

## **AAI/NIELSEN BAROMETER MONITORING ADVERTISING EXPENDITURE IN IRELAND H1 2015**

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# **ECONOMIC BACKGROUND TO THE ADVERTISING MARKET H1 2015**

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The value of the Irish advertising market increased by 6.9% in the first half of 2015 compared to the first half of 2014. The recovery in advertising expenditure reflects the ongoing steady improvement in the general health of the economy and confidence in general.

### **THE ECONOMY IN 2015**

2015 is turning out to be a good year for the economy. The recovery that effectively commenced during 2014 has been sustained and built upon in the first half of 2015. The external trade performance continues to be strong; manufacturing activity is strong; the labour market is continuing to improve; the public finances are getting steadily better; construction activity is improving; inward visitors to the country are growing; and consumer spending is gradually gaining strength. Business and consumer confidence continue to improve against this background.

The national accounts data for the first quarter confirm that the economy started the year very strongly. In the first quarter, GDP showed annual growth of 6.5%; GNP expanded by 7.3%; consumer spending expanded by 3.8%; exports of goods & services expanded by 14.3% and investment expanded by 4%. These are strong growth numbers and confirm that the recovery evident in 2014 has become stronger and more broadly based. All indicators suggest that these trends continued in the second and third quarters of the year. Crucially, consumer spending is starting to make a more meaningful contribution to the recovery.

The consumer dynamics in the economy are steadily improving. The retail sales index measures consumer spending on goods only. It accounts for approximately 40% of overall consumer spending. In the first 6 months of the year, the volume of retail sales was 8.9% higher than the same period in 2014 and was 5.5% higher in value terms. When sales in the motor trade are excluded, the growth in retail spending is more subdued. In the first 6 months, the value of sales increased by 2.3% and the volume of sales increased by 5.8%. The

persistent gap between the growth in volume and value is indicative of the continued difficulty in converting volume growth into cash receipts. This has been a key feature of the retail market over the past couple of years and reflects the fact that discretionary incomes are still pressurised. Consumers remain very price sensitive and there is still considerable resistance to higher prices across the consumer spectrum. However the situation is improving. In the first 7 months of the year, new car registrations were 30% ahead of the same period last year.

## THE ECONOMIC OUTLOOK & THE RISK FACTORS

The economy has been steadily improving thus far in 2015 and the prospects look positive. Over the remainder of the year a further improvement in employment; a continued pick up in earnings; and the impact of the tax changes in Budget 2015 and those to be announced in Budget 2016 should combine to support an ongoing gradual improvement in consumer spending.

The key external risk factors in the short-term are Greece and China, while in the longer-term the UK's continued membership of the EU will be an important issue for Ireland. The most obvious domestic risk factor is now political, with less than a year to run to a general election. A stable government would be the optimal outcome, but is also important that 'auction politics' is avoided in the run up to the election.

Notwithstanding the risk factors, the outlook for Ireland is positive. Based on the evidence so far this year, real GDP looks set to expand by up to 5% in 2015 and growth of 4% looks achievable for 2016.

The following economic forecasts are suggested for the next couple of years:

**Table 1: Irish Economic Forecast**

| <b>(Averages)</b> | <b>2013</b> | <b>2014</b> | <b>2015f</b> | <b>2016f</b> |
|-------------------|-------------|-------------|--------------|--------------|
| GDP               | +0.2%       | +4.8%       | +5.0%        | +4.0%        |
| GNP               | +3.2%       | +5.2%       | +4.2%        | +3.5%        |
| Consumption       | -0.8%       | +1.1%       | +2.7%        | +2.8%        |
| Investment        | -2.4%       | +11.3%      | +16.0%       | +10.5%       |
| Exports           | +1.1%       | +12.6%      | +11.0%       | +7.5%        |
| Imports           | +0.6%       | +13.2%      | +8.0%        | +6.0%        |
| CPI               | +0.5%       | +0.2%       | -0.1%        | +1.4%        |
| Employment        | +2.4%       | +1.8%       | +2.4%        | +2.0%        |
| Unemployment Rate | 13.1%       | 11.3%       | 9.7%         | 8.5%         |

This economic background and outlook should continue to push an improvement in the advertising market.

