MAGNA ADVERTISING FORECASTS SPRING UPDATE (June 14, 2017)

Mobile Reaches 50% of Global Digital Advertising

US Ad Market Slows Down After Record 2016 Performance

Top Stories

- In its latest report on global advertising market trends, released June 14, 2017, MAGNA forecasts media owners' net advertising sales to grow by +3.7% to $505 billion in 2017.
- This is a noticeable drop compared to 2016, which reached a record +5.9% growth rate, but one that MAGNA projected in previous forecasts. The lack of cyclical events in 2017 (global sports events or U.S. elections), and the U.S. market itself, are in fact contributing the bulk of the global slowdown.
- Digital media has now surpassed linear television to become the No.1 category in advertising revenues. Within digital, the majority of advertising sales (54%) is now generated by impressions and clicks on mobile devices.
- Television ad sales will be down (-1%) for the first time since 2009.
- U.S. advertising sales will grow by +1.6% to $185 billion, in line with previous expectations, following a record performance (+7.7%) last year. The lack of global sports events and elections in an odd-numbered year is responsible for most of the slowdown. Excluding those cyclical events, 2017 growth would be a robust +3.4%, compared to a six-year-high +5.9% last year.

MAGNA

Ten Key Findings

1. **Globally, media owners advertising revenues are projected to grow by +3.7% in 2017, to $504 billion.** This is in line with MAGNA's previous forecast (December 5, 2016). This is a noticeable drop compared to 2016 which displayed a record +5.9% growth rate.
2. This slowdown was expected by MAGNA as cyclical global sports events and U.S. elections contributed approximately one point to 2016 global growth. Excluding the impact of cyclical events in *both* years, the underlying slowdown in 2017 will actually be minimal: +4.7% in 2017 vs +4.9% in 2016.
3. **Global advertising growth is expected to re-accelerate to +4.5% in 2018,** with the return of even-year events (Football World Cup in Russia, Mid-Term U.S. elections, Winter Olympics in South Korea).
4. 67 of the 70 markets analyzed by MAGNA will experience some level of growth this year. Within the top 20 markets, highest growth rates are expected in China and Spain (both +7%), India (+12%) and Russia (10%).
5. The fastest-growing region this year will be Central & Eastern Europe (+7.2%), ahead of Latin America (+5.9%) and APAC (+5.6%). The slowdown vs 2016 is mostly concentrated in North America (+1.7% vs 7% last year) and Western Europe (2.8% vs 4% last year).
6. **After a positive performance in 2016 (+3.3%) linear television advertising sales** will decrease this year by almost -1% due to the lack of sports events and the erosion of viewing and ratings, despite CPM inflation.
7. **Online advertising sales will grow by 14% this year** while offline ad sales (television, print, radio, out-of-home) will decrease by -2% (last year was flat). Online advertising **will pass the $200 billion mark** ($204 billion) to **become the #1 category globally**, with 40% of total ad sales vs 36% for television.
8. Within digital, **the majority of advertising sales (54%) is now generated by impressions and clicks on mobile devices.** Mobile advertising will be passing the $100 billion mark for the first time this year ($110bn).
9. **Video and social formats will continue to drive digital advertising growth** (+30% or more) while paid search will grow double digit again (+13%) to remain the #1 format (almost half of digital ad sales).
10. **In the U.S., media owners advertising sales will grow by +1.6% this year to reach $185 billion.** This is a significant slowdown compared to the record growth recorded last year (almost 8%). Neutralizing the effect of the even-year events in 2016 and 2017, however, 2017 growth will be +3.4% compared to +5.9% last year.

MAGNA

According to Vincent Létang, EVP, Global Market Intelligence at MAGNA and author of the report:

> "The record level of growth in 2016 globally, outperforming economic growth, was caused by marketers willing to embrace the new opportunities offered by digital media (search, social, video, programmatic) on a larger scale, while anxious to preserve their share of voice on traditional linear television, despite rising CPMs costs. In 2017, both digital and offline growth will slow down. Online advertising sales will nevertheless continue to grow by double-digits in most markets (globally +13%), but television ad sales will decline (-1%) due to softer price increases, ratings erosion and the lack of global sports events."

Global Overview: 2017

Media owners' advertising revenues are projected to grow by **+3.7% in 2017**, to **$504 billion**. This is in line with MAGNA's previous forecast (+3.6% in December '16).

This is a noticeable slowdown compared to 2016 which displayed a record +5.9% growth rate. It was, however, expected by MAGNA as cyclical events such global sports events (Olympics, UEFA Football, Copa America) and US elections contributed by approximately five billion dollars to 2016 advertising revenues, i.e. one point to 2016 growth. Excluding cyclical events, 2016 growth would actually be +4.9%, and 2017 growth would be +4.7%. The slowdown is thus very moderate and in fact it is mostly concentrated on two markets: the US and the UK. Excluding the US (accounting for 75% of cyclical revenues), the rest of the world is expected to grow slightly faster in 2017 than it did in 2016: +5.0% vs. +4.9%.

