This Year Next Year

WORLDWIDE MEDIA AND MARKETING FORECASTS

December 2017

groupm

FOR THE FULL 70-COUNTRY FORECAST AND APPENDIX :

ALL WPP EMPLOYEES:
link to inside.wpp.com/marketing

GROUPM CLIENTS:
please speak with your client account director for the full data file or contact Adam Smith (adam.smith@groupm.com)

EVERYONE ELSE:
link to our sales portal groupmpublications.com or contact Adam Smith (adam.smith@groupm.com)

CONTENTS

GroupM
Central Saint Giles
1 St Giles High Street
London WC2H 8AR
United Kingdom

Introduction

The global economy has picked up since a year ago. Risks remain, notably excessive debt (which may make policymakers think twice about raising interest rates) and weak investment and productivity growth, but the recovery is broader in geography and in sources. The IMF's outlook for 2018 global GDP is 6.4% nominal, up from 5.3% a year ago. Global trade growth is similar and its fastest for six years. Business and consumer confidence readings are positive. HSBC has fractionally improved its growth forecasts for investment, consumer, export and industrial production. Growth in China and Japan is strong. The Eurozone is accelerating fastest, but is still lagging global averages on consumer demand and especially investment.

The commodity cycle reflects these trends, with oil leading the HSBC's proxy for the IMF index with a growth rate of 8% year-on-year in October to its highest point since mid 2015. Nearly everything from meat to metals is rising, putting pressure on advertisers with physical supply chains. No one in our network reports a resurgence in CPG advertising this year, and our headline ad forecasts is unchanged from the mid-year position, standing at 3.1% this year and 4.3% next year.

Advertising as a share of GDP will, we think, be 0.70% in 2017 and 0.69% in 2018, continuing a long trend. This is often cited as evidence of the structural decline in advertising, but a large (though not knowable) cause is the direction of digital marketing investment into technical support not measured as working media spend. Advertising also tends to give way to promotion in periods of low inflation.

At global level, TV is losing one point of ad investment share per year. However, if we exclude the highly-regulated and digitised Chinese market, TV advertising is growing 3 to 4% and its share is stable. TV hours remain healthy, but monetizing those hours is another story. If TV is to protect its share in the face of audience decline and diffusion, it must invest in technology to improve yield and inventory optimisation.

We have digital growth at 11.5% in 2017 and 11.3% in 2018. Google and Facebook, with blended Q3 growth of 28%, are taking a share from nearly everyone else in the sector outside China. As digital becomes more programmatic, more mobile and more monopolised, so risk grows. Agencies are at the forefront of managing this supply chain, whether it be policing fraud, viewability and safety, or scrutinising commercial dimensions such as tech costs, media price inflation, and verifying what the sellers say.

Out-of-home is becoming more versatile. With global growth two points ahead of the average, its share is tracking towards 6.3% in 2018, which would be its highest since 1993. The combination of location data with purchase, social media and viewing behaviour presents a powerful opportunity for marketers.

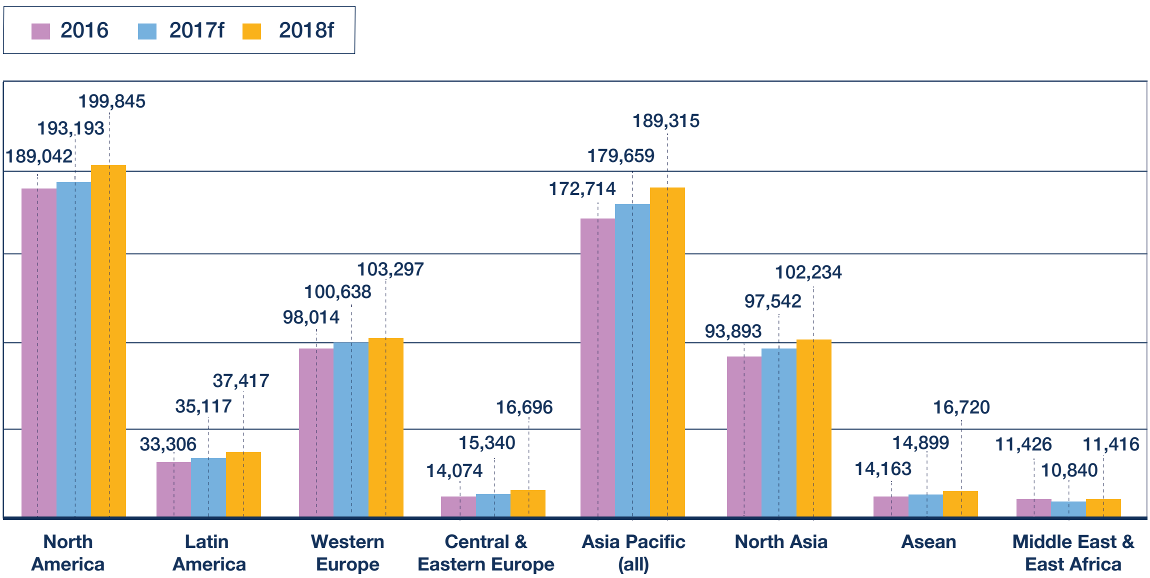
Radio is almost holding share (4.4% forecasted for 2017, 4.3% in 2018) as it is relatively less disrupted and often seizes investment opportunities in talent, content and social media.

The top contributors in 2018 will, we think, be the US, China, Argentina, Japan, India, and the UK. Russia is growing strongly but is not big enough to break into this list. The World Cup notwithstanding, we postpone Brazil's recovery to beyond our forecast horizon as austerity bears down on the mass of the population.

Middle East advertising has been set back severely by the disappearance of $100 per barrel oil, last seen in August 2014, and exacerbated by tax increases to balance government books. Our forecasts may yet prove too optimistic, but reform and economic diversification support a case for fundamental improvement in the distant future.

If the Eurozone were one country, it would challenge India for fourth place in the contributor table. Eurozone GDP growth is improving to a 3% nominal run-rate, but its ad investment growth is lagging at 1.3% in 2017 and 1.9% in 2018. The Eurozone has very low ad share of GDP (0.43%) and lacks digital intensity

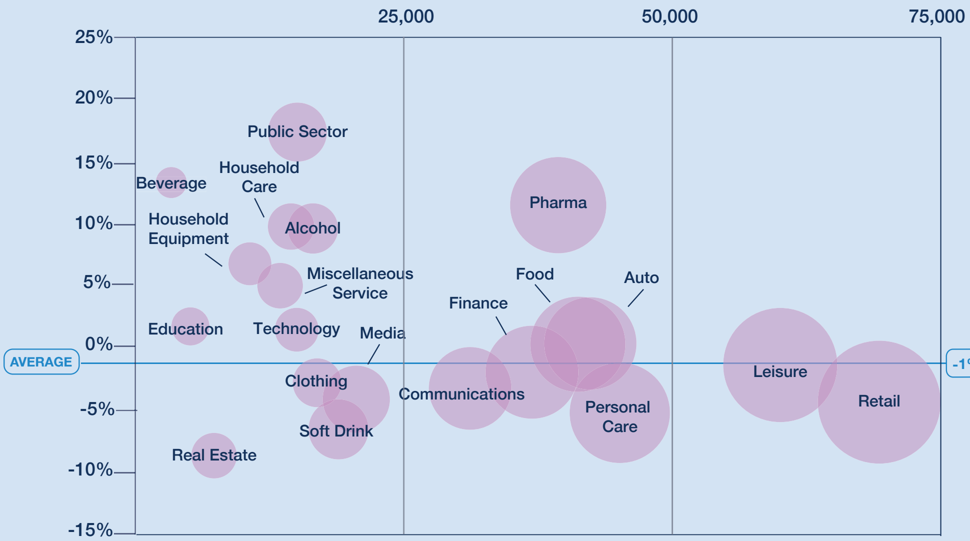
Media summary



	2010	2011	2012	2013	2014	2015	2016	2017f	2018f
North America	160,026	165,086	171,379	175,081	180,177	183,330	189,042	193,193	199,845
YOY%	1.4	3.2	3.8	2.2	2.9	1.7	3.1	2.2	3.4
Latin America	20,939	23,308	24,997	29,358	31,179	33,249	33,306	35,117	37,417
YOY%	45.9	11.3	7.2	17.4	6.2	6.6	0.2	5.4	6.6
Western Europe	92,178	93,294	90,385	89,162	91,620	94,459	98,014	100,638	103,297
YOY%	4.7	1.2	-3.1	-1.4	2.8	3.1	3.8	2.7	2.6
Central & Eastern Europe	10,353	11,398	12,044	12,507	12,834	12,881	14,074	15,340	16,696
YOY%	10.0	10.1	5.7	3.8	2.6	0.4	9.3	9.0	8.8
Asia-Pacific (all)	116,778	126,590	136,339	145,806	154,435	163,835	172,714	179,659	189,315
YOY%	10.0	8.4	7.7	6.9	5.9	6.1	5.4	4.0	5.4
North Asia	*55,825*	*64,504*	*71,374*	*77,874*	*83,072*	*88,622*	*93,893*	*97,542*	*102,234*
YOY%	*15.2*	*15.5*	*10.7*	*9.1*	*6.7*	*6.7*	*5.9*	*3.9*	*4.8*
Asean	*8,519*	*9,394*	*10,409*	*11,489*	*12,223*	*13,576*	*14,163*	*14,899*	*16,720*
YOY%	*16.0*	*10.3*	*10.8*	*10.4*	*6.4*	*11.1*	*4.3*	*5.2*	*12.2*
Middle East & Africa	9,376	10,023	10,930	11,582	10,928	11,367	11,426	10,840	11,416
YOY%	16.4	6.9	9.0	6.0	-5.6	4.0	0.5	-5.1	5.3
World	409,650	429,699	446,074	463,497	481,173	499,121	518,577	534,786	557,986
YOY%	6.7	4.9	3.8	3.9	3.8	3.7	3.9	3.1	4.3

Introduction (cont)

2016 Categories YOY% Change and USDmm



(30% of advertising in 2018 compared to a prospective global average of 36%). We do not expect Germany's current political uncertainty to impair its economy in 2018, but at 54%, Germany has the G7's lowest household demand as a share of GDP, thanks to the prominence of exporting and historic wage restraint. For comparison, UK households score 66% and USA 68%. Spain is the Eurozone ad growth star, but has slipped a little amid recent separatist politics.

Top contributors 2018

We think there will be net global ad growth of $16 billion in 2017 and $23 billion in 2018. We expect these six countries to supply 68% of that net growth in 2018. At the other end of the scale, our forecasts chime with the picture of fewer countries being left behind. In 2017, 18 countries are negative, comprising 5% of the global ad economy, generating an aggregate $1.8 billion headwind. In 2017, six countries represented 2% and a headwind of only $118 million.

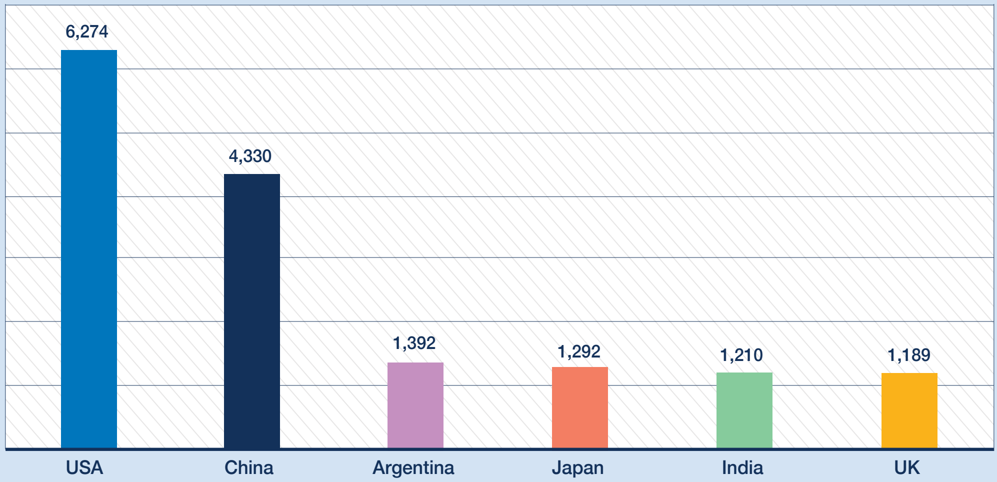
The US will add $6 billion in 2018, its economic trajectory seemingly not much affected by Washington one way or the other. Unemployment is 4.4% and falling, and real wages are growing at 2.5% and rising. Consumer confidence is at a 17-year high, though consumer spending growth remains subdued.

China will add $4 billion in 2018, helped by competent economic management and rebalancing. Demand for consumer goods has exceeded export growth since 2011 and fixed investment since 2015. The percentage of retail sales in GDP, therefore, continues to rise steadily into the higher 40s.

Argentina will add $1.4 billion in 2018, a dividend of political stability and an appreciating

Introduction (cont)

Top Contributors 2018 USDmm



Peso. Japan will add $1.2 billion in 2018 as Abenomics cascades into the strongest increase in consumer demand in three years (3.4%) in the world's third-largest ad economy.

India will add $1.2 billion in 2018, seeing past temporary disruption of demonetisation and sales tax reform, with urbanisation and rising wages supporting strong consumer growth in many categories. The UK's $1.2 billion increment springs entirely from pure-play digital as its share reaches 60% in a relentlessly performance-driven, short-term market.

Consumer demand and fixed investment

Since our last forecast, the consumer and investment curves have both risen a little, though not enough to lift our advertising one.

The world's dependency ratio will creep inexorably upward in our lifetimes, but for now, employment is growing faster than the global workforce. This supports organic growth in consumer demand. This growth is wide (more people working) but shallow (wages growing slowly). Deeper roots require higher productivity, but this is in short supply and unevenly distributed. The nostrums which prevented post-Lehman depression produced paradoxes of both high employment and low wage growth and high asset prices and low investment. If the recovering global economy sustains its rising demand for labor and reveals a widening skills gap between what employers want and what the workforce can do, then wages will rise. This would spur investment in productivity and finally push inflation past central bank targets. The global economy will be pulling on the string.

Introduction (cont)

Long-term ad forecasts

	2018f	2019f	2020f	2021f	2022f
North America	199,845	209,811	218,004	226,349	234,613
YOY%	3.4	5.0	3.9	3.8	3.7
Latin America	37,417	41,379	44,648	48,011	51,563
YOY%	6.6	10.6	7.9	7.5	7.4
Western Europe	103,297	105,760	108,807	111,547	113,955
YOY%	2.6	2.4	2.9	2.5	2.2
Central & Eastern Europe	16,696	16,139	16,960	17,748	18,484
YOY%	8.8	-3.3	5.1	4.6	4.1
Asia-Pacific (all)	189,315	198,218	208,710	219,383	229,697
YOY%	5.4	4.7	5.3	5.1	4.7
North Asia	*102,234*	*109,347*	*115,825*	*122,090*	*127,990*
YOY%	*4.8*	*7.0*	*5.9*	*5.4*	*4.8*
Asean	*16,720*	*18,085*	*19,654*	*21,294*	*23,042*
YOY%	*12.2*	*8.2*	*8.7*	*8.3*	*8.2*
Middle East & Africa	11,416	11,823	12,600	13,440	14,225
YOY%	5.3	3.6	6.6	6.7	5.8
World	557,986	583,130	609,729	636,478	662,536
YOY%	4.3	4.5	4.6	4.4	4.1

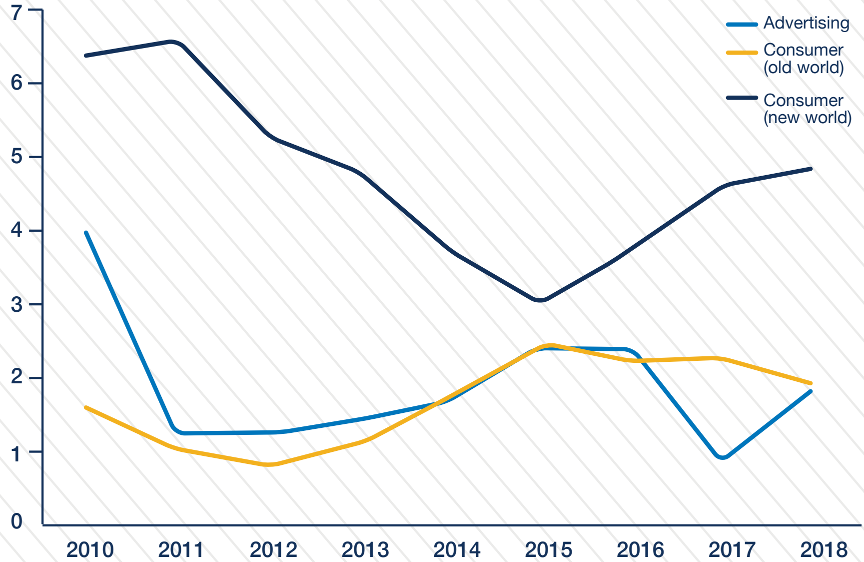
GroupM's long-term forecast model has one principal independent variable: the IMF's calculation of each country's share of global GDP at PPP.

