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Mexico– Internet advertising and access will spearhead spending growth

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A market set to outpace global growth over the coming five years

Mexico is the second-largest economy in Latin America, and also has the region's second-largest entertainment and media market, with spending of US$24.1bn in 2013. As highlighted in the **PwC Global entertainment and media outlook 2014-2018***, Mexico's continuing economic growth and expanding middle class will help to drive ongoing increases in spending on entertainment and media over the five years to 2018, with total spending projected to rise at a compound annual growth rate (CAGR) of 7.3% to reach US$34.3bn in 2018. This pace of growth will outstrip the average increase in entertainment and media spending globally, which will rise at a CAGR of 5.0%. But it will lag behind the average for Latin America, with total regional spending rising at a CAGR of 8.9%, and even further behind spending in Brazil — the region's largest market — where spending will increase at a CAGR 10.2% through 2018. The rise in spending in Mexico will be led by digitally-driven sectors such as Internet advertising and Internet access, which will be the fastest-growing segments over the next five years, followed by TV subscriptions and licence fees.*

Mexico's continuing economic growth and expanding middle class will help spending on entertainment and media to rise at a compound annual growth rate (CAGR) of 7.3% to reach US$34.3bn in 2018.

Mexican entertainment & media market by numbers

Mexico	***VS***	***The World***
Size of the market 2013		
US**$24.1bn**		US**$1.8tr**
Growth 2013-2018		
7.3% CAGR		**5%** CAGR
Top 3 fastest growing segments 2013-2018		
1. Internet advertising **17.0%**		1. Internet advertising **10.7%**
2. Internet access **9.5%**		2. Internet access **9%**
3. TV subscriptions and licence fees **7.8%**		3. Video games **6.2%**

Source: PwC, Global entertainment and media outlook 2014-2018, www.pwc.com/outlook

Mexico's entertainment and media market will hold on to second place in the region

Mexico's share of total spending on entertainment and media across Latin America will decline from 25.1% in 2013 to 23.3% in 2018.

In 2013, Mexico's total spending on all entertainment and media of US$24.1bn meant it ranked second in the Latin America region behind Brazil on US$40.9bn, and ahead of Argentina on US$13.7bn.

- This means Mexico accounted for 25.1% of total spending on entertainment and media across Latin America in 2013.
- In the next five years Mexico will remain Latin America's second largest entertainment and media market with its spending of US$34.3bn in 2018 putting it ahead of Argentina on US$19.4bn, but behind Brazil on US$66.5bn.
- With Mexico's growth lagging behind that of Latin America as a whole, the country's share of total regional entertainment and media spending will decline to 23.3% in 2018.
- Looking across Latin America, the fastest growth during the five-year forecast period will be in the relatively small market in Peru, which will expand at a CAGR of 11.3%, followed by Brazil (10.2% CAGR), Chile (9.6% CAGR) and Venezuela (8.5% CAGR).

Despite growing more slowly than the region as a whole, Mexico will retain its position as Latin America's second largest entertainment and media market, behind Brazil and ahead of third-placed Argentina.

Growth will be spearheaded by Internet advertising and Internet access

Internet access is Mexico's largest segment and will also be its second-fastest growing during the five-year forecast period, expanding at a CAGR of 9.5% to reach US$12.4bn in 2018.

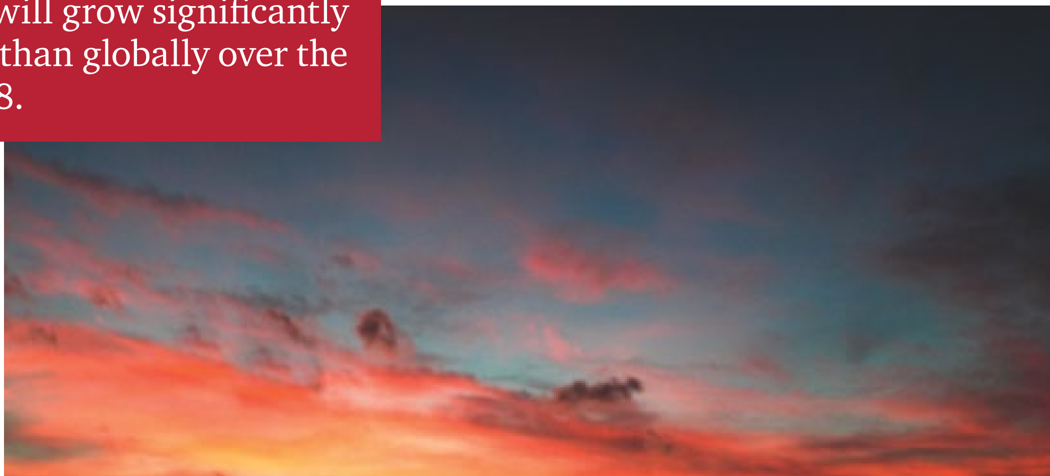
Internet access is by far the largest segment in Mexican entertainment and media, with revenues of US$7.9bn in 2013 — substantially ahead of second-placed TV subscriptions and licence fees at US$4.7bn, and then TV advertising at US$2.5bn. Internet access will also be the second-fastest growing entertainment and media segment in Mexico during the five-year forecast period, expanding at a CAGR of 9.5% to reach US$12.4bn in 2018.

