LATIN AMERICA DIGITAL AD SPENDING UPDATE Q2 2020

Advertisers Pivot Toward Digital amid Market Volatility

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Matteo Ceurvels

Contributors: Zach Goldner

eMarketer®

LATIN AMERICA DIGITAL AD SPENDING UPDATE Q2 2020: ADVERTISERS PIVOT TOWARD DIGITAL AMID MARKET VOLATILITY

Latin America is no stranger to turbulent market activity, but the coronavirus is unlike anything the region has seen before. As a result, we substantially revised our March 2020 ad spending forecasts to best reflect the rapidly changing landscape.

How will COVID-19 affect ad spending in Latin America?

Government-mandated stay-at-home orders in several countries brought local economies to a screeching halt. This coupled with the cancellation and postponement of massive sporting events—like the Tokyo 2020 Olympics and the 2020 Copa América soccer championship—will depress total media ad spending in Latin America this year.

What does the road to recovery look like for Latin America's advertising industry?

Recovery times will greatly vary by country due to each market's unique set of circumstances, including its government's ability to contain the pandemic and mitigate potential economic downturns. Overall, we expect total media ad expenditures in Latin America to return to their pre-pandemic levels in 2022.

How much will advertisers in Latin America spend on digital advertising in 2020?

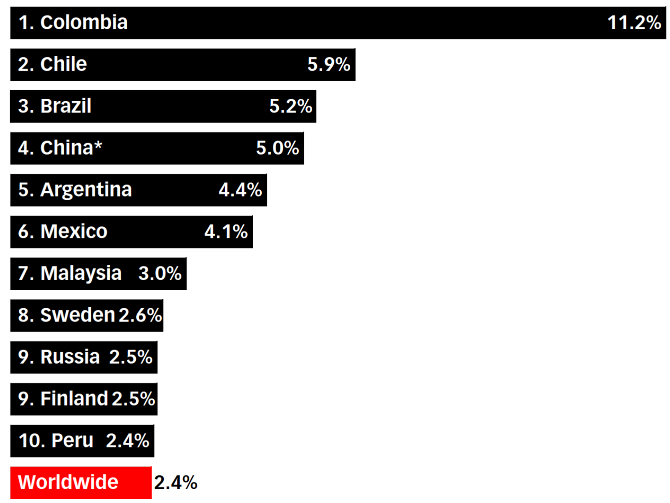
We expect that digital ad spending in Latin America will grow 5.0% to $9.33 billion. Digital platforms will claim 39.1% of all media spending, fueled by an uptick in digital ad dollars from advertisers in the region's two largest ad markets, Brazil and Mexico.

What formats are driving digital ad spending growth in Latin America?

Display will account for 57.2% of total digital ad spending this year, driven primarily by video and social media, followed by search (37.8%) and classifieds (5.0%). Mobile will continue to drive digital ad spending growth and will account for nearly three-quarters (73.7%) of digital investments this year.

WHAT'S IN THIS REPORT? This report features our latest forecast for ad spending in Latin America, including regional and country breakouts in six markets: Argentina, Brazil, Chile, Colombia, Mexico and Peru.

Top 10 Countries, Ranked by Digital Ad Spending Growth, 2020
% change



*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; excludes SMS, MMS and P2P messaging-based advertising; *excludes Hong Kong*
Source: eMarketer, June 2020

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KEY STAT: Latin America's digital advertising market has proven to be an exception to its bleak economic outlook. The region will be home to the world's three fastest-growing digital ad markets this year: Colombia (11.2%), Chile (5.9%) and Brazil (5.2%).

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Behind the Numbers: eMarketer's Forecast Methodology

Our forecasting methodology for Latin America digital ad spending is based upon analysis of 3,080 data points from 50 sources—including macro-level economic conditions; historical trends of the advertising market; historical trends of each medium in relation to other media; reported revenues from major ad publishers; estimates from other research firms; consumer media consumption trends; consumer device usage trends; and eMarketer interviews with executives at ad agencies, brands, media publishers and other industry leaders. We examine each country-specific metric within the context of other countries in the region.

