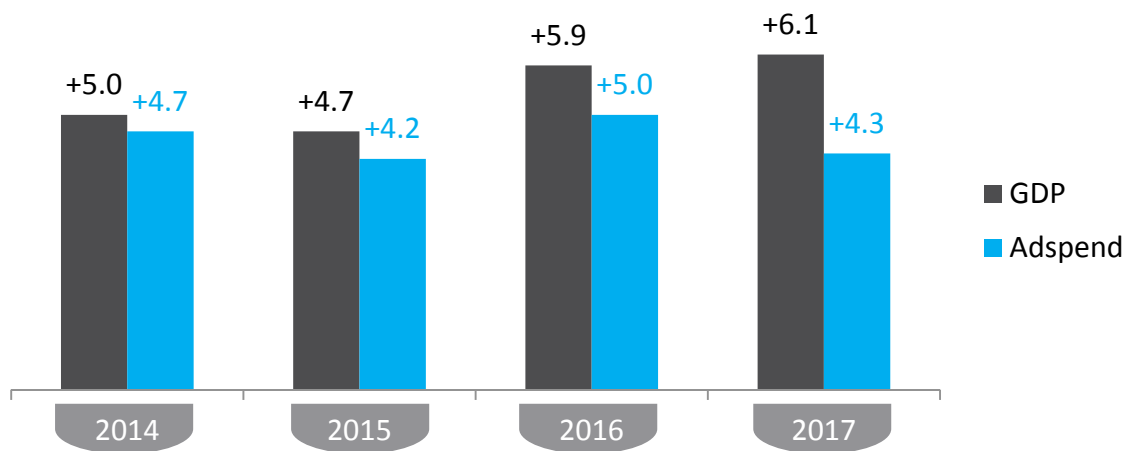


Executive summary: Advertising Expenditure Forecasts June 2015

ZenithOptimedia predicts global ad expenditure will grow 4.2% in 2015, reaching US\$531 billion by the end of the year. Our forecast for 2015 is down very slightly from the March edition (by 0.2 percentage points), mainly because Latin America has suffered from low prices for oil and other export commodities, and the weakness of the economy in Brazil.

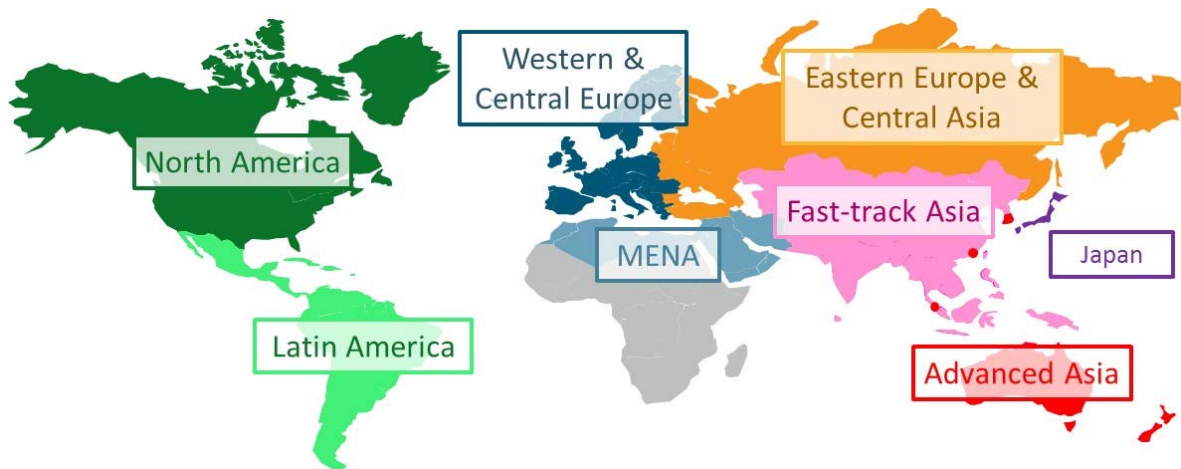
Growth of advertising expenditure and GDP 2014-2017 (%)