- The fastest-growing segment will be Internet advertising. While relatively small in 2013, at US$641mn, spending on Internet advertising will rise rapidly at a CAGR of 17.0% to US$1.4bn in 2018.
- This means the growth in Internet advertising will strongly outpace TV advertising, which will rise at a CAGR of just 5.2%. However, despite this growth gap, TV advertising will continue to dominate the Mexican advertising market.
- The third fastest-growing segment of entertainment and media over the next five years will be TV subscriptions and licence fees, expanding at a CAGR of 7.8% to reach US$6.8bn in 2018.
- All segments of entertainment and media in Mexico will see spending rise during the five years, with business-to-business experiencing the slowest growth at a 2.5% CAGR.

Spending will rise in every segment of Mexican entertainment and media during the coming five years.

Entertainment and media segments in Mexico will vary widely in comparison to global segment growth rates

Some segments will grow significantly faster in Mexico than globally over the five years to 2018.



With the Mexican market growing at an overall CAGR well above that of the entertainment and media market globally, some segments will grow significantly faster in Mexico than globally over the five years to 2018, while other segments in Mexico will lag behind global growth rates.

- The segments that will outstrip global growth include Internet advertising (Mexico CAGR 17.0%, global CAGR 10.7%); magazine publishing (Mexico 3.5%, global 0.2%); newspaper publishing (Mexico 5.4%, global 0.1%); radio (Mexico 7.4%, global 2.7%); and TV subscriptions and licence fees (Mexico 7.8%, global 3.2%).
- The segments where spending growth in Mexico will lag behind the global average include business-to-business (Mexico CAGR 2.5%, global CAGR 3.4%) and TV advertising (Mexico 5.2%, global 5.5%).

Internet access will continue to dominate entertainment and media spending in Mexico, remaining the largest sector and the second-fastest growing

Mobile Internet access revenue will overtake fixed broadband access revenue in 2015, and will account for 60% of total Internet access spending in 2018.

At some US$7.9bn, Internet access was comfortably the largest segment in Mexican entertainment and media in 2013, accounting for 32.7% of total spending. Internet access will increase this dominance during the five-year forecast period, growing faster than the market as a whole to increase its share of overall spending to 36.3%.

- Growth in the country's overall Internet access market will come mainly from mobile Internet services. The number of mobile Internet subscribers will increase at a CAGR of 18.7% between 2013 and 2018, to reach 58.8mn by end-2018, up from 24.9mn at the end of 2013. In comparison, the number of fixed broadband households will increase at CAGR of 3.3% over the same period, to reach 19.0mn by end 2018, up from 16.2mn at the end of 2013.
- As a result, mobile Internet access revenue will surpass fixed broadband access revenue in 2015 and reach US$7.5bn by 2018, which will account for 60% of the total Internet access revenue at that time.
- An important driver will be the increasing availability of low-cost smartphones. These will help make accessing the Internet more affordable to lower-income Mexicans, in the process contributing to a decline in mobile Internet ARPU, from US$13.95 in 2013 to US$11.10 in 2018.

Internet advertising will expand rapidly, outpacing global growth rates and reinforcing Mexico's position as a regional powerhouse in this segment

Expanding at a CAGR of 17.0% through 2018, Internet advertising will strongly outpace TV advertising's CAGR of just 5.2% — but TV advertising will continue to dominate the Mexican advertising market.

Mexico is already the second-largest Internet advertising market in Latin America, and one of the powerhouses of the region, but it is set to grow still further. Mexico's broadband penetration is a regional high of 68%, and will rise to 75% over the forecast period. Total Internet advertising revenue in 2013 was US$641mn, up from US$142mn in 2009, and is forecast to reach US$1.4bn in 2018, a CAGR of 17%.