For our companies' estimates, we do a bottoms-up analysis of the market, taking into account each company's ad revenues. This information comes from quarterly earnings releases, annual shareholder documents and statements from the executives in earnings calls. Company-specific data is also evaluated alongside estimates from third-party research firms, and interviews with executives at ad agencies, brands, media publishers and other industry leaders covering these companies.

TOTAL MEDIA AD SPENDING

Widespread social unrest and economic volatility during H2 2019 greatly disrupted market dynamics in several countries across Latin America. 2020 was expected to be a year of recovery and economic growth, but the arrival of COVID-19 on February 26 put a damper on such expectations.

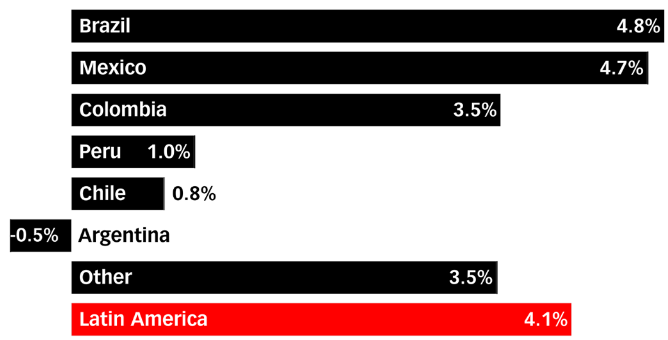
Our complete estimates for Latin America digital ad spending can be found in this report's **accompanying spreadsheet.**

Since then, the region has become a new epicenter of the pandemic. According to Johns Hopkins University, 2.6 million people in Latin America and the Caribbean had tested positive for COVID-19 as of July 1, accounting for nearly one-quarter (24.5%) of confirmed cases worldwide.

Latin America already grapples with many socioeconomic challenges, and the pandemic has merely exacerbated them. As governments attempt to contain the virus and mitigate potential economic downturns, several factors—including high poverty rates, a large informal economy, poor public health conditions and already weakened economies from protests in H2 2019—could force the region to face one of the world's worst outcomes of the pandemic. This, in turn, will also have a profound impact on Latin America's advertising industry.

In our March 2020 forecast, Latin America was expected to have a peak in total media ad spending growth of 4.1% this year. This growth was driven by healthy increases in the region's two largest ad markets, Brazil (4.8%) and Mexico (4.7%).

Total Media Ad Spending Growth in Latin America, by Country, 2020
% change



Note: includes digital (desktop/laptop, mobile and other internet-connected devices), directories, magazines, newspapers, out-of-home, radio and TV
Source: eMarketer, March 6, 2020
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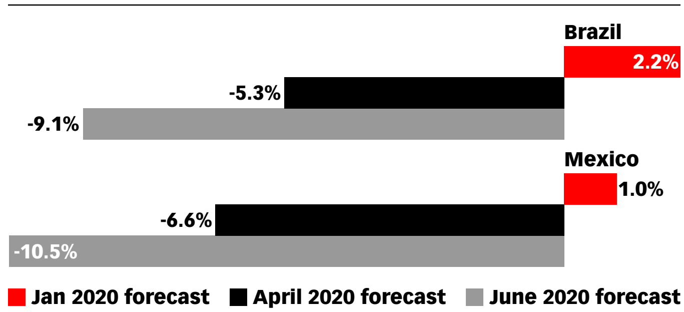
However, both countries' failure to contain the further spreading of the virus will have devastating effects on their economies and ad markets. According to the International Monetary Fund (IMF), GDP growth in Brazil and Mexico was forecast to contract 5.3% and 6.6%, respectively, as of April 2020. Per the organization's June 2020 revisions, Brazil's economy is now projected to contract 9.1%, while Mexico's will fall 10.5%.

