



CARAT AD SPEND REPORT.

MARCH 2016

**CARAT PREDICTS ROBUST MOMENTUM
INTO 2017 WITH +4.5% INCREASE IN
GLOBAL ADVERTISING SPEND**

CARAT

DIGITAL LEADS GROWTH TO ATTAIN 29% MARKET SHARE & US\$161 BILLION ADVERTISING SPEND IN 2017

Carat, the leading global media network, today publishes its first forecast for worldwide advertising expenditure in 2017, combined with its latest forecasts for 2016 and actual figures for 2015, showing positive global outlook led by the continued investment in Digital media spending.

Based on data received from 59 markets across the Americas, Asia Pacific and EMEA, Carat's latest global forecasts highlights that advertising spend will reach US\$538 billion in 2016, accounting for a +4.5% year-on-year increase. Fuelled by high-interest media events taking place during the year – including the US presidential elections, Rio 2016 Olympics and Paralympics and the UEFA EURO 2016 championship – the positive outlook for 2016 is predicted to continue into 2017, with Carat's forecast highlighting a consistently strong year-on-year global advertising growth of +4.5%.

Carat's latest forecasts reconfirm the rise of Digital as the established driver of global advertising spend growth. Powered by the upsurge of Mobile (+37.9%), Online Video (+34.7%) and Social Media (+29.8%) in 2016, the strength of Digital is expected to continue to grow at double digit prediction levels of +15.0% this year, and a further +13.6% in 2017. Overall, Carat predicts the upsurge of Digital to account for 27.0% of advertising spend in 2016 and extend significantly to 29.3% in 2017, reaching US\$161 billion globally.

In 2015 all regions reported positive growth, from Western Europe at +2.8%, +4.3% in North America, +3.6% in Asia Pacific and Latin America at +11.0%. Regional confidence is predicted to continue in most regions in 2016, despite volatility in some individual markets. In 2016, the North American advertising market remains strong with a solid growth of +4.6%, with the upcoming presidential elections solely expected to generate US\$6 billion advertising spend in the US. Western Europe's sustained positive recovery driven by solid growth in the UK and Spain in 2015 is expected to continue in 2016 and 2017 at +3.1%. Despite a decline in global growth forecasts due to China and Brazil's economic volatility, Asia Pacific and Latin America advertising markets remain strong in 2016, achieving +4.4% and +10.5% year-on-year growth respectively. Carat also reports an encouraging outlook for 2017 across all regions including Central & Eastern Europe, as Russia's economy is expected to stabilise from 2016.

By media, Digital continues to be the star performer for growth level globally with Hong Kong & Estonia now joining the list of 12 markets where Digital is now the principle media used based on spend. The US, Germany, Taiwan and Austria are predicted to join this list in 2018. Whilst Digital

is constantly closing the gap, TV continues to command the majority of market share with a steady 42.0% in 2015 and spend is predicted to grow by +3.1% this year as the Olympic Games and US elections are predicted to generate significant TV viewership across various markets. In addition, Carat's forecasts reconfirm the steady decline in Print* in 2016 and into 2017 with Newspapers declining by -5.4% and Magazines by -1.7% in 2016 whilst highlighting positive year-on-year growth in 2016 for all other media, including Outdoor (+3.4%), Radio (+2.2%) and Cinema (+2.8%), with the latter expected to grow further at +5.0% in 2017.

	YEAR ON YEAR % GROWTH AT CURRENT PRICES		
	2015	2016f	2017f
GLOBAL	3.9 (4.0)	4.5 (4.7)	4.5
NORTH AMERICA	4.3 (4.2)	4.6 (4.5)	4.0
USA	4.4 (4.3)	4.7 (4.5)	4.0
CANADA	2.5 (2.5)	3.0 (3.0)	3.0
WESTERN EUROPE	2.8 (2.6)	3.1 (2.9)	3.1
UK	6.0 (6.4)	6.2 (5.5)	5.7
GERMANY	1.8 (1.6)	1.8 (1.7)	1.7
FRANCE	-0.3 (0.1)	0.6 (0.7)	1.0
ITALY	1.0 (0.5)	1.2 (0.7)	0.9
SPAIN	6.6 (6.9)	5.3 (6.9)	4.6
C&EE	-3.0 (-6.0)	2.2 (1.6)	4.0
RUSSIA	-9.8 (-14.0)	0.2 (0.0)	3.5
ASIA PACIFIC	3.6 (4.1)	4.4 (4.7)	4.7
AUSTRALIA	2.5 (2.4)	2.5 (2.8)	2.3
CHINA	6.0 (6.0)	5.8 (6.5)	5.7
INDIA	11.0 (11.0)	12.0 (12.0)	13.9
JAPAN	0.3 (1.4)	1.8 (1.6)	1.1
LATIN AMERICA	11.0 (12.7)	10.5 (13.6)	12.1
BRAZIL	7.8 (6.0)	6.8 (8.4)	8.4

Figures in brackets show our previous forecasts from September 2015

Commenting on the Carat Advertising Expenditure forecasts, **Jerry Buhlmann, CEO of Dentsu Aegis Network**, said:

“

CARAT'S LATEST ADVERTISING FORECAST AND ITS FIRST ANALYSIS OF THE 2017 LANDSCAPE GIVES US REINFORCED OPTIMISM FOR GLOBAL ADVERTISING SPENDING. WHILST ECONOMIC VOLATILITY HAS IMPACTED SOME MAJOR MARKETS, SOLID GROWTH HAS BEEN MAINTAINED GLOBALLY, WITH STABILITY FORESEEN FOR THIS YEAR AND NEXT.

“

THE STRENGTH OF DIGITAL CONTINUES TO BE THE DOMINANT ELEMENT IN THE GROWTH OF THE GLOBAL ADVERTISING EXPENDITURE WHILST TV SPEND REMAINS AS THE FOUNDATIONS OF OUR INDUSTRY. AS ADVERTISING BECOMES MORE DATA-DRIVEN AND COMPLEX, IT'S CRUCIAL TO MOVE RAPIDLY TO NAVIGATE AND MEET THE NEEDS OF THE DIGITAL ECONOMY AND THIS IS REFLECTED IN THE INNOVATIVE CAPABILITIES AND APPROACH WE PROVIDE TO OUR CLIENTS.”

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NOTES TO EDITORS

#CaratAdSpend

***Print:** 'Print' is defined as the combined advertising spend of Magazines and Newspapers

Digital: 'Digital Advertising' or 'Digital Media' or 'Digital' includes advertising spend from Search, Display, Online Video, Social Media and Mobile.

Methodology: Carat's advertising expenditure forecasts are compiled from data which is collated from around the Carat network and based on Carat's local market expertise. We use a bottom-up approach, with forecasts provided for 59 markets covering the Americas, EMEA, Asia Pacific and Rest of World by medium - Television, Newspapers, Magazines, Radio, Cinema, Out-of-Home and Digital Media. The advertising spend figures are provided net of negotiated discounts and with agency commission deducted, in current prices and in local currency. For global and regional figures we convert the figures centrally into USD with the average exchange rate. The forecasts are produced bi-annually with actual figures for the previous year and latest forecasts for the current and following year.

