

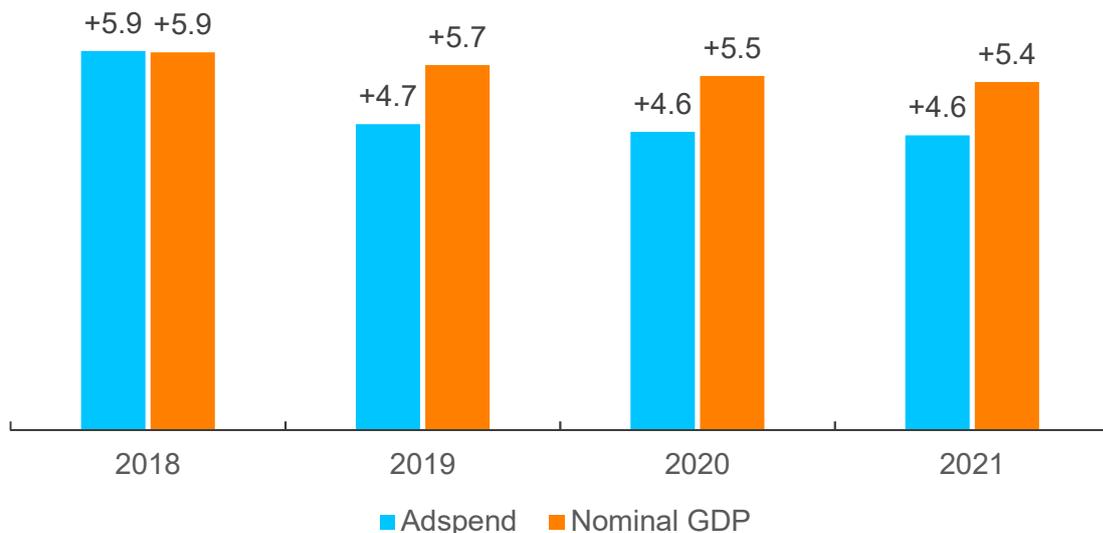
## Advertising Expenditure Forecasts March 2019

### *Executive summary*

Zenith now predicts global ad expenditure will grow 4.7% in 2019, reaching US\$623bn by the end of the year. We have made a substantial upgrade from the 4.0% growth forecast we made in December, after revising upwards our estimates for historic growth in internet adspend and raising our expectations for growth in the future. We have increased our growth forecasts for 2020 from 4.2% to 4.6%, and for 2021 from 4.1% to 4.6% as well.

Despite these upgrades we expect advertising expenditure to grow behind the global economy as a whole in 2019-2021, after it managed to keep pace in 2018.

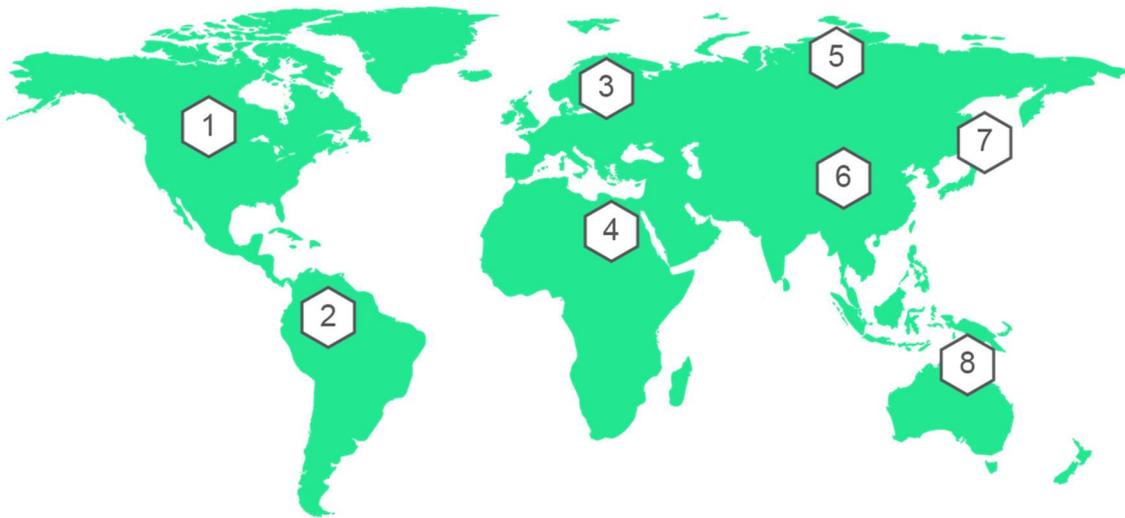
### *Growth of advertising expenditure and GDP 2018-2021 (%)*