This is intended merely for scenario planning. GDP forecasts know nothing of structural changes in media advertising, so neither can this model.

Introduction (cont)

Consumer spending

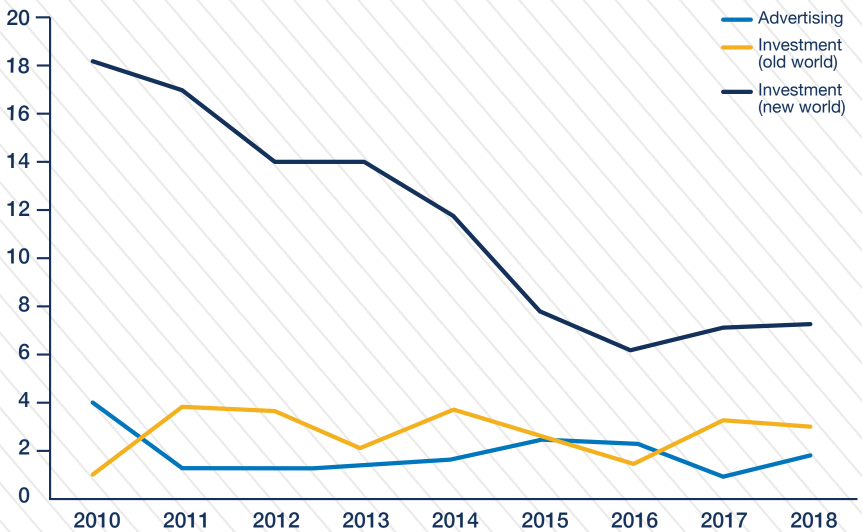
YOY changes adjusted for inflation



SOURCE: **GROUPM/HSBC**

Investment

YOY changes adjusted for inflation



SOURCE: **GROUPM/HSBC**

Brazil

Political turbulence persists, and the expectation is the economy will only truly recover after the October 2018 presidential and general elections.

Despite the economy's pessimistic first half, H2 2017 presents a marginally better outcome. After two consecutive years of deep recession, Brazil is starting to show signs of recovery. Agriculture and exports expansion, low-single-digit inflation, and lower interest rates (from 13.75% in January to 7.50% in November) all are contributing to a positive Q4.

The release of R$44 billion from a state-held worker's fund (FGTS) helped nudge GDP, which grew by 0.2% in Q2. This supported rising household consumption, as did falling interest rates and lower food prices, triggered by a record harvest. Unemployment began to drop (but remains high at 12.6%), contributing to increased consumer confidence and spending.

2018 brings the election and the World Cup. Given Russia is hosting the tournament, we cannot expect the same bump the games brought in 2014. Political uncertainty also constrains expectations for GDP next year. The IMF currently forecasts 1.5% real and 6.2% nominal. Our ad forecasts are well below this.

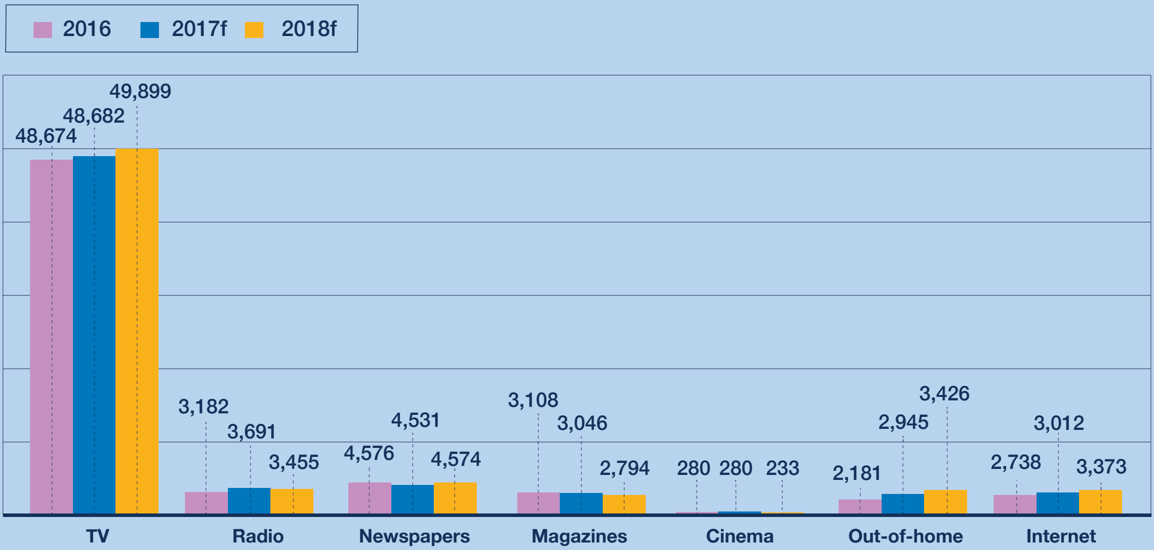
Despite or because of the crisis, 43% of online consumers are buying more products online than in 2016. 58% of consumers think that online is cheaper than stores. In October, Amazon finally started selling electronics after five years of sticking exclusively to books.

It's no news that media consumption has changed enormously in recent years. Brazil has lagged a bit but now seems to be catching up. Internet reach for Gen Z and Millennials (both at 91%) now exceeds free-to-air TV consumption (both at 87%). At the same time, Google and Facebook have shown more commercial strength and more aggressive offerings. In fact, Google is already the second largest media player in Brazil, behind the no-longer-almighty TV Globo.

After four years in Brazil, Netflix has at least 2.5 million homes and will bill over R$500 million in 2017, surpassing Band and RedeTV!, the fourth and fifth largest national free-to-air networks, respectively. OTT is also growing fast and already reaches 35% of the population. Brazil is now the fourth largest video-service market in the world after the United States, Canada, and the United Kingdom.

President Temer won important labor reforms in July and is now trying to simplify tax and social security. Lacking recovery in tax revenues, markets have rewarded the austerity and privatization program so far, though Brazil's polarized wealth burdens the poor. Markets will remain on the alert for renewed government largesse ahead of the 2018 elections. The fiscal deficit currently stands at an impressive 8% of GDP, and ahead lies the pensions problem, which is already swallowing 13% of GDP and rising as the population ages. Amid all these constraints, the trajectory of recovery must somehow be sustained.

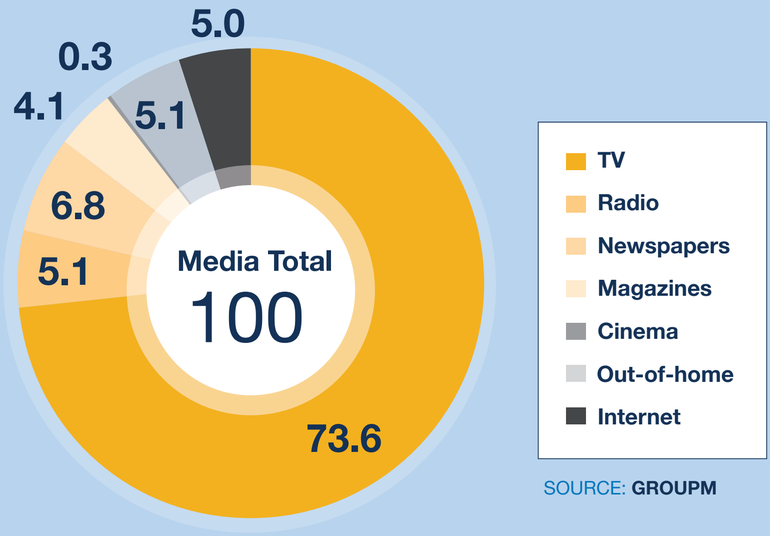
Media BRLmm



Media Total	BRL MM			US MM		
	64,740MM	66,186MM	67,754MM	19,780MM	20,222MM	20,702MM

SOURCE: **GROUPM**

2018 % Shares of media

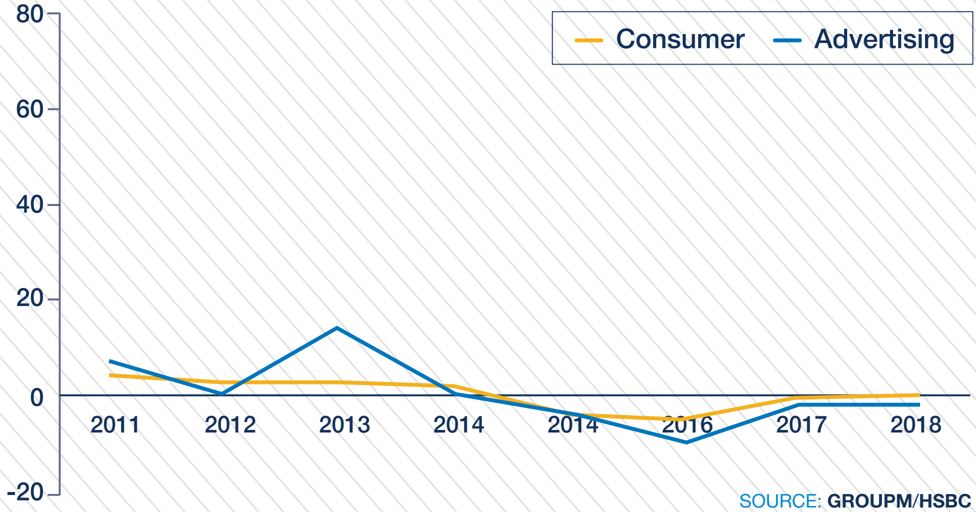


SOURCE: **GROUPM**

Brazil

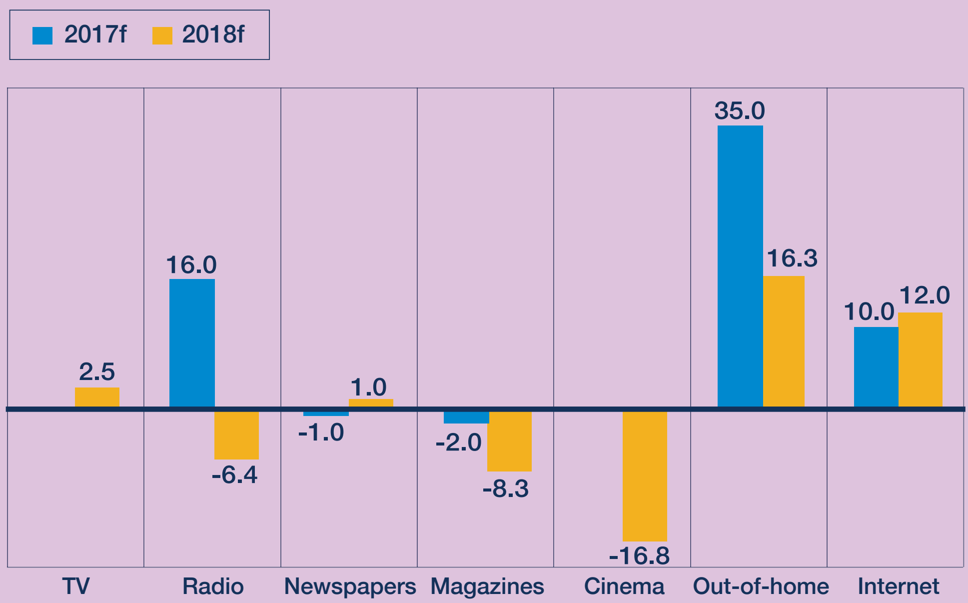
Consumer spending

YOY changes adjusted for inflation



SOURCE: GROUPM/HSBC

YOY% Change

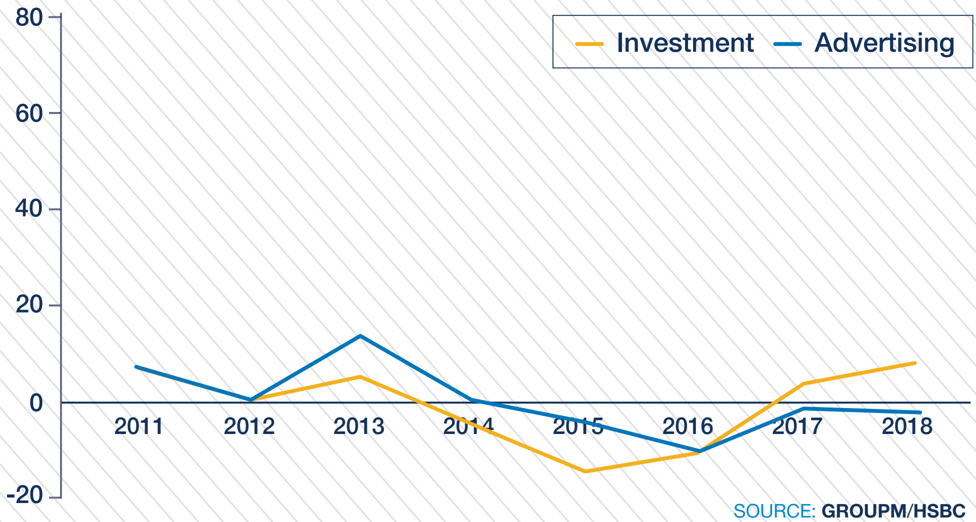


Media Total YOY% change	2.2	2.4

SOURCE: GROUPM

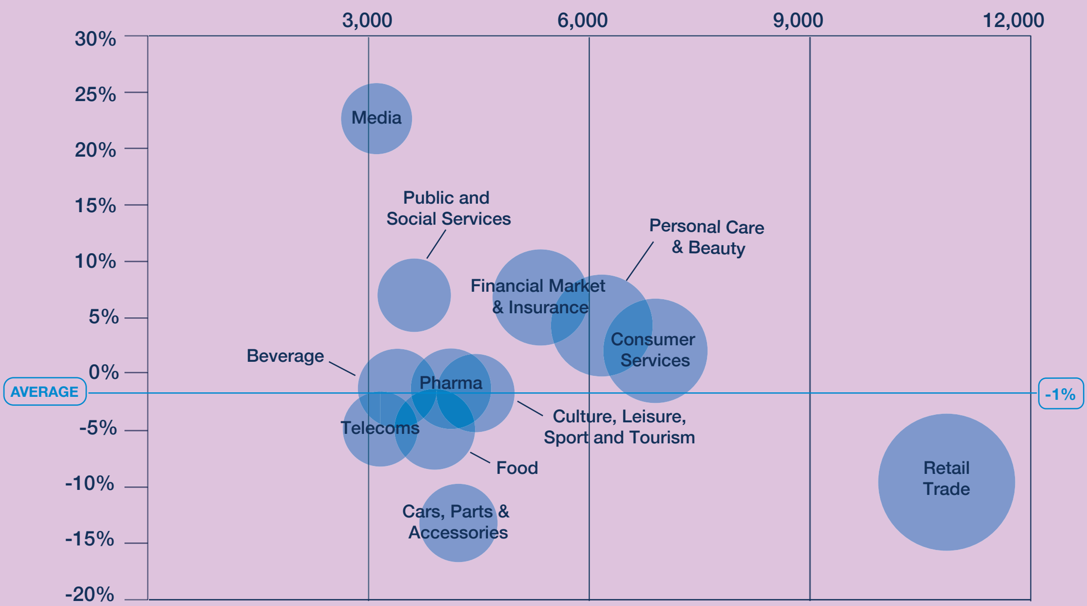
Brazil

Investment
YOY changes adjusted for inflation



SOURCE: GROUPM/HSBC

2016 Categories YOY% Change and BRLmm



- Categories: Ibope Monitor (after discounts)
- Historic media revenue: Ibope Monitor
- Internet comprises display and search but is undercounted.
- Agency commission: in; typically 20%
- Discounts: after (ca. 50% from ratecard)
- Newspaper classified: in
- Internet classified: out
- Ibope (Kantar) “Digital Display” covers only the ads served in the 100 desktop sites in its viewing rank and does not monitor Google, Facebook, mobile or automated buys targeting specific audiences.
- “Digital display” as reported is therefore a diminishing market.

Canada

Television audiences fell by an average of 10% during the key Fall 2016 period, and this trend continued into to the fall of 2017, leading to inflation as demand has fallen at a much slower rate. The number one station, CTV, was a key driver in the supply decline, with a 20% audience decline compared to the previous year.