CARAT ADVERTISING SPEND FORECAST

MARCH 2016 SUMMARY

Carat's latest global advertising expenditure forecasts, covering 59 markets across the Americas, Asia Pacific and EMEA, show advertising spend remains buoyant in 2016, increasing overall by **US\$23 billion** in 2016 to hit **US\$538 billion** - a +4.5% year-on-year increase compared to 2015.

Despite a slight decline from the +4.7% previously forecast in the Carat Ad Spend report from September 2015, due to lowered expectations in China and Brazil, advertising spend will be supported by general market stability in 2016 driven by prolific media events including the US presidential elections, the Rio 2016 Olympics and Paralympics, as well as the UEFA EURO 2016 football championship. The predicted 2016 growth rates in major markets China and Brazil of +5.8% and +6.8% respectively will however continue to outpace the global advertising market growth rate.

The positive outlook for 2016 is expected to continue into 2017 with Carat's forecast predicting a steady year-on-year global advertising growth of +4.5%, based on a continuing global economic growth.

The strength of Digital spend continues to be the key driver of growth in the global advertising market, with a predicted US\$18.5 billion increase in spend in 2016, a +15.0% year-on-year growth rate, outpacing previous predictions from the September 2015 report of +14.3%. As a leading media type now across 12 of the markets analysed, Carat's first forecasts for 2017 reveal that Digital will continue to grow at double-digit levels of +13.6%, and will account for 29.3% of all advertising spend globally.

“THE INFLUENCE OF DIGITAL MEDIA IS SIGNIFICANTLY MORE COMPLEX THAN THE 27% FIGURE MIGHT SUGGEST. WE ARE USING A TRULY DIGITAL MIND-SET TO PLAN TV: WE BUY TV AIRTIME PROGRAMMATICALLY AND USE TV TO DRIVE SEARCH. WE LEVERAGE SOCIAL TO BOOST LINEAR TV RATINGS AND AMPLIFY USER-GENERATED CONTENT. WITH THIS MIND-SET WE COMBINE TV AND RICH CONSUMER DATA TO BUY AGAINST PEOPLE, NOT SCHEDULES.”

Sanjay Nazerli, Global Chief Strategy Officer Carat

KEY TRENDS FROM THE REPORT

- Sustained growth in global advertising spend predicated in 2017 of +4.5%, in line with continuing global economic growth expectations for next year.
- Overall, global advertising spend in 2016 will be supported by general advertising market stability driven by major media events in 2016, including US presidential elections, the Rio 2016 Olympics and Paralympics, and the UEFA EURO 2016 football championship. Total advertising spend is expected to hit **US\$538 billion** this year.
- Global forecasts for 2016 have been slightly revised down from the +4.7% previously forecast in the September 2015 report, to +4.5% following changes to regional advertising forecasts in Asia Pacific and Latin America, due to lowered expectations in China and Brazil based on economic conditions.
- Advertising spend in North America remains strong with +4.6% expected growth in 2016 fuelled by the upcoming US presidential elections which are solely forecast to generate **US\$6 billion** spend in the US.
- Western Europe remains stable with year-on-year growth of +2.8% in 2015. Advertising spend in the region is expected to continue to grow consistently at an estimated +3.1% in 2016 and 2017, outpacing predictions from the September 2015 report (+2.9% for 2016), mostly driven by growth in the UK and Spain.
- Advertising spending in the C&EE region is forecast to return to positive growth in 2016 at +2.2%, revised up from predictions in September 2015 (+1.6%), and a further +4.0% in 2017, mainly driven by increased stabilisation in the Russian advertising market.
- In Asia Pacific, the Indian advertising market continues to be buoyant as growth prospects in the country remain high at +12.0% in 2016 and +13.9% in 2017.
- Digital media spend continues to grow at double digit prediction levels of +15% in 2016, outpacing Carat's forecasts in September 2015, and a further +13.6% in 2017. Digital media's share of total advertising spend continues to expand year-on-year, targeting a forecast of 27% share in 2016, exceeding earlier predictions in the September 2015 report, and expanding further to 29.3% of total advertising spend in 2017.
- The continued growth of Digital is driven by Mobile, Online Video and Social Media, increasingly becoming more prevalent components of advertising investment. Mobile continues to show the highest spend growth across all media in 2016, with a year-on-year estimated increase at +37.9% in 2016.

REGIONAL BREAKDOWN

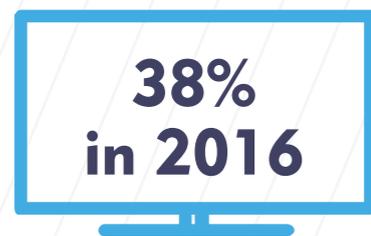
NORTH AMERICA

Advertising spend in **North America** continues to be strong, with a solid growth of +4.6% forecast in 2016 (revised up from +4.5% in the September 2015 report), now exceeding the forecast for global growth of +4.5%. North America continues to be the region with the highest share of worldwide advertising spend at 39.1%.

The positive outlook in the region is fuelled by continued growth in the **US**, the world's largest advertising market with estimated spend in 2016 of **US\$204 billion**, where spend is forecast to increase by +4.7% in 2016, revised up from +4.5% in our previous predictions. US advertising spend in 2016 will be boosted by the US presidential elections which will account for an estimated **US\$6 billion**. TV, predominantly local, will make up approximately 65% of this additional spend, whilst Digital will attract an estimated 10% and all other media types will share the remaining 25%.

In addition, the Rio 2016 Summer Olympic and Paralympics are projected to account for circa **US\$1 billion** of advertising spend. Whilst the Games represent a significant influx over a two-week period, the sporting events will not have a major impact on the US advertising marketplace as not all of this spending will be incremental. Despite the absence of major media events in 2017, the outlook of the advertising market in the US remains positive next year with a solid +4.0% year-on-year growth forecast. Other key findings for the US include:

- TV will remain the largest advertising format in the US, accounting for 38% of advertising investments in 2016, forecast to continue through 2017.