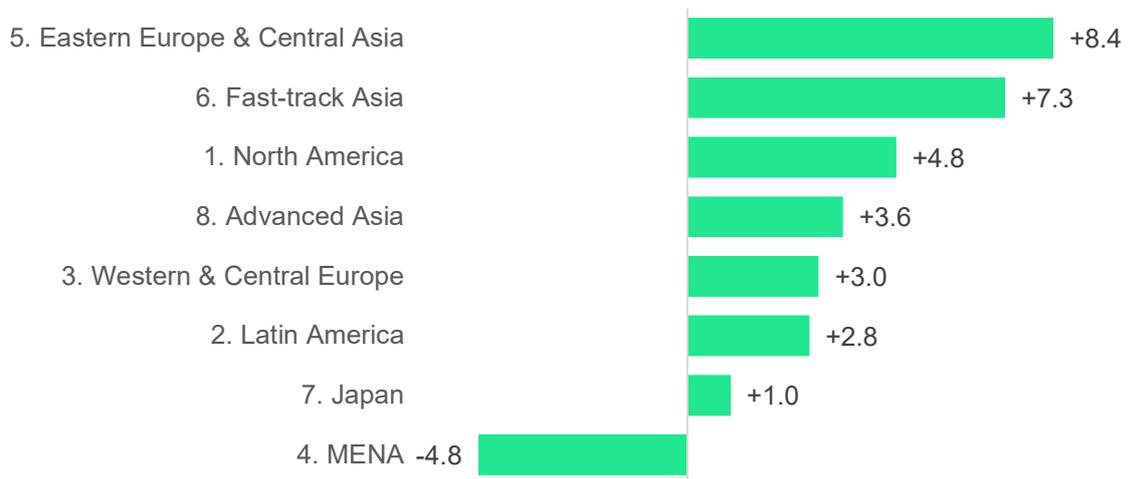
Source: Zenith/IMF

### **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 2018-2019 (%)*



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 begin advertising for the first time. We now estimate that adspend grew by 7% in both 2017 and 2018, and forecast healthy 4%-5% annual growth to 2021. 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 continuing arguments over international trade and a weak start to the year for manufacturing are tempering expectations for the year.

## **2. Latin America**

Argentina enjoyed a brief respite from recession in 2017, but succumbed again in 2018, and its economy is expected to continue to shrink in 2019. We estimate that adspend shrank 29% in dollar terms in Argentina in 2018, and forecast further 21% decline 2019, depressing Latin America's growth prospects for the year. Venezuela, which faces ongoing economic crisis, is still shrinking rapidly, but its sustained collapse in adspend means that this decline weighs less on the regional total each year. Overall we forecast just 2.8% growth in Latin American adspend this year as the Argentine peso continues to lose value, but predict an average growth rate of 4.7% a year to 2021, assuming that Argentina's economy begins to recover in 2020, as commentators generally expect.

## **3. Western & Central Europe**

Western & Central Europe has enjoyed solid growth since 2014, at 3% to 4% a year. Overall we expect the region to continue to grow at the low end of this range out to 2021.

We have upgraded our forecasts for France after very rapid growth in video and social media advertising in 2018. We forecast 4.7% growth in 2019, making France one of the fastest-growing markets in the region this year, and the fastest growing large market. The UK ad market has remained positive despite the looming prospect of Brexit, and we forecast 4.5% growth in UK adspend for 2019.

## **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, and forecast 4.8% decline in 2019, before the market stabilises at 0.4% growth in 2020 and then grows by 1.0% in 2021, which would be MENA's first substantial growth since 2014.