# TRENDS IN ADVERTISING H1 2015

There has been a further improvement in advertising expenditure in the first half of the year according to Core Media digital advertising expenditure estimates and *Nielsen AdDynamix* which is based on a discounted rate card or CPT value\*. In the first six months of 2015:

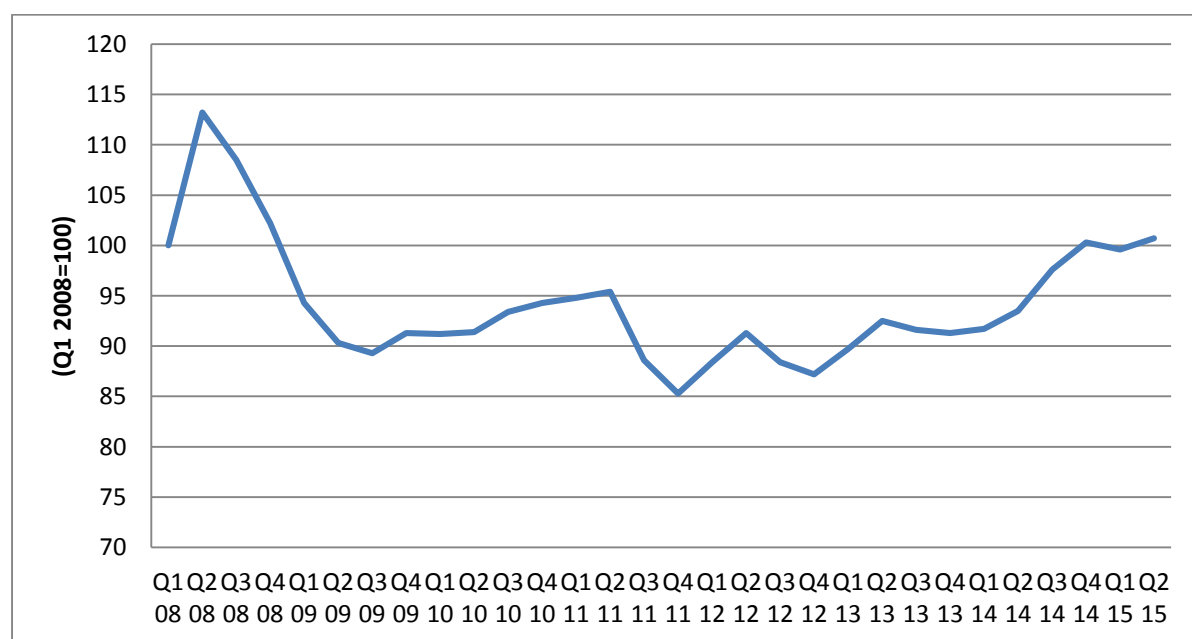
- The overall advertising market was 6.9% ahead of the first half of 2014;
- The traditional advertising market expanded by 5.1%;
- Press advertising increased by 1.3%;
- TV advertising increased by 11%;
- Radio advertising increased by 4.8%;
- Outdoor advertising increased by 3.7%;
- Cinema advertising declined by 16.7%; and
- The digital advertising market expanded by 14.7%;

In the first 6 months of 2015, advertising expenditure totalled €510 million. Of the total expenditure in the half year, traditional media accounted for just over 79% of the total market, with online advertising accounting for almost 21%.

*\* Nielsen AdDynamix is based on a discounted rate card or CPT value, rather than actual spend. The summarised methodology is outlined at the end of the document.*