Global advertising growth is expected to re-accelerate to +4.5% in 2018, as even-year events come back (Football World Cup in Russia, Mid-Term US elections, Winter Olympics in South Korea).

67 of the 70 markets analyzed by MAGNA will experience some level of growth this year. The most dynamic markets this year will be **China** (+7.3%, 0.8% above previous forecast), **Spain** (+7.3%, 0.7% above previous forecast), **India** (+11.5%, 2% below previous forecast) and **Russia** (+9.6%, 0.9% above previous forecast). The weakest growth in the top 10 will come from the UK (+1.9%), the U.S., (+1.6%) and France (+0.4%). Only three markets are expected to show ad sales decreases: Singapore, Hong Kong and Croatia. The fastest-growing region will be Central & Eastern Europe (+7.2%) ahead of Latin America (+5.9%) and Asia-Pacific (+5.6%). The slowdown vs 2016 will be mostly concentrated around North America (+1.7%) and Western Europe (2.8% vs 4% last year).

After a positive performance in 2016 (+3.3%) linear television advertising sales will decrease this year by almost -1% to $180 billion. This is due to the lack of cyclical sports events, which impacted spend from the automotive, beverage and finance sectors, as well as the long-term erosion of viewing and ratings now taking place or accelerating in an increasing number of markets. Scarcity-induced TV CPM inflation will remain high in many markets (close to 10% in Germany, Australia, China and the U.S.) but it will cool down below 5% in other markets (typically: the UK). Even high-single-digit CPM inflation will not always be enough to offset the decline of ratings and maintain the level of net advertising revenues.

This year online ad sales will grow by +14% while traditional offline ad sales (television, print, radio, out-of-home) will decrease by -2% (last year was flat).

Internet advertising is reaching a symbolic milestone in 2017: after growing double-digits for eight consecutive years, **online ad sales will pass the $200 billion mark** ($204 billion) to **surpass television as the #1 category globally**, with 40% of total ad sales vs 36% for television.

Print advertising sales will continue to struggle in 2017: newspapers and magazines will lose an average 9% and 10% of their advertising revenues respectively. Broadcast **radio** ad revenues were essentially flat for the last four years (-0.4% in 2016) but it is expected to get worse in 2017 (-2%) as audio streaming and other digital formats take budgets off traditional linear radio.

Out-of-Home, on the other hand, will remain resilient in most markets, growing by an average 4% in line with the last eight years (later this month, MAGNA will publish a special Media Economy Report entitled *Why OOH Outperforms* and entirely dedicated to global OOH trends, in partnership with Rapport, the Out-of-Home Media Buying and Planning Agency of IPG Mediabrands).

Global digital growth (+14%) will almost entirely be driven by mobile advertising. **The majority of advertising sales (54%) is now generated by impressions and clicks on mobile devices.** The share of advertising sales based on mobile usage reaches 55% for paid search and 85% for social media. **Mobile advertising will be passing the $100 billion mark** for the first time this year ($110 billion), which makes it larger than print and radio combined.

In terms of formats, **video and social will continue to drive digital advertising growth** (expanding by +30% and +32% respectively) while paid search will grow double digit again (+13%) to remain the #1 revenue generator (49% of total digital ad sales). The two digital-native advertising formats or environments (search and social) now represent a combined 70% of total digital ad spend and will capture 85% of the net growth this year. For the second year in a row, social video formats (counted as "social" by MAGNA) will represent a major driver to digital spend, attracting major consumer brands in the social environment where, until recently, there was not significant spend in this category.

Focus on the US: A Steep, but Expected Slowdown from 2016, with +1.6% Advertising Revenue Growth.

In the U.S., **media owner's advertising revenues are expected to grow by +1.6% (or $3 billion) to reach $185 billion this year,** in line with previous MAGNA predictions (+1.7% in December 2016). Online advertising sales will grow by +14% to $83 billion, offsetting a decline of offline advertising sales (TV, print, radio, OOH) of -4% to $102 billion.

+1.6% will be a significant slowdown from 2016's record growth (+7.7%) but one that was expected by MAGNA due to the lack of cyclical events of the kind that boosted 2016 (elections, Olympics, Copa America) and the natural end of long strong growth cycles for several key spending verticals, such as automotive and pharmaceuticals.
Excluding the incremental advertising revenues generated by political ad spend and Olympic-related campaigns ("P&O") last year, **underlying growth will be +3.4% in 2017**, which still marks a decline from 2016's +5.9%. This represents the slowest rate of advertising sales growth (excluding P&O) since 2014, when the market grew by only +1.6%.

First quarter advertising revenues grew by only +2.3% (including P&O), posting the weakest quarterly growth since the second quarter of 2014. All offline media categories were either flat or down year-over-year in the first quarter: national television in particular took a bigger-than-expected hit (-4%) as well as out-of-home (flat) a category that had previously posted at least +3% quarterly growth consistently in the last three years. It should be noted that 1Q17 advertising sales had to compare with record levels of growth in 1Q16 (overall +8.7%, national TV +5.8%, OOH +3.6%).

