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Stable ad growth in 2013 paves way for recovery in 2014 and 2015

Growth for 2013 as good as the year of the London Olympics and US elections

The global advertising market is set to enjoy the same healthy rate of growth experienced in 2012 – which saw adspend boosted by the London Olympics and the US elections – reflecting the extent to which the advertising market is now stabilising.

According to the latest *Advertising Expenditure Forecasts* from ZenithOptimedia, the global advertising market is on course to grow 3.5% in 2013, the same rate experienced last year, but without the boost of the quadrennial effect. This is the same growth rate we predicted in Q2 this year – and this is the first quarter since Q2 2012 when we have not downgraded our forecast for 2013 – underlining the stability we are now seeing in the global advertising market. Expectations for this year have finally levelled after a long period of slow erosion by bad economic news.

ZenithOptimedia expects stronger growth over the next two years – of 5.1% in 2014 and 5.9% in 2015 – primarily due to the European economy, currently acting as a brake on global ad growth, becoming healthier. The Eurozone came out of its 18-month recession in Q2 2013, and its economic recovery is expected to gather pace gradually over the next couple of years. The Eurozone ad market should follow suit. Eurozone adspend shrank 5.2% in 2012; we forecast a smaller decline in 2013 of 4.3%, followed by 0.7% growth in 2014 and 1.9% growth in 2015.

Despite these prospects for recovery, a steeper-than-expected decline in Eurozone adspend in the first half has weighed down our forecast for adspend growth in Mature Markets* this year, which we have reduced to 1.4% from 1.7% in June.

No slowdown in Rising Markets*

There has been no sign of a concerted advertising slowdown in Rising Markets, despite concerns over their short-term economic prospects. Economic growth has slowed in the BRICs (Brazil, Russia, India and China), among other Rising Markets, as demand for their exports has weakened and international investors have begun to turn their attention to Mature Markets.

However, Rising Markets still have young populations with improving education, infrastructure, productivity and adoption of technology. Their contribution to the world economy will continue to grow for decades to come. Advertisers have not been put off by the recent problems and are investing for the long term. We have actually increased our forecasts for adspend growth in Rising Markets this year to 7.6%, up from the 7.0% we forecast in June.

Limited impact of troubles in the Middle East

After the recent violence, we have reduced our forecasts for Egypt this year from 3.9% growth to 6.3% decline. This disruption has not spread to nearby ad markets, and we still forecast 4.8% growth for the Middle East and North Africa this year, down from our June forecast of 5.5%. The wider geopolitical problems sparked by the Syrian conflict have to date had no material effect on global adspend.

Mobile to supply more than a third of all ad growth in 2013

After several false starts, mobile advertising has now truly taken off, and is forecast to account for 37% of all growth in global ad expenditure this year, and 31% in 2014. We count as mobile all internet ads delivered to smartphones and tablets, whatever their format.

Mobile advertising is still relatively small – we expect it to total US\$14.3bn worldwide this year, or 2.8% of total ad expenditure – but it is growing extremely rapidly: we forecast 77% growth in 2013, followed by 56% in 2014 and 48% in 2015. By 2015 we expect mobile adspend to total US\$33.1bn and account for 6.0% of total ad expenditure.

Several factors are contributing to this swift expansion: the rapid adoption of smartphones and tablets; new ad formats tailored for mobile (such as adding geo-location and click-to-call options to mobile search results); and improved standardisation of ad formats, ad serving and measurement, which will increase accountability and make it easier to calculate the ROI on mobile advertising.

Desktop internet growth remains strong

Desktop internet advertising continues to grow more rapidly than any of the traditional media, even though mobile costs are substantially lower. We forecast 8% growth in desktop adspend in 2013 and 2014, and 7% in 2015. We expect total internet advertising – both desktop and mobile – to account for 20.4% of all ad expenditure in 2013, up from 18.3% in 2012, and forecast its share to rise to 24.6% in 2015.

“The stability of global adspend growth this year – a year without big events like the Olympics and US elections – shows that the advertising recovery is on track, promising even stronger growth in 2014 and 2015. The increasing penetration of mobile handsets is playing a key role in driving advertising growth across the world,” said Steve King, ZenithOptimedia’s CEO, Worldwide.

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

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About ZenithOptimedia

ZenithOptimedia - www.zenithoptimedia.com - is a leading global media services network with 250 offices in 74 countries. We are part of Publicis Groupe, the world's third largest communications group, and the world's second largest media counsel and buying group. As the first agency to apply a rigorous and objective approach to improving the effectiveness of marketing spend, ZenithOptimedia delivers to clients the best possible return on their communications investment. This philosophy is supported by a unique approach to strategy development and implementation across the full spectrum of paid, owned and earned contact points – the Live ROI planning process. The ZenithOptimedia Group of companies equips our clients with a full range of integrated skills across communications planning, value optimisation, performance media and content creation. Our key clients include Armani Group, ASUS, Aviva, BBC Worldwide, British Airways, Electrolux, General Mills, Lactalis, LVMH, Nestlé, News Corporation, L'Oréal, Oracle, Puma, Qantas, Reckitt Benckiser, Richemont Group, Royal Bank of Scotland, Sanofi, Telefónica O2, Toyota/Lexus, Verizon and Whirlpool.

About ZenithOptimedia's forecasts

ZenithOptimedia's *Advertising Expenditure Forecasts* report contains forecasts of advertising expenditure by medium for 80 countries. It has been published continually since 1987, and is used by agencies, media owners, banks, analysts, consultants, academics and governments around the world.

Advertising Expenditure Forecasts is published quarterly priced £435. It may be ordered in hard or soft copy from www.zenithoptimedia.com.