

SMI UPDATE: JANUARY 2019

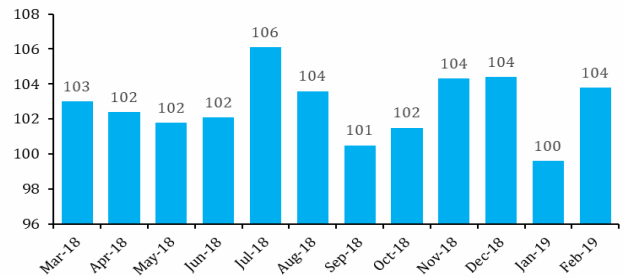
CONSUMER CONFIDENCE

After a heavy drop in consumer confidence post-Christmas, the Westpac-Melbourne Institute recorded a 4.3% increase in February.

The surprising turnaround is being attributed to the Reserve Bank's recent decision to maintain interest rates at 1.5% rather than increase them, as many consumers had feared.

Though the house-price expectation index dropped to its lowest level since it began in 2009, this doesn't appear to have spilled too heavily into overall confidence.

On a less optimistic note for retailers, the metric that tracks whether consumers consider it a good time to buy a major household item increased only +0.3%.



MEDIA OVERVIEW

JANUARY 2019 vs. 2018

| Medium | 2018 | 2019 | % Change |
|---------------|----------------------|----------------------|-------------|
| Television | \$190,118,542 | \$173,038,652 | -9% |
| Digital* | \$139,099,065 | \$86,695,673 | -38% |
| Outdoor | \$65,086,380 | \$58,490,603 | -10% |
| Radio | \$41,785,740 | \$38,525,389 | -8% |
| Newspapers | \$21,729,002 | \$18,523,939 | -15% |
| Cinema | \$8,396,809 | \$6,408,764 | -24% |
| Magazines | \$4,895,350 | \$4,376,952 | -11% |
| Other | \$2,272,807 | \$1,627,825 | -28% |
| Total* | \$473,383,695 | \$387,687,797 | -18% |

JAN-DEC 2018 vs. 2017 (updated)

| Medium | 2017 | 2018 | % Change |
|--------------|------------------------|------------------------|-----------|
| Television | \$3,060,121,828 | \$3,006,190,156 | -2% |
| Digital | \$1,963,475,871 | \$2,075,925,451 | 6% |
| Outdoor | \$894,485,745 | \$998,033,251 | 12% |
| Radio | \$599,032,959 | \$627,738,954 | 5% |
| Newspapers | \$393,917,843 | \$354,169,318 | -10% |
| Magazines | \$135,387,050 | \$105,246,257 | -22% |
| Cinema | \$79,155,005 | \$73,058,926 | -8% |
| Other | \$28,081,903 | \$37,144,929 | 32% |
| Total | \$7,153,658,204 | \$7,277,507,242 | 2% |



In contrast to a strong performance in the first half of 2018, Metro TV was back -10% in January, while RTV fell -13%. Unsurprisingly, given its lack of sports offering, Network 10 suffered significant losses at -47% year-on-year. Network Seven also dropped -10%, while Nine made considerable gains at +22%. Having secured joint broadcasting rights to the cricket, STV was up +2.4%.



*Digital results are likely to change significantly as late bookings come in. In December, SMI originally reported -34% losses, revised to -3.5% in the latest update. It is feasible digital will still be down, but it is unlikely to remain at the -34% mark. If January shifts in a similar way to December, total ad revenue result should improve considerably, perhaps more in the region of -8-10%.



After a very strong year, the outdoor industry also appears to have suffered losses in January at -10%. Post-merger, oOh!'s ad revenue was back -9% vs. the combined ad revenues of oOh! and Adshel in January 2018. JC Decaux's ad revenue was down -17% vs. the previous year. Westfield was also back -22%, perhaps linked to reports documenting dropping footfall in retail environments across December and January.



All radio networks were down vs. the previous year apart from GTN, which grew +7%. After a year of solid growth in 2018, regional radio was back -20%. The top three sectors for radio investment - retail, auto brand and home - were all down significantly, causing the overall decline.



Newspaper declines were driven by retail (-9%), government (-30%) and auto brand (-41%). News Corp was back -11%, while Fairfax saw -21% declines. Relatively speaking, the drop in magazine spend was more muted at -11%. This was due to an influx of spend into the medium from auto, cosmetics and home.



Cinema was back considerably in the first month of the year, driven by communications and auto. There are some big-budget sequels coming out in 2019, which may push cinema revenues into the green, including: Frozen 2, Wonder Woman 2, Captain Marvel, Avengers: Endgame, The Lego Movie 2, Aladdin, Toy Story 4, The Lion King and Star Wars: Episode IX.

CATEGORY OVERVIEW

JANUARY 2018 vs. 2019 (excl. digital)

| Highest Spenders | 2018 | 2019 | % Change |
|------------------------|--------------|--------------|----------|
| Retail | \$30,123,699 | \$32,576,687 | 8% |
| Automotive Brand | \$34,911,266 | \$31,087,053 | -11% |
| Travel | \$23,458,096 | \$20,852,106 | -11% |
| Food/Produce/Dairy | \$18,684,935 | \$19,636,321 | 5% |
| Home Furnishing/Applia | \$15,551,239 | \$18,338,051 | 18% |
| Insurance | \$19,602,351 | \$16,515,757 | -16% |

JAN-DEC 2017 vs. 2018 (updated)

| Top Gains & Losses | 2017 | 2018 | % Change |
|-----------------------|---------------|---------------|----------|
| Domestic Banks | \$305,028,575 | \$341,378,449 | 12% |
| Automotive | \$752,959,216 | \$813,864,950 | 8% |
| Retail | \$655,162,965 | \$712,929,883 | 9% |
| Non-Alcoholic Beverag | \$97,341,714 | \$71,161,006 | -27% |
| Movies/Cinema/Them | \$217,446,873 | \$193,800,303 | -11% |
| Recruitment | \$76,855,969 | \$56,008,583 | -27% |



Retail sales fell 0.4% in December, after seasonal adjustments. This has in part been blamed on sales being brought forward by Black Friday and Cyber Monday but is also indicative of consumer uncertainty in the face of a turbulent economy. Accordingly, retail advertisers appear to be funnelling more money into advertising. Retailers continue to invest heavily in traditional media, increasing their outdoor spend by +60% vs. January 2018.



After an +8% investment surge in 2018, the auto sector pulled back by -11% in January. The decline was evidence across all media, with TV spend dropping \$1m, OOH around \$780k and radio just under \$700k. The auto industry continues to suffer from a sales perspective, with January new car sales down -7.4% year on year, another supposed casualty of low consumer confidence.



Travel ad spend also dropped off in January after +2.4% growth in 2018. TV spend was down -13%, equivalent to \$1.8m in January, while newspapers saw a small resurgence at +3.7% growth.



Slight growth in the food category driven entirely by TV, which grew +15.8% vs. January 2018. According to AQX data, this was driven by new ice-cream campaigns from Peters (Proud & Punch Desserts) and Magnum, as well as a big surge from Manassen (Mini Babybel).

References:

Trading Economics | Australian Bureau of Statistics.

Standard Media Index, last updated 15 February 2019.

<https://www.abc.net.au/news/2019-02-13/consumer-confidence-rises-despite-negative-media-on-economy/10806502>