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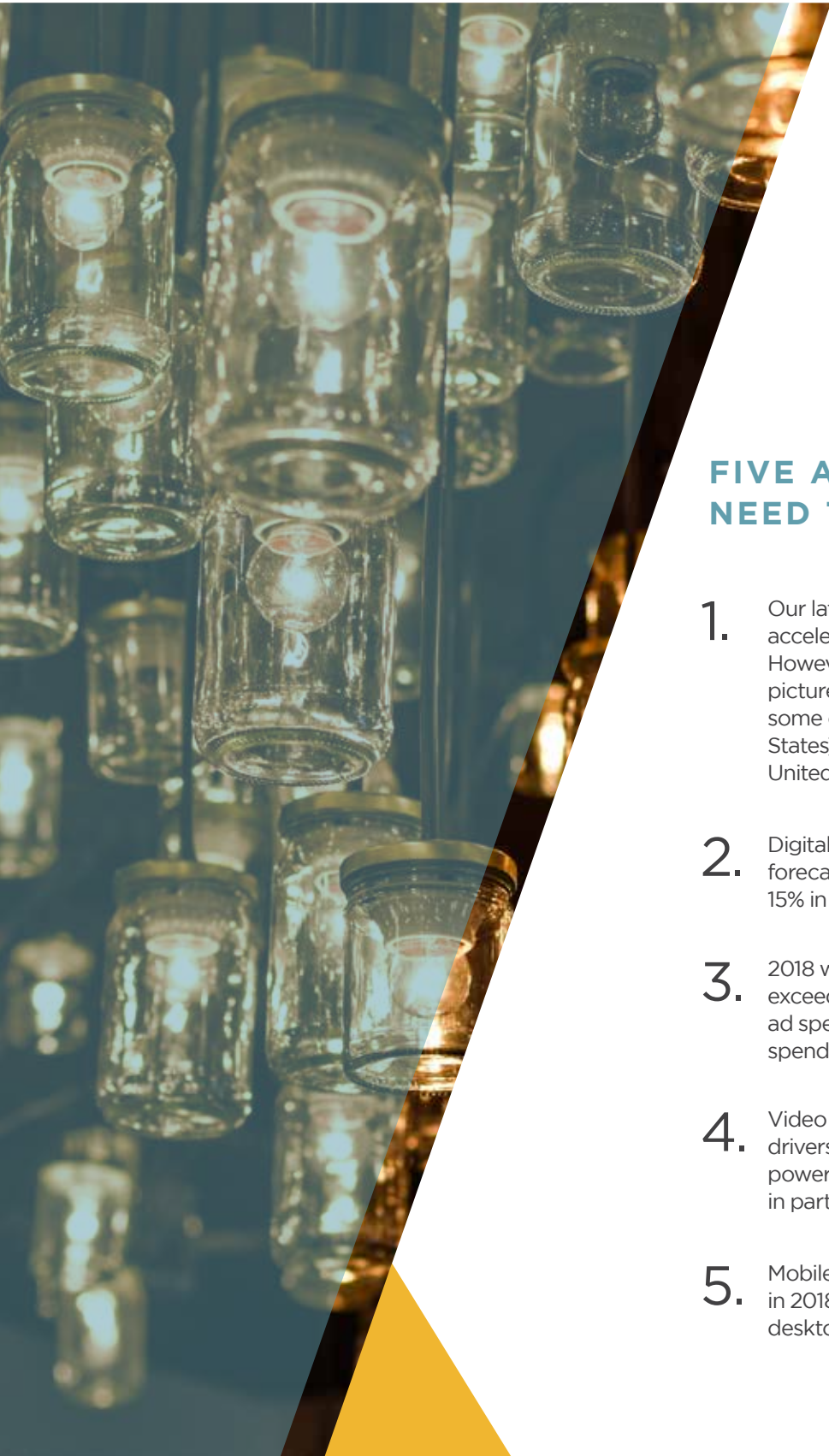
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# GLOBAL AD SPEND FORECASTS

JANUARY 2018



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## FIVE AD SPEND TRENDS YOU NEED TO KNOW IN 2018