Broadcasters have been somewhat slow to react to changing viewing habits, driven chiefly by the likes of Netflix and other streaming services. Falling viewing numbers oblige the conventional broadcasters to look to offering more appealing programming to Canadians. Most of the top stations have traditionally simulcast US shows, substituting Canadian ads to maximize Canadian impressions. This traditional model is under pressure and innovation is needed. Buyers would also like to see advanced TV solutions such as video-on-demand and over-the-top app inventory as buying options for clients, given there is currently no infrastructure to support a truly programmatic and addressable marketplace. Set-top box data is being used to segment audiences, which is a welcome development, although an industry-wide solution would benefit everyone.

Revenue from television and increasingly now from 'traditional' digital suppliers is being eaten up by the Big Two: Facebook, which has seen big revenue growth despite persistent concerns over measurement, viewability, and brand safety; and Google, which continues to grow off its very large base. These two giants continue to take the vast majority of growth in Canadian media. Digital publishers are keeping a close eye on new taxation proposals from the Canadian government. The burden of any new tax on digital advertising would, in practice, fall in part, if not entirely, on legacy media as advertisers deplete these budgets to fund higher digital appropriations.

Agencies and digital publishers are also on the alert for potential new platforms emerging in the digital domain from companies such as Adobe and Accenture.

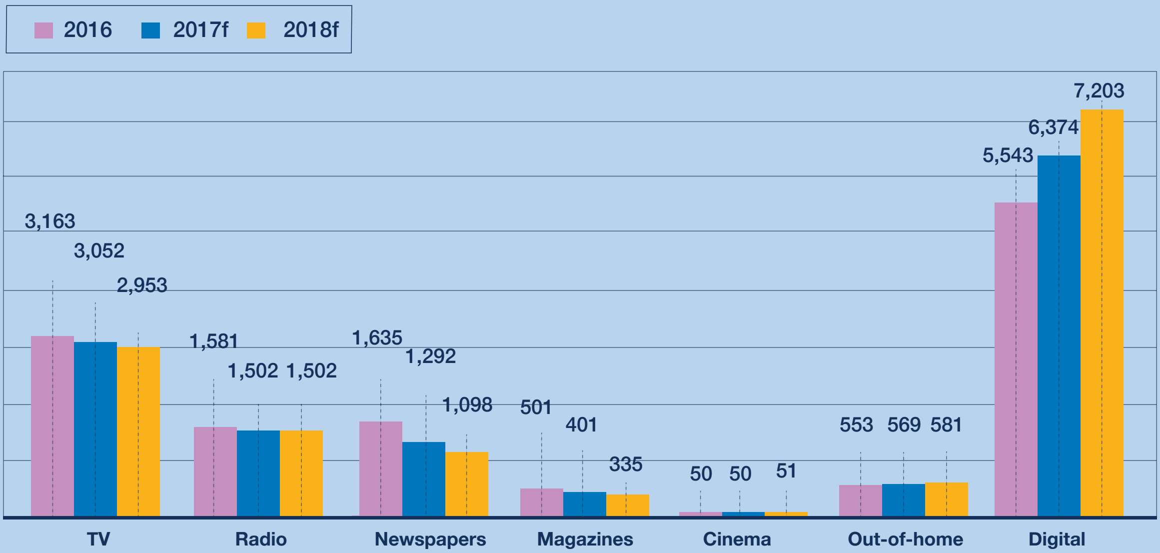
The Print market continues to decline at a staggering rate, and the long-term viability of certain titles must now be in question. The most robust titles are The Globe and Mail and La Presse, both of which are backed by wealthy investors and have adapted a clearer focus to their online offerings.

Radio has seen its steepest revenue decline in a number of years, with a 5% fall expected for 2017. This is largely due to the rise of streaming services in Canada such as Spotify, now with 13 million subscribers, 88% of which are on the ad-funded 'free' model. The radio measurement system needs to catch up with consumer habits: 80% of Spotify and other online radio services listening is through headphones, and none of this is measured.

In cinema, Cineplex, which has a 90%+ share of sector advertising, continues to invest and innovate.

The 3% GDP growth in prospect for 2017 would be Canada's fastest growth rate since 2011 and the fastest of the G7. The outlook slows a little as we factor in tighter money and consequent moderation in over-geared residential real estate and consumer demand. Conforming to the modern mould, Canada's employment potential remains high while wage growth and inflation remains subdued. Fixed investment is somewhat constrained by still-maturing oil-producing capacity and sensitivity to world pricing. US consumer spending and investment remain supportive.

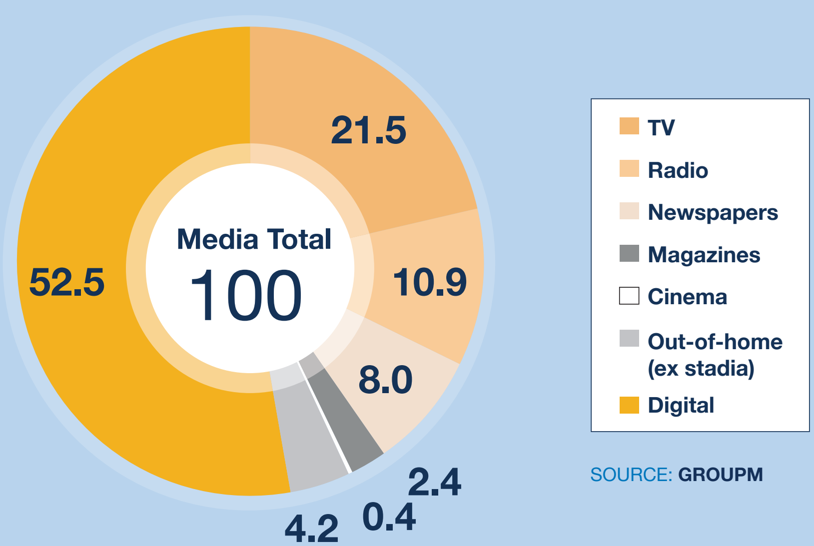
Media CADmm



Media Total	CAD MM			US MM		
	13,025MM	13,239MM	13,722MM	9,837MM	9,998MM	10,364MM

SOURCE: GROUPM

2018 % Shares of media

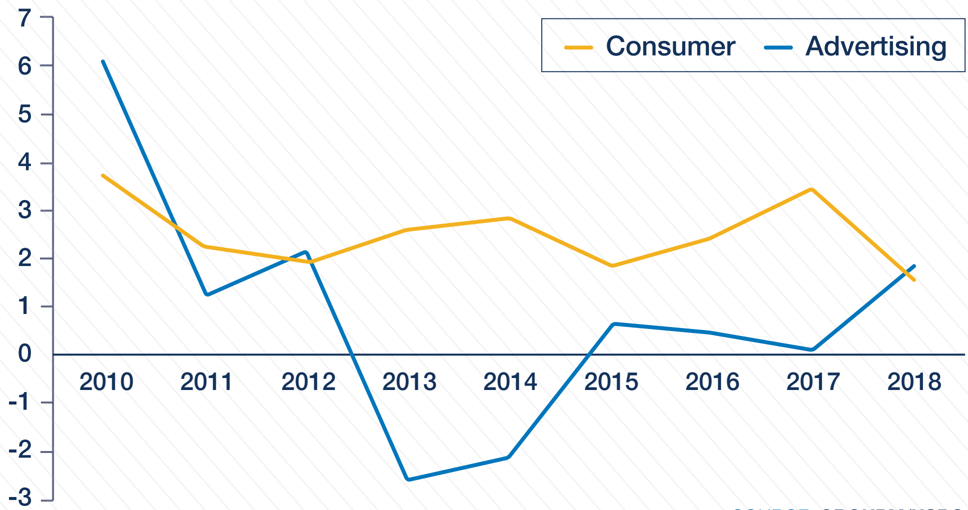


SOURCE: GROUPM

Canada

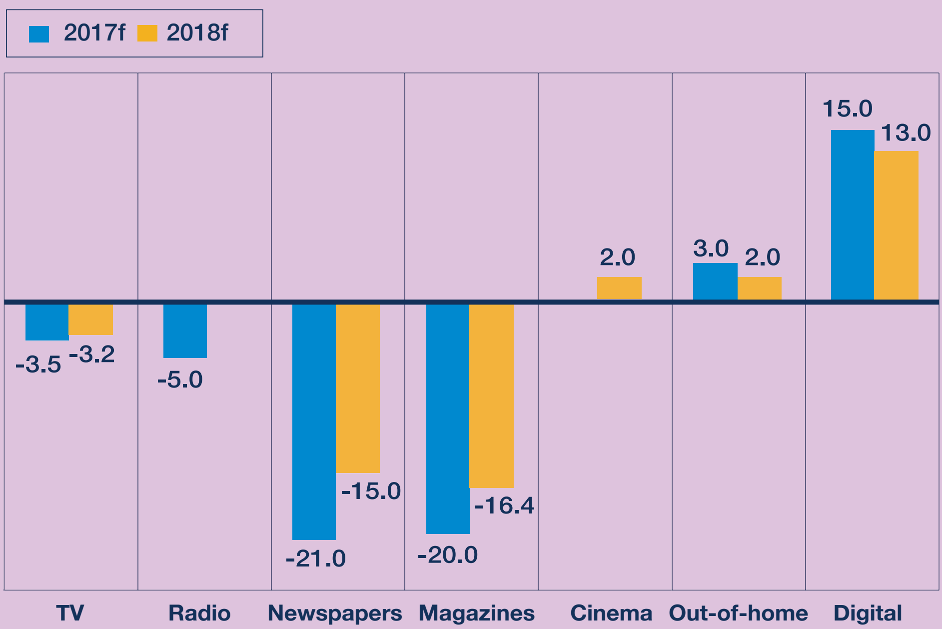
Consumer spending

YOY changes adjusted for inflation



SOURCE: **GROUPM/HSBC**

YOY% Change



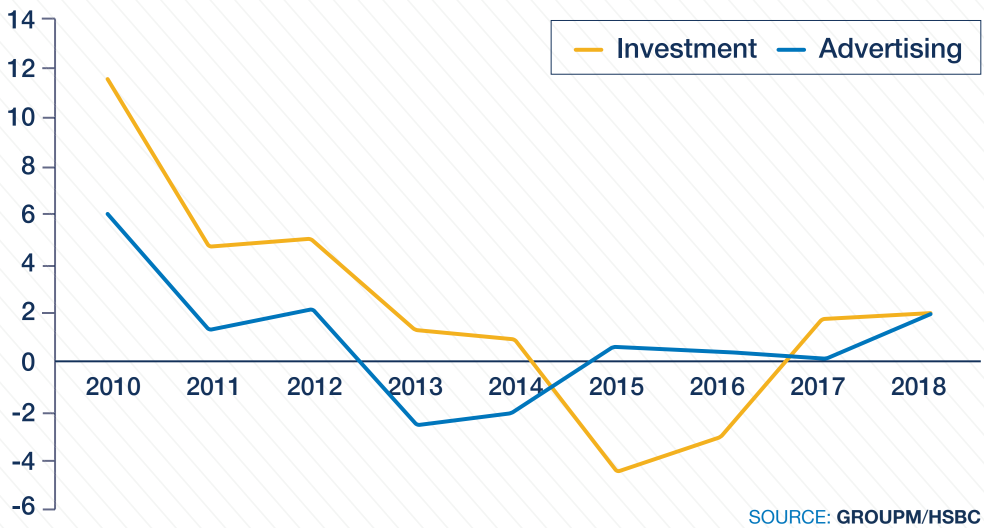
Media Total YOY% change 1.6 3.7

SOURCE: **GROUPM**

Canada

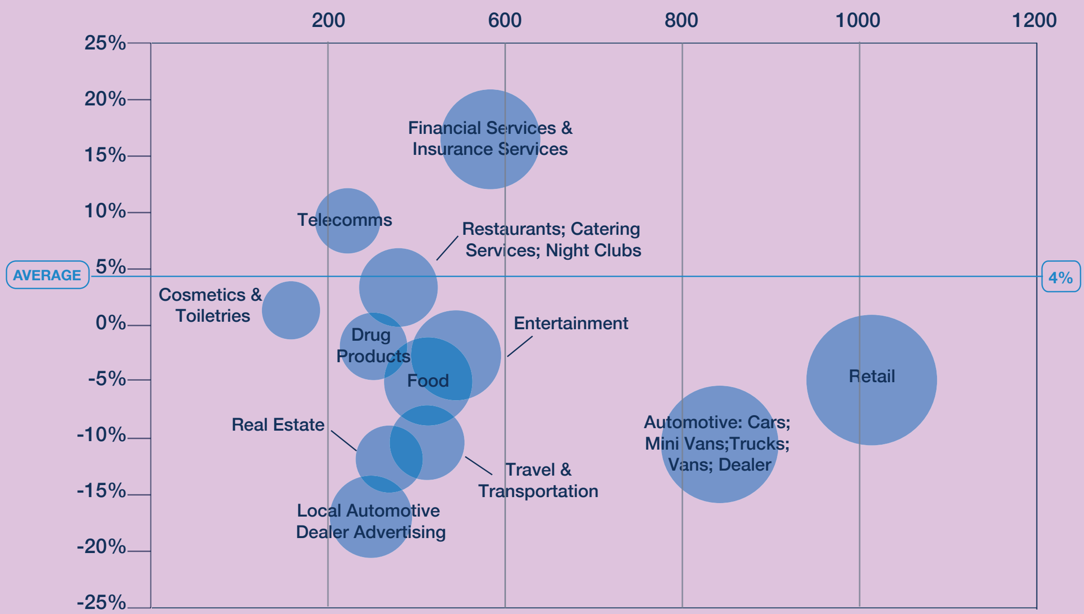
Investment

YOY changes adjusted for inflation



SOURCE: **GROUPM/HSBC**

2016 Categories YOY% Change and CADmm



- Categories: NMR, CAD m, gross
- Historic media revenue: TV and radio, CRTC; newspapers CAN; magazines, Magazines Canada; OOH, GroupM based on Nielsen; Digital, IAB. Others: GroupM
- Agency commission: out
- Discounts from ratecard: after
- Newspaper classified: in
- Internet classified: in
- Digital comprises display, classified, search, e-mail and mobile

China

As 2017 draws to a close, we review the year's media market performance in the context of the macroeconomy together with the outcome of the 19th CPC National Congress. We revise our 2017 forecast of total media spending growth from 3.8 to 4.3% and our 2018 forecast from 5.0% to 5.2%.

The main reason for the revision is the performance of China's economy. In the year to September, GDP growth of 6.9% is ahead of the 6.7% of the prior year period. And over the course of 2017, the IMF has raised its 2017 growth forecast three times, from 6.5% to 6.8% so far. This faster-than-expected growth is supported by the success of supply-side reform as well as hot real-estate sales in lower-tier cities. These reforms and sales sustained out-of-home growth into the third quarter and helped arrest declines in other legacy media. We forecast the aggregate of legacy media advertising to decline to 6.3% in 2017 and 5.8% in 2018, which is an improvement on our previous projections of 8.9% and 7.3%, respectively.

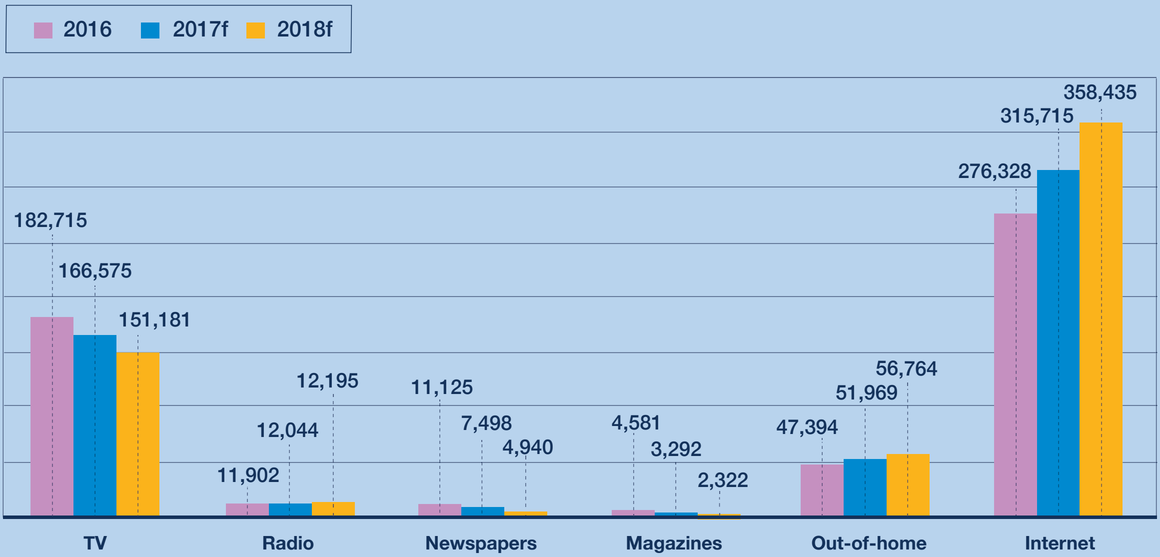
We see positives and negatives for China in 2018. First, with no political events, more gentle government supervision, especially over traditional media. A lighter touch may precipitate media spending on drama and variety shows. Second, according to the 19th CPC National Congress report, China will further expand the scope of its opened-up areas, especially for service industries like banking, education, culture, and medicine. Third, international investment will be allowed in for e-commerce, child-care, pension provision, etc. Many of these sectors need to communicate with consumers and will thus require the services of international media agencies. Fourth, the outlook of China's economy in 2018 is still promising as the government aims to double real GDP between 2010 and 2020 and will use all means at its disposal to achieve this end.