Nevertheless, the 1Q slowdown also likely had something to do with the **abrupt slowdown in economic activity**: real GDP grew by just +1.2% in 1Q compared to +3.5% in 3Q16 and +2.1% in 4Q16. Economists however consider this slowdown temporary and still expect the next few quarters to stay on course with previous forecasts, with real GDP growth in the mid 2% to low 3% range. Nevertheless, in its May 2017 update, the Philadelphia Fed's Survey of Professional Forecasters now expects full-year economic growth to be +2.1%,compared to +2.3% in its previous update in February. That compares with +1.6% in 2016, the slowest rate of real GDP growth since the recession ended. Meanwhile, nominal personal consumption – an important precursor to retail sales and advertising spend - is still predicted to be strong this year (+4.1% compared to +3.9% last year).

+1.6% ad sales growth in 2017 would be the lowest annual growth rate since the recession of 2008-2009, but it is partly due to the tough comparison with exceptionally strong growth in 2016. **In 2018, growth will rebound to +4.8%** as the mid-term elections and Winter Olympics will bring in incremental advertising spend again.

In terms of verticals, **automotive** has drawn a lot of attention year-to-date. After seven consecutive years of growth, car sales reached a new all-time high in 2015 with 17.5 million light vehicles sold. The sector plateaued in 2016 (+0.1%) and 2017 was predicted to show a decline in a saturated market (-2%). From January – May, sales have paced at -2%. As expected, marketing and advertising spend from automakers and dealers fell disproportionately as they decided to focus on profitability rather than push sales in a saturated market: automotive advertising spend was down -12% in 1Q17 according to Kantar, and this was felt primarily in local television, the No.1 vertical with 27% of total revenues outside election years, and national television (the 4th largest vertical, down -13% in 1Q17).

Among other big advertising spending industries, Food & Beverage was down -7% in 1Q17 (across all media), in part due to a -30% decline in beer spending. Pharmaceuticals, until recently the fastest-growing category of all, was merely flat in 1Q17; Retail was down -3% with a -21% decrease from dwindling department stores.

Linear national television advertising revenues will decline by -3% to $42.8 billion due to the lack of Olympic Games in 2017, a strong comparison basis with to 2016 (specifically 1H16), a softening of scatter pricing in the marketplace, and a weak demand from some key categories like Automotive (-13% in 1Q17), Food & Beverage (-1% in 1Q17) and Pharmaceuticals (still growing +3% in 1Q17 but at a significantly lower rate compared to a year ago).

In the second half of 2015 and throughout 2016, strong pricing offset declining supply (i.e. ratings). **So far in 2017, ratings are decreasing as much as they have in the last two years, if not worse, but without driving prices further up, therefore moving revenue growth into negative territory**. Primetime Adult 18-49 English-Speaking broadcast networks ratings were down -15% in the first quarter. Cable networks ratings were down -8% in 1Q, despite news networks being constantly up in the last eight months as a result of the heated political climate and news cycle. Those poor ratings contributed to advertising sales being down -7% for broadcast networks and down -1% for cable networks in the first quarter.

For the full calendar year 2017, MAGNA is now expecting English networks ad sales to fall by -6% (to $13.7 billion), while national cable ad sales will decline -1%, to $25.8 billion. Spanish networks ad revenues will drop -3.5% to $1.5 billion). Excluding the lack of political and Olympic spend in 2016 and 2017, growth will be -3% for English networks, flat for national cable and -1.4% for national TV as a whole (compared to +0.7%, +1.5% and +1.1% resp. in 2016).

Local television advertising revenues – the main beneficiary of political advertising spending and therefore the media category with the highest variance in ad spending between even and odd years - will fall -13% to $20 billion in 2017. On a comparable basis, and excluding political sales, revenues will drop -3% as local stations will also suffer from lower spend from automotive dealers, restaurants and retail sectors. In 2018, local television advertising revenues will rebound to +10% due to mid-term elections.

Print-based advertising sales (newspapers and magazines) have now been decreasing for the last ten straight years due to the erosion of readership and the competition of digital media, but there has been an acceleration in the rate of decline of print ad revenues starting in late 2016. In 2017, print ad sales will fall -13% to $18.1 billion, down to just a third of the $54 billion in ad sales it captured ten years ago, with a similar trend for daily newspapers (-13%) and magazines (-12%).

Broadcast Radio started off 2017 with low demand from advertisers that spanned a variety of spending categories such as auto, the 4th largest category, -14%, finance & insurance, which is the 2nd largest category, -9%, and restaurants(-12%). As a result ad sales declined by -4% in the first quarter. MAGNA now expects broadcast linear radio ad sales to decline by -4.4% in full year 2017, to $13.4 billion, an acceleration of the -3% decrease experienced in 2016. We expect a similar drop in revenues in 2018.