1. Our latest forecasts show ad spend growth accelerating to 3.6% in 2018, up from 3.1% in 2017. However, at the economy level there is a mixed picture: while ad spend growth is accelerating in some countries (e.g. Germany, India, the United States), in others it is slowing (e.g. China, Russia, United Kingdom).
2. Digital continues to power ad spend growth and is forecast to grow globally by 12.6% in 2018, versus 15% in 2017, amounting to US\$220.3 billion.
3. 2018 will be the year that digital overtakes TV, exceeding even our own previous forecasts. Digital ad spend will account for a 38.3% share of total ad spend in 2018, overtaking TV at 35.5%.
4. Video (24.5%) and social (23.5%) will be the main drivers of growth within digital ad spend in 2018, powered by smartphone take-up and mobile-video in particular.
5. Mobile ad spend will go from strength to strength in 2018, reaching US\$121.1 billion having overtaken desktop as a share of total digital spend in 2017.

	2016a	2017f	2018f
GLOBAL	4.7 (4.8)	3.1 (3.8)	3.6 (4.3)
NORTH AMERICA	4.8 (5.0)	2.5 (3.6)	3.1 (4.0)
UNITED STATES	5.0 (5.0)	2.6 (3.6)	3.2 (4.0)
CANADA	0.1 (3.1)	0.0 (3.1)	1.1 (2.7)
WESTERN EUROPE	4.1 (4.0)	3.3 (3.5)	2.6 (3.6)
UNITED KINGDOM	6.1 (6.1)	3.2 (4.0)	2.9 (5.9)
GERMANY	2.8 (2.3)	2.2 (2.6)	2.6 (3.0)
FRANCE	0.9 (0.9)	1.7 (1.6)	2.0 (2.0)
ITALY	3.5 (3.5)	0.9 (0.8)	1.9 (1.5)
SPAIN	6.8 (6.8)	1.9 (5.0)	1.4 (3.6)
C&EE	7.6 (7.6)	8.3 (6.6)	7.4 (6.0)
RUSSIA	11.4 (11.4)	12.9 (9.8)	10.4 (7.8)
ASIA-PACIFIC	4.6 (4.7)	3.5 (4.3)	4.2 (4.6)
AUSTRALIA	4.5 (4.8)	2.7 (4.1)	2.9 (4.8)
CHINA	7.4 (7.4)	6.0 (6.0)	5.4 (5.4)
INDIA	11.9 (11.9)	9.6 (13.0)	12.5 (12.2)
JAPAN	1.9 (1.9)	1.0 (1.7)	1.6 (1.7)
LATIN AMERICA	9.1 (11.9)	8.1 (7.0)	8.8 (8.9)
BRAZIL	5.4 (5.4)	2.1 (2.1)	5.0 (5.0)

Figures in brackets show our previous forecasts from June 2017





## AD SPEND GROWTH IS FORECAST GLOBALLY AND IN KEY MARKETS IN 2018

- » Global ad spend growth is forecast to accelerate to 3.6% in 2018, up from 3.1% in 2017. This amounts to global ad spend of US\$589.5 billion in 2018. Events such as the Winter Olympics & Paralympics, the FIFA World Cup in Russia and US Congressional elections will help to drive this growth.
- » The United States remains the number 1 contributor to incremental global ad spend in 2018, contributing US\$6.8 billion (33.4%) of the total US\$20.3 billion increase in new ad dollars. US ad spend is projected to grow by 3.2% in 2018 (up from 2.6% in 2017) to hit US\$216.9 billion—37% of global ad spend. However, the total market forecast has been revised down from the 4.0% forecast in the June 2017 report following signs of a softening TV market in the back end of 2017 affecting the global growth forecast for 2018.
- » India is forecast to grow by 12.5% in 2018, up from 9.6% in 2017, reflecting its solid economic growth trajectory. Digital media spend is forecast to increase by 30% in 2018 with 43.6% growth in mobile spend, which will account for 47% of total digital spend in 2018. The advertising market in India is forecast to grow by a further 12.5% in 2019.
- » Germany is projected to grow by 2.6% in 2018 to reach € 16.2 billion—a slight acceleration and increase in momentum on 2017 (2.2%). With the economy stable and consumer sentiment high, the market is predicted to continue on a positive trend into 2019 and grow by 3.0%.
- » Japan remains a leading contributor to global advertising spend in 2018, projected to grow by 1.6%—an increase on 2017, when growth stood at 1%. The Japanese economy is undergoing gradual and stable growth which is expected to continue and will see the ad spend market pick up to 2.1% growth in 2019.