How Has the Coronavirus Pandemic Changed the 2020 Forecast for GDP* Growth in Brazil vs. Mexico?
% change vs. prior year



*Note: *constant prices*
Source: International Monetary Fund (IMF), "World Economic Outlook Database: June 2020," June 24, 2020
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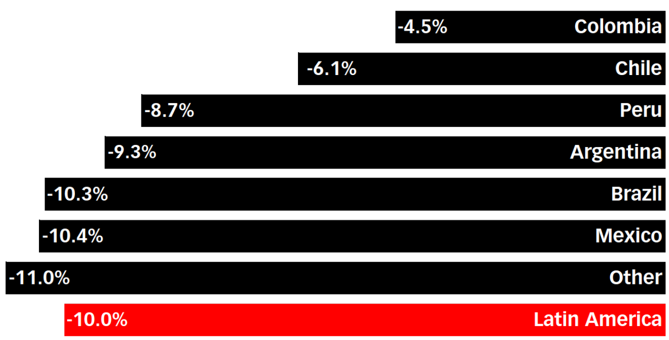
As such, we revised our total media ad spending growth figures for these two countries downward to a decline of 10.3% for Brazil and 10.4% for Mexico. Though, it is important to note that these revisions were based on assumptions made from the April 2020 figures.

Total Media Ad Spending Growth in Latin America, by Country, 2020
% change



Note: includes digital (desktop/laptop, mobile and other internet-connected devices), directories, magazines, newspapers, out-of-home, radio and TV
Source: eMarketer, June 2020
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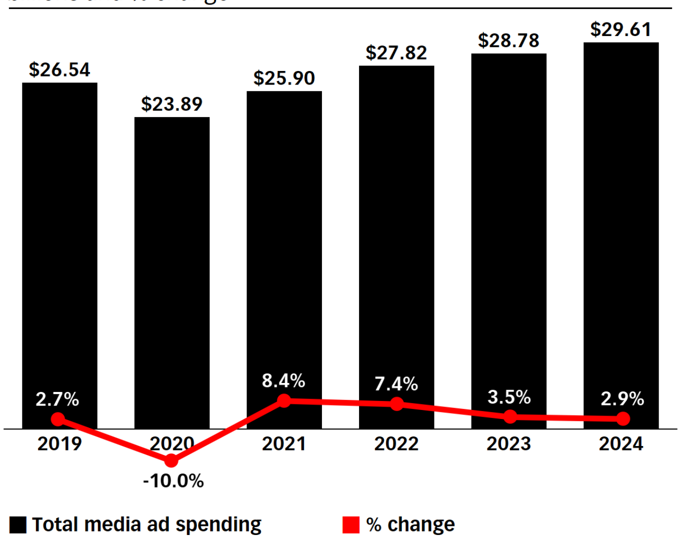
Since Brazil and Mexico will account for 68.8% of total media ad spending in Latin America this year, these revisions will negatively impact total spending at the regional level. As a result, total media ad spending in Latin America will decline 10.0% year over year, from $26.54 billion to $23.89 billion.

Total Media Ad Spending in Latin America, 2019-2024
billions and % change



Note: includes digital (desktop/laptop, mobile and other internet-connected devices), directories, magazines, newspapers, out-of-home, radio and TV
Source: eMarketer, June 2020
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Latin America's road to recovery will be contingent on several factors, including how quickly governments will be able to contain the coronavirus, lift nationwide lockdowns and jump-start their economies.

Given the extreme uncertainty surrounding the pandemic, we expect that the region's ad industry will return to its pre-COVID-19 levels in two years' time. This makes Latin America one of only two regions, other than the Middle East/Africa, to take more than one year to rebound to its pre-pandemic ad spend figures.

By 2022, total media outlays will rise to an estimated $27.82 billion. Growth rates will remain positive through the remainder of the forecast period.

TRADITIONAL MEDIA AD SPENDING

This year, Latin America will forego its largest local sporting event, the 2020 Copa América, which is showcased on radio and TV across the region. The regional soccer event, originally to be co-hosted this year by two countries for the first time since 1983, was postponed to June and July 2021.