TV SHARE OF US ADVERTISING MARKET

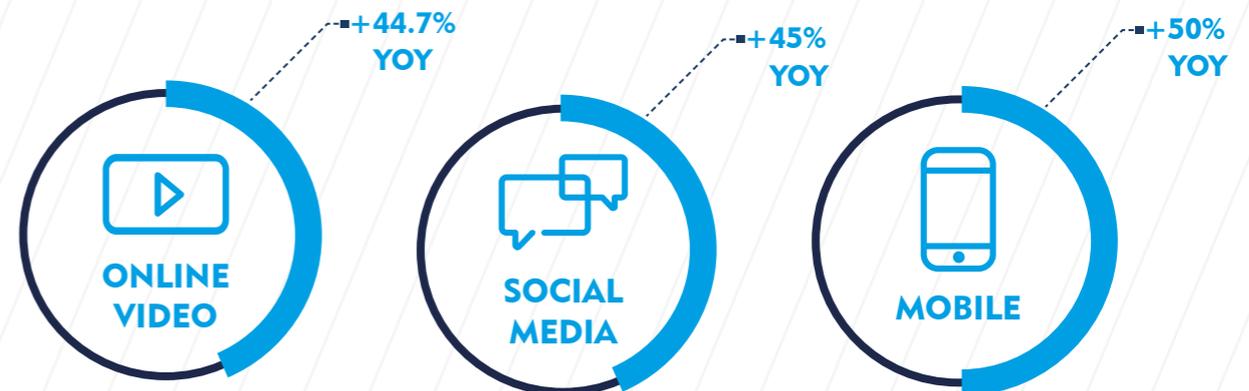
- US TV overall remains buoyant in 2016 with an estimated +2.9% average growth across local and national channels, driven by a stronger scatter marketplace.

- Digital, accounting for 27.7% of total media share in 2016, continues to be the fastest growing media segment this year at +15.9% year-on-year growth, driven by Online Video (+44.7%), Social Media (+45%) and Mobile (+50%) spend this year. Digital spend is forecast to overtake total TV spend in the US by the end of 2018.
- As digital investment continues to increase in the US, traditional publishing market share continues to decline. For the first time, Newspaper share of total spend at 10.5% has been overtaken by Total Digital Display at 13.5% and Paid Search at 11.7%.

The advertising market in **Canada** continues to maintain a predicted low single digit year-on-year growth of +3.0% in 2016 and 2017, slightly higher than the actual spend recorded for 2015 of +2.5%. The total advertising spend in 2017 is expected to reach **US\$8.2 billion**. The moderate growth in the market continues to be affected by the slow economy, with the fall in oil prices and limited exports.

Digital media continues to generate advertising growth in the market – driven by Mobile (+27.4%), Paid Search (+12.8%) and Online Video (+28%) in 2016 – and is forecast to grow by +10.7% in 2016 and +9.6% in 2017. With the highest share of total advertising spend (42%) in 2016 in the market, Digital media spend will continue to offset shrinking Print media, as Magazines are expected to decrease by -8.0% and -6.0% in 2016 and 2017 respectively, and Newspapers by -7% in both years.

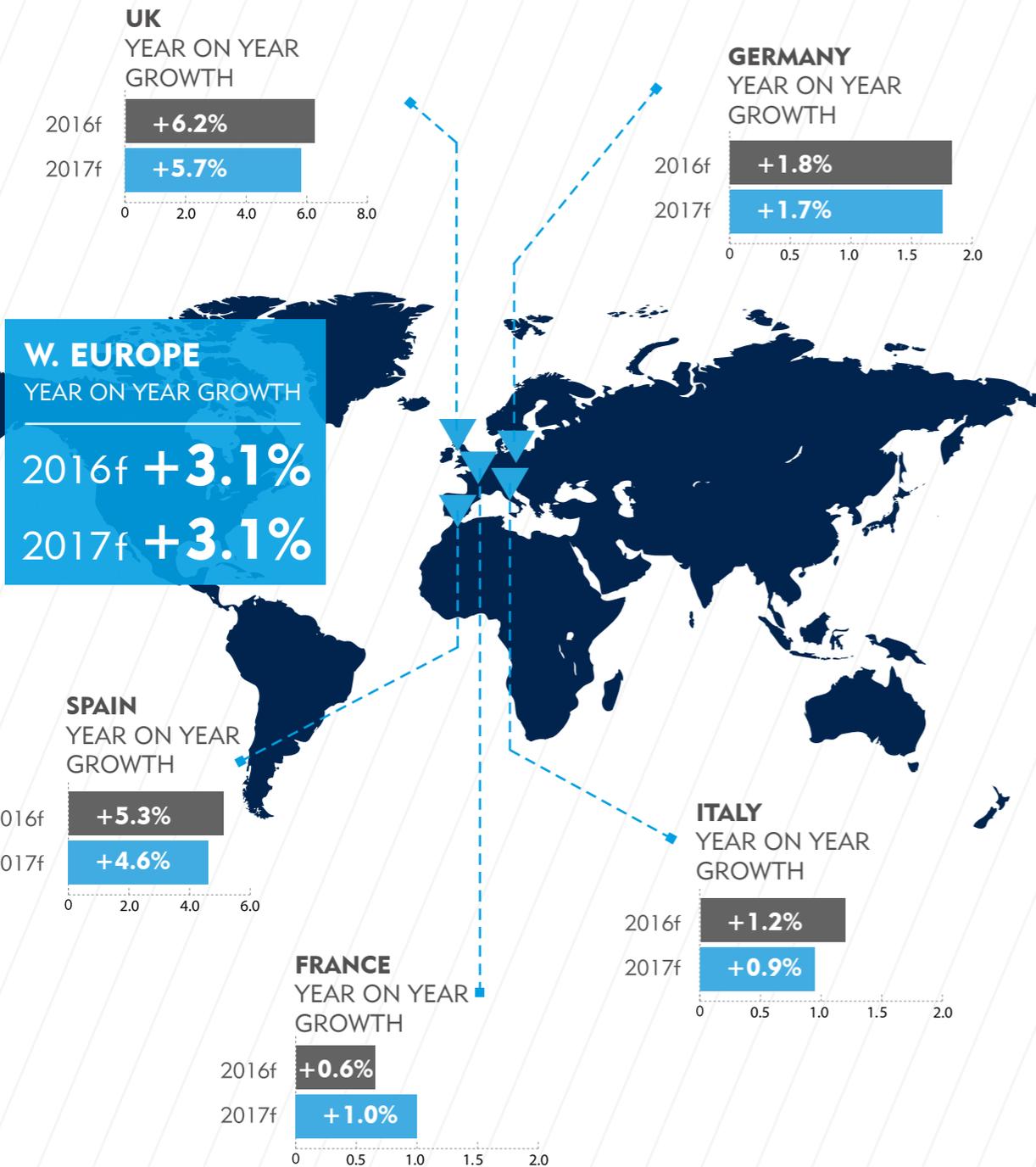
2016 US DIGITAL SPEND TO GROW +15.9% REACHING 27.7% SHARE



REGIONAL BREAKDOWN

WESTERN EUROPE

Advertising spend in **Western Europe** continued to show positive growth in 2015 of +2.8%, with the year closing higher than the previously predicted +2.6% in the September 2015 report. Pace is expected to increase in 2016 at a rate of +3.1%, exceeding



previous forecast of +2.9%. Western European markets showing the highest growth predictions this year are the UK (+6.2%), Spain (+5.3%), Sweden (+4.8%) and Ireland (+7.5%). Markets with lower growth in 2016 include France (+0.6%), Switzerland (+0.5%) and Norway (+0.2%). In Greece, forecasts continue to show positive growth, however growth is moderated from the +8.7% previously predicted in the September 2015 report, to +2.9%. Advertising expenditure in the region is expected to reach **US\$91.9 billion** in 2016, accounting for a 17.1% share of global advertising expenditure, and predicted to grow by a further +3.1% in 2017.