## **5. Eastern Europe & Central Asia**

In 2014 key markets in this region were disrupted by the conflict in Ukraine, subsequent sanctions, a sharp drop in oil prices and devaluation of local currencies. Adspend shrank by 0.5% in 2014 and then 7.9% in 2015. The worst-affected ad markets began to recover in 2016, however, and the region has achieved double-digit growth since then. We forecast a mild easing of growth to around 8% a year for 2018 to 2021, making Eastern Europe & Central remains 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 now that some of the region's markets, notably China, have achieved substantial scale, but we still expect growth to rise to an average of 6.8% a year to 2021. 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**

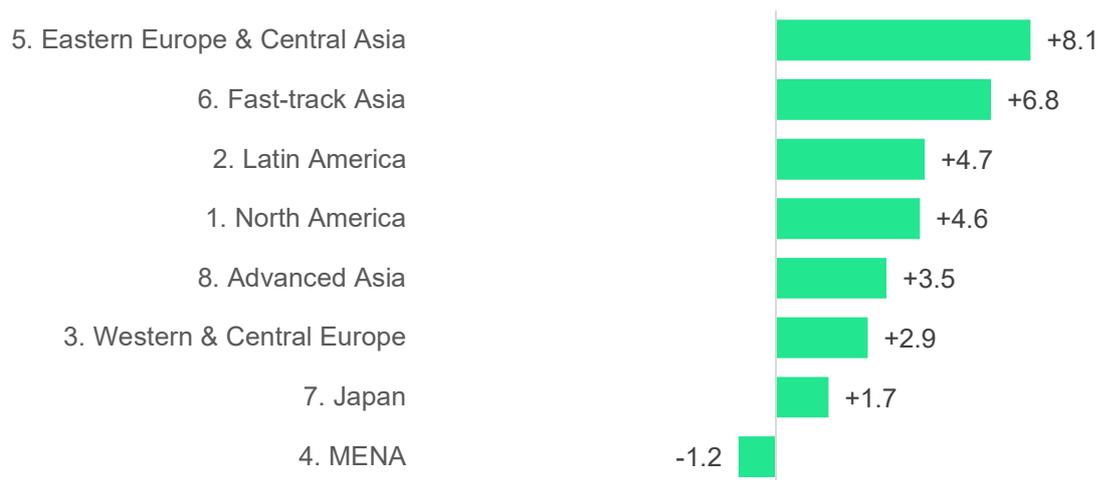
Japan behaves differently enough from other markets in Asia to be treated separately. Despite recent measures of economic stimulus, Japan remains stuck in its rut of persistent low growth. We forecast average adspend growth of 1.7% a year between 2018 and 2021, behind the average annual growth rate of 2.4% between 2013 and 2018.

## **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 grew just 2.6% in 2018, but picked up as the year progressed, and we forecast 3.6% growth in 2019, as well as 3.5% average annual growth to 2021.

*Average annual growth in adspend by regional bloc 2018-2021 (%)*



Source: Zenith

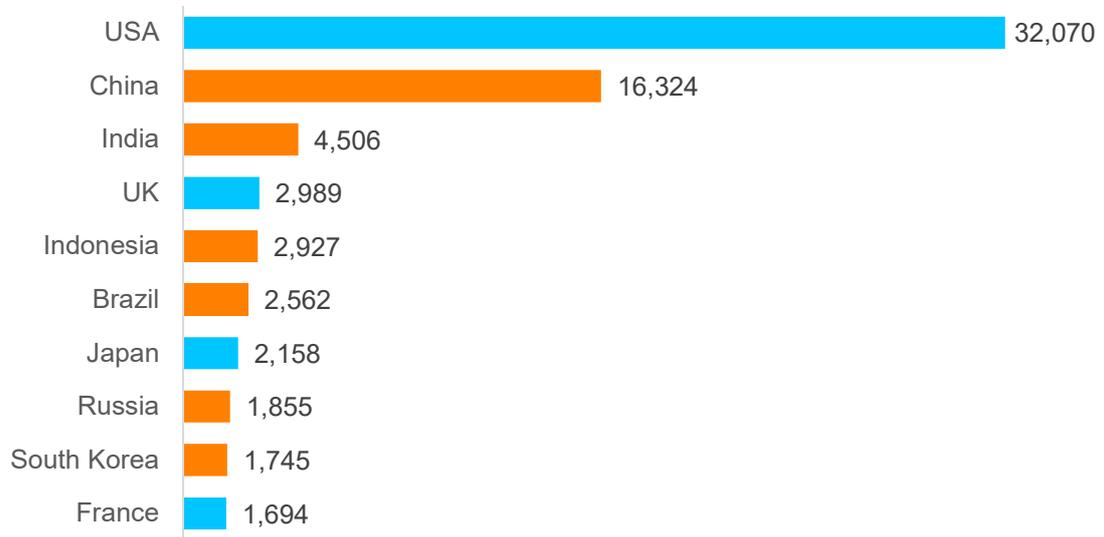
Of the various blocs, MENA is the clear underperformer, while the clear outperformers are Fast-track Asia and Eastern Europe & Central Asia. The other blocs range gradually from growing slowly (Japan) to solidly (North America and Latin America).