On the negative side, FMCG remains weak with no sign yet of a 2018 rebound. This will definitely cast a shadow over next year's media market. Further, the auto market in China is close to saturation. Demand for high-end and luxury cars is holding up, but demand for mass-market passenger cars is noticeably slower.

Consumer spending has picked up to a real run-rate of around 8% since 2016 even as real wage growth fell back from 11% in 2014 to a stable annual 7 to 8% since then. The demand for consumer goods has exceeded export growth since 2011 and fixed investment since 2015. The percentage of retail sales in GDP, therefore, continues to rise steadily into the high 40s. Structural reform in labor, land, capital, and innovation progressed in 2017 to strengthen the 'real' (private) economy, now around 70% of activity, and thus reduce the need for state intervention to support growth. The economic good news had, however, contributed to RMB appreciation, which might restrict exports from contributing to the recovery.

2017's economic policy of real estate 'destocking and deleverage' has proven a remarkable success. The objective was to draw activity and risk out of overheated Tier 1 cities and into Tiers 2 to 4.

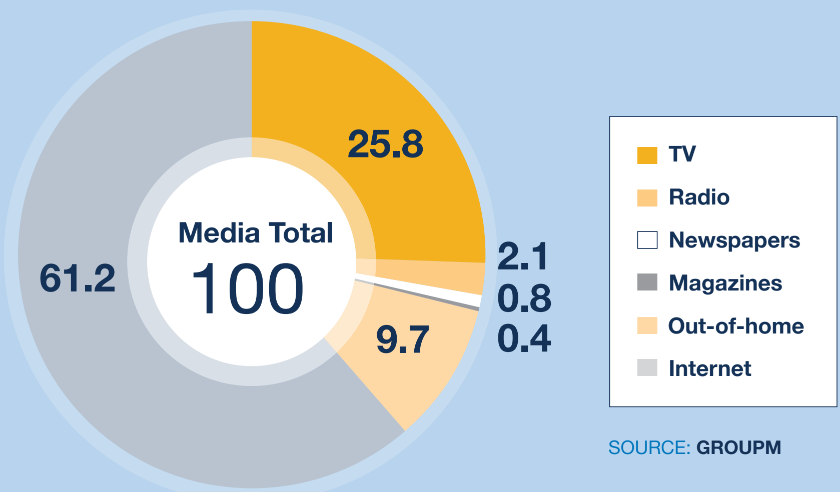
Media CNYmm



	CNY MM			US MM		
Media Total	534,045MM	557,092MM	585,838MM	80,443MM	83,915MM	88,245MM

SOURCE: GROUPM

2018 % Shares of media

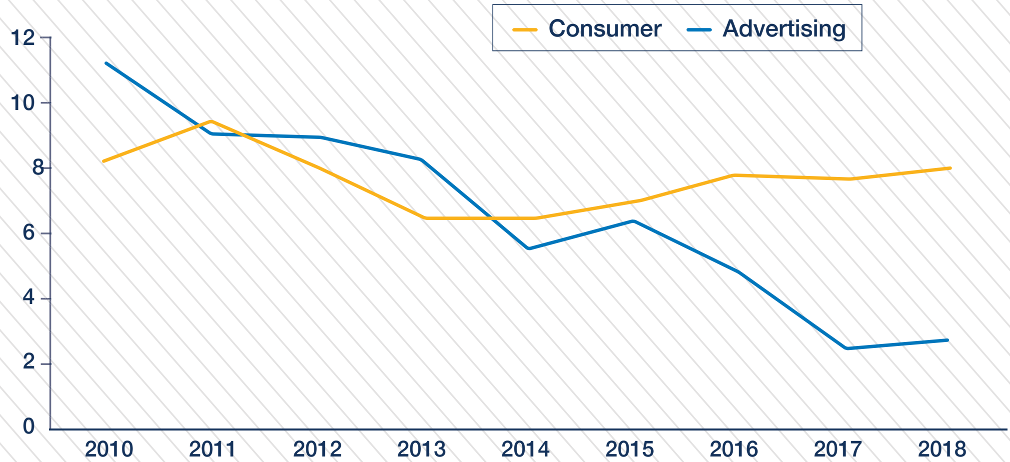


SOURCE: GROUPM

China

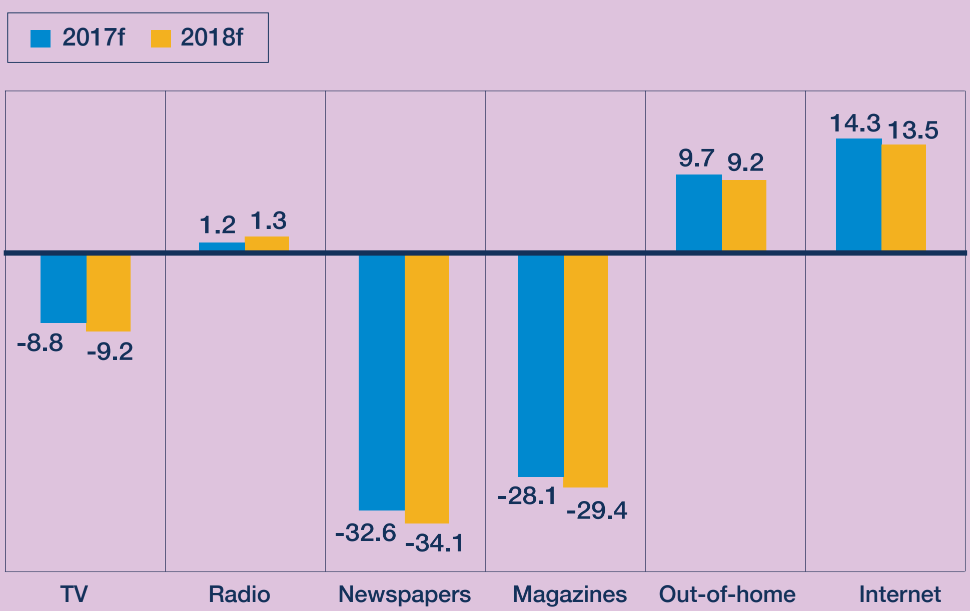
Consumer spending

YOY changes adjusted for inflation



SOURCE: **GROUPM/HSBC**

YOY% Change



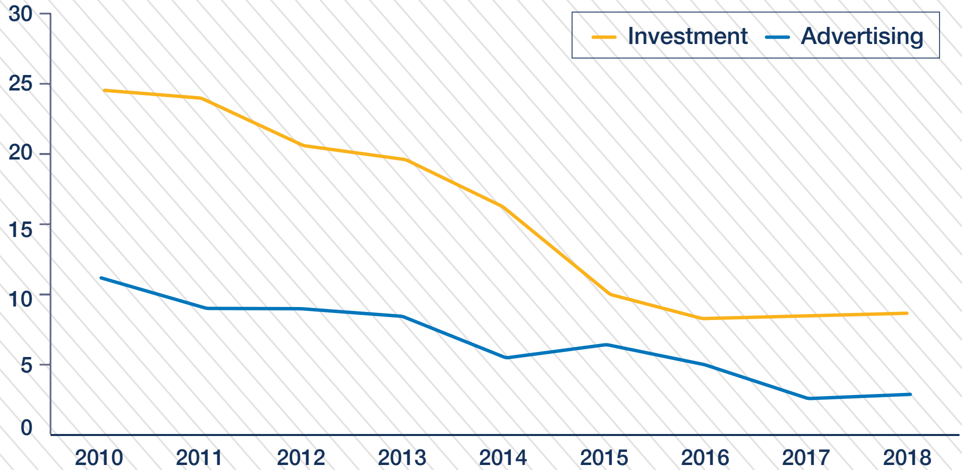
Media Total YOY% change	4.3	5.2

SOURCE: **GROUPM**

China

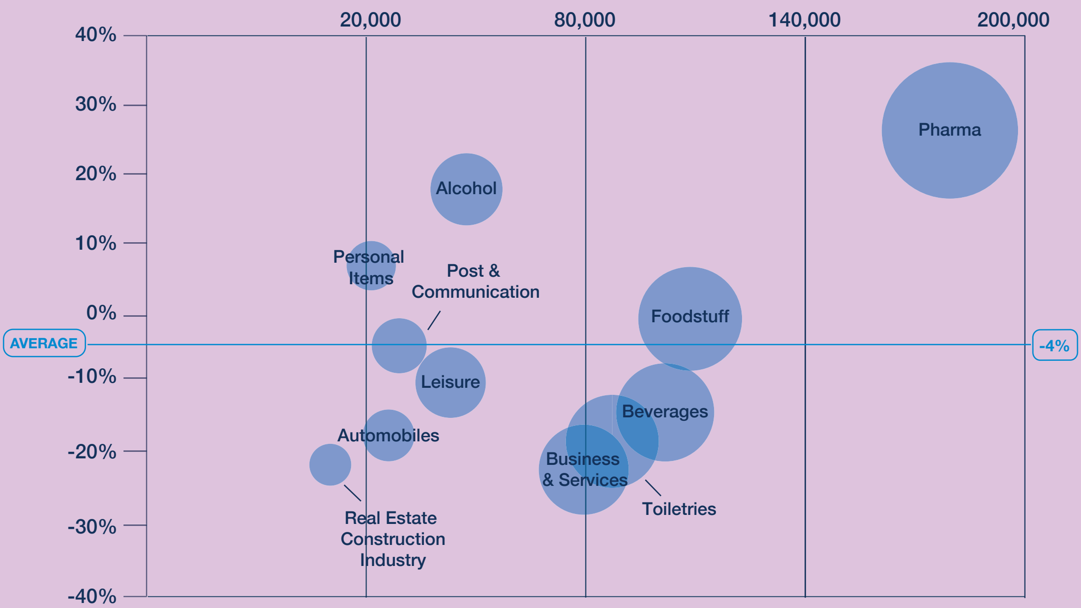
Investment

YOY changes adjusted for inflation



SOURCE: GROUPM/HSBC

2016 Categories YOY% Change and CNYbn



- Categories: CTR (TV and print only)
- Historic media revenue: TV, print, radio: CTR; internet: iResearch; OOH: Kinetic
- "China" here means the People's Republic of China and does not embrace Hong Kong or Macau
- Agency commission: out
- Discounts from ratecard: after
- Newspaper classified: in
- Internet classified: in
- Production cost: out
- Internet is PC and mobile, and comprises search, e-commerce website, static display, video, rich media and others.

Germany

The average home has 77 stations; 89% of homes receive digital TV, and 20% are internet compatible. TV is becoming more segmented, with increasing special interest content, and this is leading to shifts in market shares. Big broadcasters try to mitigate fragmentation with targeted stations, e.g. RTL Plus. The totality of viewing by all aged 3+ is stable, but reach and hours among the young is falling. Broadcasters are therefore improving audience measurement to streamed content.

Other new strategies include offering catch-up versions of free channels (Super RTL/Toggo, Welt N 24) and pay-TV providers launching free-to-air offers.

The addressable TV ad market will be boosted by the standardization of HbbTV 2.0 from 2018.

Print is still a relevant medium, with €260 million spent every month on magazines. However, magazine closures have exceeded launches, and ad revenue will soon exceed copy-sales revenue, raising pressure on publishers to maximize ad income to compensate for losses in distribution. Ownership consolidation continues, scrutinized by the Bundes-Kartellamt regulator.

Newspaper advertising is stabilizing, with steady support from retail and hard-discount advertisers. The 2017 arrival of a new publisher, Score Media, will improve the relevance of national dailies in a holistic advertising market.

In digital, pre- and mid-roll ad investment continues to rise and will, we think, continue to do so in 2018. Mobile also markedly increased its ad investment and share of advertising in 2017, as it begins to address the deficit some perceive in dwell time compared to ad load.

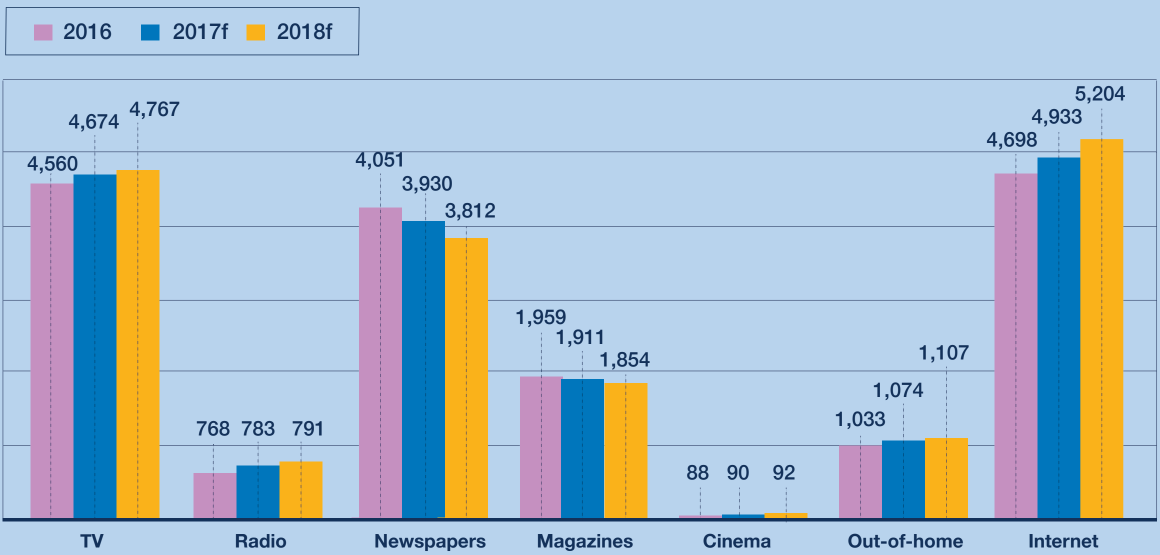
Social Media investment continues to rise in 2017 and we think this trend will continue in 2018. Ad blocking is, however, substantial, affecting almost a quarter of ad service. Brand safety and viewability have also risen up the agenda in Germany.

2017 will not be the breakthrough year for programmatic buying, which we look forward to in the last quarter of 2017 or in 2018.

In radio advertising, the results of the planning data study, “ma audio,” prove the high reach of mainstream radio advertising and the incremental reach to younger target groups via web radio. The latter has enabled web radio and music streaming to extend and reinvent the medium. Big German radio broadcasters are renewing and automating their booking platforms to prepare for programmatic buying by the end of this year. First tests are already running.

Germany’s 2016 trade surplus was equivalent to 8.3% of GDP, and larger in dollar terms than China’s. Improving global trade will help sustain this. One effect has been to drive German unemployment down to a record low of 5.4% (the Eurozone average is 8.9%) in the context of an aging and probably shrinking workforce. HSBC forecasts real wage growth of 2.4% in 2017, followed by an acceleration to 2.6% in 2018, which would be the highest in the G7. Private consumption appears to be rising as a share of GDP, but at 54%, Germany also has the G7’s lowest final household demand as a share of GDP. This is thanks to Germany’s tangible-export-oriented economy and historic wage restraint to keep competitive. For comparison, UK households score 66% and USA 68%. Rising domestic consumption is a long-term-burn. Nearly two months after her September re-election, Chancellor Merkel had still not assembled a governing coalition. Achieving this might lead to a degree of tax reduction and a near-term fillip to consumer spending.