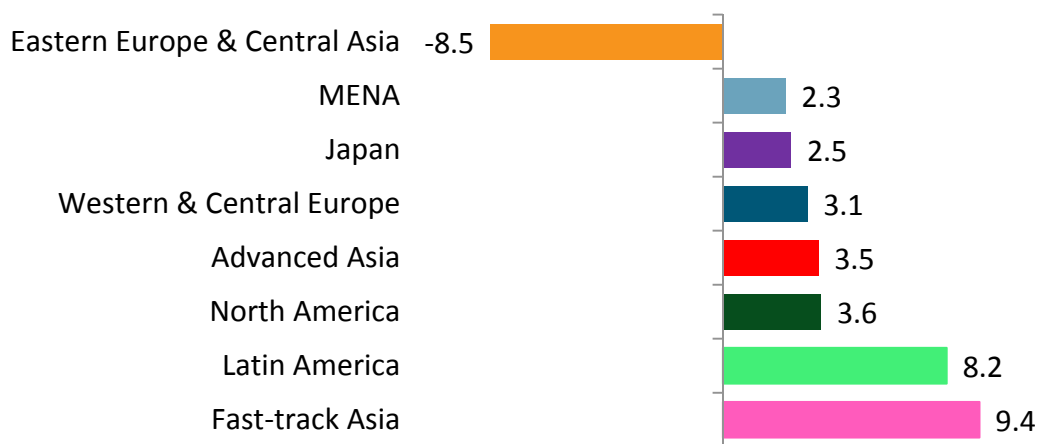
Source: ZenithOptimedia/IMF

Forecast by regional bloc

Since the December 2012 edition of our forecasts we have looked at 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. At the end of last year we revised the definition of these blocs. We used to separate the Peripheral Eurozone (Portugal, Ireland, Italy, Greece and Spain) from Northern and Central Europe, because the periphery was substantially weaker. However, the performance of the two regions has now converged, and we have combined them into a single region called Western & Central Europe.



Growth in adspend by regional bloc 2014-2015 (%)



Source: ZenithOptimedia

Western & Central Europe

For the last few years the ad markets at the periphery of the eurozone have been by far the worst-performing in Europe, which was why we separated them out in a bloc called the Peripheral Eurozone. Between 2007 and 2013, adspend fell 29% in Italy, 41% in Ireland, 43% in Portugal, 47% in Spain and 62% in Greece. Over this period the eurozone's core markets remained stable: adspend shrank by just 2% in France and by 3% in Germany.

However, Greece, Portugal, Spain and Ireland all began to make strong recoveries in 2014, helping adspend in Western & Central Europe grow 3.0% in 2014, substantially improving on its 0.8% decline in 2013. Greece's recovery has come to a halt this year, but over the rest of our forecast period we expect the other markets to outperform the average rate for Western & Central Europe, admittedly from their much-reduced base levels.

Meanwhile, France is lagging behind as business confidence remains weak and private-sector employment declines. We forecast adspend in France to shrink at an average rate of 0.1% a year

between 2014 and 2017, well below the eurozone average of 2.1%.

Outside the eurozone, the stand-out ad market in Western & Central Europe is the UK, which is currently booming thanks to the rapid adoption of internet advertising. Adspend in the UK grew 7.8% in 2014, and we forecast an average growth rate of 6.5% a year to 2017.

We expect growth in the UK and the peripheral eurozone markets to counterbalance the weakness in the core eurozone, allowing Western & Central Europe to grow at an average of 3.2% a year between 2014 and 2017.

Eastern Europe & Central Asia

Eastern European advertising markets, such as Russia and Turkey, generally recovered quickly after the 2009 downturn and continued their healthy pace of growth, largely (though not entirely) unaffected by the problems in the eurozone for the next four years. Their near neighbours in Central Asia, such as Azerbaijan and Kazakhstan, have behaved very similarly, so we have gathered them together under the Eastern Europe & Central Asia bloc. This bloc grew 11.4% in 2013.