Out-of-Home (OOH) advertising is expected to grow +2% to $7.9 billion in 2017, including cinema. MAGNA reduces its 2017 growth forecast following weak first quarter advertising sales, which grew by just +0.3% in a sudden slowdown, as seven of the last eight quarters had shown year-over-year growth of +3% or more. The 1Q17 stagnation occurred as a result of several key verticals reducing spend, including both automotive and food & beverage, which both experienced double-digit declines. This offset the continued growth from tech brands (e.g. Google, Apple, Hulu and Netflix) that have driven OOH sales over the last two years.

Digital media ad sales will increase +14%, by more than $10 billion in 2017, to $83 billion. It will account for 45% of total media spend. By 2019, digital media will account for half of all advertising sales in the country, and will surpass the $100 billion mark to end the year at nearly $103 billion.

Within digital, mobile will become the dominant format this year, with a 58% share, as it grows +34% to $48 billion. **Mobile advertising** will go on to account for nearly half of *all* advertising sales by 2021, with a 46% share, and up to $96 billion.

Focus on Canada: +4.2% Market Growth Projected in 2017, with +3.8% Growth Projections for 2018.

The Canadian advertising market is the ninth largest in the world, with approx. CAD 14 billion (approx. USD 11 billion) of advertising revenues for Canadian media companies. The market will grow by an estimated **+4.2% this year (2017).** For next year (2018), MAGNA forecasts ad sales to grow by +3.8%.

Television distribution is going through a transition as all cable television channels have been offered individually, on an "a-la-carte" basis, by all cable and satellite TV providers, since the end of 2016 (many providers actually pre-empted the regulatory deadline). This could potentially allow Canadian subscribers to opt out of some channels or subscriber smaller cheaper "skinny bundles", hence reducing the penetration and reach of many cable networks and therefore hurting their advertising sales in the long term. However it has yet to happen on a large scale while most consumers have had that option for many months by now.

In 2016 cable networks ad sales performed in line with free TV ad sales and advertising revenues were essentially flat (-0.4%). That was better than expected, mostly due to advertisers like P&G (the largest television advertiser in Canada), Royal Bank of Canada and Ikea all increasing TV spend by 40% to 60% on the previous year while and Amazon (zero spend in 2015) started to use television significantly.

TV advertising sales also benefitted from additional spending generated by the Summer Olympics last year, which won't be around in 2017. Other sports events, however, helped generate brand interest this year, e.g. the fact that five out of six Canadian hockey teams made the NHL playoffs this year, compared to zero in 2016, as well as the Toronto Raptors making the semifinals of the NBA playoffs again. That however may not be enough to increase total television ad sales, which are affected by declining ratings and low pricing (CPM inflation +3% is significantly lower than in the US). **MAGNA is thus expecting total television ad sales to decrease by -1% this year, to CAD 3 billion.**

Digital Media will grow by +16% in 2017 to CAD 7 billion, as digital now accounts for half of all advertising sales in the market. Canada was one of the first countries where digital media overtook television to become to dominant media format, back in 2013. Social media ad sales will grow by +35%, while revenues from video ad formats will grow +20% and Search ad sales will growth +13%. 62% of digital advertising sales will be generated by clicks or impressions on mobile devices (one of the highest share in the world, well above the global overage of 50%).

Print advertising sales will decline by -14% to CAD 2 billion, and broadcast radio ad sales will decrease -4%, while out of home advertising will grow +3%, driven by digital OOH growth of +13%.

For 2018, MAGNA is expecting the Canadian market to slow down slightly, with advertising revenues growing by +3.8%. All traditional media categories will see declining revenues except OOH (+2%) while digital ad sales will grow by a further +13% in 2018.

Global Digital Advertising to Increase+14%, with Online Advertising Sales Surpassing Linear TV Globally.

Global digital advertising spend is expected to increase by +14% this year, slightly slower than last year's +18.3% growth rate, and slightly stronger than prior expectations (+13.3%). This year's growth brings the global digital advertising spend total past $200 billion, to $204 billion, larger than television, at $180 billion. Digital outperformance isn't expected to slow, either. By 2021, digital advertising spend will reach $300 billion, or half of total budgets across all spending formats.

Growth in digital is now entirely driven by mobile advertising. Mobile spend is expected to increase by 33% to $110 billion this year, in-line with prior expectations of 31.4% growth.

While this is slower than last year's 51.6% mobile growth rate, it represents $27 billion of incremental mobile advertising spend, which is in line with last year's $28 billion of incremental mobile spend. Mobile isn't losing any momentum; growth rates are only declining because of the increasing base of mobile advertising spend. This strong growth contrasts with desktop growth, which is expected to shrink by -2.2% this year. This is the second consecutive year of negative desktop advertising growth, and it is expected to continue to decline for the foreseeable future.