As host nations, Argentina and Colombia were both expected to see a bump in ad spend this year primarily due to out-of-home (OOH) and TV. As a result of the postponement—in addition to the cancellation and rescheduling of the Tokyo 2020 Olympics—we believe traditional media ad spending will see significant decreases this year, most notably in OOH and TV. Regionally, traditional media spending in Latin America will decline 17.5% year over year, from $17.65 billion to $14.56 billion.

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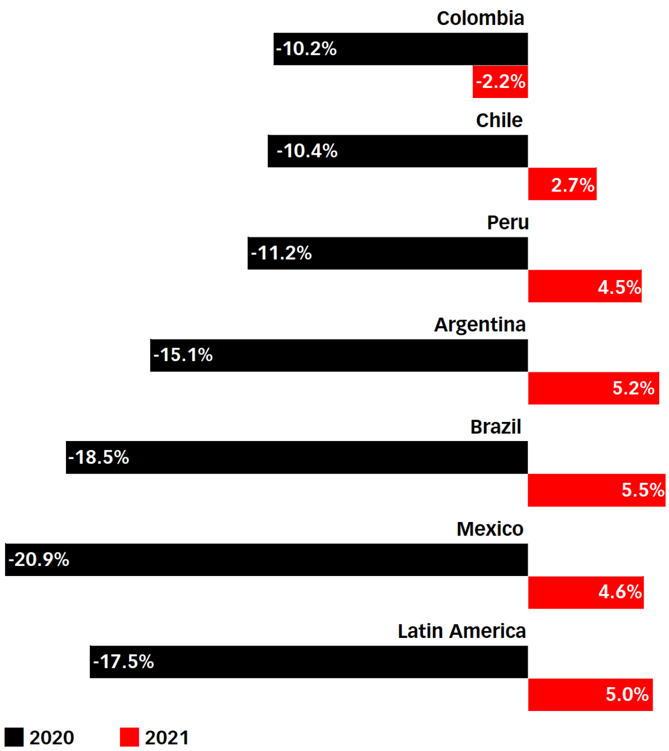
Traditional Media Ad Spending Growth in Latin America, by Country, 2020 & 2021
% change



Note: includes directories, magazines, newspapers, out-of-home, radio and TV
Source: eMarketer, June 2020
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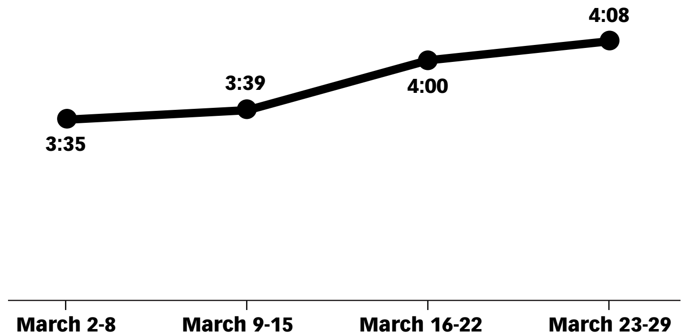
With the Copa América tournament and Summer Olympics shifting to 2021, next year will see a 5.0% spike in traditional media ad spending, we expect, due to pent-up demand. In similar fashion, ad spending on traditional media will reach $15.29 billion.

The coronavirus has also caused a surge in time spent with TV. According to Nielsen, consumers in Mexico spent an average of 4 hours, 8 minutes (4:08) per day watching TV during the week of March 23–29 this year. That's 33 minutes more, on average, than they spent during March 2–8.