**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 2018 and 2021 we forecast global advertising expenditure to increase by US\$87bn in total. The US will contribute 37% of this extra ad expenditure and China will contribute 19%, followed by India (5%) and Indonesia and the UK (3% each).

Six of the ten largest contributors will be Rising Markets\* (China, India, Indonesia, Brazil, Russia and South Korea), and between them they will contribute 34% of new adspend over the next three years. Overall, we forecast Rising Markets to contribute 50% of additional ad expenditure between 2018 and 2021, and to increase their share of the global market from 37% to 38%.

*Top ten contributors to adspend growth 2018-2021 (US\$m)*



Source: Zenith

The world's top eight advertising markets by size will remain stable between 2018 and 2021. In 2021, India will enter the top ten in ninth place, moving Australia down one place and pushing Canada out of the top ten.

### *Top ten ad markets*

*US\$m, current prices. Currency conversion at 2017 average rates.*

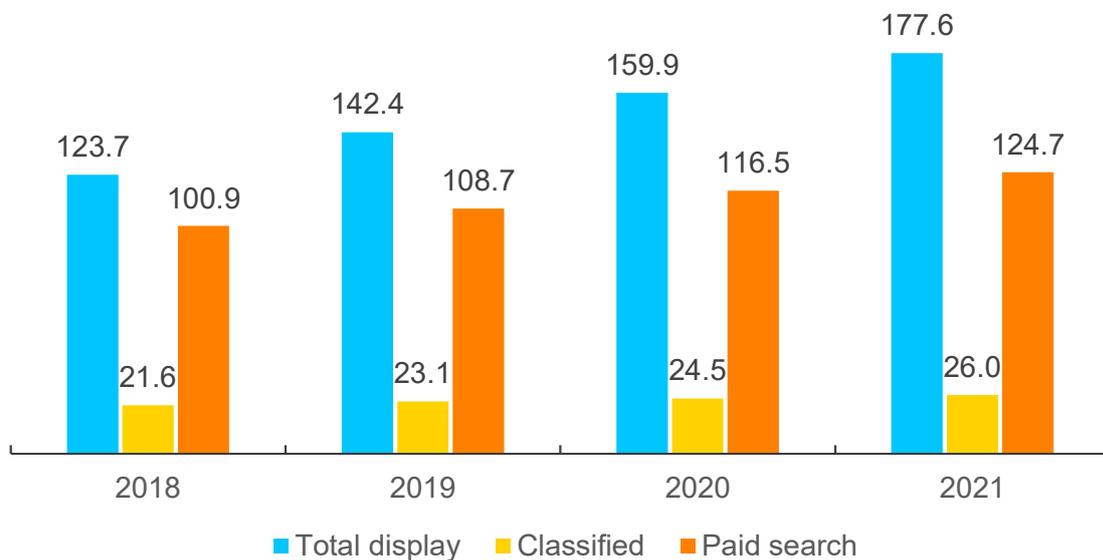
<i>Country</i>	<i>Adspend 2018</i>	<i>Country</i>	<i>Adspend 2021</i>
1. USA	217,971	1. USA	250,041
2. China	85,237	2. China	101,560
3. Japan	42,512	3. Japan	44,669
4. UK	25,735	4. UK	28,724
5. Germany	23,018	5. Germany	23,998
6. Brazil	15,711	6. Brazil	18,273
7. France	12,638	7. France	14,332
8. South Korea	12,550	8. South Korea	14,295
9. Australia	12,455	9. India	14,234
10. Canada	10,760	10. Australia	13,503