Within digital, **search advertising** is by far the largest portion of spend; search is expected to grow by 13% this year to reach $99 billion, or just under half of total digital advertising budgets. This growth represents 30% mobile search growth, and desktop search shrinking by -3%. Mobile search advertising has passed the halfway point to become the majority of search advertising spend, with 55% total share expected this year. Furthermore, the incremental $11 billion of search advertising spend represents over 40% of total incremental digital dollars. Search has been especially strong because of both continued new product innovations such as search remarketing and customer match lists, along with the growth of non-core search such as Alibaba product listings. Furthermore, search advertising continues to be strong because of its position in the advertising funnel and the ease with which search activity can be connected to customer behavior and sales. **Looking forward, search advertising will remain robust, growing around 10% annually to reach $140 billion by 2021. At that point, it will be larger than newspaper, magazines, radio, and OOH combined.**

Equally important within digital advertising is **social media,** which is expected to grow by +32% this year to reach $42 billion, slightly ahead of prior expectations for +29% growth. Social advertising is the fastest growing portion of digital spend, and like search, this is because of mobile platforms. 85% of total social advertising dollars are coming from mobile devices, the highest share of any digital sub-format. Furthermore, social's 31.6% growth rate represents $10 billion of incremental spend. This is nearly as much as can be found in search advertising despite social being less than half the total size. Growth comes both from increased social usage and penetration, as well as new product innovations, including social video, and increasingly dense ad loads on social media. Looking forward, mobile advertising will continue to be dominant in social: by 2021 it will represent 93% of total social media sales. Impressively, **search and social combine to represent more than the total of incremental dollars across all media formats** (offline media and shrinking digital formats like banner display are net losers; search and social are the growth engine for global ad spend).

Video advertising is growing nearly as quickly as social media; growth this year is expected to be 30%, which will bring total video advertising spend to $23 billion. While desktop video is still showing growth at +14% (unlike most other desktop formats), the engine for online video ad spend growth is mobile (+56% growth expected to bring mobile share of video spend to +45% this year). Mobile video will match desktop next year as the mobile video experience, wireless broadband penetration, and mobile video content continues to improve. **By 2021, online video advertising will have passed the $50 billion mark globally, and digital video will represent more than 20% of total video viewing (TV and online video).**

Banner display and other digital advertising formats (email advertising, online classifieds etc.) are stagnating, with both expected to shrink by around -3% this year. Not only have brands found better outcomes using other digital formats such as search, social, and video, but display inventory is also on the decline. Standard banner online real estate is being replaced by video and other rich media formats.

With +2.7% Growth, Western Europe Experiences Significant Slowdown, Largely Caused by the UK Market.

Media owners advertising revenues are expected to grow by +2.7% this year to an all-time high of $100 billion. This is a noticeable slowdown after ad sales grew between 4% and 5% three years in a row (2014 – 2016) but again that was expected by MAGNA in its previous report (December 2016). The bulk of the slowdown will come from one particular market, the UK, Europe's biggest market and biggest growth engine in the last four years. UK advertising sales are predicted to grow by just +1.9% this year, compared to an average +6% over the last four years, with all traditional media categories predicted to be flat or down.

The beginning of the year was slightly below expectations in a few other markets like France and Italy, leading us to reduce the full-year forecast to +0.4% and +2.1% respectively. Overall, the rest of European is holding well. Germany, the second largest market, remains an oasis of economic and political stability and our advertising growth forecast is unchanged at +2.2%. Meanwhile, "Peripheral" and Southern Europe – most affected by the recession and Eurozone crisis of 2009-2013, continue to recover at above-average growth rates: Spain +7%, Greece +4%, Portugal +5%, Ireland +5%.

In terms of media, television ad sales will suffer this year in Europe. Ad sales are projected to be flat overall and down in several markets like UK and France. The lack of cyclical sports events compared to 2016, the worsening of linear TV viewing as video streaming gains momentum across Europe and the softening of CPM pricing all play a role in the abrupt slowdown. TV advertising sales grew by approximately 3% in each of the last three years. Overall, traditional offline advertising sales will decrease by an average -2% across Western Europe to $58 billion after being flat, with growth in TV and OOH offsetting the decline of print in the last three years.

Meanwhile online advertising sales will grow by an average 10% through the region, to $42 billion. Digital advertising now represents almost 42% of total advertising in Western Europe, slightly above the global average (40%). The fastest-growing formats will be social media (+37%) and video (+19%) while paid search spending will grow by 10%. Ad revenues from static banners will decrease by 5%. In terms of platform, mobile will capture all the growth (+36% to $19 billion). Mobile ad sales will represent 43% of internet ad sales by the end of 2017, which is slightly below the global average or APAC average.

