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## Carat revises global ad spend growth forecasts for 2008 & 2009

Carat, the leading independent media communications agency, today issued revised forecasts for global advertising expenditure in 2008 and 2009. The worldwide prediction for 2008 is revised downwards by just over a percentage point from 6.0% to 4.9%. 2009 is also very slightly reduced, from 4.9% growth to 4.8%.

### Year on year % growth at current prices

	2007a	2008e	2009e
<b>Global</b>	<b>5.1</b>	<b>4.9 (6.0)</b>	<b>4.8 (4.9)</b>
USA	1.3	2.1 (3.8)	3.1 (2.6)
Canada	9.1	6.1 (7.2)	7.2 (7.7)
<b>Asia Pacific</b>	<b>7.4</b>	<b>8.2 (8.8)</b>	<b>5.7 (7.2)</b>
Japan	0.9	1.5 (1.5)	0.5 (0.5)
China	15.5	18.2 (19.7)	10.9 (13.2)
<b>Western Europe</b>	<b>4.5</b>	<b>2.2 (3.8)</b>	<b>2.3 (3.6)</b>
UK	6.3	2.5 (4.3*)	2.2 (4.4*)
Germany	0.0	0.3 (0.5)	0.5 (0.7)
France	0.9	1.7 (1.8)	2.4 (2.6)
Italy	3.9	2.8 (3.6)	2.4 (3.1)
Spain	5.9	-2.3 (3.8)	-0.8 (3.5)
Nordics	7.5	4.3 (5.0)	3.1 (4.0)
<b>Central and Eastern Europe</b>	<b>21.7</b>	<b>16.8 (17.9)</b>	<b>15.2 (15.3)</b>
Russia	26.5	22.8 (22.6)	19.5 (19.3)

*Figures in brackets show our previous forecasts, issued in Mar 2008 \* change in methodology to include classifieds in press*

The main driver of these reductions for 2008 is downward revisions for ad spend in four economies: the US, the UK, Spain and China. Elsewhere, the majority of the developed economies are predicted to contribute less than 5% growth, with the impetus – and double-digit growth – coming from emerging economies in Central and Eastern Europe, Central Asia and Latin America.

Commenting on the forecasts, Jerry Buhlmann, CEO of Aegis Media, said: *“It’s clear that the worldwide economic issues affecting businesses are having an impact on where and how advertisers spend their money. It is also significant that the US and the UK, as the highest spenders on advertising in their regions, are showing reductions in our forecasts. But overall, the picture is still one of growth.*

*“The emerging economies of Eastern Europe, Asia and Latin America are predicted to achieve double-digit growth both this year and next. And though their spend is still small compared to North America and Western Europe, these regions are catching up fast.*

*“Similarly, whilst TV’s share of spend has stabilised, internet advertising is continuing to drive spending ahead of other sectors in nearly every region. Internet is set to overtake radio this year to become the world’s third most popular medium, behind TV and print. But changes in consumer behaviour aren’t the only reason for this. With search now central to the planning and execution of any campaign, online media brings a greater level of*

*accountability not just to itself but to TV, print and other forms of advertising. This is why we are predicting further strong growth for internet, even when advertisers are cautious in many of the other sectors.”*

### **The US, UK, China and Spain**

Growth in the US is predicted to slow to 2.1% from our earlier forecast of 3.8%, with newspapers, magazines and radio all having shown declines this year, but there will be growth in TV, thanks to the presidential elections and the Olympics, and in the Internet. The UK’s overall forecast has been cut from 4.3% to 2.5%, with a downward revision of 1.8% points.

China’s growth has been revised downwards by a percentage point for this year, as the true picture of the impact on 2008 of the May earthquake and what will happen to spending post-Olympics becomes clear. 2009 is forecast to see a more significant decline in growth, with forecasts down from 13.2% to 10.9% in what will become the world’s third largest advertising market, though it is important to remember that this growth is still well ahead of predictions for the developed world.

However, Spain’s ad spend forecasts have changed the most, down from 3.8% to -2.3% as a result of local macro-economic trends and the severe housing downturn. The majority of spend is coming out of newspapers, magazines and TV, with forecast declines of -6.2%, -4.5% and -3.9% respectively. The internet is predicted to grow by 25% to make up 7.1% of total spend in the country. The Spanish economy is expected to pick up again in late 2009 with -0.8% growth forecasted.

### **Regional breakdown**

As the above indicates, the trend for growth in the developed regions – North America, Japan and Western Europe – remains below the global figure with 2-3% on average forecast for both 2008 and 2009. The global figure is lifted by the fast growth in emerging economies, most notably Russia (22.8%), India (21.0%) and Mexico (20.0%). Despite the downward revisions since March, China is still one of the fastest growing markets for advertising with growth of 18.2% predicted for this year.

For 2009, the fastest growth regions are Central and Eastern Europe at 15.2% and Latin America at 14.1%.

### **Sector breakdown**

	<b>Global year on year % growth at current prices</b>		
	<b>2007a</b>	<b>2008e</b>	<b>2009e</b>
<b>TV</b>	5.0	5.9	5.5
<b>Newspapers</b>	0.4	-0.8	-0.2
<b>Magazines</b>	4.6	1.7	2.3
<b>Radio</b>	2.1	3.3	3.3
<b>Cinema</b>	17.0	13.2	13.3
<b>Outdoor</b>	6.0	5.0	4.6
<b>Internet</b>	28.8	23.7	18.6

TV is set to grow this year and next ahead of 2007’s performance. Similarly, cinema’s growth is strong, but it comes from a very low base. Only newspapers are predicted to decline on a worldwide basis.

Spending on internet advertising continues to grow ahead of all other sectors, albeit not at the same rate as 2007, and we predict that this slowdown in growth will continue through into 2009. The below chart indicates that the growth of the internet is primarily at the cost of

print advertising spend, even though newspapers and magazines together still dwarf internet's share. TV is predicted to grow its share year-on-year in both 2008 and 2009.

**Global % share of advertising spend**

	2007a	2008e	2009e
<b>TV</b>	40.8	41.2	41.5
<b>Newspapers</b>	24.5	23.2	22.1
<b>Magazines</b>	13.2	12.8	12.5
<b>Radio</b>	7.5	7.4	7.3
<b>Cinema</b>	0.5	0.6	0.6
<b>Outdoor</b>	5.9	5.9	5.9
<b>Internet</b>	7.3	8.6	9.8

Ends.

**About Aegis Group plc**

Aegis Group plc is the world's fastest growing marketing communications group. Listed on the London Stock Exchange, it operates in media communications with Aegis Media, which includes Carat, Vizeum, Posterscope and Isobar, and market research with Synovate. More information on Aegis Group plc can be found at [www.aegisgroupplc.com](http://www.aegisgroupplc.com).

**About Carat**

Carat was established in 1968 and was the first independent media specialist in Europe. Carat was a pioneer of unbundling - the separation of media services from full service creative agencies. It is now a global independent media communications network represented in 82 countries and offers clients a range of services including: communications planning, sponsorship, interactive, direct, event, pr, consumer research and insight, business to business, International services, regional and global client servicing. [www.carat.com](http://www.carat.com).

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