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## ADSPEND FORECAST CUT ON GLOBAL ECONOMY FEARS

Warc ([www.warc.com](http://www.warc.com)), the marketing intelligence service, has cut its prediction for 2011 international adspend growth from +4.6% to +3.2% at current prices to reflect growing uncertainty about the global economy.

Businesses have adopted a more cautious, short-term approach to adspend since Warc published its last *International Ad Forecast* of 12 major economies in March. Advertiser sentiment has been particularly hit by concerns over the impact of government debts in the Eurozone and the US, and escalating national inflation rates.

When measured at constant 2005 prices (which adjust for the effect of inflation), total adspend in the 12 surveyed markets will actually decrease by -0.1% year-on-year in 2011, according to Warc.

Warc predicts 2012 will bring a partial recovery in adspend measured in both current and constant prices as economic growth picks up and inflation subsides.

Consequently, Warc is forecasting adspend growth in 2012 will be +5.7% at current prices and +3.1% at constant prices.

Suzy Young, Data Editor, Warc, said: *"Global economic conditions remain unsettled and this is making marketers cautious, particularly in Western Europe, Japan and the US.*

*"As a consequence, marketing budgets for 2011 are likely to be smaller than initially hoped. The next three months will be crucial."*

In the current situation, the emerging eastern economies continue to lead the way in terms of adspend growth.

During 2011, Russia (+19.5%), India (+15.5%) and China (+12.2%) are expected to record the strongest year-on-year adspend increases at current prices. These three markets are still the fastest growing when constant 2005 prices are used to adjust for inflation, although their predicted 2011 growth rates drop to +9.6%, +6.9% and +6.5% respectively.



However, in other markets, much current growth can be attributed to the impact of inflation rather than real-term spending increases.

For instance, Brazilian adspend is forecast to grow at +7.5% in 2011 when measured in current prices. In 2005 constant prices, this figure falls to just +0.7%, reflecting the country's galloping inflation which has triggered four central bank interest rate rises already this year.

Of the 12 markets forecast by Warc, Japan (-3.5%) and Italy (-3%) are predicted to record declines in advertising spend at current prices this year. Japan's economy is still recovering from March's earthquake while Italy's high level of national debt (+100% of GDP) has sparked concern.

Despite anxieties about the US economy, the country will remain the largest advertising market in the world by far in 2011 and is predicted to generate US\$147 billion in spend. This represents a 43% share of the 12-market total measured by Warc. Japan is to remain the second largest market in the group with a 12% share in 2011 followed by China, in third place, with just over 7%. China has overtaken Germany to occupy the number three slot a year earlier than Warc had previously predicted.

In addition, for the first time in July 2011 we have chosen to include adspend data in PPPs (Purchasing Power Parities) for the purpose of making sensible international comparisons between economies and prices. Converting adspend data to PPPs removes the distorting effect of exchange rate fluctuations.

In PPP terms, the US still takes the majority share of total adspend in 2011 at just under 41%, but China overtakes Japan to claim second place with 12%, while Japan has just under 9% share.

#### **Contact details:**

Suzy Young, Data Editor, Warc  
e: [suzy.young@warc.com](mailto:suzy.young@warc.com)  
t: +44 (0)20 7467 8140  
m: +44 (0)7905 373353

#### **About Warc Forecasts & Data**

Warc ([www.warc.com](http://www.warc.com)) has produced trusted and independent data on advertising expenditure and media costs for more than 25 years. It has partnerships with leading advertising organisations in more than 80 countries.



The *Warc International Ad Forecast* is updated four times a year and provides estimates for total advertising expenditure and expenditure on seven individual media for 12 markets. The markets covered by the forecast are: Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Russia, UK and US.

The media covered by Warc's forecasts are: TV, newspapers, magazines, internet, outdoor, radio and cinema. Totals for individual media include both display and classified advertising. The figures for internet advertising expenditure incorporate display, classified and search.

Warc data products are available on subscription from [www.warc.com](http://www.warc.com). They are used by leading advertisers, media agencies and media owners in all markets.

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