TOP 5 WESTERN EUROPEAN GROWTH MARKETS

2016 f	
IRELAND	+7.5%
UK	+6.2%
SPAIN	+5.3%
SWEDEN	+4.8%
DENMARK	+3.6%

The general confidence in the **UK** advertising market continues at a steady pace into 2016, showing no real slow down. Following a +6.0% growth in 2015, UK advertising spend is forecast to continue to grow in 2016 and increase by a further +6.2% to reach **US\$25.8 billion**. The steady growth in the UK advertising market is expected to continue in 2017 at +5.7%, dependent on the continuation of economic confidence following the EU membership referendum in June 2016. Other key findings on the UK advertising market include:

- 2016 is predicted to be a strong year for TV advertising spend, growing by +5.0% in 2016 with a sustained high level of inflation.
- Despite not being aired on commercial TV, the Rio 2016 Olympics and Paralympics are expected to drive growth in the UK TV advertising market, as increased TV viewership will provide advertisers with more opportunities to engage during a high-interest event. The UEFA EURO 2016 football championship is also expected to lead to high advertising growth across a number of sectors, including Betting, Alcoholic Beverages, Automotive and Sporting Goods.
- Digital continues to be the star performer in the UK advertising landscape, forecast to grow at double digit prediction levels of +12.8% in 2016 and +12.2% in 2017. Digital media share is expected to reach 51.3% in 2016 and 54.5% in 2017.

	UK	
	2016 f	2017 f
DIGITAL YOY GROWTH	+12.8%	+12.2%
DIGITAL MEDIA SHARE	+51.3%	+54.5%

- Mobile Search in the UK is forecast to grow by +11.0% in 2016 whilst Desktop Search will grow at a lower rate of +8.0%. Further growth is expected in 2016 for Online Display activity. Online Video growth is highest this year at +21.0% driven by Mobile video growth of +31.0%.
- Retail is forecast to increase spending by +5.0% this year. Other sectors showing notably increased growth in 2016 are Automotive (+4.0%), Travel & Transport (+6.0%) and Food (+4.0%), whilst year-on-year forecasts decline for second highest spending category Finance (-1.0%), Telecoms (-1.0%) and Cosmetics & Personal Care (-1.0%).

The advertising market in **Germany** shows continued and steady growth. In spite of some international economic and political instability, the German economy continues to show a moderate but solid upward trend with growing employment, stable inflation figures and positive consumer confidence. Following positive growth of +1.8% in 2015, revised up from the September 2015 forecast (+1.6%), advertising spend in Germany is expected to show signs of moderate and stable growth of +1.8% in 2016 and +1.7% in 2017. Other findings from the German market include:

- TV advertising investments are forecast to grow steadily by a moderate +1.9% in 2016. Despite the continuing decline of traditional TV, this remains the dominant mass medium in a more and more fragmented market. For most advertisers TV is still the main touch point to reach their target. This is forecast to continue through 2017.
- Digital media spend is forecast to overtake TV spend in Germany in 2018. Digital's share of total spend in 2016 will account for 30.2%, with spend growth predicted at +7.2% in 2016 and +6.7% in 2017.

After an encouraging performance in the first half of 2015, advertising expenditure in **France** declined by -0.3% last year. The tragic events in Paris at the end of 2015 marked a sudden halt to the improvement of the French economy, with many advertisers withdrawing their activities following the attacks. In 2016, as the host nation of the UEFA EURO 2016 football championship, advertising spend in France is expected to grow marginally by +0.6% in 2016, also benefitting from the 2016 Rio Olympics and Paralympics. Continued positive advertising growth is forecast in 2017, when the French presidential election is expected to drive a +1.0% increase. Other remarks on France include:

- TV continues to be the dominant medium in France with the highest share of advertising spend (32.1%) in 2016 and it is forecast to remain the number one media type through 2017 and 2018. Year-on-year growth is however low, at a predicted +0.8% in 2016 and +1.0% in 2017.

- Digital follows TV as the most popular media type in France with a market share of 29.7% this year, with spend expected to increase by +5.2% by the end of 2016.
- Paid Search represents the majority of total Digital spend in France in 2016 (62.4%) and is expected to grow by +3.7% during the year.
- Mobile is forecast to increase strongly by +38% in 2016, to account for 33% of total Digital spend in the year.

Following four consecutive years of advertising spend decline, **Italy** returned to positive growth in 2015 at +1.0%. Following a positive H2 in 2015 with the Milan World Expo event and the recovery in TV, advertising spend is forecast to grow at +1.3% in Q1 2016. Further growth is expected in Q2 2016 at +1.9% with TV supported by the advertising revenue from the UEFA EURO 2016 football championship. Overall, advertising expenditures in Italy are forecast to increase by +1.2% in 2016, revised up from the previous forecast of +0.7%. In 2017, Italy is expected to continue to grow at +0.9%.

Other highlights on this market include:

- TV will continue to be the media type with the highest share of spend, 51.7% in 2016, forecast to continue in 2017 at a similar level of share at 51.4%.
- Digital is the fastest growing media type, expected to grow at +6% 2016 and 2017. Digital has the second highest share of total spend at a predicted 23.8% in 2016, driven by an increase of advertising spend on Mobile (+30.5%), Online Video (+17.5%) and Social (+15%) in 2016.
- Newspapers are forecast to continue to decline in 2016 by -8.2%. Although sports newspapers will benefit from the previously mentioned key media events in 2016, this will not drive a significant impact on the medium as a whole.
- Magazines are forecast to have a slower rate of decline than Newspapers, -4.5% in 2016, due to the key role this medium has for some sectors such as Luxury and Fashion.
- OOH and Radio are forecast to achieve positive growth in 2016, at +5% and +4.5% respectively.

Spain's advertising market continued to grow at a healthy mid-single digit rate of +6.6% in 2015, significantly higher than the global growth rate of +3.9%. However, the economic and political situation in the market remains uncertain after the highly fragmented results of the national elections in December 2015 and a potential repeat election in 2016. As a result, forecasts for Spain are slightly less optimistic than previously predicted in the September 2015 report, revised down from +6.9% to +5.3% for 2016. The advertising spend in Spain is expected to grow by +4.6% in 2017. Other key findings on Spain include:

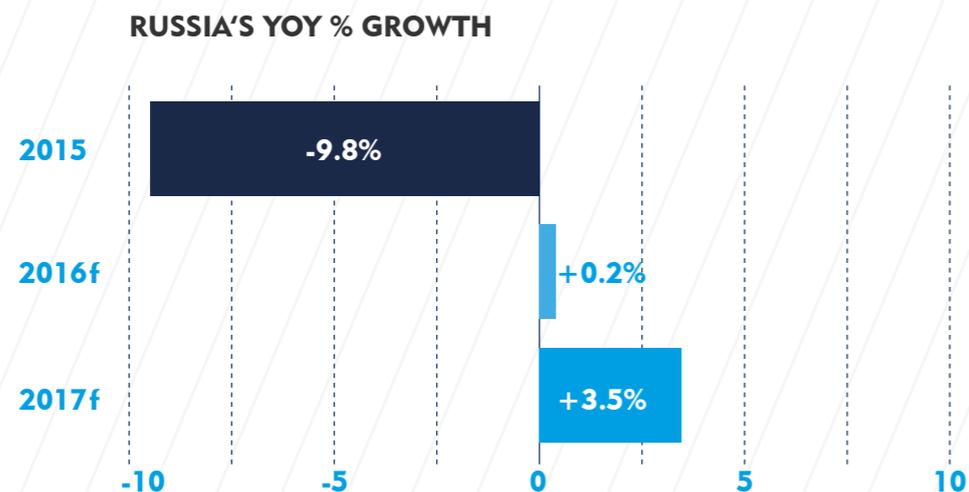
- TV demand remains high. TV is usually the base of advertising campaigns in Spain due to high consumption and also competitive CPT (cost per thousand) pricing. TV share of spend is forecast at 42.3% in 2016 and is predicted to increase by +5.1% this year.
- Digital, accounting for 25.9% share of total spend, is the main driver of the advertising market growth in Spain with a +12.0% growth forecast in 2016 and double digit digital growth predicted to continue in 2017 at a rate of +10.1%.
- Mobile spend is the main driver of Digital growth, with a predicted increase of +44.1% in 2016.

REGIONAL BREAKDOWN

C&EE

Following a decline in advertising expenditure of -3.0% in 2015, the **Central & Eastern European** region is forecast to return to positive growth in 2016 at a rate of +2.2%, revised up from the +1.6% previously forecast in September 2015. The markets contributing most to this increase in spend in the region this year are Poland (+4.6%), Turkey (+3.0%) and Hungary (+6.3%). Seven out of the 11 markets in C&EE (Estonia, Hungary, Lithuania, Romania, Poland, Russia and Slovakia) have revised up their forecasts from the September 2015 report due to a general improvement in their economic outlook. An increased growth rate of +4.0% is forecast in 2017 driven by the +3.5% growth forecast for major market Russia.

The advertising market in **Russia** is expected to stabilise in 2016, with a small increase of +0.2% forecast, up 0.2% points from the flat market predicted in the September 2015 report. This marks an improvement in the advertising market following a year-on-year decline of -9.8% in advertising spend in 2015, revised up from the previous 2015 prediction of -14.0%. Despite the continuing decline of the economy, the advertising market has gradually adapted to the new reality and by the end of 2015 advertisers showed increased activity. Other key findings for Russia cover:



- TV is the leading Russian media type with the highest share of advertising spend in 2016 at 44.8%. New TV advertising law restrictions introduced in January 2015 negatively affected TV advertising spend, subsequently it declined by 15% in 2015. Expectations are for the TV market to show a small increase +1.2% in 2016.
- Digital is the second most popular media type in Russia and, along with TV, the only segment expected to grow in 2016, with a +8.7% growth forecast, to reach 34.4% of total advertising share.
- With the economy hit hard by the collapse in oil prices, the ongoing economic uncertainty may lead to a reduction in advertising activity in the second half of 2016. The advertising market is predicted to continue to recover in 2017, with a modest growth of +3.5%, dependent on the economic development.

MIDDLE EAST AND NORTH AFRICA

Growth in the **Middle East and North Africa** is forecast to increase moderately by +1.3% in 2016 and +1.9% in 2017 with growth by market in low single digits or declining. The markets with the strongest performance are Morocco with a forecasted growth of +4.0% in 2016 and +4.1% in 2017 and Qatar where advertising expenditures are expected to increase by +3.8% in 2016 and 2017. Major market Egypt is forecast to grow by a more modest +2.4% in 2016 to reach US\$1.9 billion and a further +3.0% in 2017. Declines in 2016 are currently forecast however for Saudi Arabia (-1.4%), Kuwait (-1.3%), Bahrain (-4.3%) and Oman (-4.8%) with this predicted trend to continue in 2017.