Source: Zenith

### **Global advertising expenditure by medium**

In 2017 internet advertising overtook advertising on traditional television to become the world's biggest advertising medium, accounting for 39% of total ad expenditure. Despite its size, internet adspend continues to grow rapidly, with 19% growth in 2017 and 16% growth in 2018. We forecast 11% growth in internet advertising in 2019, and an average of 10% growth to 2021, when we expect internet advertising to account for 49% of global adspend.

### Internet adspend by type 2018-2021 (US\$bn)



Source: Zenith

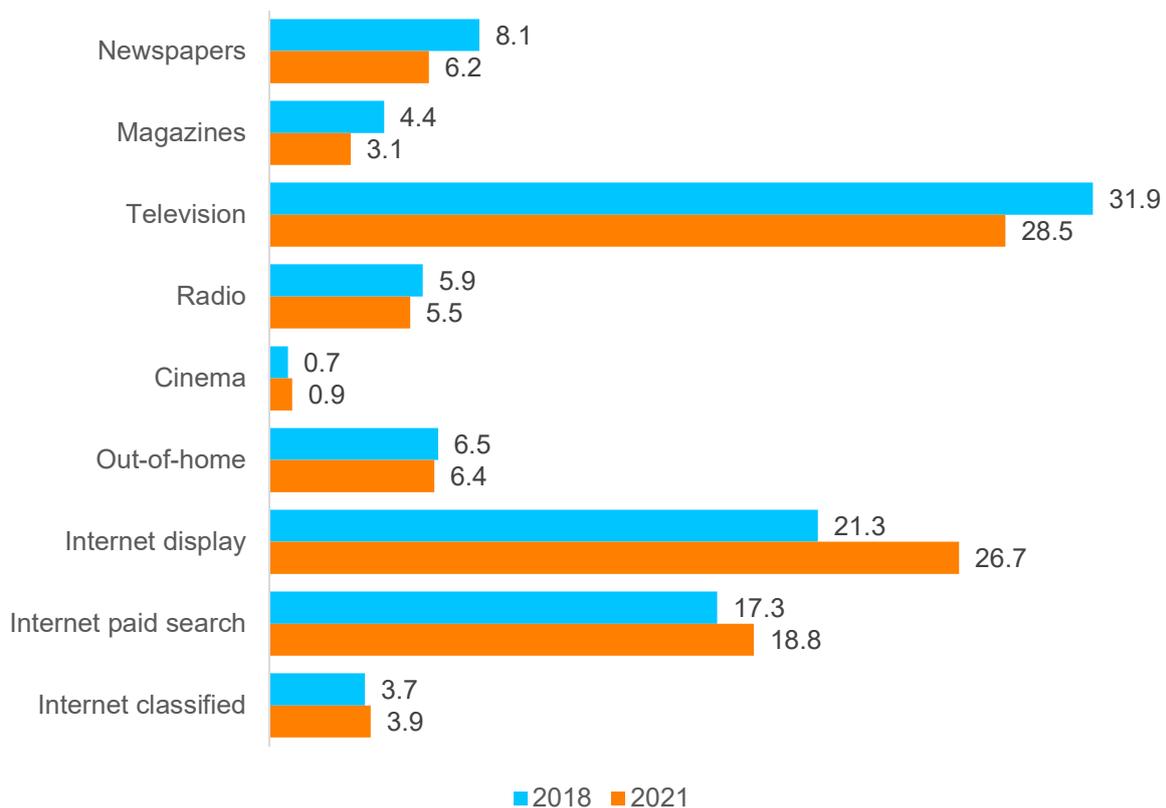
Display is the fastest-growing internet sub-category, with 13% annual growth forecast to 2021. Here we include traditional display (such as banners), online video and social media. All three types of display have benefited from the transition to programmatic buying, which allows agencies to target audiences 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 19% and 14% a year respectively between 2018 and 2021. 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% a year each.