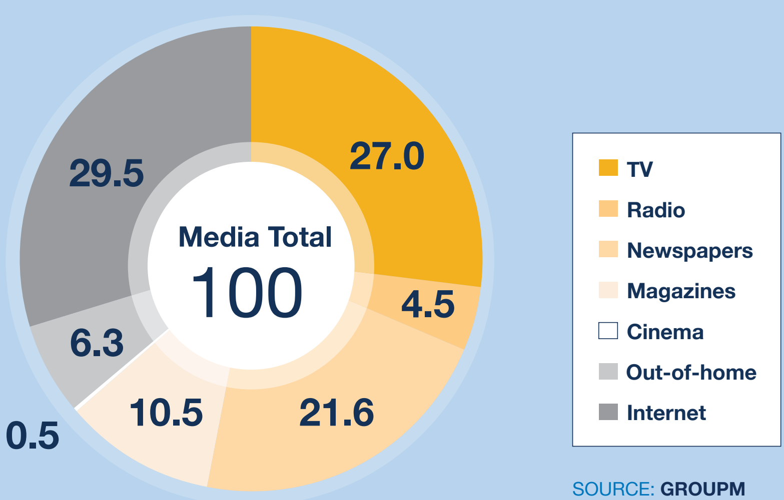
Media EURmm



Media Total	EUR MM			US MM		
	17,156MM	17,394MM	17.626MM	19,137MM	19,402MM	19,661MM

SOURCE: **GROUPM**

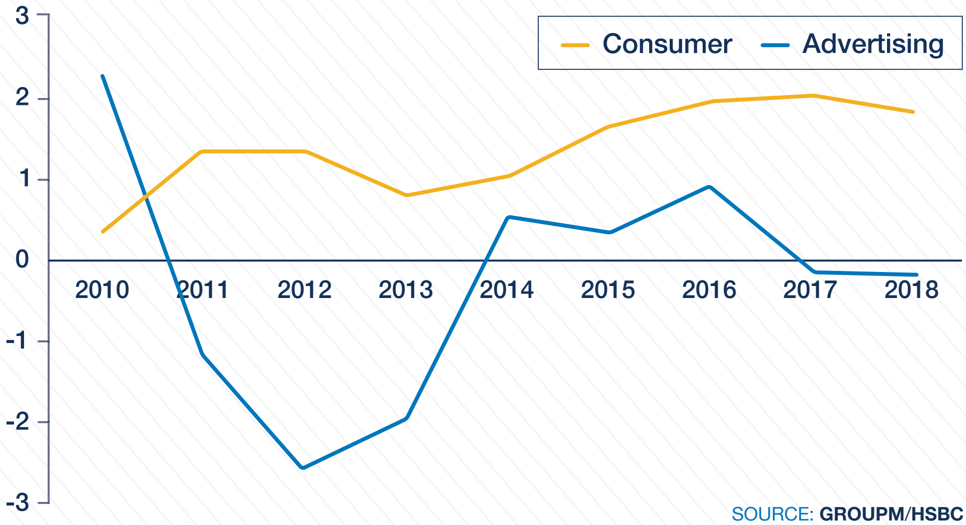
2018 % Shares of media



SOURCE: **GROUPM**

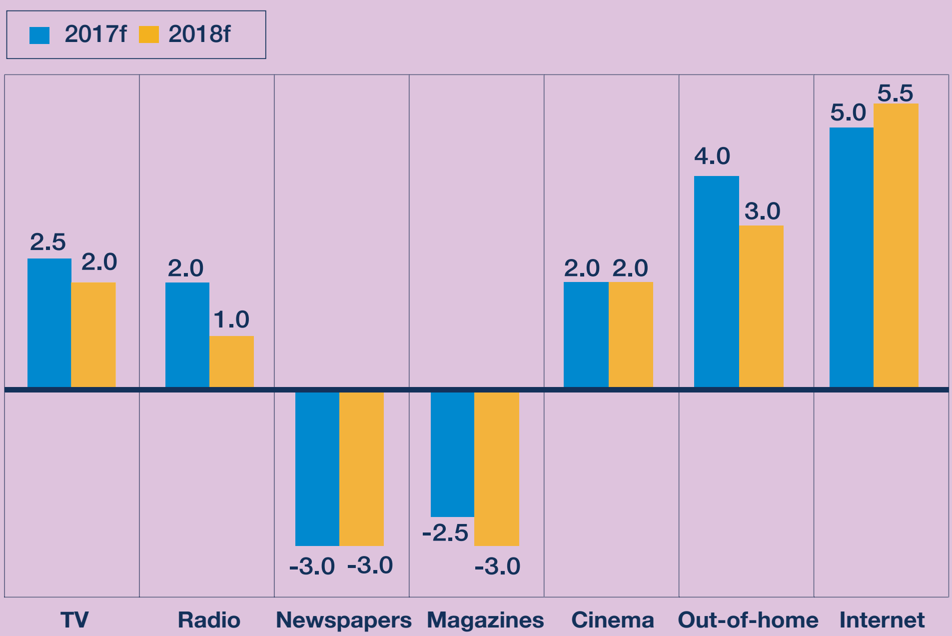
Germany

Consumer spending
YOY changes adjusted for inflation



SOURCE: **GROUPM/HSBC**

YOY% Change



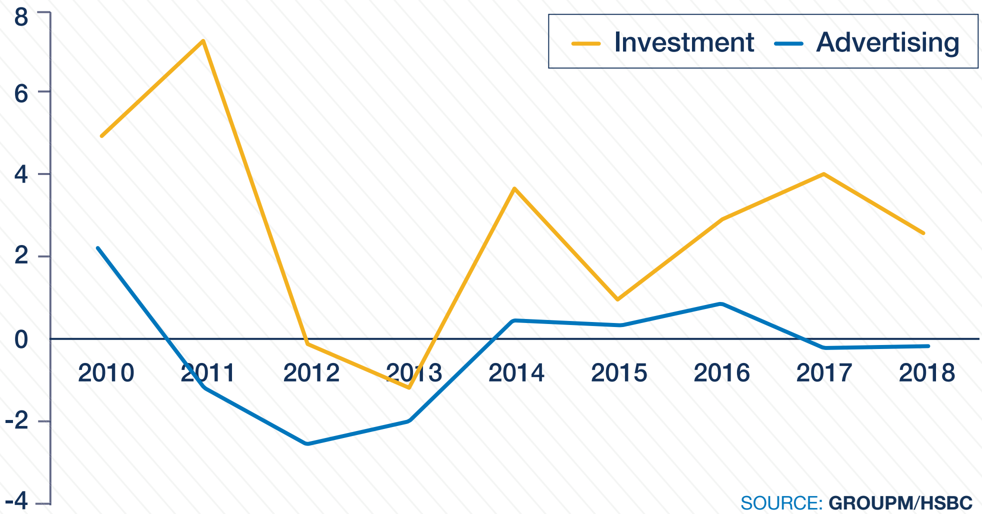
Media Total YOY% change	1.4	1.3

SOURCE: **GROUPM**

Germany

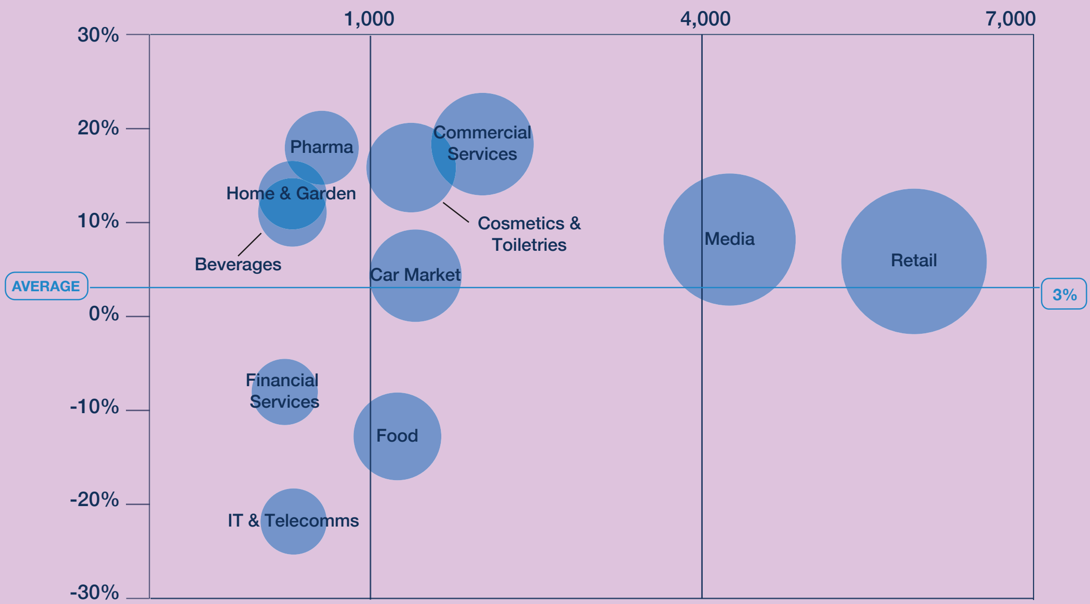
Investment

YOY changes adjusted for inflation



SOURCE: GROUPM/HSBC

2016 Categories YOY% Change and EURmm



- Categories: Nielsen, gross
- Historic media revenue: ZAW (except internet)
- Historic internet revenue from 2004: OVK (On-line Marketing Circle) (gross, but discounted by GroupM)
- Newspapers include advertising journals, weekly and Sunday newspapers, and supplements.
- Magazines include B2B but exclude directories.
- Agency commission: out
- Discounts from ratecard: after
- Newspaper classified: in
- Internet classified: out

India

Various estimates peg economic growth at 7.0 to 7.5% for 2018 as the benefits of GST — higher productivity and lower cost of goods sold — become apparent. This, combined with key reforms already implemented, including bank recapitalization, budget provisioning of non-performing assets, and the Bankruptcy Bill approved by law, are likely to facilitate a mild recovery in consumer demand and private investment. Consumer price inflation is expected to remain a manageable 4.0 to 5.0% as the budget deficit remains under control.

Auto advertising growth will remain moderate as private vehicle growth slows to 7 to 9% (cars 3 to 5%, scooters 12 to 14%, and motorcycles 6 to 7%). Commercial vehicle marketing is sluggish but likely to pick up mid-2018 with private investment revival and infrastructure spending. Electric vehicles and mobility are gaining interest, and investments may grow over the next few years. India was the world's no. 6 car market in 2016 and is slated to replace Japan at no. 3 by 2020, behind China and the USA.

Banking, financial services and insurance ad growth may be positive: hotspots are digital payments and small/payments banks (tasked with increasing coverage among the unbanked). Financial services are on the upswing as cash and its alternatives have become less attractive due to a real estate slump gold price fluctuations.

Consumer Durables, especially consumer electronics and white goods (which includes air conditioning), are positive on rising incomes, growth in the working-age population, and rural electrification.

E-commerce remains positive despite consolidation. The fight between the top two players, Amazon and Flipkart, is set to intensify and drive ad spend. Online retail could reach $17.5 billion by the end of 2018, with over 100 million consumers buying online, facilitated by rising internet penetration, cheaper data and improved logistics.

FMCG ad investment may witness moderate growth on the back of stable urban demand and consumer aspiration fuelled by digital media. E-commerce is becoming a key trade channel and medium of influence, including in FMCG. Processed foods are to get a fillip from recent policy initiatives and investment in agriculture and the supply chain. The retail sector will grow for similar reasons, aided by deregulation of foreign ownership/investment in B2B e-commerce, single-brand retail, and food retail.

Services will see sustained growth from travel/tourism and health care, its biggest sectors. The domestic travel market is growing 11% annually and could be a $48 billion business by 2020. Health care could reach $280 billion by 2020, driven by urbanisation, increasing awareness of health-related conditions, and expanding insurance.

Telecom service provider consolidation will continue in 2018. Margins will be under pressure (big capex, spectrum-related debt, slow payback) but mitigated by new data customers and rising data prices. Ad growth will be fuelled by mobile handset brands – entrants and incumbents - fighting for market share.

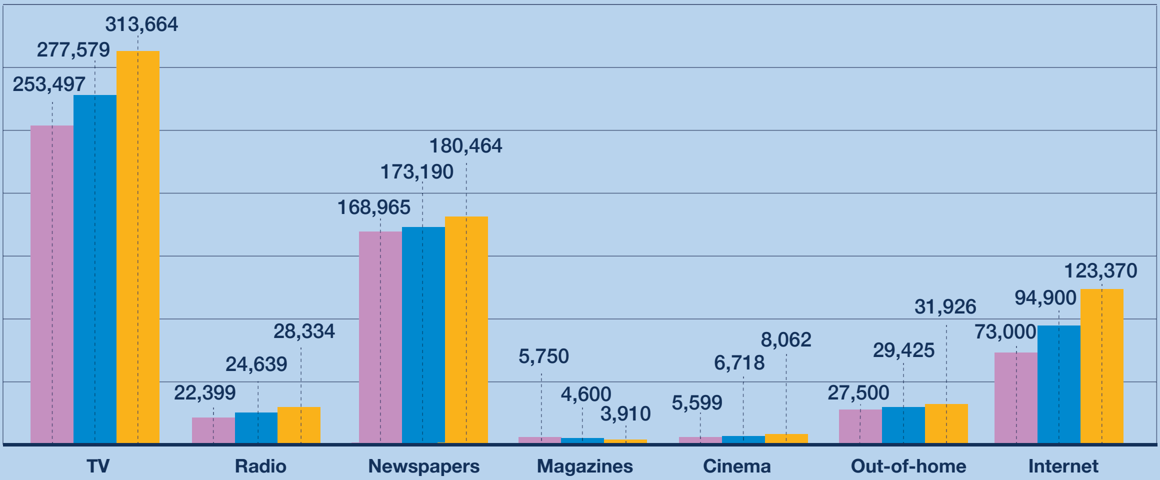
On the media front, parliamentary elections in H1 2019 will stimulate advertising from the back half of 2018. HD and free-to-air TV viewership is steadily rising, and with the last leg of cable digitization set to improve the quality of delivery to rural India, drive viewership to new heights.

Print will see a slight uptick from the elections, with key sites in demand. English will grow slower than Hindi and regional languages.

Digital will continue witnessing growth from videos, out-of-home from premium transit sites, and radio from newly launched stations.

GDP growth peaked at 8.0% in 2015, with the IMF and HSBC both forecasting 2017 as a trough of around 6.5%. However, GST, demonetisation, and other reforms have produced a short-term disruption. Rising oil and other commodity prices have impaired India's terms of trade. This can be offset by rising export volumes, but HSBC has export growth slowing from 4.5% in 2016 to 4.1% in 2017. Accelerating global growth improves this to a prospective 7.7% in 2018, and, beyond that, the benefit of GST and other reforms should raise India's GDP 'speed limit.' A silver lining of the recent dip in growth – which is still the highest of any big economy, bar China – is inflation, which may come in under the target 4% in 2017. Real annual consumer spending growth remains above 7%, but weak fixed investment growth of between 2% and 3% signals capacity problems to come.

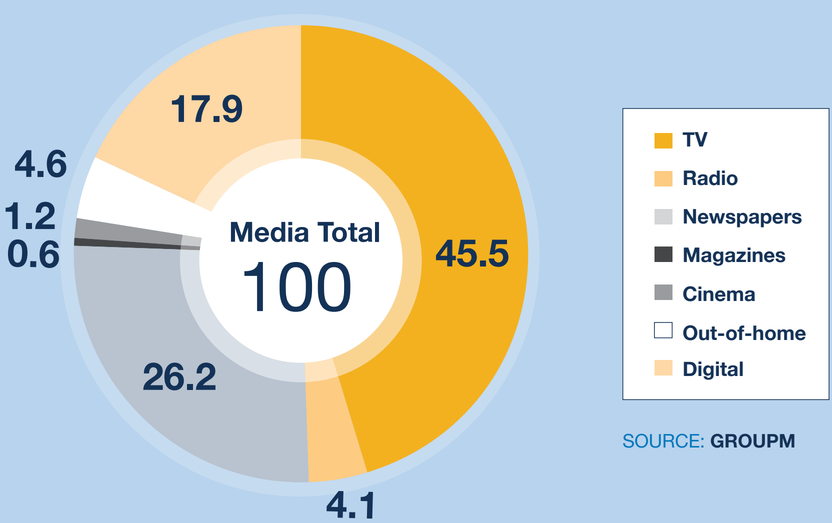
Media INRmm



Media Total	INR MM			US MM		
	556,709MM	611,050MM	689,730MM	8,561MM	9,396MM	10,606MM