Coronavirus Impact: Average Daily Time Spent Watching TV Among Consumers in Mexico, by Week, March 2020
hrs:mins



Note: ages 4+; per person; during the coronavirus pandemic
Source: Nielsen Media México as cited in Nielsen, "COVID-19: Key Questions All Marketers Should Be Asking," March 31, 2020
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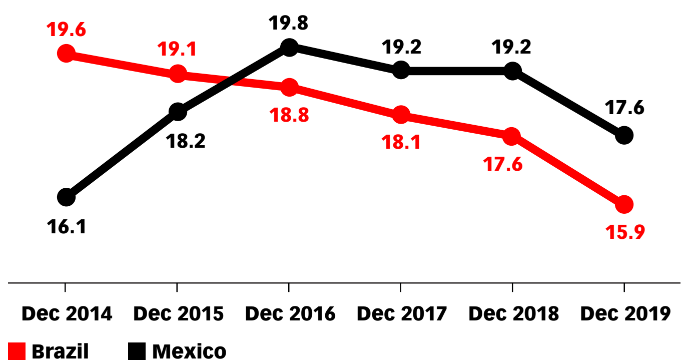
Despite these spikes, we do not expect ad dollars to flow back to TV at previous levels due to Mexico's strong digital ad market and increased rates of cord-cutting. Similar trends were apparent in Brazil's TV ad market, too, where a growing culture of digital video viewership—as well as cheaper subscription over-the-top (OTT) options from players such as Netflix or Globoplay—have continued to accelerate cord-cutting.

Pay TV Subscribers in Brazil vs. Mexico, Dec 2014-Dec 2019
millions



*Note: *includes pay TV and satellite subscribers*
Source: Agência Nacional de Telecomunicações (Anatel) as cited in press release and Instituto Federal de Telecomunicaciones (IFT) as cited on company website; eMarketer calculations, Feb 10, 2020
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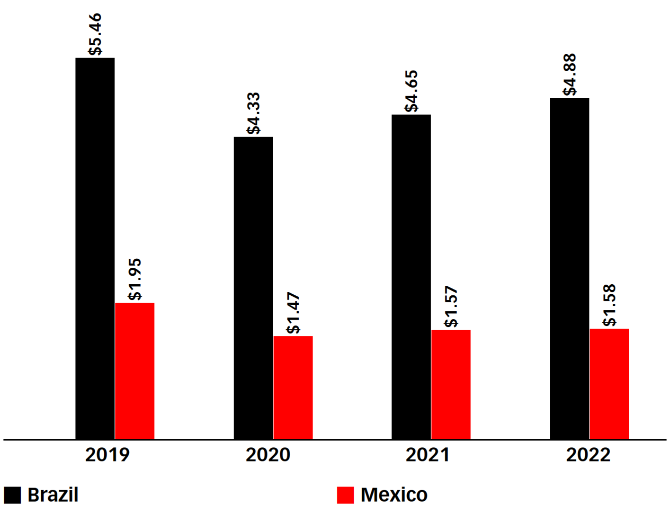
TV in both markets will account for more ad spend than all other traditional formats combined. The format has also become increasingly less relevant for government spending in Latin America, as states cut budgets, and political campaigns opted to reallocate spending to digital channels.

We forecast that losses for TV will be much more significant in 2020 than during any other year on record. TV ad expenditures will plunge 24.6% and 20.8% in Mexico and Brazil, respectively. This translates to a combined loss of $1.61 billion between the two countries. Unlike other traditional formats, such as OOH, TV outlays will not return to their pre-COVID-19 levels over the duration of the forecast.

TV Ad Spending in Brazil vs. Mexico, 2019-2022
billions



Note: includes broadcast and cable TV; excludes digital
Source: eMarketer, June 2020

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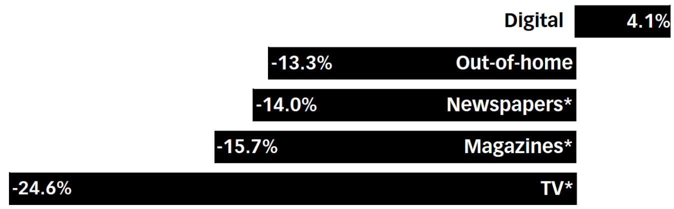
Spotlight: Mexico

Digital's rise had led to the slow, yet inevitable, downfall of Mexico's traditional media industry. This year, we expect spending on digital channels to increase by 4.1%, while investments on all forms of traditional media will undergo significant double-digit declines across the board.