- Search is the largest segment, with a 43% share of total Internet advertising revenue in 2013. Although its share will decline to 37%, it will remain the largest segment throughout the forecast period, reaching US$526mn in 2018.
- With a share of 29%, display is the second-largest Internet advertising format, with revenue growing at a CAGR of 12.3% from US$186mn in 2013 to US$333mn in 2018.

Mexican advertisers are also showing increasing interest in more advanced forms of advertising, including richer targeting and the use of trading desks.

- Social media, in common with much of the region, is growing extremely quickly and sites like Facebook are taking an ever greater share of total spend. Mexico is one of Facebook's top ten markets globally, by number of users.
- Mobile Internet advertising has also shown substantial growth in Mexico, albeit from a low starting point: mobile Internet advertising revenue is forecast to grow from US$8mn in 2013 at a CAGR of 26.8% to reach US$25mn in 2018. With smartphones set to constitute 50% of all mobile phones in 2018, mobile advertising will continue to grow its share of the online advertising pie in the years ahead.

Mobile Internet advertising revenue is forecast to grow at a CAGR of 26.8% from US$8mn in 2013 to US$25mn in 2018.

TV advertising will continue to dominate the Mexican advertising market — and will still be more than twice the size of Internet advertising in 2018

TV advertising is by far the largest advertising sector in the Mexican market, accounting for around 60% of overall advertising revenues in 2013, and rising at a CAGR of 5.2% to reach US$3.21bn in 2018.

Globally, Internet advertising will almost catch up with TV advertising by 2018, and may be poised to overtake it in future. But in Mexico, TV advertising revenue will still be over twice the size of Internet advertising at the end of the forecast period, despite Internet advertising's much faster growth rate.

- TV advertising is by far the largest advertising sector in the Mexican market, accounting for around 60% of overall advertising revenues in 2013. Although revenues declined by 2.9% in 2009 following the onset of the global financial crisis, the recovery was swift, and by 2013 net TV advertising expenditure had risen well beyond pre-crash levels to reach US$2.49bn. Going forward, a CAGR of 5.2% is forecast to see revenues reach US$3.21bn in 2018.
- Terrestrial channels accounted for 88.4% of total TV advertising revenues in 2013, although this share will decline to 83.5% by 2018 as multichannel services increase their revenues to US$492mn. Two new national broadcasters are due to start after digital switchover, bringing competition to the sector and offer advertisers greater choice.
- Online TV is set to grow towards US$39mn in net TV advertising revenues by 2018, up from just US$3mn in 2013, but it will still play a very minor role, representing just 1.2% of total revenues. While connected devices allow consumers a new way of accessing video content, advertising spending will still predominantly be on traditional TV in the near term.

Newspaper revenues in Mexico will be much more resilient than in most other countries, registering healthy growth against a flat global market

Against a background of flat revenues for newspapers globally, spending on newspapers in Mexico will rise at a CAGR of 5.4% to US$2.5bn in 2018.

Global newspaper publishing revenues will remain virtually unchanged between 2013 and 2018, rising at a CAGR of just 0.1% to US$155.1bn. But spending on newspapers in Mexico will be much more robust, rising at a CAGR of 5.4% to US$2.5bn, fuelled by steady rises in print revenues and strong increases in the segment's much smaller digital revenue streams.

- The Mexican newspaper market is crowded, with around 500 titles competing for the same readers and advertisers. Circulation of both paid-for and free print titles — which have made major inroads in the market — is growing. In 2013, average daily print unit circulation was 6.7mn, up from 6.4mn in 2012, and this is forecast to rise at a CAGR of 4.7% to 8.5mn in 2018.
- On the digital side, average daily digital unit circulation is currently roughly doubling each year— up from 32mn in 2012 to 64mn in 2013 — and is expected to reach 713mn by 2018.
- Total newspaper advertising revenue grew 3.1% to US$559mn in 2013 and is forecast to increase at a CAGR of 3.9% to reach US$676mn in 2018. Circulation revenue will grow faster, thus accounting for a rising proportion of the industry's revenue base: total newspaper circulation revenue will rise at a CAGR of 6% from US$1.4bn in 2013 to US$1.9bn in 2018, when it will account for 73% of total newspaper revenue.

Where will consumers and advertisers spend their money in the next five years?

This article is drawn from data in PwC's *Global entertainment and media outlook 2014-2018* (Outlook). The Outlook is an online source of five-year forecast and five-year historic consumer and advertising spend data for 13 entertainment and media segments, across 54 countries. PwC continually seek to update the online Outlook data, therefore, the data within this PDF may not be aligned with the data found online.

To find out more about the Outlook and to purchase a subscription to the full datasets, please visit: www.pwc.com/outlook

How PwC can help

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