The conflict in Ukraine severely disrupted the domestic ad market, while Russia has suffered from sanctions imposed by the US and the EU, the sanctions it imposed in response, and a withdrawal of international investment. These shocks have been exacerbated by a sharp drop in the price of oil – which accounts for 70% of Russia's exports – and devaluation of the Ukrainian and Russian currencies. These problems have since spread to Belarus, whose main trading partner is Russia by some distance. We forecast adspend in Ukraine to shrink 42.4% this year, on top of a 51.2% decline in 2014. Russian adspend grew just 4.3% in 2014, which was the first year of growth below double-digit rates since 2009, and we expect the market to shrink by 16.5% in 2015. We forecast a 15.3% decline in adspend in Belarus this year, following 7.6% growth in 2014.

Overall we expect adspend in Eastern Europe & Central Asia to shrink by 8.5% in 2015. In the past adspend in this region has been volatile, with large declines swiftly followed by rapid gains. In this case, however, we think the region will be slow to recover, and we forecast just 3.5% growth in 2016 and 7.3% in 2017.

Japan

Japan behaves differently enough from other markets in Asia to be treated separately. Despite recent measures of economic stimulus, Japan remains stuck in its rut of persistent low growth. Adspend growth has averaged 2% a year for the last five years, and we expect it to remain at that rate between 2014 and 2017.

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. We estimate growth here at a disappointing 1.9% in 2014, after

weakness in the property market damaged consumer confidence in Singapore and Australia suffered from low prices for its key commodity exports. As these problems recede we expect growth in Advanced Asia to pick up to an average of 3.2% a year through to 2017.

Fast-track Asia

We characterise the rest of Asia as Fast-track Asia (China, India, Indonesia, Malaysia, Pakistan, Philippines, Taiwan, Thailand and Vietnam). These economies are growing extremely rapidly as they adopt Western technology and practices, while benefiting from the rapid inflow of funds from investors hoping to tap into this growth. Fast-track Asia barely noticed the 2009 downturn (ad expenditure grew by 7.4% that year) and since then has grown very strongly, ending 2014 up an estimated 9.9%. However, the Chinese economy – the main engine of growth in Fast-track Asia – is finally starting to slow after years of blistering growth, and the ad market is slowing down alongside it (although with an official target of 7.0% GDP growth in 2015, China's growth rate remains one most markets will envy). China accounts for 66% of adspend in Fast-track Asia, so its slowdown naturally has a large effect on the region as a whole. We expect ad expenditure in Fast-track Asia to grow at an average rate of 9.1% a year between 2014 and 2017, down from 13.4% over the last five years.

We have not changed the definition of North America, Latin America or the Middle East & North Africa (MENA) in this analysis.

North America

North America was the first region to suffer the effects of the financial crisis, but it was also quick to recover, and adspend in North America has been more robust than in Western & Central Europe since 2011. We estimate that adspend grew 4.7% in 2014, boosted by the Winter Olympics and mid-term elections. In the absence of these events we forecast 3.6% growth in 2015, followed by 4.0% in 2016 (which will benefit from the 2016 Summer Olympics and the US Presidential elections) and 3.6% in 2017.

Latin America

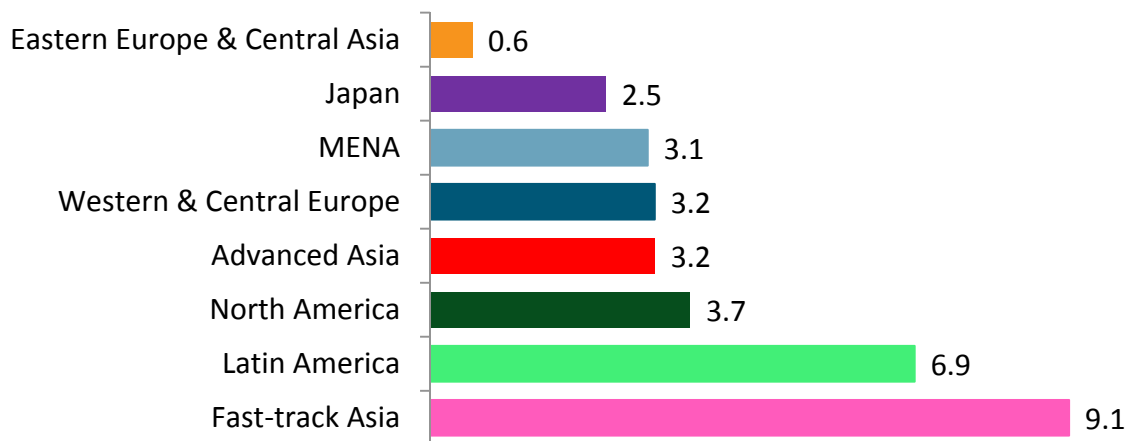
Latin America's economies are more volatile than those of Fast-track Asia, but lately it has been restrained by low prices for oil and other export commodities, and the weakness of the economy in Brazil. Note also that we have recently changed the way we deal with the local currency figures for Argentina. Instead of converting these into US dollars at a single exchange rate, which we do for all other local currency figures, we convert at the annual average rate for each individual year. This prevents the rapidly devaluing Argentine Peso from turning our forecast local currency figures into unrealistically high US dollar figures.