REGIONAL BREAKDOWN

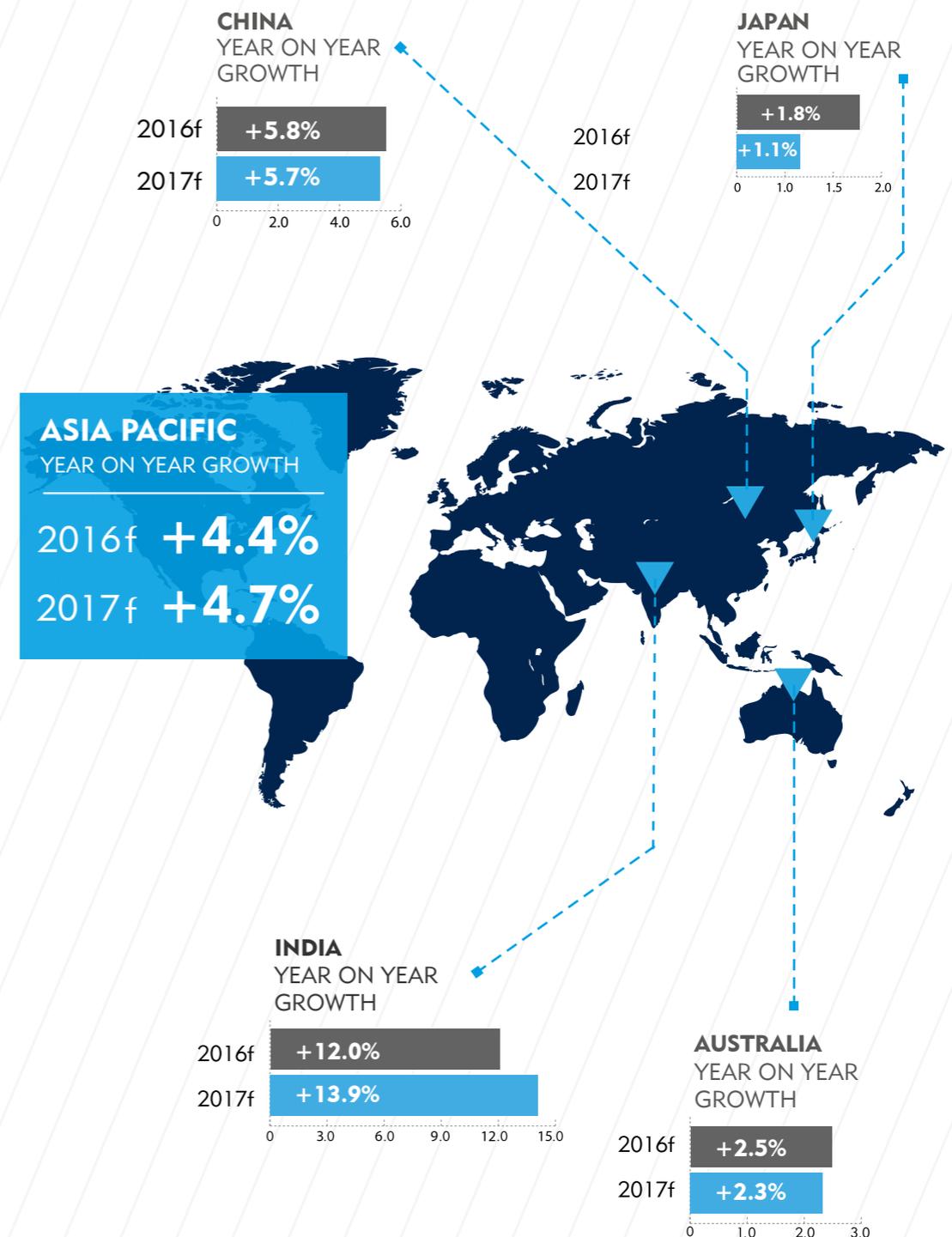
ASIA PACIFIC

Growth in the **Asia Pacific** region by +4.4% in 2016 is forecast at a marginally lower growth rate than the global growth rate of +4.5%, and has been revised down from the +4.7% previously forecast in the September 2015 report, driven by more conservative growth forecasts for China (+5.8%, down from +6.5%) and Australia (+2.5%, down from +2.8%). Forecasts for 2016 have also been revised down for South Korea (+2.4%, down from +3.1%), Taiwan (-0.4%, down from +0.3%) and Malaysia (+3.3%, down from +3.5%) as business and consumer sentiment in these markets continue to be dampened by an uncertain economic outlook. Increased growth is forecast for major advertising market Japan, which is predicted to see advertising spending increase by +1.8% in 2016, revised up from the +1.6% previously predicted in September 2015. Advertising expenditure in the Asia Pacific region will account for a third of global advertising expenditure, 33.8%, in 2016. The Asia Pacific advertising market is forecast to increase by +4.7% in 2017.

The advertising market in **Australia** has seen a modest improvement in conditions following a change in Government in September 2015 and the improved sentiment of the electorate, both from businesses and consumers. The falling of the local currency has also fuelled growth in the tourism sector, a big employer in the country, and that has been reflected in Retail sales. The +2.5% growth in advertising spend in 2015 over the previous year is forecast to continue in 2016. Growth predictions in 2016 are marginally below the +2.8% forecast in September 2015, due to the uncertainty associated with the China slowdown affecting the Australian commodity sector, in addition to the financial market turbulence as a contributory factor. Current forward booking volumes indicate a slow start in Q1 2016, however with an election and Olympic year, advertising spend is expected to grow from Q2 2016 onwards to reach our full year forecast of +2.5% growth for 2016.

In absence of major media events, current expectations are for a slight slowdown of the 2016 momentum in 2017, when the advertising market in Australia is expected to remain positive but at a marginally reduced growth rate of +2.3%. Overall, Carat predicts a gradual but incremental return to growth of the Australian advertising market over the next few years.

China, the world's second largest advertising market is forecast to show a +5.8% growth in 2016, to total **US\$81.5 billion** - a 15% share of total worldwide media spend. The



consecutive year-on-year double digit growth rates witnessed in the decade up to 2011 have been replaced by a more moderate and now established year-on-year mid-single digit advertising spend growth. This is forecast to continue to 2020. The forecast growth rate of +5.8% for 2016 is however below the +6.5% forecast in the September 2015 report, with the advertising market in China affected by downward pressure on the economy. As China's economy is entering a 'new normal' era, its advertising market is forecast to grow at a similar albeit marginally reduced rate of +5.7% in 2017. Other findings about the Chinese advertising market include:

- Facing an economic slowdown and increasingly fierce competition from Digital, the growth of TV is estimated to be a modest +1.7% in 2016. TV will however continue with its dominance of the Chinese advertising market with a predicted share of total spend of 53.3% in 2016 and 51.0% in 2017.
- The growth of Digital spending will remain at a high level of +26.4% in 2016. This is thanks to the rapidly growing popularity of smartphones, with mobile growth reaching +47.1% this year, the highest of all digital platforms.
- The growth rate of China's third most popular media type OOH, is predicted to stabilise at +3.9% in 2016, with China's metro development in 2016 and with airports remaining a stable growth driver.

Unlike growth in the other BRIC markets - Brazil, Russia and China - advertising expenditure in **India** continues to accelerate. Following a buoyant year in 2015 with a growth of +11.0%, 2016 has begun on a positive note with a forecast growth rate of +12.0%. Growth will be supported by the India T20 Cricket World Cup and the state elections. Media-related statistics for India include:

- TV advertising revenues are forecast to grow by +12.3% in 2016, supported by strong spending from e-commerce companies and FMCG brands.
- While TV is expected to remain dominant for many years to come, advertisers are increasingly utilising Online Video as an invaluable complement. However, share of total Digital advertising spend in India is still relatively low at 8.9% (2016).
- Unlike in other markets, positive Newspaper advertising spend growth is expected to

continue in India at +10.5% in 2016, primarily due to investment from e-commerce, Automotive and a small contribution from Government spending. Retail advertisers also continue to spend on Print.

Carat's first forecasts for 2017 predict continuing strong growth for the advertising market in India with an estimated increase of +13.9% and expected favourable economic conditions in which advertisers vie for consumers' attention.

Japan advertising expenditures posted year-on-year gains for a fourth consecutive year in 2015, +0.3% to reach **US\$52.1 billion**. This is in spite of a backdrop of uncertainty within the global and Japanese economy and a tough comparative year in 2014 with high-interest quadrennial events, (the Sochi 2014 Winter Olympic Games and the 2014 World Cup in Brazil), and an increase in demand prior to the consumption tax rate increase in April 2014. Japan's advertising expenditures are forecast to increase at a higher rate of +1.8% in 2016, boosted by the Rio 2016 Olympic and Paralympic Games which are predicted to contribute +0.2% to the market, plus a new surge in demand ahead of the consumption tax rate hike in 2017. Other findings about the Japan market include:

- Continuing from last year, the trend of Digital growth will continue in 2016, at a rate of +8.9%, revised up from the +8.5% previously predicted in the September 2015 report.
- Similar to last year, the shift to cross device and Mobile is continuing and the growth trend in the market for mobile advertising will persist. In particular, due to the rise in video viewership in the mobile environment, the Online Video advertising market will grow even more rapidly.
- The Rio 2016 Olympic and Paralympic Games are expected to invigorate television advertising, with a +1.4% growth forecast.

The forecast for the Japanese advertising market in 2017 is a continuation of the positive growth trend although at a marginally reduced growth rate of +1.1%, dependent on economic developments following the tax rate hike. Marketing activity is expected to pick up approaching the Tokyo 2020 Olympic and Paralympic Games.