## BUT GROWTH IS ALSO SLOWING IN SOME MARKETS








- » Alongside these pockets of growth, there are also countries where ad spend growth is forecast to slow in 2018.
- » China is forecast to contribute US\$4.6 billion (22.8%) to total new ad dollars in 2018 and grow by 5.4%—reaching 15.2% of worldwide advertising spend. However, this represents a deceleration from the 6% growth seen in 2017. Looking further ahead, advertising spend in China is forecast to grow even slower (by 5.3%) in 2019.
- » Russia is forecast to grow by 10.4% in 2018, revised up from the previous forecast of 7.8%. In 2018, TV is forecast to grow by 9.2%, supported by high TV inflation of 15-20% driven in part by the forthcoming political elections and sporting events such as the FIFA World Cup. A further 9.5% increase is projected in 2019.
- » Advertising revenue in the United Kingdom is forecast to grow by 2.9% in 2018 to reach a total ad expenditure of £21.9 billion. This represents a deceleration in the ad market from 6.1% growth in 2016 and 3.2% growth in 2017. The Brexit process has done little to boost economic confidence and there are concerns that a squeeze on household spending may result in cuts to marketing spend. As such, the outlook for 2019 also shows forecast growth of 2.9%.

## WE ARE SEEING A MARKET IN TRANSFORMATION, NOT RECESSION, DRIVEN BY DIGITAL

- » Digital is forecast to continue to grow at 12.6% in 2018 to reach US\$220.3 billion—a 38.3% share of total spend and surpassing Television spend for the first time at 35.5% share as previously predicted.
- » Within digital, paid search spend accounts for a significant 40% share of digital spend and is forecast to increase by 12.5% in 2018. With the arrival of voice search this growth trend is predicted to continue, not least with voice-activated devices helping to power this growth. For example, Amazon's Alexa app was the top app for Android and iPhone on Christmas day 2017, with the company claiming its devices enjoyed the best holiday season yet.
- » Within display, video ad spend is the fastest growing at 24.5% in 2018 driven by mobile-video as consumers watch more and more video content on their small screens.
- » Engaging online video formats and social (23.5% in 2018) are growing rapidly, while traditional display banner formats are forecast to grow at more subdued single digit rates—a predicted 8.7% in 2018.
- » Mobile ad spend overtook desktop in 2017 as previously predicted with a 57% share of total digital spend versus desktop at 43%. Mobile spend is forecast to increase by a further 23.8% in 2018 to reach US\$121.1million, a significant 62% share of digital spend in 2018.
- » Programmatic spend is projected to increase by 23.0% in 2018. Growing digital ad investment will be fuelled by a better understanding of ROI as marketers and the industry, develop better solutions for multi-touchpoint total attribution measurement.

## GROWTH IN GLOBAL ADVERTISING SPEND BY MEDIA, 2016-18 (% YEAR-ON-YEAR)






GLOBAL YEAR ON YEAR % GROWTH AT CURRENT PRICES

	2016a	2017f	2018f
 Television	<b>2.2</b> (2.3)	<b>-0.9</b> (0.5)	<b>0.5</b> (1.3)
 Newspapers	<b>-9.3</b> (-9.4)	<b>-9.0</b> (-8.3)	<b>-7.9</b> (-6.9)
 Magazines	<b>-3.1</b> (-3.3)	<b>-7.2</b> (-2.6)	<b>-5.9</b> (-2.0)
 Radio	<b>3.1</b> (3.0)	<b>0.5</b> (0.2)	<b>1.3</b> (1.5)
 Cinema	<b>5.2</b> (5.3)	<b>4.8</b> (4.7)	<b>4.6</b> (4.8)
 OOH	<b>3.8</b> (3.7)	<b>3.0</b> (2.9)	<b>2.4</b> (3.2)
 Digital	<b>17.1</b> (17.7)	<b>15.0</b> (14.7)	<b>12.6</b> (12.9)