Total Media Ad Spending Growth in Mexico, by Media, 2020
% change



*Note: *excludes digital*
Source: eMarketer, June 2020

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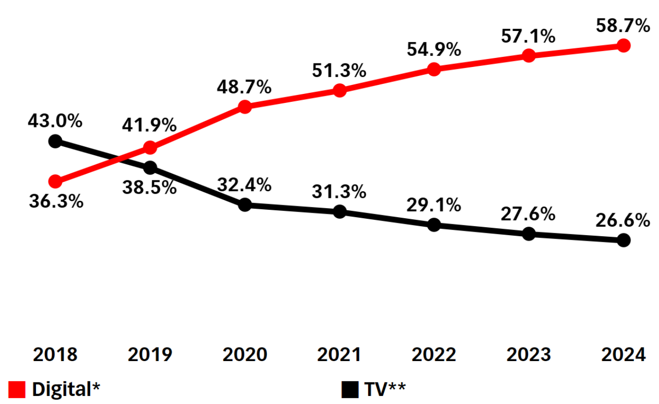
Out of all the media investments we forecast for Mexico, TV outlays will experience the greatest decline this year, falling from $1.95 billion (MXN37.53 billion) to $1.47 billion (MXN28.29 billion). Given the country's strong digital market, combined with TV's decline, our revised estimates indicate that digital's share actually surpassed TV as a percent of total media ad spend in 2019, rather than in 2020 as we previously expected.

Digital* vs. TV Ad Spending Share in Mexico, 2018-2024**
% of total media ad spending



*Note: *includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; excludes SMS, MMS and P2P messaging-based advertising; **includes broadcast TV and cable TV; excludes digital*
Source: eMarketer, June 2020

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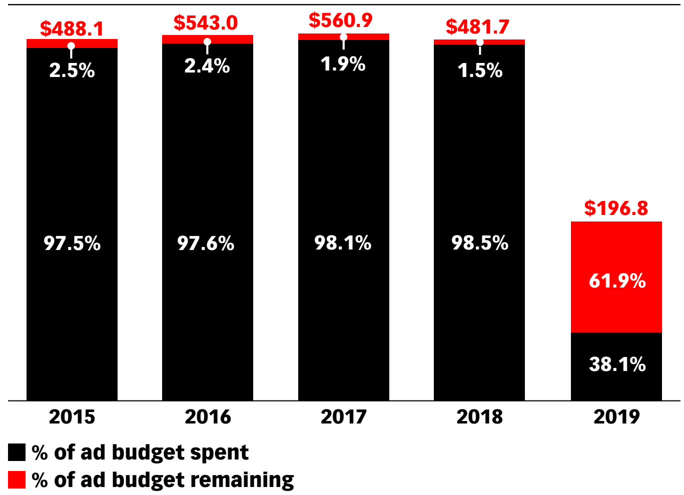
These bleaker revisions come after we were able to gain better insight into the adverse effects the coronavirus has had on ad spending. Additionally, those insights were coupled with the impacts that cuts to the country's social communication and advertising budget had on the ad market last year (made by President Andrés Manuel López Obrador, more commonly known as AMLO).

Mexico's two most prominent TV players, Televisa and TV Azteca, posted severe declines in TV advertising revenues for Q1 2020 (ending on March 31). Televisa was down 28.4%, while TV Azteca suffered a 29.8% loss compared with Q1 2019. According to Televisa in its Q1 2020 earnings report, "The decrease in sales is substantially explained by the one-time change in the calendar for negotiations of our upfront, resulting in many advertising customers pushing back the startup of their campaigns for the year with Televisa. ... As a result of the new level of uncertainty [due to the coronavirus], many clients decided to pull back on advertising in the last two weeks of the quarter." TV Azteca released a statement similar to Televisa's, attributing revenue losses to a presales negotiation period that was later than usual.