We now estimate that Latin American adspend grew by an estimated 4.2% in 2014, and we forecast 8.2% growth in 2015. The 2016 Summer Olympics – hosted in Brazil – should support 8.3% in 2016, after which we expect growth to fall back to 4.3% in 2017.

MENA

The Arab Spring left many advertisers in the Middle East & North Africa cautious about attracting negative attention. Adspend shrank 14.9% in 2011, and grew a meagre 1.4% in 2012. Confidence and activity began to recover in 2013, when adspend grew 4.7%. However, while the conflict in Iraq and Syria has had little direct effect on the big advertising markets, it has made advertisers more cautious about investing in the region as a whole. We estimate adspend grew only 2.3% in 2014, and we forecast an average rate of annual growth of 3.1% between 2014 and 2017.

Average annual growth in adspend by regional bloc 2014-2017 (%)



Source: ZenithOptimedia

As we have done for previous editions, we can divide our blocs into three categories: low growth, steady growth and rapid growth. At the low end the current stand-out is Eastern Europe and Central Asia, which we forecast to grow by just 0.6% a year over our forecast period. We then have five regions with very similar growth rates of between 2% and 4% a year: Japan, MENA, Western & Central Europe, Advanced Asia and North America, in ascending order of growth. Latin America and Fast-track Asia are by far the fastest-growing blocs, averaging 7% and 9% annual growth respectively.

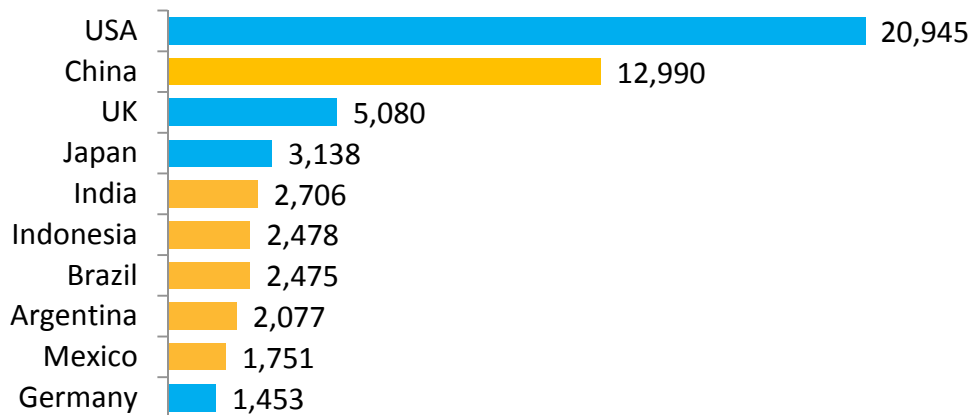
Forecast by leading advertising markets

Despite the rapid growth of the Rising Markets*, the US is still the biggest contributor of new ad dollars to the global market. Between 2014 and 2017 we expect the US to contribute 29% of the US\$72 billion that will be added to global adspend. China comes second, accounting for 18% of additional ad dollars over this period, followed by the UK and Japan, accounting for 7% and 4% respectively.