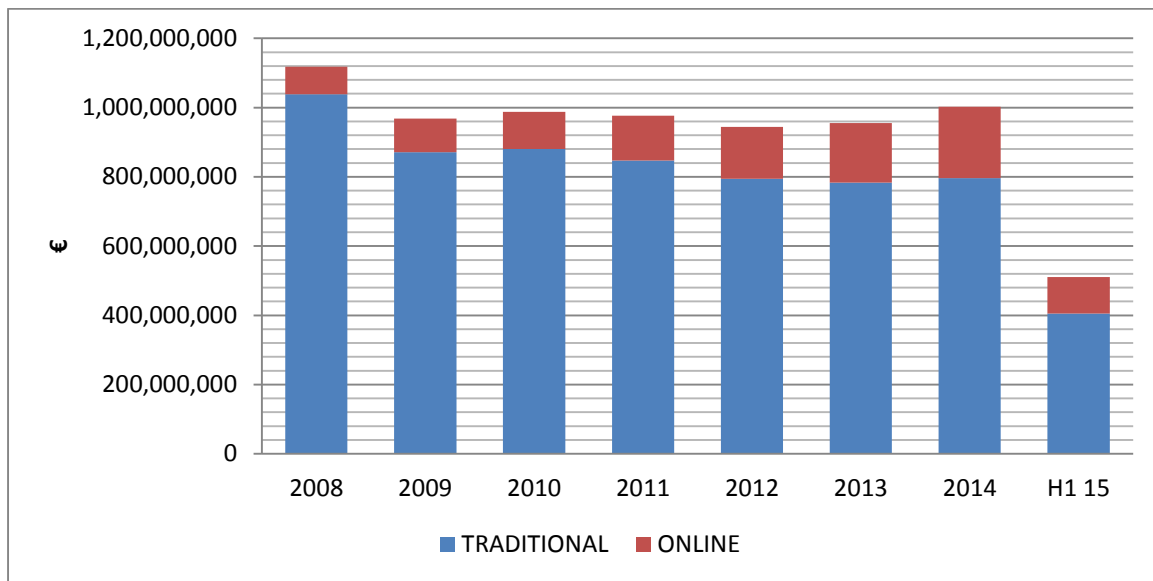
Figure 1 shows the seasonally adjusted trend in advertising expenditure, which adjusts for seasonal patterns in advertising expenditure. The trend has been improving since the end of 2013 and in the second quarter of 2015 reached the highest level since the end of 2008.

**Figure 1: Index of Advertising Expenditure (Seasonally Adjusted)**



Source: Nielsen (Traditional Media Spend) & Core Media (Digital Media Spend)

**Figure 2: Nominal Expenditure on Advertising- Traditional & Online**



Source: Nielsen (Traditional Media Spend) & Core Media (Digital Media Spend)

Figure 2 shows the annual amount spent on advertising, broken down into traditional and digital. Since bottoming out in 2012, the market is gradually improving in line with the economy and 2015 should see further significant growth in the size of the market. This improvement will continue to be driven by economic recovery; stronger consumer spending driven by improvements in disposable income and employment; and increased business expenditure as business confidence continues to recover.

**To read about the correlation between advertising expenditure and consumer or business confidence, trends against consumer spending, GDP and historical growth rates, please log in to the AAI Members library for all graphs and a full copy of the AAI/Nielsen Barometer H1 2015.**

## Footnotes

*Please note that Nielsen AdDynamix data is estimate advertising expenditure based on various methodologies, coverages and industry agreed discounts off rate-card. For a full list of methodologies and coverage, please contact Nielsen – karen.mooney@nielsen.com*

### About Nielsen AdDynamix Traditional Media data

Nielsen AdDynamix is a reporting software tool enabling users to identify advertising expenditure and creative detail for advertisers, brands, formats, categories, media types, media owners and media agencies. A full list of methodologies and coverage are available for each media type. Summary below:

#### Nielsen TV Methodology

Nielsen TAM receive TV advertising logs identifying who advertised on each station at a particular time of day. For costing, each spot activity for a brand is multiplied by a station All Adult, 30 sec equivalent CPT (based on RTÉ published monthly fixed price) with *an agreed industry discount applied to remaining TV stations in AdDynamix*.

#### Nielsen Press Methodology

All Press advertising is collected and coded using proprietary scanning technology for national and regional newspapers, plus consumer and trade magazines. Costs are derived from published rate cards *to which an agreed industry discount is applied in AdDynamix*.

#### Nielsen Outdoor Methodology

The OMA and Targeted Media representatives supply a monthly revenue figure based on published rate cards *to which an agreed industry discount is applied in AdDynamix*.

#### Nielsen Radio Methodology

Monthly Advertiser/Brand expenditure reports are received from radio media owners *to which an agreed industry discount is applied in AdDynamix*.

#### Nielsen Cinema Methodology

Monthly Advertiser/Brand expenditure reports are received from Wide Eye Media based on published rate card *to which an agreed industry discount is applied in AdDynamix*.

*If you require any further details please contact Nielsen – karen.mooney@nielsen.com*