The **UK** advertising market is expected to grow by just +1.9% in 2017, to approach GBP $18 billion. This is in line with our previous forecast in December 2016, which projected +1.7% growth, and a significant slowdown after three years of strong growth (an average +6% in the last four years). In its April update, the IMF actually increase economic growth forecasts for the UK in 2017 and 2018 compared to their previous expectations, but since then the first quarter GDP growth rate was revealed to be just +0.3%, much below expectations. **For 2018, MAGNA projects that UK advertising growth will remain subdued, with total ad sales up +1.5%**, television flat and digital ad sales up 5%.

The **French** advertising market had a weak first half but MAGNA anticipates a slightly better second half as the economic and political environment will stabilize. **For the full calendar year, the market should thus be stable: +0.4% at 10.7 billion euros.** All media categories will be down except OOH (flat) and digital (+8%).

In **Spain**, media owners advertising revenues are projected to grow by **+7.3%** this year, to 5.8 billion euros. As the economy continues to cool down in 2018, with real GDP growth at+ 2.1%, MAGNA anticipates advertising spending will slow down further but stay in the middle-single-digit range (+5.3%).

Germany remains so far a trouble-free zone in a region rocked by unemployment, social tensions and political instability. The economy is predicted to grow at nearly the same rate as last year (+1.6%) but and that is enough to maintain an incredibly low unemployment rate (below 4%), preserve consumption and the social fabric. In that environment MAGNA anticipates advertising spending to increase by **+2.2% to 20.5 billion euros,** in line with our previous forecast (+2.1%).

The Italian advertising market is predicted to grow by +2.1% this year, to 8 billion euros. Italy was the tenth largest ad market in the world up to 2016, but it will be leapfrogged by fast growing India this year and drop outside the top ten. 2.1% will represent a slow-down from 2016 (+4.4%).

Central and Eastern Europe to Experience +7.2% Growth, Reaching +$16.7 Billion.

Central and Eastern European advertising sales will grow by +7.2% this year to $16.7 billion, ahead of prior expectations. Spend growth is going to slow slightly in 2018 to +5.3% (previously +5.6%).

While the past few years in the Central & Eastern European region have been characterized by political uncertainty and economic instability, things have normalized on a relative basis in 2016 and so far in 2017. Advertising revenues in **Russia** grew by +10.5% in 2016 and are expected to see similar growth in 2017. **Ukraine** recovered in 2016, returning to growth after a two years of decline, and will grow again in 2017.

Finally, the **Turkish** ad market continues to grow by nearly +8% this year, despite political unrest and publication closures.

Behind Ukraine and Russia's recovery growth, the fastest growth comes from Romania, Turkey, and the Czech Republic, all of which are growing in the high single digits this year. The slowest growth in the region is expected in Croatia, where there is consumer deflation, and the biggest local company Agrokor is cutting ad spend as a result of liquidity issues. Markets that have struggled of late are also expected to show some recovery growth in 2017. Kazakhstan, for example, is expected to go back to growing by mid-single digit rates.

Asia-Pacific Region to Experience +5.6% Growth. China and India Remain Solid, with Japan Stronger than Expected.

Asia-Pacific's advertising market will grow by +5.6% in 2017, to $156 billion. This is marginally ahead of our previous forecast (+5.4%). APAC maintains its position as the second largest region for advertising spend, behind North America's $196 billion. Growth is expected to slow down slightly next year (+5.1%).

2017 is the year in APAC when digital becomes the largest share of advertising budgets, representing 37.8% of spend, or $59 billion, slightly higher than television's 37.7% of budgets. TV is still growing in APAC by +2.2% this year, to $59 billion, and will continue to grow through 2021, despite gradually losing share to digital media.

Print media will struggle in 2017 with newspapers and magazines advertising sales declining significantly, at -7% and -9% respectively. Radio and OOH will still see low to medium single digit growth, but are also losing share as a percentage of the total advertising pie.

China remains the largest market in APAC, and the second largest market globally behind the US, with RMB 415 billion **($62 billion)** of advertising sales expected in 2017. That represents **+7.3% growth**, slightly higher than last year's +7.0% growth, and also slightly higher than our previous expectations of +6.5%. For the fourth consecutive year television advertising sales will be flat, while digital media will capture all the growth (+16%) to reach a 52% market share (one of the highest in the world).

Australian advertising revenues are expected to grow by +4.7% to AUD 16 billion this year. This is below the strong growth experienced in 2016 (+7.8%) and slightly weaker than our previous expectations (+6.2%).

In **Japan**, following a decent start of the year and more positive economic outlook, MAGNA is raising its forecast for total advertising spending this year, to **+2.6%**, in line with a strong 2016 performance (+2.8%) and the average market growth of the last five years (+2.6%). With $4.2 trillion yens ($39 billion) in net advertising sales this year, Japan will remain the third largest ad market in the world. 2.6% may not sound impressive compared to other markets but it represents a decent level of growth in a country with virtually no economic inflation.

In **India**, a dynamic economic environment (real GDP +7%) will once again drive advertising spending to grow by +11.5%, slightly below previous forecast (+13.5%) but in line with last year's growth (+11.8%). The Indian market is expected to grow by +12.5% next year (2018) and accelerate further to 14% in 2019, boosted by the Cricket World Cup and General Elections.