Six of the ten largest contributors will be Rising Markets, contributing 34% of new adspend over the next three years. Overall, we forecast Rising Markets to contribute 51% of additional ad

expenditure between 2014 and 2017, and to increase their share of the global market from 34% to 36%.

Top ten contributors to adspend growth 2014-2017 (US\$m)



Source: ZenithOptimedia

China overtook Japan to become the world's second-largest ad market in 2013. We only expect to see two more changes at the top over the next three years. We expect the UK to overtake Germany to take fourth place this year, while South Korea will overtake France to take seventh place in 2017.

Top ten ad markets

US\$m, current prices. Currency conversion at 2014 average rates.

2014		Adspend	2017		Adspend
1	USA	176,236	1	USA	197,181
2	China	45,799	2	China	58,789
3	Japan	41,557	3	Japan	44,695
4	Germany	24,771	4	UK	29,394
5	UK	24,314	5	Germany	26,224
6	Brazil	14,232	6	Brazil	16,707
7	France	13,173	7	South Korea	13,227
8	South Korea	11,843	8	France	13,116
9	Australia	11,536	9	Australia	12,340
10	Canada	10,307	10	Canada	10,918

Source: ZenithOptimedia

Global advertising expenditure by medium

The internet is still the fastest growing medium by some distance. We estimate it grew 18.4% in 2014, and we forecast an average of 15% annual growth between 2014 and 2017. The fastest-

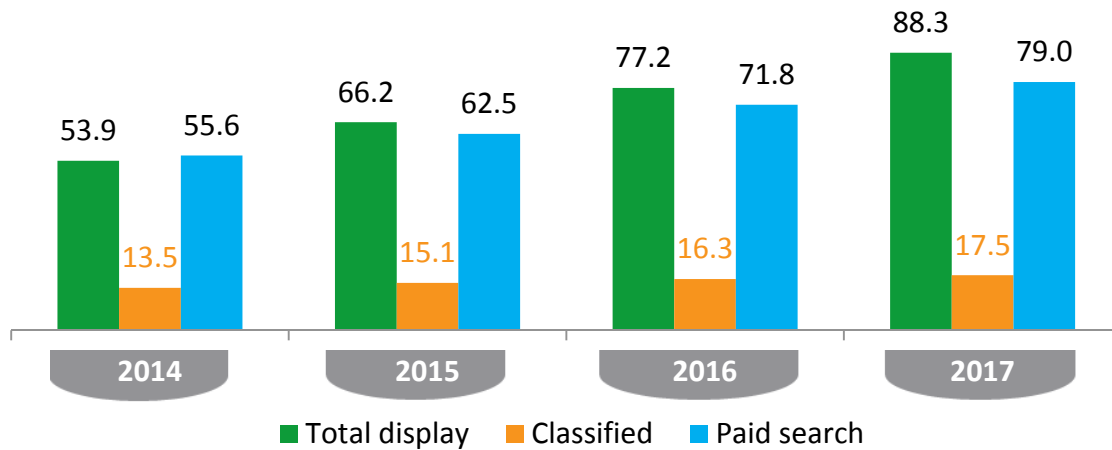
growing traditional medium is cinema, which we expect to grow at 4% a year.

Display is the fastest-growing internet sub-category, with 18% annual growth forecast to 2017. Here we include traditional display (such as banners), online video and social media. Improved advertising formats are making internet display more interactive and attention-grabbing, while programmatic buying is evolving to allow more sophisticated targeting of display audiences ever more efficiently. Measurement agencies are investing in research that should measure consumers' exposure to traditional display ads more accurately, and track their exposure to video ads across desktop computers, tablets and television screens. Some broadcasters are starting to trade packages that include both online video and television spots; online video is also starting to be sold by programmatic buying, providing advertisers with more control and better value. Online video is also benefiting from the explosion of mobile video consumption. Smartphones have bigger and better displays, and transmission technologies like 4G are improving connection speeds, making it possible for consumers to watch high-quality video content wherever and whenever they choose. Online video is now growing faster than any other digital category or sub-category – it grew 33% in 2014, and we forecast it to grow at 29% a year for the rest of our forecast period. Meanwhile, social media has embraced the opportunities offered by the transition to mobile, integrating advertising seamlessly into the flow of social content, and is growing at 25% a year.