SOURCE: GROUPM

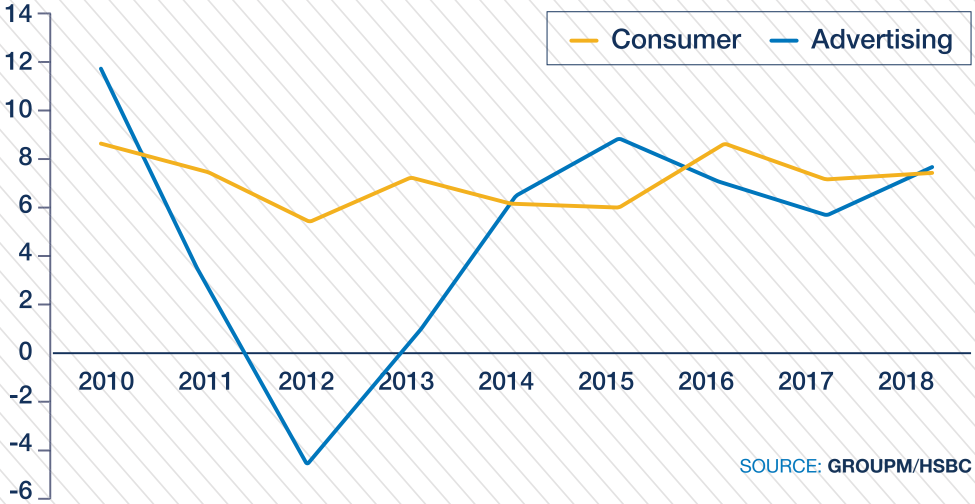
2018 % Shares of media



SOURCE: GROUPM

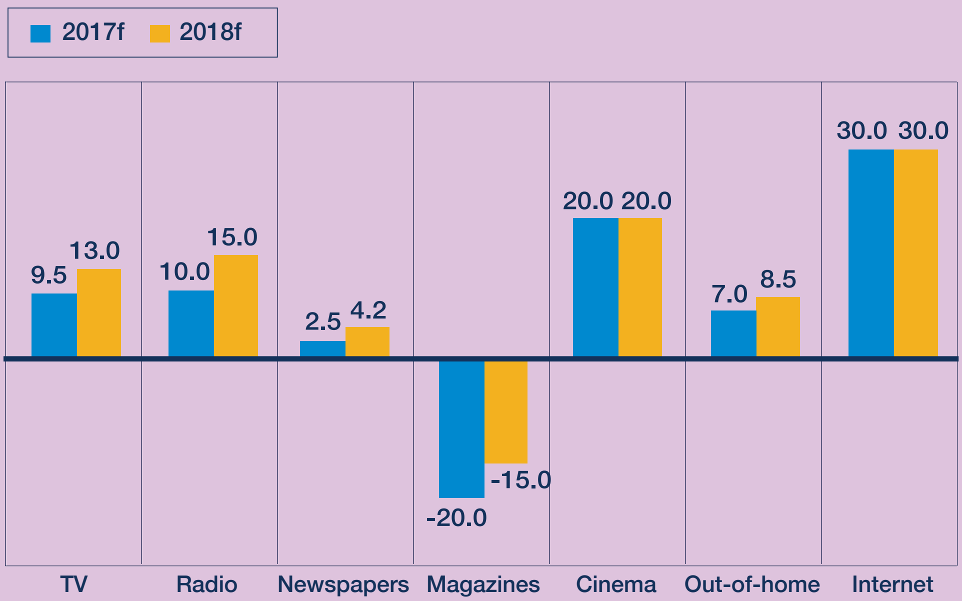
India

Consumer spending
YOY changes adjusted for inflation



SOURCE: GROUPM/HSBC

YOY% Change



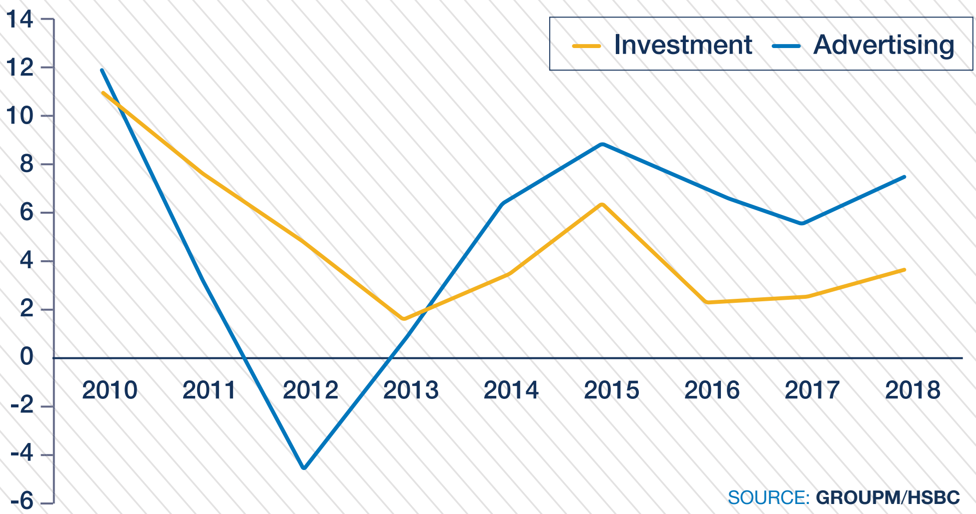
Media Total YOY% change	9.8	12.9

SOURCE: GROUPM

India

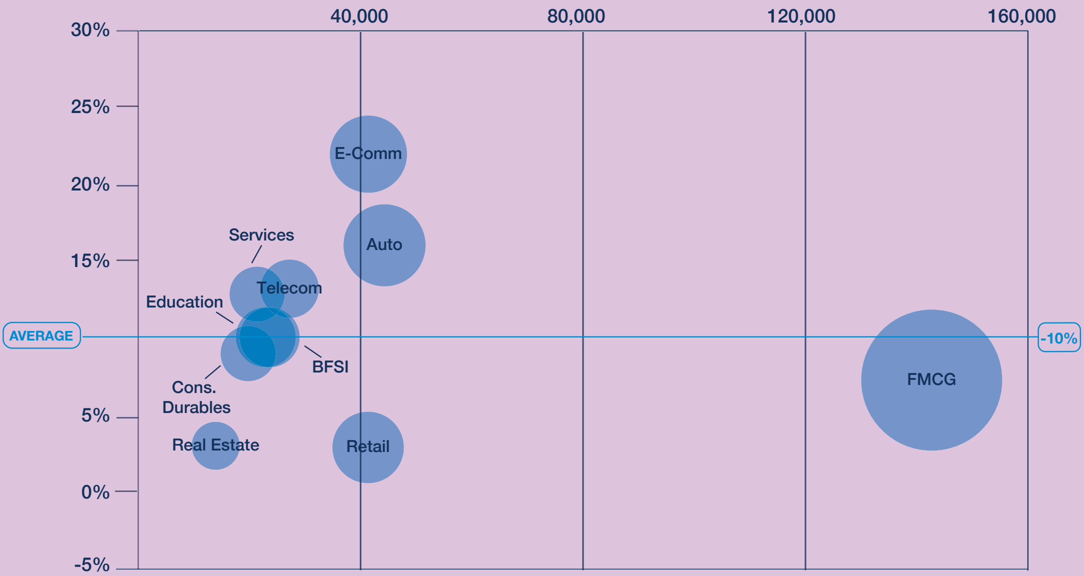
Investment

YOY changes adjusted for inflation



SOURCE: **GROUPM/HSBC**

2016 Categories YOY% Change and INRmm



- Top categories data: TAM Adex and GroupM
- Top advertisers: TV, print, radio only
- Historic media revenue: ORG-MAP
- Print is display only (classified is not measured)
- Excludes 15% agency commission
- Internet comprises search, display, video and social. Excludes small advertisers.

Russia

In 2016, Russia's media market showed substantial growth of 11%, beating our forecast by 1.5% mostly because of Q4 upweights from the biggest advertisers. This rapid recovery accelerated to 14% in H1 2017.

Mostly driving this rapid growth is the perception by advertisers that the domestic economy is stabilizing. The IMF predicts real GDP growth of 1.8% in 2017 (nominal 7.5%) and the rate of consumer inflation to continue abating from the 16% high in 2015 to under 4% in 2018, a historic low that will converge with the 4% central bank target. This is particularly welcome to the FMCG, retail, finance, and auto sectors, which have been under pressure for the last two years.

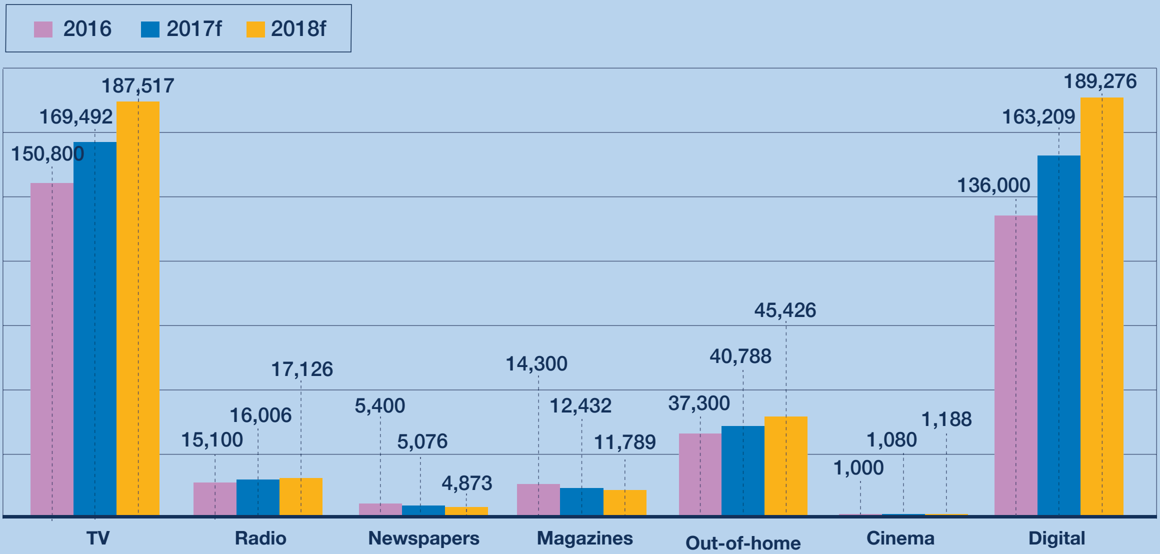
We upgrade our 2017 forecast from 9.5% to 13.4% for 2017, anticipating a slightly slower 2H as it runs into harder comparisons.

The bulk of advertiser demand remains in video media (TV + online), supported by programmatic buying of performance formats (CPX).

2018 shows good promise of sustaining this recovery at around 12%. The presidential election in March is likely to occupy media space, and of course, Russia is hosting the 21st FIFA World Cup final from 14 June to 15 July.

Private consumption growth is running at over 3% real, ahead of real GDP growth of around 2%, helped by high employment and real wage growth of 8%. Household final demand is still only 53% of GDP, which is low by international standards. Inflation has dipped below the 4% target to a modern low, but there is no reason to expect Russia's conservative fiscal and monetary stance to bring out the punchbowl. Growth is steady but well below the trend rate of the recent past. Its population is aging in line with the CEE average, but real investment growth is less than half of Poland's, for example. This stagnation points to the need for economic reform to give business and private savers the confidence to invest.

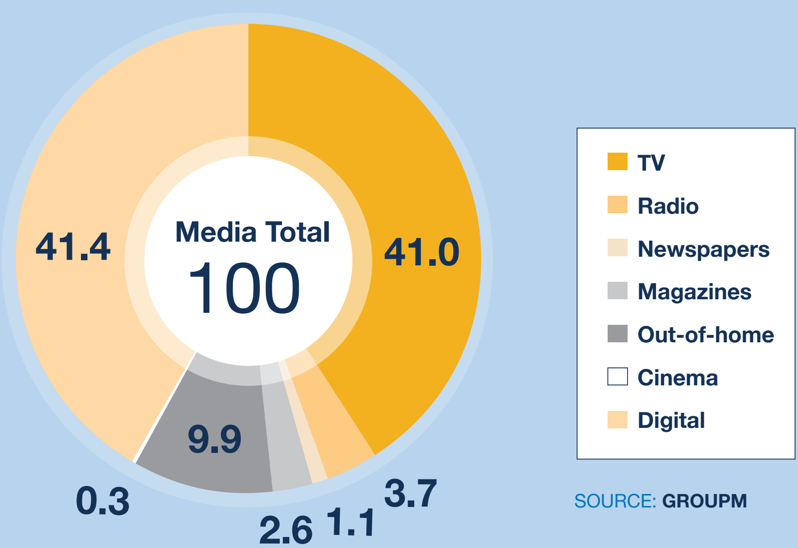
Media RUBmm



Media Total	RUB MM			US MM		
	359,900MM	408,082MM	457,196MM	6,070MM	6,883MM	7,711MM

