by 6.0% – in 2006. We think growth will slow slightly, but remain above trend, to 5.6% in 2007 and 5.3% in 2008.

Advertising expenditure

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

US\$ million, current prices. Currency conversion at 2004 average rates.

	2004	2005	2006	2007	2008
North America	168,250	173,271	182,209	189,878	197,369
Europe	104,567	108,448	113,010	117,726	122,657
Asia/Pacific	78,802	83,162	88,819	95,420	101,816
Latin America	15,546	18,021	19,754	21,090	22,244
Africa/M. East/ROW	18,160	21,206	24,581	28,043	32,190
World	385,324	404,108	429,373	452,157	476,276

Source: ZenithOptimedia

Year-on-year change (%)

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

	2004 v 03	2005 v 04	2006 v 05	2007 v 06	2008 v 07
North America	6.1	3.0	5.2	4.2	3.9
<i>of which USA</i>	6.0	2.9	5.2	4.2	4.0
Europe	6.4	3.7	4.2	4.2	4.2
Asia/Pacific	6.5	5.5	6.8	7.4	6.7
Latin America	13.4	15.9	9.6	6.8	5.5
Africa/M. East/ROW	27.7	16.8	15.9	14.1	14.8
World	7.4	4.9	6.0	5.6	5.3

Source: ZenithOptimedia

We forecast that world ad expenditure will grow faster than world GDP in every year to 2008. Advertising accounted for 0.96% of world GDP in 2005, and we expect this to rise to 0.99% by 2008. This would be its first period of consistent out-performance since the late 1990s and suggests that the advertising cycle has at last emerged from the trough it entered in 2001. Advertising will remain well below the peak of 1.08% of GDP it reached in 2000, though, suggesting there is plenty of room for further growth.

We forecast that between 2005 and 2008 six of the ten largest contributors to advertising growth, and eleven of the twenty largest, will be emerging markets. Brazil, China, Indonesia, Mexico, Poland and Russia are all top-ten contributors of new ad dollars. We expect their ad markets to grow by US\$19.2 billion between 2005 and 2008 – providing 27% of total world growth – while their share of world expenditure increases from 7.9% to 10.8%.

Top ten contributors to advertising expenditure growth 2005-2008
US\$ million, current prices

	Contribution US\$m	% of market 2005	% of market 2008
USA	23,318	41.9	40.5
China	6,441	2.4	3.5
Russia	5,968	1.3	2.3
Japan	4,444	10.3	9.7
UK	3,118	5.4	5.2
Indonesia	2,512	0.8	1.2
Brazil	1,661	1.6	1.7
Spain	1,443	2.1	2.1
Mexico	1,382	0.9	1.0
Poland	1,239	0.9	1.0

China was the seventh-largest ad market in 2005 and we predict it to be fifth-largest in 2008. We expect it to grow by 66% over the three-year forecast period, overtaking Italy in 2006 and France in 2008. We think Russia will also be a top-ten market by the end of our forecast period, leaping from 14th place in 2005 to 8th in 2008 as it more than doubles in size.

Internet

We have revised our internet forecasts upwards once again as it has continued to exceed expectations. We now predict it will attract 6.5% of all advertising in 2008, up from 4.5% in 2005 (and up from the 6.0% we predicted for 2008 back in December). The internet is now firmly established as a mainstream advertising medium in developed markets, and in many developing markets too. We predict it will overtake outdoor in volume in 2007, even though outdoor is gaining share itself, and that by 2008 it will be catching up with radio too (which will have a 7.9% share, down from 8.5% in 2005).

Advertising Expenditure Forecasts is published quarterly priced £385. It may be ordered in hard or soft copy from www.zenithoptimedia.com

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This approach is supported by a unique system for strategy development and implementation, The ROI Blueprint. At each stage, proprietary ZOOM (ZenithOptimedia Optimisation of Media) tools have been designed to add value and insight.

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