Figures in brackets show our previous forecasts from June 2017



## GROWTH IN GLOBAL ADVERTISING SPEND WITHIN DIGITAL, 2016-18 (% YEAR-ON-YEAR)

GLOBAL YEAR ON YEAR % GROWTH AT CURRENT PRICES WITHIN DIGITAL

	2016a	2017f	2018f
 Display	<b>13.7</b> (16.0)	<b>11.0</b> (13.1)	<b>8.7</b> (10.4)
 Online Video	<b>48.6</b> (47.5)	<b>34.3</b> (32.4)	<b>24.5</b> (25.4)
 Social Media	<b>46.9</b> (39.7)	<b>30.8</b> (28.9)	<b>23.5</b> (23.1)
 Paid Search	<b>13.3</b> (13.2)	<b>13.5</b> (11.6)	<b>12.5</b> (11.5)
 Classified	<b>9.6</b> (9.8)	<b>8.8</b> (8.3)	<b>7.3</b> (7.3)

Figures in brackets show our previous forecasts from June 2017








GLOBAL YEAR ON YEAR % GROWTH AT CURRENT PRICES WITHIN DIGITAL

	2016a	2017f	2018f
 Mobile	<b>53.2</b> (52.8)	<b>30.5</b> (30.1)	<b>23.8</b> (24.4)
 Desktop	<b>-0.1</b> (-1.6)	<b>0.4</b> (0.4)	<b>-0.2</b> (0.2)

Figures in brackets show our previous forecasts from June 2017

## SHARE OF GLOBAL ADVERTISING SPEND BY MEDIA, 2016-2018 (%)

GLOBAL % SHARE OF ADVERTISING SPEND






	2016a	2017f	2018f
 Television	<b>38.3</b> (38.4)	<b>36.7</b> (37.1)	<b>35.5</b> (35.9)
 Newspapers	<b>10.4</b> (10.5)	<b>9.1</b> (9.2)	<b>8.1</b> (8.2)
 Magazines	<b>6.3</b> (6.3)	<b>5.7</b> (5.9)	<b>5.1</b> (5.6)
 Radio	<b>6.5</b> (6.5)	<b>6.3</b> (6.3)	<b>6.1</b> (6.1)
 Cinema	<b>0.6</b> (0.6)	<b>0.6</b> (0.6)	<b>0.6</b> (0.6)
 OOH	<b>6.3</b> (6.2)	<b>6.3</b> (6.2)	<b>6.2</b> (6.1)
 Digital	<b>31.8</b> (31.5)	<b>35.4</b> (34.8)	<b>38.3</b> (37.6)

Figures in brackets show our previous forecasts from June 2017





## SHARE OF GLOBAL ADVERTISING BY DIGITAL SUB-CATEGORY, 2016-18 (%)

### GLOBAL % SHARE OF ADVERTISING SPEND\*

	2016a	2017f	2018f
 Display**	11.4 (11.4)	12.2 (12.3)	12.7 (13.0)
 Online Video**	3.7 (3.7)	4.8 (4.6)	5.7 (5.6)
 Social Media**	1.5 (1.4)	1.8 (1.7)	2.2 (2.0)
 Paid Search**	13.3 (12.7)	14.6 (13.6)	15.9 (14.6)
 Classified**	3.4 (3.3)	3.5 (3.4)	3.6 (3.5)

Figures in brackets show our previous forecasts from June 2017

### GLOBAL % SHARE OF ADVERTISING SPEND\*

	2016a	2017f	2018f
 Mobile	16.6 (15.9)	20.9 (20.0)	24.8 (23.7)
 Desktop	16.7 (16.4)	16.0 (15.8)	15.3 (15.1)

Figures in brackets show our previous forecasts from June 2017

\*Excludes a few markets where digital spend has not been broken out

\*\*Includes advertising that appears on Desktop, Mobile & Tablets





## CONCLUSIONS

Overall, our ad spend forecasts for 2018 paint a picture of a market that is transforming—not one that is facing a recession. Ad spend is under pressure in many markets, driven by a number of factors.

But within this context, digital remains the only growth certainty. Businesses focused on digital economy solutions will be able to capture the opportunities and manage the risks of this transforming marketplace. This will require the ability to work with a wider ecosystem of tech-enabled solutions, as well as continued focus on using data to understand the consumer and deliver relevant engagement.



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