SOURCE: GROUPM

2018 % Shares of media

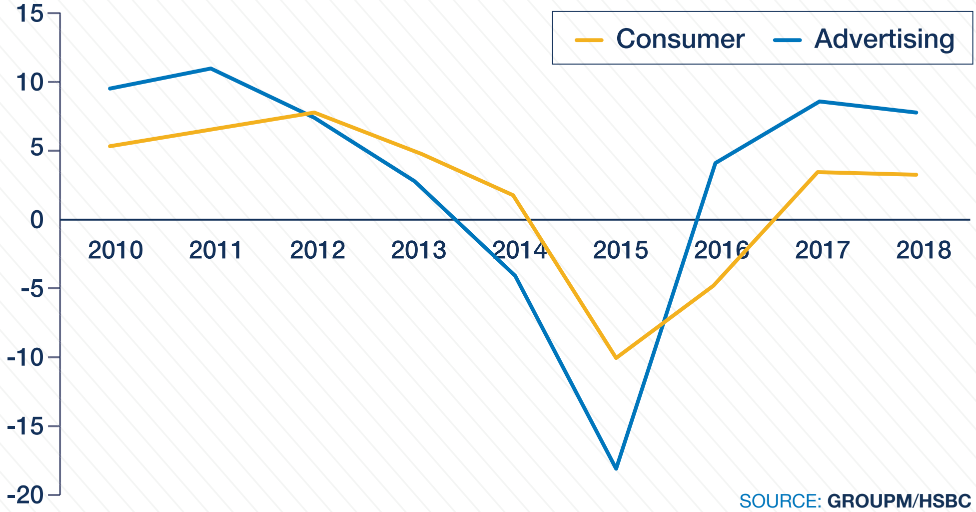


SOURCE: GROUPM

Russia

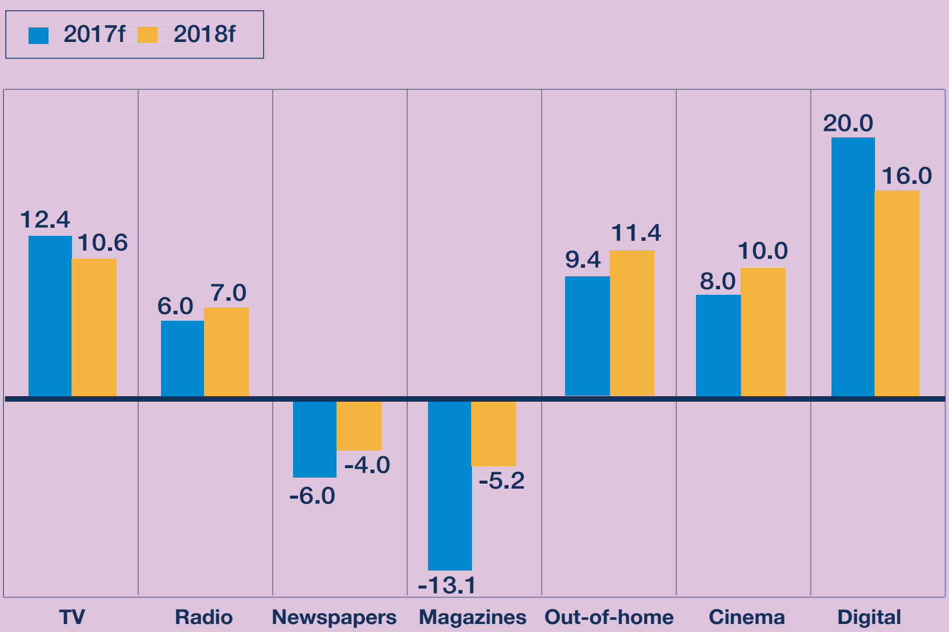
Consumer spending

YOY changes adjusted for inflation



SOURCE: GROUPM/HSBC

YOY% Change



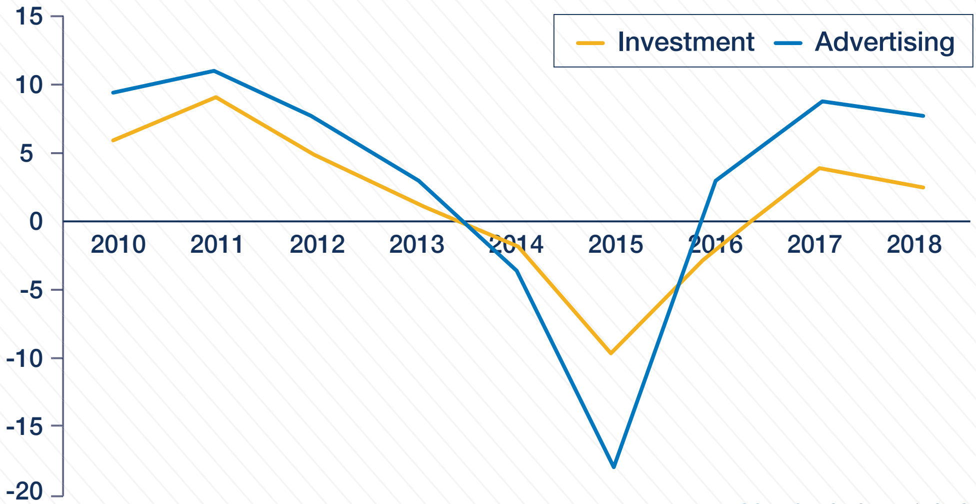
Media Total YOY% change	13.4	12.0

SOURCE: GROUPM

Russia

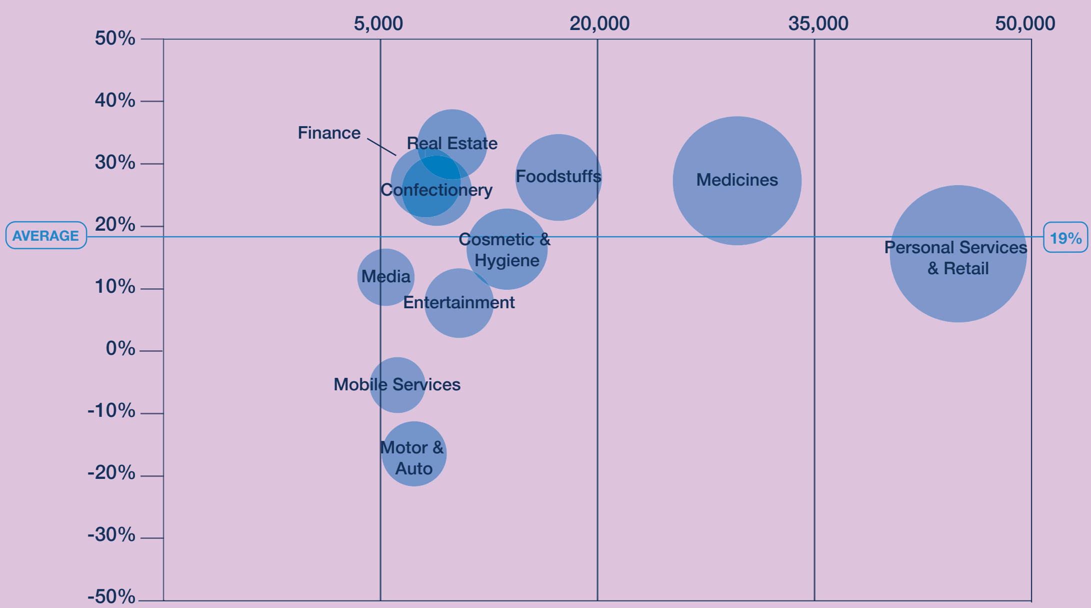
Investment

YOY changes adjusted for inflation



SOURCE: **GROUPM/HSBC**

2016 Categories YOY% Change and RUBmm



- Top categories: estimated net of discounts and tax, based on Gallup TNS gross
- Historic media revenue: AKAR/RARA
- Agency commission: out
- Discounts from ratecard: after
- Newspaper classified: out
- VAT 18%: in
- "Internet display" comprises classic display, video and mobile (all types excluding paid search)

United Kingdom

Business confidence and performance remains good but fragile. Real incomes will be squeezed about a half-percent in 2017, but real consumer spending is still growing around 1.8%. The outcome of Brexit remains unknowable, but according to Deloitte's October survey, 60% of UK CFOs expect it to be adverse, down from 72% in June. This survey ranked weak demand the number-two risk, and base-rates rises third. November's quarter-point rise was, however, next-to-nugatory.

Inflation puts margins under pressure. A firmer global economy is making commodities more expensive. Cost control remains the corporate priority. UK advertising growth remains surprisingly strong. We now forecast 5.0% growth in 2017 and 4.8% in 2018, up from 4.1% and 4.5% in June. Some argue that discretionary marketing investment is more attractive than the risk of investing in long-term capacity which may never be required. Within the advertising envelope, the short-term dominates. One symptom of this is softness in 'legacy media'. We predict aggregate ad investment to fall back 4.4% in 2017 and 2.0% in 2018, a deterioration of one and two percentage points respectively from our last forecast. This is echoed in the accompanying categories table, which is derived from spending in legacy media only (digital media presently being insufficiently monitored). The 18% retreat in Cosmetics & Personal Care is consistent with our finding that this category has led the consumer staples ad pullback around the world.

As legacy/editorial media have shrunk, so the more performance-oriented, pure-play internet has accelerated and will, we think, occupy 60% of measured media investment in 2018. A degree of digital media cost inflation may be contributing to this shift as brands bid up quality in the upper funnel and performance bids up the lower.

The larger digital looms the more challenge it merits: to anyone marking their own homework; to data which confirms more than it reveals; to claims that smaller screens and more fleeting attention do not impair impact; and to whether the 'stack' is working for you or itself. If 2017 was the year of transparency, let 2018 be the year of scrutinising the digital food chain. Platforms are fallible when it comes to both brand safety and measurement, and it is the media agencies which have led the defense of advertisers' interests.

The legacy media news flow is looking busy in 2018. February brings print media's new planning tool, AMP, which, among other things, will offer an impression of what it sees over the wall of the 'walled gardens' and may reanimate magazines, which short-termism has arguably left seriously undervalued. March should bring Barb's 'Dovetail' to corroborate the value of video-on-demand. 2018 will be out-of-home's big year for 'workflow automation', radically improving advertiser control of this increasingly versatile medium. We also expect positive evolution in regional newspapers' package-selling boom and in addressable TV, where our own Finecast proposition complements Sky's established AdSmart.

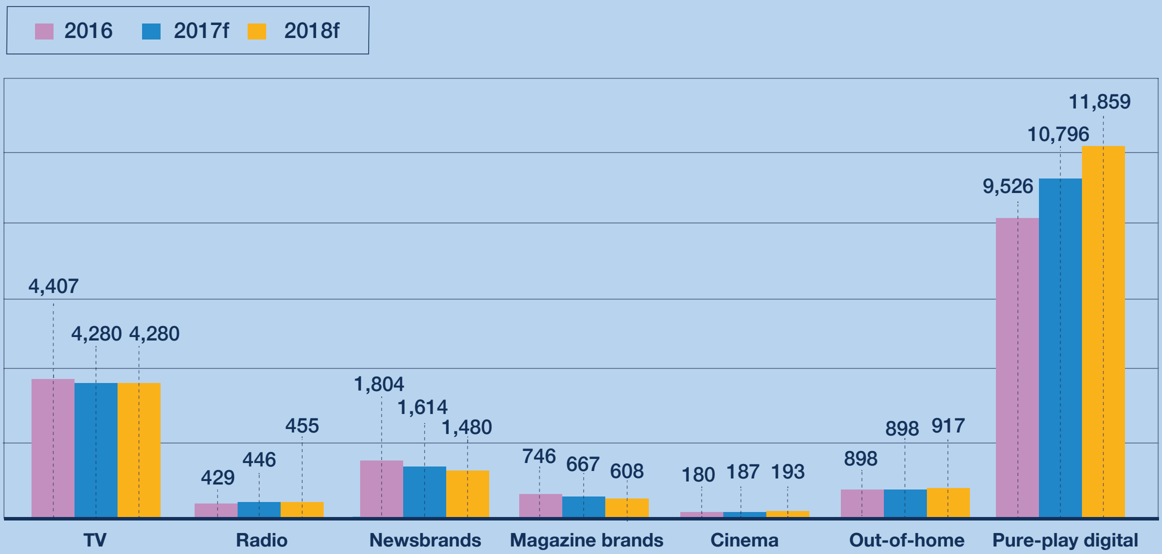
May's General Data Protection Regulation will emphasize the importance of a viable 'value exchange' between an advertiser and a consumer. We see here a potential advantage for editorial media vendors, which offer inherently more value in the exchange.

Inflation has picked up from zero in 2015 to around 3% today, overtaking real annual wage growth of close to 2%. Consumer spending growth has correspondingly fallen below 2% in 2017 and could approach 1% in 2018. This is a headwind to GDP growth, which the IMF puts at 1.7% real for 2017, a little down on 2016, with a trough of 1.5% in 2018.

This may be pessimistic. Mitigating the consumer slowdown, sterling depreciation should promote exports and deter imports. This has been slow to build, but exports comprise 26% of GDP (2016), creating substantial potential leverage combined with rising demand in the main destinations of continental Europe and the US.

Weak private-sector investment (16% of GDP in 2016) is probably the most sensitive indicator of Brexit uncertainty. Growth is well below the trend at under 2%, though weak government and more polar politics may be a contributing factor.

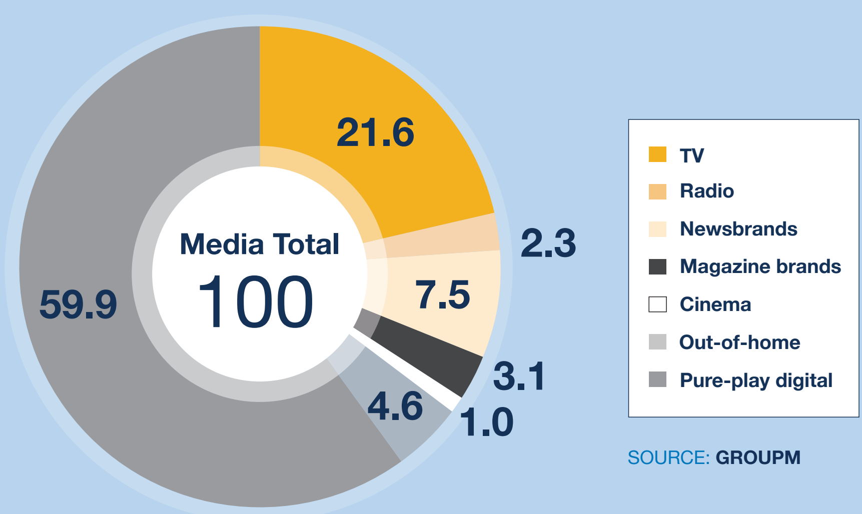
Media GBPmm



Media Total	GBP MM			US MM		
	17,990MM	18,888MM	19,791MM	23,696MM	24,879MM	26,068MM

SOURCE: **GROUPM**

2018 % Shares of media

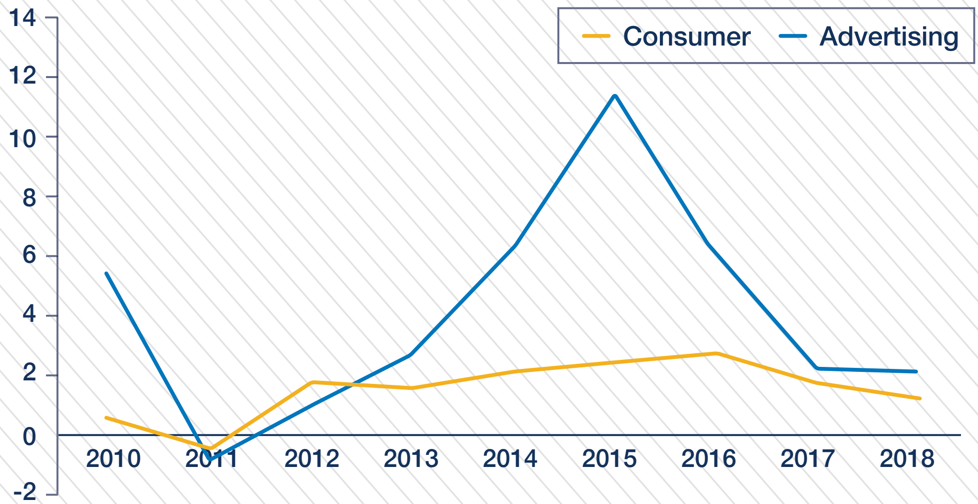


SOURCE: **GROUPM**

United Kingdom

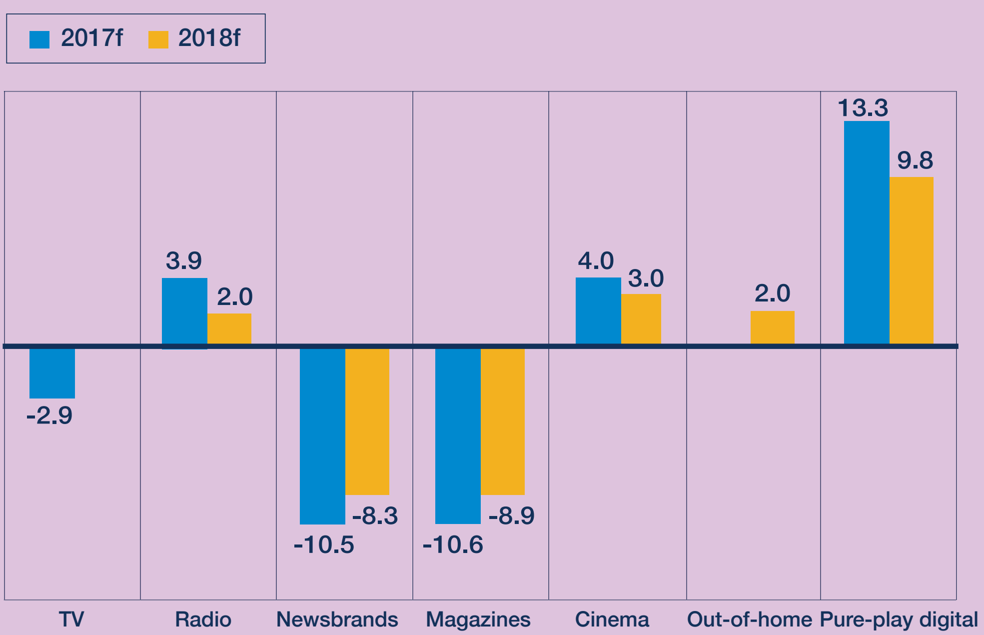
Consumer spending

YOY changes adjusted for inflation



SOURCE: GROUPM/HSBC

YOY% Change



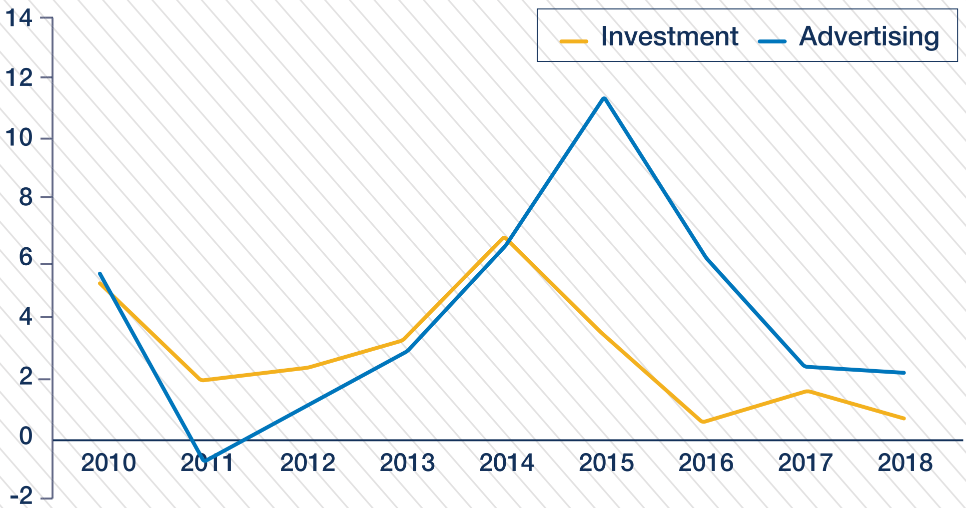
Media Total YOY% change	5.0	4.8

SOURCE: GROUPM

United Kingdom

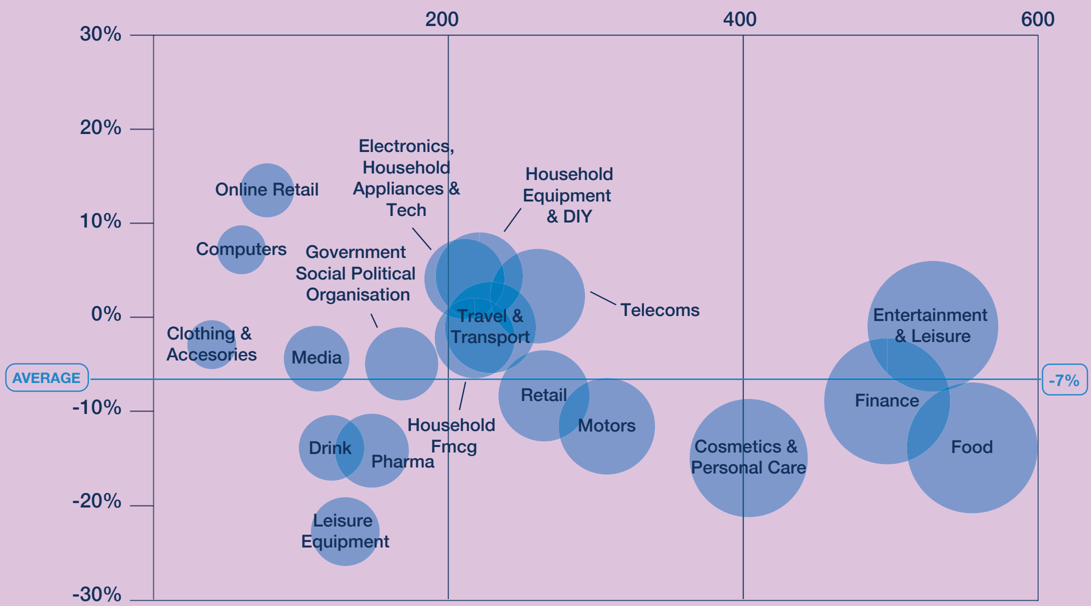
Investment

YOY changes adjusted for inflation



SOURCE: GROUPM/HSBC

2016 Categories YOY% Change and GBPmm



- Historic media: AA, IAB/PwC, GroupM
- Production costs: out, except for cinema
- Agency commission: out
- Discounts from ratecard: after
- Newspaper classified: in
- Categories: Nielsen
- "Digital" comprises all forms of advertising on all connected devices.
- In April 2017 the IAB retrospectively increased 2015 digital ad investment by £481m.
- "Pure play" means digital revenue accruing to legacy newsbrands, magazine brands and TV broadcasters is removed from the "digital" line.