We expect paid search to grow at an average rate of 12% a year to 2017, driven by continued innovation from the search engines, including the display of richer product information and images within ads, better localisation of search results, and mobile ad enhancements like click-to-call and geo-targeting. Search platforms are also improving the addressability of their ads, giving advertisers more control over where, when and to whom their ads are exposed.

Online classified has been subdued since the downturn in 2009; after the initial shift from print to digital, classified publishers have had to compete with new paid-for and free alternatives for matching buyers and sellers. We forecast average annual growth of 9% for the rest of our forecast period.

Internet adspend by type 2014-2017 (US\$ billion)



Source: ZenithOptimedia

Mobile advertising (by which we mean all internet ads delivered to smartphones and tablets, whether display, classified or search, and including in-app ads) has established itself as a mainstream advertising product, but is still rapidly expanding and is growing nine times faster than desktop internet. We forecast mobile advertising to grow by an average of 42.2% a year between 2014 and 2017, driven by the rapid spread of devices and improvements in user experiences. By contrast we forecast desktop internet advertising to grow at an average of just 4.5% a year.

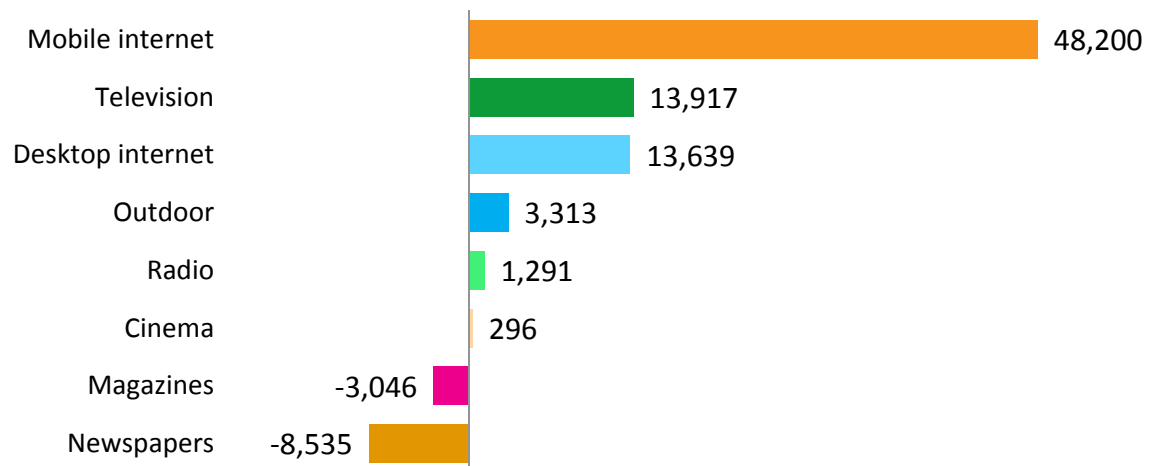
We estimate global expenditure on mobile advertising at US\$25.7 billion in 2014, representing 20.9% of internet expenditure and 5.1% of total advertising expenditure (this total excludes a few markets where we don't have a breakdown by medium). By 2017 we forecast this total to rise to US\$73.9 billion, which will be 40.0% of internet expenditure and 12.9% of all expenditure. This means that mobile will leapfrog radio, magazines, outdoor and newspapers to become the world's third-largest medium by the end of our forecast period.

Since it began in the mid-1990s, internet advertising (both desktop and mobile) has principally risen at the expense of print. Over the last ten years internet advertising has risen from 4% of total global spend in 2004 to 24% in 2014. Meanwhile newspapers' share of global spend has halved from 30% to 15%, while magazines' has fallen from 13% to 7%. Internet adspend overtook total adspend on both newspapers and magazines in 2014. We predict internet advertising will increase its share of the ad market from 24.4% in 2014 to 32.3% in 2017, while newspapers and magazines will continue to shrink, at average rates of 4% and 3% a year respectively.