Latin America to Experience Weak Growth Again, as Markets Struggle During Sluggish Economic Recovery

Media owners' advertising revenues are expected to grow by **+5.9%** this year to **$23.5 billion.** That would be a slightly better outcome than 2016, at +5.2%, but still very weak considering the level of inflation in the region, where advertising spend used to grow by 10-15% per year up to 2014.

Ad spend trends, however, vary by country, as local economic conditions differ based on the effect of commodity prices and political instability. Most LATAM markets are expected to see slightly higher advertising spend growth in 2017 versus 2016, as economies are stabilizing with the recovery of commodity prices. But the economic recovery remains extremely fragile. According to the IMF, real GDP was down -1% in 2016 in the region. For 2017, it's now predicted to grow by +1.1% but the IMF cut its initial forecast by half a point earlier this year, while some countries should see no recovery at all (Brazil +0.2%).

MAGNA is expecting slightly stronger growth in 2018 (+6%) as economic recovery becomes more robust (GDP +2%).

Brazil is the sixth largest advertising market in the world and accounts for nearly half of LATAM's advertising spending. Last year, Rio Olympics outperformed expectations in terms of audiences and brand demand, and that rescued a year otherwise hit by economic recession (GDP –3.6%) and political chaos (Presidential impeachment). For 2017, the economy is expected to stabilize (GDP +0.2%) but the Olympic impetus will be lacking and continued political uncertainty could potentially pull economic and ad spend performance down once again. Nevertheless we expect advertising spending to grow by +6.6%, in the context of 4% inflation. TV advertising sales will grow by +3%, mostly driven by Pay TV growth, and digital ad sales will increase by +20%.

Mexican media advertising sales will grow by +5% in 2017, to $4.6 billion, slowing down from 2016 (+8.1%). Last year, the football tournament **Copa America** drove TV ad sales while significant CPM increases offset a ratings decline. This year, there won't be any such sports driver to boost television, and ad growth will be primarily driven by a +20% growth in digital ad sales.

In **Argentina,** ad sales will grow by **+24% in 2017** to reach $5.4 billion. In 2016, the economy contracted by -2.3%, due to the devaluation of the peso and the rise of interest rates; this year the IMF is expected real GDP to grow by +2.2%. By 2018, ad sales growth is expected to slow down to 19% in line with a **gradual decrease in economic inflation** (from 26% in 2017 to 19% in 2018).

The next Global Advertising Forecasts by MAGNA will be published in December 2017.

The next US Advertising Forecasts by MAGNA will be published in September 2017.