United States

We have adjusted our 2017 total market growth forecast downward from 2.6% to 2.2% to reflect sluggish GDP growth and a continued decline in Print spending. While good news regarding key economic indicators like home sales, energy costs and unemployment have driven US consumer confidence to a 16-year high, many businesses have found it difficult to raise prices and thus remain focused on reducing expense and increasing efficiency. Marketers continue to study their investments in traditional media, and have increased their scrutiny of all phases of digital, with an emphasis on viewability, verification and value. As investment in digital grows, this scrutiny is likely to increase.

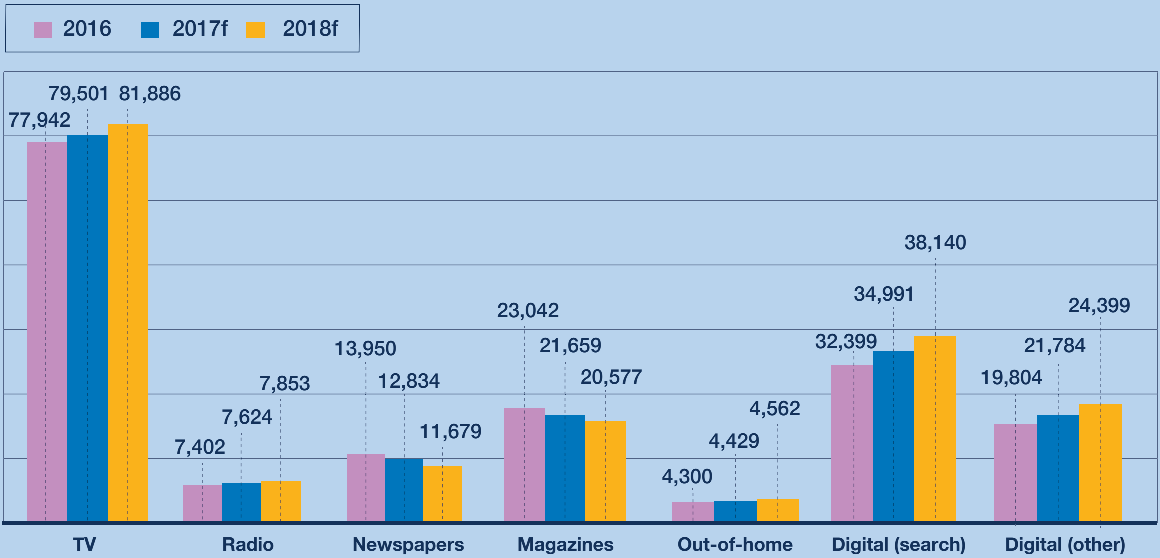
TV spend continues to rise despite eroding ratings as clients continue to find value in brand-safe content. As digital measurement matures and aligns more closely to traditional metrics, we expect more money will be invested in the cross-channel Video and Image verticals. We have decreased Print growth estimates for the remainder of the year to reflect the medium's struggle to attract ad spending. For 2017, all other channels remain as predicted in December 2016.

Real GDP is expected to grow 2.2% in 2017 (4.0% nominal), up from 1.5% in 2016, a steady trajectory seemingly not much affected by Washington one way or the other. Unemployment stands at 4.4% and falling, as real wage growth remains at 2.5% and rising. Consumer confidence is at a 17-year high, though consumer spending growth remains on the rails at 2.7% real this year with a 2.3% forecast for 2018.

Like the equity market, business confidence has risen sharply in 2017. Fixed investment grew a real 7% in the first half of 2017 to underpin a forecast of 4.0% for the year, which would be the highest rate since the 6.2% peak in 2014. Such growth and assurance will make a good contribution to GDP acceleration.

November's Republican tax proposals envisage a $1.5 trillion plan for deep corporate tax reductions, broadening the tax base by deleting allowances and simplifying and reducing income tax thresholds. Some reform seems likely, but its passage through Congress remains uncertain, as does the degree and phasing of whatever might emerge.

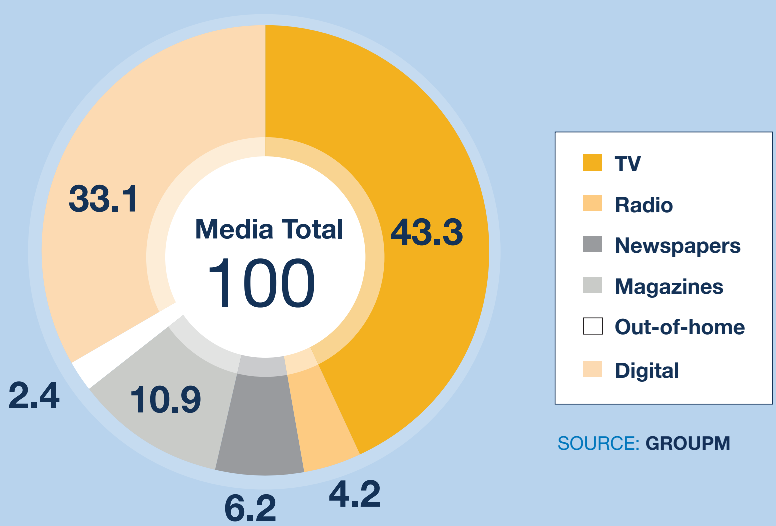
Media USDmm



Media Total	US MM			Digital Total		
	178,839MM	182,822MM	189,096MM	52,203MM	56,775MM	62,539MM

SOURCE: **GROUPM**

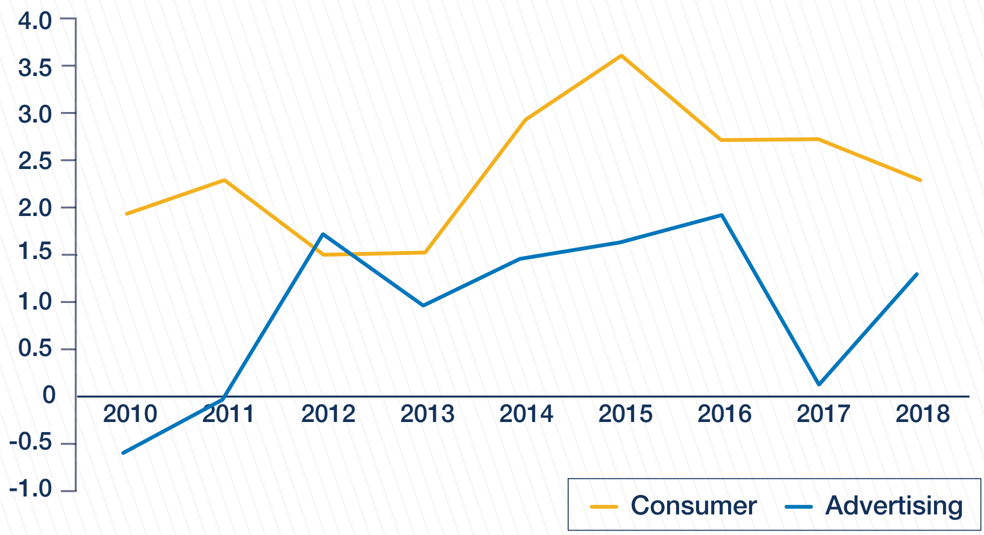
2018 % Shares of media



SOURCE: **GROUPM**

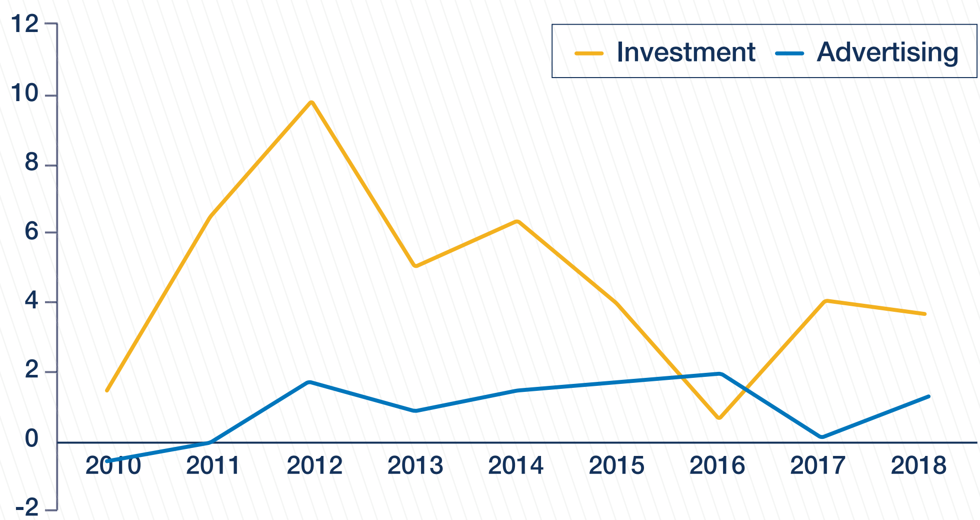
United States

Consumer spending
YOY changes adjusted for inflation



SOURCE: **GROUPM/HSBC**

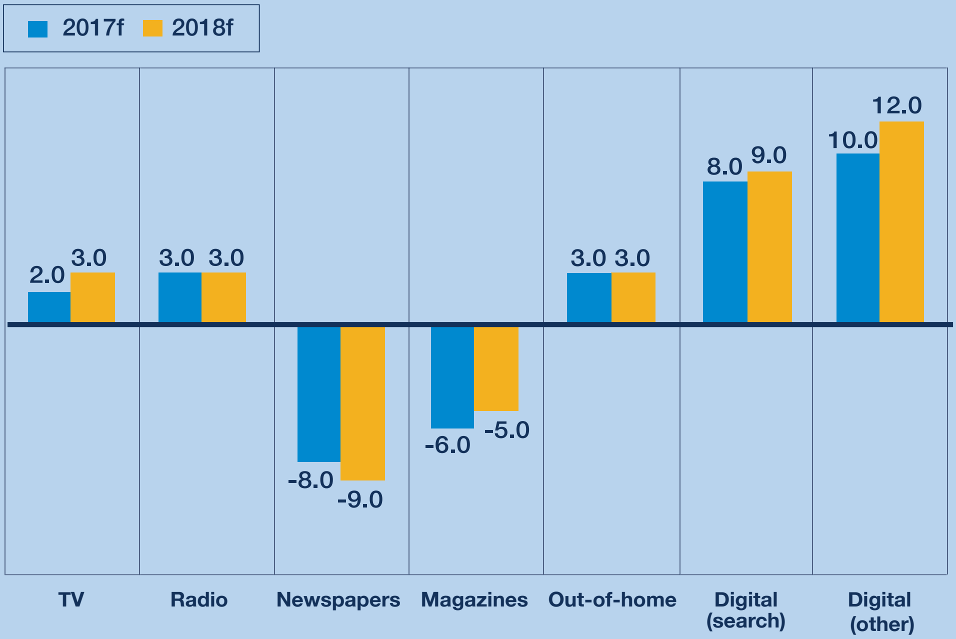
Investment
YOY changes adjusted for inflation



SOURCE: **GROUPM/HSBC**

United States

YOY% Change



Media Total YOY% change	2.2	3.4
Digital Total	8.8	10.2

SOURCE: **GROUPM**

- Categories: Kantar
- Historic media revenue: Kantar, GroupM
- Agency commission: out
- Discounts from ratecard: before
- Newspaper classified: out
- Internet classified: out

Marketing Services

	2016	2017f	2018f
North America			
PR	4,200	4,300	4,400
Data Investment Management	19,832	19,850	20,000
Direct	107,000	110,000	114,000
Sponsorship	22,300	23,200	24,500
Total	**153,332**	**157,350**	**162,900**
Marketing % of marketing and media	44.8	44.9	44.9
YOY% Change			
PR	0	2	2
Data Investment Management	2	0	1
Direct	3	3	4
Sponsorship	4	4	6
Total	**3**	**3**	**4**
Latin America			
PR	475	490	520
Data Investment Management	1,460	1,500	1,560
Direct	38,000	40,000	43,000
Sponsorship	4,400	4,500	4,600
Total	**44,335**	**46,490**	**49,680**
Marketing % of marketing and media	57.1	57.0	57.0
YOY% Change			
PR	3	3	6
Data Investment Management	10	3	4
Direct	7	5	8
Sponsorship	2	2	2
Total	**7**	**5**	**7**
Europe			
PR	2,720	2,770	2,870
Data Investment Management	15,846	16,000	16,200
Direct	113,000	115,000	118,000
Sponsorship	16,000	16,700	17,500
Total	**147,566**	**150,470**	**154,570**
Marketing % of marketing and media	56.8	56.5	56.3
YOY% Change			
PR	4	2	4
Data Investment Management	2	1	1
Direct	3	2	3
Sponsorship	5	4	5
Total	**3**	**2**	**3**

	2016	2017f	2018f
Asia Pacific			
PR	4,900	5,200	5,500
Data Investment Management	6,521	6,800	7,200
Direct	60,500	64,000	68,000
Sponsorship	14,800	15,700	16,300
Total	**86,721**	**91,700**	**97,000**
Marketing % of marketing and media	33.4	33.8	33.9
YOY% Change			
PR	4	6	6
Data Investment Management	9	4	6
Direct	5	6	6
Sponsorship	6	6	4
Total	**6**	**6**	**6**
Middle East & Africa			
PR	158	164	170
Data Investment Management	851	900	950
Direct	2,170	2,300	2,450
Sponsorship	2,600	2,700	2,800
Total	**5,779**	**6,064**	**6,370**
Marketing % of marketing and media	33.6	35.9	35.8
YOY% Change			
PR	3	4	4
Data Investment Management	19	6	6
Direct	5	6	7
Sponsorship (ROW)	4	4	4
Total	**6**	**5**	**5**
World			
PR	12,453	12,924	13,460
Data Investment Management	44,510	45,050	45,910
Direct	320,670	331,300	345,450
Healthcare	4,900	5,000	5,100
Sponsorship	60,100	62,800	65,700
Total	**442,633**	**457,074**	**475,620**
Marketing % of marketing and media	46.0	46.1	46.0
YOY% Change			
PR	3	4	4
Data Investment Management	4	1	2
Direct	4	3	4
Healthcare	0	2	2
Sponsorship	5	4	5
Total	**4.1**	**3.3**	**4.1**
Media and Marketing Total USD m	**961,210**	**991,860**	**1,033,606**

GroupM is the leading global media investment management company for WPP's media agencies including Mindshare, MediaCom, Wavemaker, Essence and m/SIX, and the outcomes-driven programmatic audience company, Xaxis. Responsible for more than U.S. $108B in annual media investment by some of the world's largest advertisers, GroupM agencies deliver an advantage to clients with unrivaled insights into media marketplaces and consumer audiences. GroupM enables its agencies and clients with trading expertise, data, technology and an array of specialty services including addressable TV, content and sports. GroupM works closely with WPP's data investment management group, Kantar, and together they account for almost 50% of WPP's group revenues of more than U.S. $19B. GroupM delivers unrivaled marketplace advantage to its clients, stakeholders and people.

For further information about this report please contact adam.smith@groupm.com

GroupM
Central Saint Giles
1 St Giles High Street
London
WC2H 8AR
T +44 (0) 20 7969 4083

A WPP Company