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Global adspend set to return to pre-financial crisis growth rates

Adspend boosted by stronger economy, programmatic buying and mobile

Advertising will continue to strengthen over the next three years, with global advertising spend growth forecast to rise from 3.9% in 2013 to 5.5% in 2014. Growth is then set to increase to 5.8% in 2015 and 6.1% in 2016. This growth will be driven by improvement in the global economy, the spread of programmatic buying, and the rapid rise of mobile advertising.

According to ZenithOptimedia's new *Advertising Expenditure Forecasts*, global adspend will be boosted this year by the three 'semi-quadrennial' events – the Winter Olympics, the football World Cup, and the mid-term elections in the US – which will benefit television in particular. Advertisers are also gaining in confidence as growth returns to the Eurozone, which now looks more stable and less likely to deliver more negative shocks to the world economy. In general, advertisers are in a strong position to invest in expansion, with large reserves of cash and high profitability. In view of this, we expect growth to increase in each of the three years we forecast.

Eurozone returns to growth

The Eurozone emerged from recession last year, and its recovery appears to be gathering pace. This has encouraged advertisers to start to commit higher budgets to the region, which has suffered a 15% drop in adspend since the financial crisis began in 2007. Eurozone adspend shrank 3.0% in 2013, but this was loaded towards the front of the year; by the end of the year several key media owners were reporting growth in their ad revenues. We now forecast Eurozone adspend to grow 0.7% this year, achieving its first year of growth since 2010. Finland, Italy and Greece are still shrinking, but should stabilise next year, helping the Eurozone accelerate to 1.6% growth in 2015 and 1.7% in 2016.

Television remains dominant

Television is still by some distance the dominant advertising medium, attracting 40% of spend in 2013, nearly twice that taken by the internet (21%). TV offers unparalleled capacity to build reach, and establish brand awareness and associations. We forecast television adspend to grow 5.2% in 2014, up from 4.4% in 2013, as it gains the most of the benefits of the Winter Olympics, football World Cup and mid-term US elections.

Programmatic buying to boost internet display above search by 2015

The internet is still the fastest-growing medium by some distance. It grew 16.2% in 2013, and we forecast an average of 16% annual growth for 2014 to 2016. The fastest-growing sub-category is display, which we forecast to grow at 21% a year to 2016. Traditional display (banners and other standard formats) is growing at 16% a year, boosted by the revolution in programmatic buying, which provides agencies and advertisers with more control and better value from their trading. Social media (growing at 29% a year) and online video (23% a year) are also starting to benefit from programmatic buying, which is helping to sustain their rapid growth. We expect internet display to overtake paid search (which is growing at 13% a year) for the first time in 2015. In 2016 we expect internet display adspend to total US\$74.4bn, while paid search adspend totals US\$71.1bn.

Continued growth of mobile

Mobile advertising has now truly taken off and is growing six times faster than desktop internet. We forecast mobile advertising to grow by an average of 50% a year between 2013 and 2016, driven by the rapid adoption of smartphones and tablets. By contrast we forecast desktop internet advertising to grow at an average of 8% a year.

We estimate global expenditure on mobile advertising was US\$13.4bn in 2013, representing 12.9% of internet expenditure and 2.7% of advertising across all media. By 2016 we forecast this to rise to US\$45.0bn, representing 28.0% of internet expenditure and 7.6% of all expenditure. This means mobile will leapfrog radio, magazines and outdoor to become the world's fourth-largest medium by the end of our forecast period.

“Advertisers are gaining in confidence as the world economy returns to stable growth. They will find plenty of opportunities to generate strong returns on their advertising investment in the fast-growing digital media, but should remember that television has lost none of its power to reach large and engaged audiences,” said Steve King, ZenithOptimedia’s CEO, Worldwide.

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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, Bacardi-Martini, Electrolux, General Mills, Lactalis, LVMH, Nestlé, News Corporation, L'Oréal, Oracle, Puma, Qantas, Reckitt Benckiser, Richemont Group, Royal Bank of Scotland, Sanofi, SCA, 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 £495. It may be ordered in hard or soft copy from www.zenithoptimedia.com.