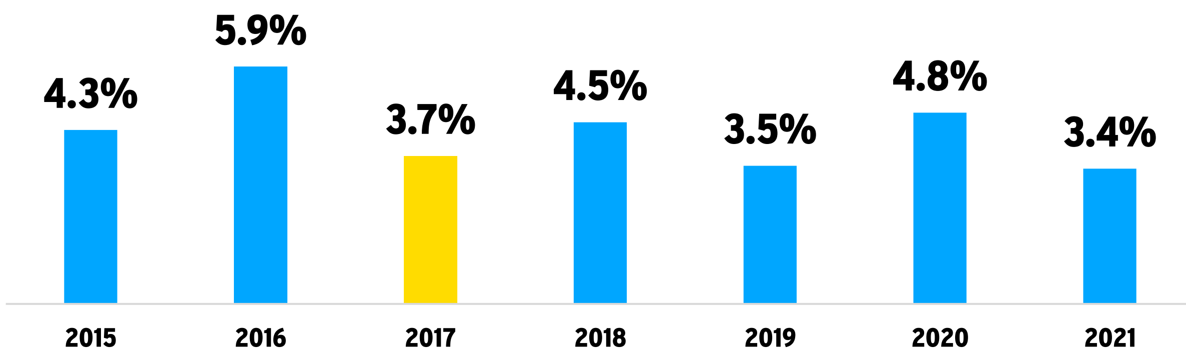
MAGNA

DETAILED DATA

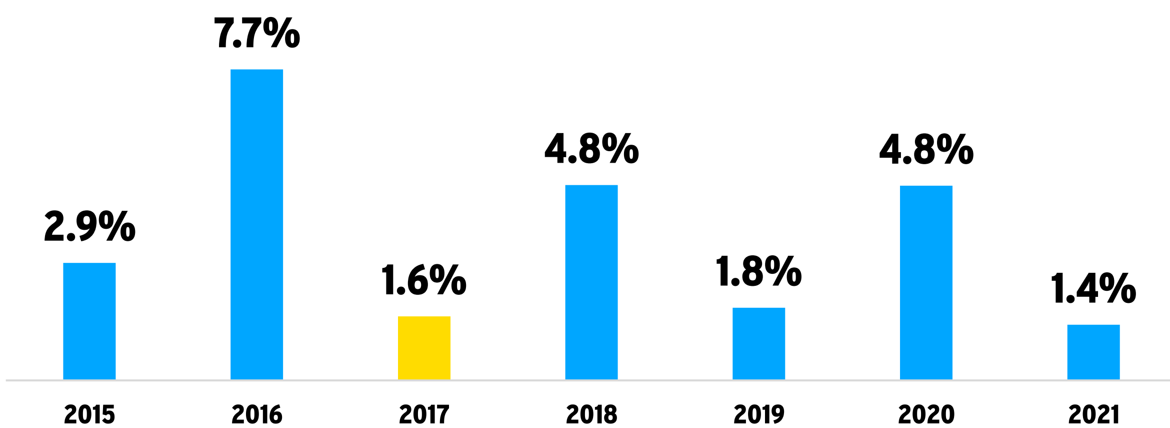
	2017				2018	
Global Media Owner Advertising Revenues	**Size ($bn)**	**Growth (%)**	**Growth ($bn)**	**Share of Total**	**Growth (%)**	**16-'21 CAGR**
Grand Total (Global, All Media)	505	3.7%	18	100%	4.5%	4.0%
US	185	1.6%	3	37%	4.8%	2.9%
North America	196	1.7%	4	39%	4.8%	2.9%
Western Europe	100	2.7%	3	20%	2.0%	2.3%
Central & Eastern Europe	17	7.2%	1	3%	5.3%	5.5%
Latin America	24	5.9%	1	5%	6.0%	6.2%
Asia Pacific	156	5.6%	8	31%	5.1%	5.3%
Digital Ad Sales**	204	14.1%	25	40%	11.7%	11.0%
Search+Social**	141	17.7%	21	28%	14.2%	12.9%
Mobile***	110	33.1%	27	22%	24.3%	21.6%
Offline Ad Sales*	301	-2.3%	-7	60%	-0.3%	-1.2%
Linear Television*	180	-0.9%	-2	36%	2.5%	0.7%
Print*	61	-9.3%	-6	12%	-9.9%	-9.6%
Radio*	28	-2.0%	-1	6%	-1.8%	-1.7%
OOH	32	4.0%	1	6%	3.4%	3.3%

	2017				2018	
US Media Owner Advertising Revenues	**Size ($bn)**	**Growth (%)**	**Growth ($bn)**	**Share of Total**	**Growth (%)**	**16-'21 CAGR**
Traditional Media (offline sales)	102	-4.0%	-4	55.0%	-3.8%	-3.5%
National TV (incl. P&O)	43	-3.0%	-1	23.1%	0.5%	-1.0%
National TV (excl. P&O)	43	-1.4%	-1	23.2%	-0.7%	-0.7%
Local TV (incl. P&O)	20	-13.3%	-3	10.8%	10.3%	-4.2%
Local TV (excl. P&O)	20	-2.8%	-1	10.6%	-2.4%	-2.0%
Print	18	-12.7%	-3	9.8%	-14.9%	-15.9%
Radio	13	-4.4%	-1	7.2%	-4.5%	-4.5%
OOH and cinema	8	1.9%	0	4.3%	2.9%	2.5%
Digital Ad Sales	83	14.3%	10	44.8%	11.8%	10.7%
of which Mobile	48	34.2%	12	25.9%	26.1%	21.7%
of which Desktop	35	-5.2%	-2	18.8%	-8.0%	-7.3%
of which Social	21	30.5%	5	11.5%	20.0%	18.1%
of which Search	40	13.1%	5	21.4%	12.6%	10.5%
Grand Total (incl. P&O)	185	1.6%	3	100.0%	4.8%	2.9%
Grand Total (excl. P&O)	185	3.4%	6	100.0%	3.2%	3.2%

Global Growth Forecasts
(including Cyclical Political and Olympic Spending)



US Growth Forecasts
(including Cyclical Political and Olympic Spending)



###

About MAGNA

MAGNA is the centralized IPG Mediabrands resource that develops intelligence, investment and innovation strategies for agency teams and clients. We utilize our insights, forecasts and strategic relationships to provide clients with a competitive marketplace advantage.

MAGNA harnesses the aggregate power of all IPG media investments to create leverage in the market, negotiate preferred pricing and secure premium inventory to drive maximum value for our clients. The MAGNA Investment and Innovation teams architect go-to-market investment strategies across all channels including linear television, print, digital and programmatic on behalf of IPG clients. The team focuses on the use of emerging media opportunities, as well as data and technology-enabled solutions to drive optimal client performance and business results.

MAGNA Intelligence has set the industry standard for more than 60 years by predicting the future of media value. The MAGNA Intelligence team produces more than 40 annual reports on audience trends, media spend and market demand as well as ad effectiveness. To access full reports and databases or to learn more about our subscription-based research services, contact forecasting@magnaglobal.com.

###

Media Contact:
Eric Sherman
Global Corporate Communications
212- 883-3758
Eric.sherman@mbww.com