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\$109bn) than desktop ads (US\$104bn) 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 12% of total global spend (in 2008) to 42% (in 2018). Meanwhile newspapers’ share of global spend has fallen from 25% to 8%, while magazines’ has fallen from 12% 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 7% a year respectively, ending with respective 6% and 3% market shares in 2021.

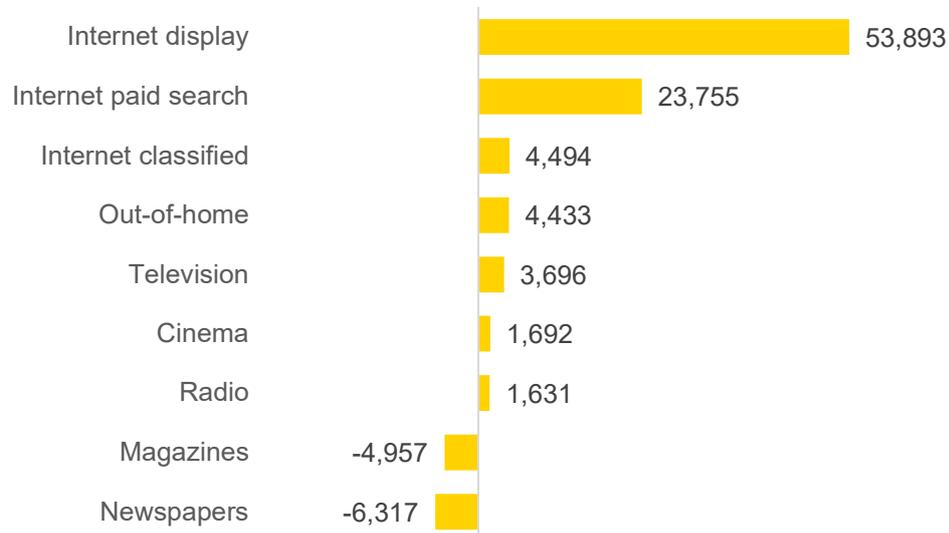
Note that our figures for newspapers and magazines include only advertising in printed editions of these publications, not on their websites, or in tablet editions or mobile apps, all of which are picked up in our internet category. The performance of print editions does not describe the overall performance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

Television was the dominant advertising medium between 1996 (when it overtook newspapers with a 37% market share) and 2016 (when it attracted 35% of total advertising expenditure). In 2017, however, the internet overtook television to become the largest advertising medium. Looking at the ad market as a whole, including search and classified, we think television's share peaked at 39.1% in 2012, fell to 31.9% in 2018, and will be 28.5% in 2021, its lowest share we have on record. (Our figures go back to 1980.)

However, one of the reasons for television's loss of share is the rapid growth of paid search, which is essentially a direct response channel (together with classified), while television is the pre-eminent brand awareness channel. Television does not compete directly against search, and indeed the two can complement each other, for example by running paid search activity to take advantage of the increase in searches driven by a television campaign. Taking internet classified and search out of the picture, television will remain the principal display medium for many years to come. Television accounted for 40.4% of display expenditure in 2018, and will attract 36.9% in 2021.

If we consider audiovisual advertising as a whole – television plus online video – we see that it is maintaining its dominant share of display advertising. Television offers unparalleled capacity to build reach, while online video offers pinpoint targeting and the potential for personalisation of marketing messages. Both are powerful tools for establishing brand awareness and associations. We estimate that audiovisual advertising accounted for 47.9% in 2018, up from 43.5% in 2010, and expect its share to rise to 48.1% in 2021.

*Contribution to global growth in adspend by medium 2018-2021 (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\$82bn in extra adspend between 2018 and 2021 (again excluding markets where we don't have a breakdown by medium). This growth will be mitigated by a US\$11bn decline from print. Among the 'traditional' media, out-of-home will enjoy the biggest growth, followed by television.

## 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, 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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