In terms of the government's ad budget, AMLO was determined to turn his anti-corruption campaign promises into reality after assuming the presidency in December 2018. Within the first two months of his term, AMLO announced drastic cuts to government spending. This also included severe cuts to its social communication and advertising budget, classified as expenditure items 36101 and 36201 for official reporting purposes. These include government spending on the dissemination of messages for select programs and activities, as well as the dissemination of commercial messages to promote the sale of products and services.

According to official figures released in January 2020, AMLO's administration reduced social communication and advertising spending by 59.1%. Of the $196.8 million (MXN3.79 billion) allocated to these types of activities, the Mexican government spent only 38.1%, or $75.0 million (MXN1.44 billion), of its total 2019 advertising budget.

How Much of Its Total Advertising Budget* Did the Government of Mexico Spend?
millions and % of total, 2015-2019



*Note: converted at the exchange rate of US$1=MXN19.25; *includes VAT and ad expenditures made by 73 government institutions in Mexico on the following types of media: cinema, digital, out-of-home (OOH), print, radio, TV, among others*
Source: Gobierno de México, "Gastos de Comunicación Social: enero - diciembre de 2019"; eMarketer calculations, Jan 10, 2020
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However, it is important to note that these figures take into consideration the country's value-added tax (VAT). Since our total media ad spending figures exclude VAT, here is a more accurate look at the real impact AMLO's budgetary cuts had on the country's total ad market.

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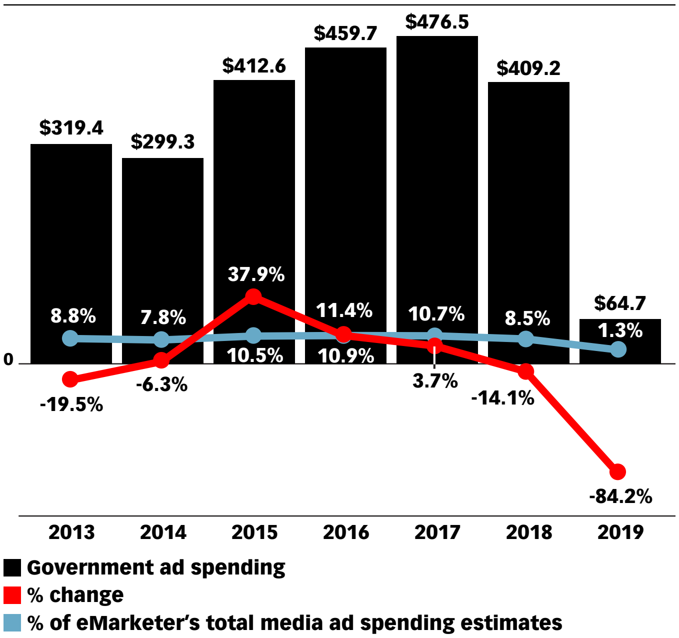
How Much Money Does the Government of Mexico Spend on Advertising*?

millions, % change and % of total media ad spending, 2013-2019



*Note: excludes VAT; converted at the exchange rate of US$1=MXN19.25; *includes ad expenditures made by 73 government institutions in Mexico on the following types of media: cinema, digital, out-of-home (OOH), print, radio, TV, among others*
Source: Gobierno de México, "Gastos de Comunicación Social: enero - diciembre de 2019"; eMarketer calculations, Jan 10, 2020

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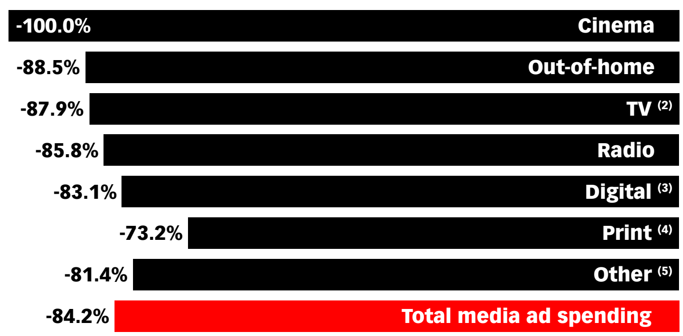
As evidenced by the chart, government ad spending fell 84.2% in 2019. This effectively reduced ad expenditures to $64.7 million (MXN1.24 billion)—making them the lowest they have been in recent years—compared with spending habits under former President Enrique Peña Nieto's administration from December 2012 to November 2018.