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.

Mobile is now the main driver of global adspend growth. We forecast mobile to contribute 70% of all the extra adspend between 2014 and 2017 (again excluding markets where we don't have a breakdown by medium). Television and desktop internet will be the second and third-largest contributors respectively, accounting for 20% of new ad expenditure each. The gains made by outdoor, radio and cinema will be cancelled out by the continued decline of newspapers and magazines, which we expect to shrink by a combined US\$12 billion over the forecast period.

Contribution to global growth in adspend by medium 2014-2017 (US\$ million)

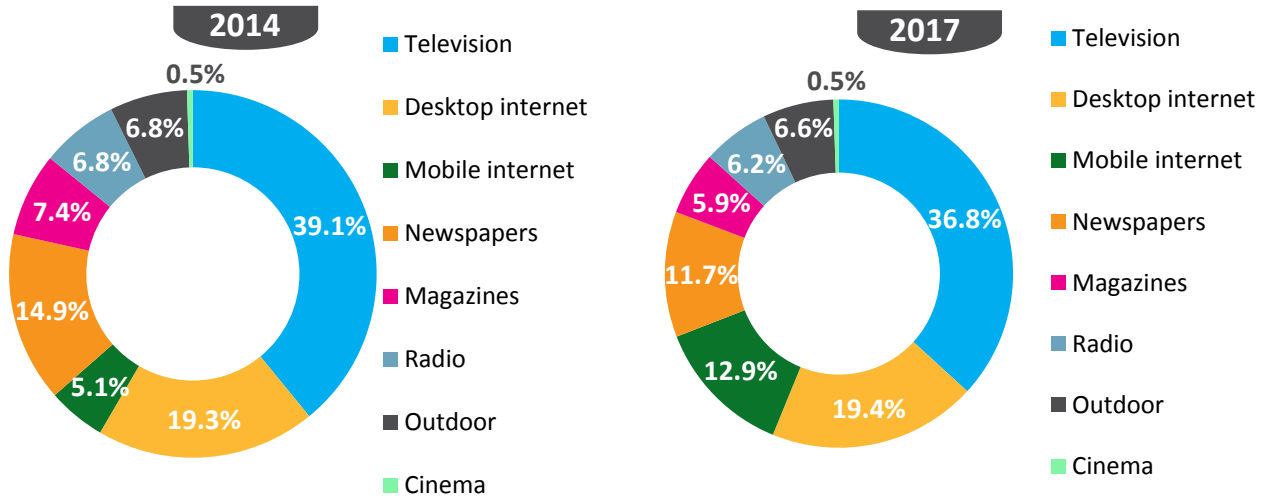


Source: ZenithOptimedia

Television is still by some distance the dominant advertising medium, attracting 39% of spend in 2014. Television offers unparalleled capacity to build reach, and establish brand awareness and associations. We forecast television adspend to grow by an average of 2% a year through to 2017.

Despite this growth, television's share of global adspend is likely to fall back over the next few years as desktop and mobile internet grow much faster. Television's market share has grown steadily over the last three and a half decades, from 29.7% of spend in 1980 to 39.4% in 2013. We think it has now peaked, however; we estimate that television's share slipped slightly to 39.1% in 2014 and forecast it to fall further to 36.8% in 2017. Marketers are also beginning to move budgets away from television to online video, which we expect to grow from 2.1% of global adspend in 2014 to 4.0% in 2017. The audiovisual share of the market will therefore fall by only 0.4 percentage points, from 41.2% in 2014 to 40.8% in 2017.

Share of global adspend by medium (%)



Source: ZenithOptimedia

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, Uzbekistan

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, Venezuela

Middle East & North Africa: Bahrain, Egypt, Israel, Kuwait, Oman, Qatar, Saudi Arabia, UAE

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

Advertising Expenditure Forecasts is published quarterly priced £495. It may be ordered in hard or soft copy from www.zenithoptimedia.com

For further information, please contact:

Jonathan Barnard

Head of Forecasting

Tel: +44 20 7961 1192

Fax: +44 20 7291 1199

E-mail: jonathan.barnard@zenithoptimedia.com