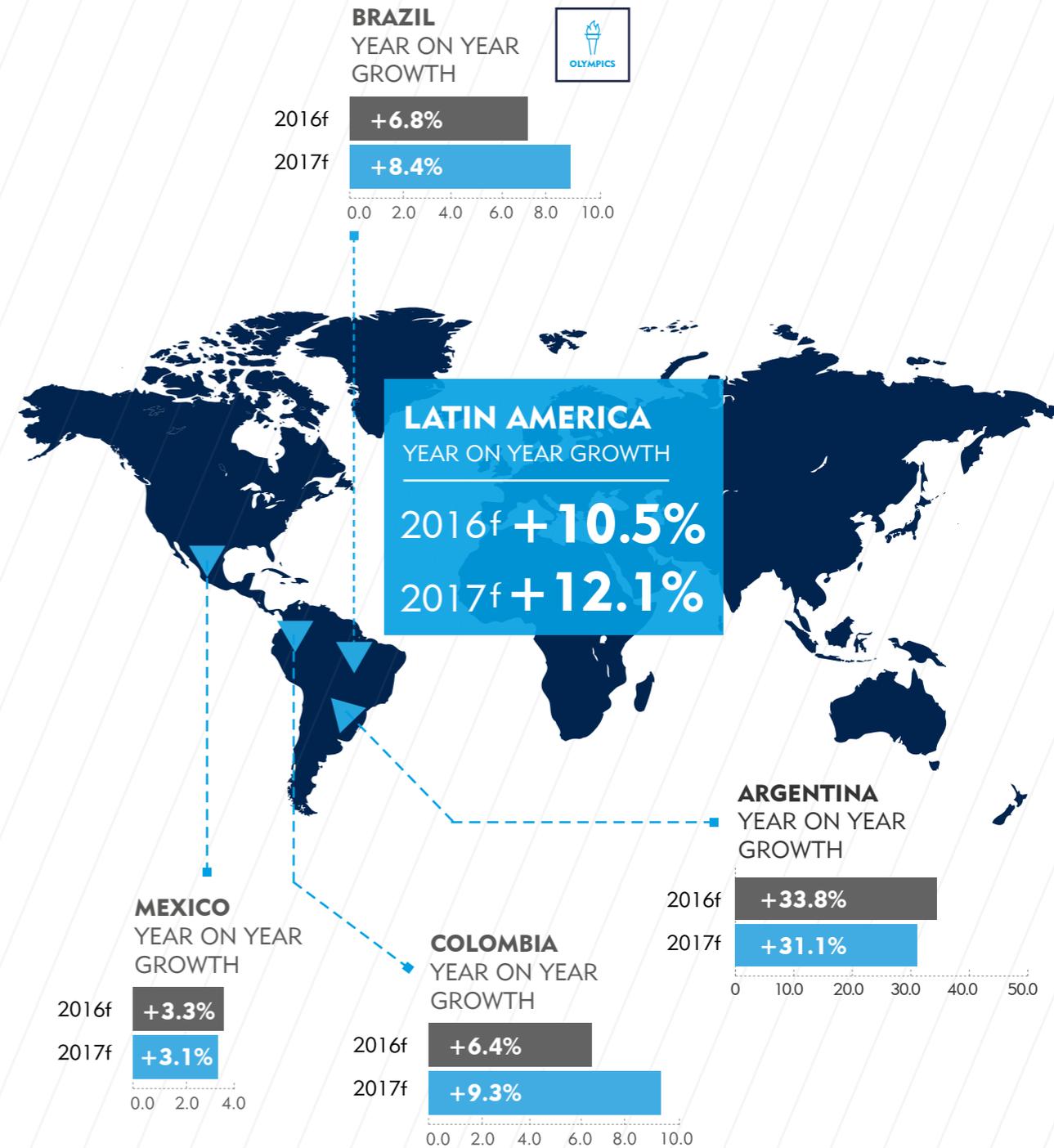
REGIONAL BREAKDOWN

LATIN AMERICA

Advertising expenditures in the **Latin American** region are forecast to grow by +10.5% in 2016 to reach **US\$26.8 billion**, a 5% share of total global advertising spend. Double digit growth in the region, the highest globally, is driven by high growth rates in **Argentina** at a predicted rate of +33.8%, and continuing growth of +6.8% in Brazil. However, growth forecasts for the region have been revised down from +13.6% forecast in the September 2015 report as the advertising market in **Brazil** suffers from the continued economic recession and unstable political conditions, with low expectations of an improvement in 2016. Despite investment from the Rio 2016 Olympics and Paralympics will support growth in the market, Brazil's advertising market growth rate has been revised down by 1.6% points from +8.4% forecast in September 2015 to +6.8%. Depending on the status of political conditions, the scenario may become less pessimistic for the economy in Brazil. However, Carat's latest advertising growth forecasts predict an improvement in Brazil from 2017 at +8.4%.

- With a predicted total share of spend of 66.0% in 2016, TV is still the main medium to build reach quickly in Brazil. Despite the time spent with TV being significantly lower than Digital, broadcasters are developing cross-device platforms, such as Globo Play, to engage with their audiences.
- Due to the widespread usage and growth of mobile devices in Brazil, Mobile advertising spend is forecast to increase by +81.8% in 2016 in the market.
- Social networks are already part of everyday life in Brazil and the trend is to become more and more present in 2016 due to the expansion of mobile devices in the country. In the case of Facebook, more than 70% of access in Brazil is through smartphones or tablets.

Elsewhere in Latin America, **Mexico's** growth is aligned with Carat's forecast in September 2015 of +3.3% growth in 2016 and +3.1% in 2017, reaching a total advertising market spend of **US\$4.3 billion** this year. Growth is also strong in **Colombia** with a **US\$1.7 billion** advertising market in 2016 with growth of +6.4%, predicted to accelerate to +9.3% in 2017.



MEDIA BREAKDOWN

**GLOBAL YEAR ON YEAR % GROWTH AT
CURRENT PRICES**

		2015	2016f	2017f
TELEVISION		2.7 (2.6)	3.1 (3.3)	2.9
NEWSPAPERS		-5.7 (-4.4)	-5.4 (-2.6)	-4.1
MAGAZINES		-3.1 (-2.0)	-1.7 (-1.9)	-1.1
RADIO		2.3 (1.3)	2.2 (1.9)	0.7
CINEMA		7.6 (4.7)	2.8 (2.4)	5.0
OUTDOOR		3.0 (3.4)	3.4 (4.3)	3.8
DIGITAL		15.8 (15.7)	15.0 (14.3)	13.6

Figures in brackets show our previous forecasts from September 2015

GLOBAL % SHARE OF ADVERTISING SPEND

		2015	2016f	2017f
TELEVISION		42.0 (42.0)	41.4 (41.3)	40.7
NEWSPAPERS		12.4 (12.8)	11.2 (11.9)	10.3
MAGAZINES		6.9 (6.9)	6.5 (6.5)	6.1
RADIO		6.6 (6.5)	6.5 (6.4)	6.2
CINEMA		0.5 (0.5)	0.5 (0.5)	0.5
OUTDOOR		6.9 (7.0)	6.9 (6.9)	6.8
DIGITAL		24.6 (24.3)	27.0 (26.5)	29.3

Figures in brackets show our previous forecasts from September 2015

Despite declining slightly year-on-year, **Television** continues to command the highest share of global advertising spend, with a predicted 41.4% in 2016 and 40.7% in 2017. Even though audiences tend to consume media on a growing number of other platforms, TV remains the dominant mass medium holding the majority of share. TV advertising spend is forecast to grow moderately by +3.1% in 2016 supported by major media events including the US presidential elections, the UEFA EURO 2016 football championship and the Rio 2016 Olympics and Paralympics. Growth in TV advertising spend is estimated to continue at a moderated pace of +2.9% in 2017.

