

Print advertising drives global newspaper publishing revenues to more than \$200 billion by 2010

By Kara Hartig

Substantial expansion of category advertising will fuel worldwide spending on newspaper publishing, rising to \$208.1 billion in 2010 at a compound annual growth rate (CAGR) of 3.1 percent, according to PricewaterhouseCoopers' *Global Entertainment and Media Outlook: 2006–2010*.

The *Outlook* defines the newspaper publishing market as daily print newspaper spending by advertisers and readers. Readers' spending includes newsstand and subscription purchases, excluding revenues from weekly papers and online subscriptions. In the U.S. only, newspaper totals also include ad spending in online editions and classifieds. (These revenues are still not widely tracked in other regions, and therefore not included in other regions' ad revenue totals.)

Europe, the Middle East, and Africa (EMEA) will continue to boast the largest newspaper publishing revenues during the forecast period, rising to \$72 billion in 2010 at a 2.5 percent CAGR. Despite modest market revenues, Latin America will grow the fastest—at 5.4 percent compounded annually—reaching \$7 billion in 2010. Expanding to \$69.7 billion in 2010 at a 2.9 percent CAGR, the U.S. will represent the second-largest market. Having the second-fastest growth, Asia Pacific will increase at a 3.8 percent CAGR to \$56.2 billion in 2010. Meanwhile, Canada will represent the smallest market at \$3.2 billion in 2010, climbing at a reserved 2.4 percent CAGR.

In the U.S., large and growing online audiences commanding premium ad rates will drive online newspaper ad spending. With increasing broadband penetration and new ad delivery technologies providing a further boost, the category will multiply to \$6.2 billion in 2010 at a 25.1 percent CAGR. Moreover, print classifieds will continue to grow despite online competition, offsetting reserved increases in retail and national advertising. Print advertising will thus rise to \$52.5 billion in 2010 at a 2.1 percent CAGR, and overall newspaper advertising, to \$58.7 billion in 2010 at a 3.5 percent CAGR.

Regarding circulation, rising newsprint costs could lead to cutbacks in print editions and accelerated price growth. Although competition from online editions could similarly hamper paid circulation revenues, increased penetration of relatively older demographics in the U.S. population will likely augment readership. As the industry adjusts to the impact of new delivery mechanisms and media, total circulation spending will therefore remain relatively flat, expanding at a 0.2 percent CAGR to \$11 billion in 2010.

In EMEA, investment in new publishing formats and equipment will stimulate overall advertising and circulation spending, with an expanding economy providing additional ballast. Although unit circulation will continue to decline, increased prices will further aid circulation spending, with the category growing to \$27.7 billion in 2010 at 1.3 percent compounded annually. Meanwhile, free dailies are positively impacting overall

newspaper advertising, driving the category to \$44.4 billion in 2010 at a 3.3 percent CAGR.

In 2010, Western Europe will claim the largest overall spending, increasing to \$63 billion at a 1.9 percent CAGR. Expanding the fastest, Central and Eastern Europe will reach \$5.9 billion in 2010 at a 7.7 percent CAGR. By country, the U.K. will maintain the largest market with \$14.6 billion in 2010, despite a relatively flat 0.4 percent CAGR. Germany (\$12.2 billion) and Italy (\$6.9 billion) will follow in size, showing respective growth of 1.6 percent and 2.7 percent compounded annually. Meanwhile, Turkey will expand the fastest at an 11.5 percent CAGR, reaching \$1.1 billion in 2010.

In Asia Pacific, circulation has not suffered the same declines as in other regions, and will continue to increase at a 2.2 percent CAGR to 325.3 million in 2010. Although low unit prices will dampen overall circulation spending, price reductions of paid dailies will draw readers from free titles, driving the category to \$26.5 billion in 2010 at a 1.8 percent CAGR. Rising unit circulation will also fuel newspaper advertising. Combined with strong economic growth, appeal of free titles, and relaxing government restrictions in various countries, newspaper ad revenues will increase to \$29.6 billion in 2010 at a 5.8 percent CAGR.

By country, Japan will remain the largest market, reaching \$22 billion in 2010 at a 0.9 percent CAGR. During the next five years, however, the People's Republic of China and India will represent 53 percent of Asia Pacific's growth, respectively reaching \$10.6 billion at an 8.1 percent CAGR and \$3.9 billion at a 12.1 percent CAGR in 2010. With the fastest expansion at 15.5 percent compounded annually, Indonesia will meanwhile increase to \$2.8 billion in 2010.

In Latin America, healthy circulation increases in Brazil and Argentina will bolster flat gains in other countries, with overall unit circulation increasing to 15.1 million in 2010 at a 1.3 percent CAGR. Similarly, the two countries will buoy overall circulation spending, representing 91 percent of regional growth during the next five years and boosting the category to \$2.1 billion in 2010 at a 2.6 percent CAGR. Meanwhile, sustained economic growth will encourage expansion of newspaper advertising to \$4.9 billion in 2010 at a 6.8 percent CAGR.

By country, Brazil will continue its domination, escalating to \$4 billion in 2010 at a 6 percent CAGR. With the second-largest market, Mexico will expand to \$830 million in 2010 at a 3.9 percent CAGR. Aided by the positive impact of oil-related revenues on advertising, Venezuela will rise the fastest at an 8.8 percent CAGR to \$157 million in 2010.

In Canada, publishers will raise prices with less aggression than they have in the past, increasing average annual circulation spending and offsetting unit decreases. Although competition from free papers and cutbacks in household delivery will inhibit paid circulation, community papers' strength in relatively smaller markets will provide an added boost. Aggregate circulation spending will therefore rise at a 2.1 percent CAGR to

\$710 million in 2010. Despite print ad spending suffering from readers' migration to online editions, retail ad growth, reach of free titles, and sustained readership of community papers will buoy the category. Overall ad spending will therefore increase at a 2.5 percent CAGR to \$2.5 billion in 2010.