

## Ad budgets begin to climb again

*Neil Shoebridge*

Three months ago Henry Tajer, chief executive of media agency Universal McCann, was convinced the \$12.5 billion media advertising sector would be an unhappy place over the next two years.

Gathering data from economists and Universal McCann's clients, he predicted media ad spending would sag 6.2 per cent during calendar 2009 and show negligible growth of 0.1 per cent in 2010 and 1.7 per cent in 2011.

Now Tajer is in a more upbeat mood. The growing chatter among media executives that an 18-month downturn in ad spending has stopped and companies are starting to crank up their ad budgets has prompted him to predict the media ad sector will grow 2 per cent in 2010 and 2.3 per cent in 2011 (his forecast for this year has been modified slightly to a 5.7 per cent decline).

Tajer is not alone. Rising business confidence and the claims by executives in some media sectors, particularly free-to-air television, that advertisers are returning have prompted other advertising forecasters to rework their numbers over the past month or so.

While most forecasters have become more bullish, they warn that many companies have not finalised their ad budgets for 2010 and some bad economic news - such as a drop in consumer spending - could kill the nascent recovery in ad spending.

Peter Horgan, managing partner of media agency OMD, says: "There is some evidence that ad markets are improving, although that's far from an established truth at this point.

"The signs are encouraging but there's still quite a bit of uncertainty out there."

OMD is predicting a 5.1 per cent lift in ad spending in 2010, compared with a projected 2.2 per cent decline this year. The internet is expected to be the fastest-growing medium in terms of ad revenue in 2010, rising 17.4 per cent, followed by pay TV (8 per cent) and outdoor (3.5 per cent).

After declining an estimated 8 per cent this year, the capital city free-to-air TV ad market is expected to grow by 3 per cent in 2010.

"There's been a significant firming of the TV ad market since September and we think demand will be strong into 2010," Horgan says. "Our projection for 2010 could be too low if aggressive marketers move to get ahead of the rebound in consumers' discretionary spending."

As reported in The Australian Financial Review last week, a survey of 345 senior marketing executives by the Australian Marketing Institute in August found marketing budgets were expected to rise 7 per cent in 2010. But the forecast covered total marketing expenditure, not just media advertising.

In late August, Harold Mitchell, executive chairman of Australia's largest media planning and buying company, Mitchell Communication Group, predicted media ad spending would drop 7 per cent in 2009 and would be flat in 2010.

"Marketers are carefully optimistic about the next 12 months," he said. "There will be a lift in ad spending in the latter part of the June 2010 half but it's hard to know by how much at this stage."

Mitchell's predictions are based, in part, on forecasts from Charlie Nelson, founder of the research company foreseechange. Nelson says rising business confidence will produce an increase in ad spending next year but it is too early to make a firm prediction.

"The trajectory is likely to be some improvement in this half - especially the December quarter as it compares with a weak December 2008 quarter - then some further small improvement in early 2010, followed by a good 2010-11," he says.

"Business confidence collapsed in late 2008 and budgets were not fully spent. By the time businesses realised the sky wasn't falling and confidence improved, it was May-June 2009, which was too late to affect budgets for 2009-10. Business confidence has continued to improve and so budgets will be fully spent."

Deutsche Bank analyst Andrew Anagnostellis thinks that after falling 8.4 per cent this year, media ad spending will rise 3.5 per cent in 2010, 6.5 per cent in 2011 and 4.6 per cent in 2012.

***Geographic area:***

*Australia*

***Classification:***

*Economy/Consumer confidence*

*Industry/Advertising Marketing*