Globally **Newspapers** continue to be the third largest medium with 11.2% share of total advertising spend in 2016, but continues to drop almost a percentage point each year with a 10.3% market share predicted for 2017. Despite the continuing global downward trend of this medium, Newspapers still remain in the top two media across 21 of the 59 countries analysed, including key market India where Newspapers share of total spend remains strong at 35.7%. **Magazines** face a similar situation to Newspapers, suffering an overall decline in both year-on year-growth and share of the total advertising market, and are forecast to decline by -1.7% in 2016 and -1.1% in 2017. Globally Magazine share of total advertising spend at 6.5% in 2016 is forecast to fall behind Outdoor (6.9%) and decrease further in 2017 to drop under Radio.

Competitive costs, flexibility and content integration actions maintain demand for **Radio**, which is forecast to grow at a low single digit rate of +2.2% in 2016 and +0.7% in 2017. **Cinema** continues to grow on the back of brands leveraging the higher engagement opportunities offered by this medium, also supported by digital projection and commercial flexibility. However, Cinema advertising spend remains quite volatile coming off a consistent low share of 0.5% of global advertising spend, and is largely dependant on the success of movie titles and economic conditions. With the outstanding film releases of Spectre and Star Wars 'The Force Awakens', 2015 represents a tough comparative year for this medium in 2016, which is therefore forecast to increase only moderately in 2016 by +2.8%.

The digital transformation of public space, data usage and new technology is creating new and exciting opportunities for **Outdoor** advertising, which is evolving to reach audiences at scale through the proliferation of digital infrastructure with enhanced personalisation and relevance. Globally Outdoor has achieved consistent growth in the past three years in the 3-4% range, and is forecast to grow further at +3.4% in 2016 and +3.8% in 2017. Key markets with higher OOH growth forecast for 2016 are expected to be Australia (+9.9%), Brazil (+8.0%) and Italy (+5.0%).

In line with expectations, **Digital** continues to show the highest growth rates, estimated at +15.0% in 2016 and +13.6% in 2017, outpacing our previous predictions in the September 2015 report. By 2017 Digital spend is forecast to reach **US\$161 billion**. Digital is clearly the established driver of global advertising market growth, with all other media types showing a low single digit increase or decline. Digital is the leading media type in 12 out of the 59 markets analysed, with the addition of Hong Kong and Estonia since our September 2015 report and with the US, Austria, Germany, Taiwan predicted to join this list by 2018. Driving the consistent growth of Digital globally is **Mobile**. Spending in this channel is forecast to grow by +37.9% in 2016 and +30.1% in 2017. The key drivers of this considerable increase in mobile investment include the dramatic shift in time spent on mobile amongst smartphone and tablet empowered consumers, the increasing reliance on the app economy, as well as the improving targeting opportunities that this channel provides.

Growing time spent on Mobile is largely linked to consumption of Online Video, Social Media and messaging. **Online Video** is expected to grow globally by +34.7% in 2016 and by +31.2% in 2017 with notably strong growth in the US market, a predicted +44.7% in 2016. The rise of mobile-first social media and messaging apps such as Instagram and Snapchat (alongside Facebook and Twitter), is stimulating advertiser interest as they offer the opportunity to build native video campaigns centred around their target audience's unique social data. As a result, each Social platform is focusing on video, opening up multiple options for brands and advertisers to create, curate and monetise content.

Globally **Social Media** spend is forecast to grow by +29.8% in 2016 and +25.2% in 2017, with the US predicted to have the highest Social Media growth at +49% in 2016

and +45% growth in 2017. Social media platforms are consistently improving their ability to gather data and provide marketers with actionable insights. This data can be utilised to deliver messages to a more specific audience than ever before. Overall, marketers are using Social Media as a way to deliver owned media content, not just paid ads. Branded content as a form of advertising is increasingly becoming a more prevalent component of social media investment.

Display (banners) advertising globally continues to grow positively supported by mobile banners, and remains a highly relevant part of digital investment. In 2016 Display (banner) advertising spend is forecast to increase by +11.6% in 2016 and +8.7% in 2017. In the next few years Carat predicts a considerable rise of programmatically booked inventory for this medium.

YEAR ON YEAR % GROWTH WITHIN DIGITAL			
	2015	2016f	2017f
DISPLAY (BANNERS) 	17.0	11.6	8.7
ONLINE VIDEO 	35.0	34.7	31.2
SOCIAL MEDIA 	35.4	29.8	25.2
PAID SEARCH 	15.4	10.6	10.3
MOBILE 	52.7	37.9	30.1

As of the March 2016 report, Carat has enhanced its methodology of digital data to reflect the rapidly evolving digital media market. The new methodology allows for more in-depth reporting to explore the use of digital segments. The digital sub-category figures in this report are therefore not directly comparable with the figures in previous reports.

Paid Search spend growth is also coming from Mobile as more and more consumers make search queries on-the-go via their smartphones and tablets. This is forcing advertisers to make bid adjustments for Mobile and focus their attention on delivering their Pay-Per-Click (PPC) ads onto the small screen. Globally Paid Search spend is forecast to grow by a healthy +10.6% in 2016 and +10.3% in 2017. Paid Search is expected to reach a solid 12.3% of the total advertising share this year and overtake Newspapers share of spend in 2016 (11.2%) and 2017 (10.3%). Key growth markets for Paid Search in 2016 include India (+48.0%), China (+20.8%) and Canada (+12.8%). Russia and the US also forecast double digit growth of +10.6% and +10.2% respectively in 2016, whilst Paid Search ad spend growth is expected to be relatively low however in France (+3.7%), Australia (+4.6%) and Germany (+4.7%) this year.

Programmatic is also driving growth in Digital media spend. UK (display including online video) programmatic spend is forecast to increase by +30.6% in 2016. It will be across almost every channel including social, display, video and native, enabling advertisers to take full advantage of cross platform synchronicities, such as frequency capping, sequential messaging, and unified budget management. In terms of performance, programmatic offers real-time measurement allowing for amplification, change or discarding tactics within the course of a campaign rather than waiting for final results. It will increase the opportunity for insight-led, dynamic creativity.

NEXT CARAT AD SPEND REPORT
OUT IN SEPTEMBER 2016