With Peña Nieto at the helm, government ad spending represented anywhere between 7.8% to 10.9% of total ad spending in Mexico. Now with AMLO in charge, government ad spending represented just 1.3% of the country's total ad market last year.

But keep in mind that any major decreases in ad spending will greatly affect Mexico's already fragile traditional media ecosystem. For example, TV broadcasters, regional newspapers and others in the traditional sector cut new forms of content and faced significant employee layoffs in 2019. AMLO's biggest spending cuts were primarily directed toward cinema and OOH ads. Even so, all forms of traditional media saw significant decreases across the board.

Total Government Ad Spending (1) Growth in Mexico, by Media, 2019

% change vs. prior year



Note: 2018 total media ad spending=$409.19 million; 2019 total media ad spending=$64.66 million; excludes VAT; converted at the exchange rate of US$1=MXN19.25; (1) includes ad expenditures made by 73 government institutions in Mexico; (2) includes broadcast and cable; (3) includes mobile; (4) includes magazines, newspapers, among other types of print advertising; (5) includes promotional and professional services
Source: Gobierno de México, "Gastos de Comunicación Social: enero - diciembre de 2019"; eMarketer calculations, Jan 10, 2020

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However, in terms of total media share, TV suffered the biggest losses. TV's share of government ad spending fell from 37.6% in 2018 to 28.8% in 2019. Meanwhile, print media grew from a 16.8% share to 28.6% during this same period.

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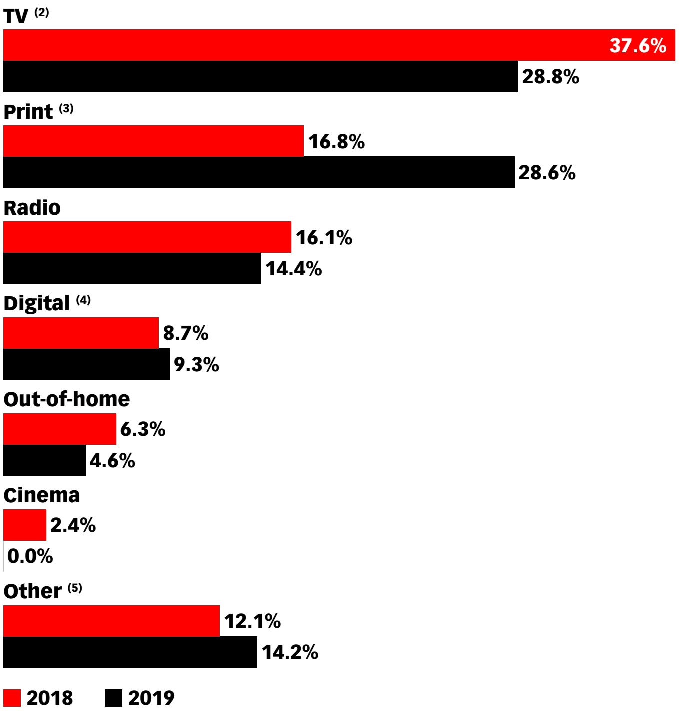
Share of Total Government Ad Spending (1) in Mexico, by Media, 2018 & 2019
% of total



Note: 2018 total media ad spending=$409.19 million; 2019 total media ad spending=$64.66 million; excludes VAT; converted at the exchange rate of US$1=MXN19.25; (1) includes ad expenditures made by 73 government institutions in Mexico; (2) includes broadcast and cable; (3) includes magazines, newspapers, among other types of print advertising; (4) includes mobile; (5) includes promotional and professional services
Source: Gobierno de México, "Gastos de Comunicación Social: enero - diciembre de 2019"; eMarketer calculations, Jan 10, 2020

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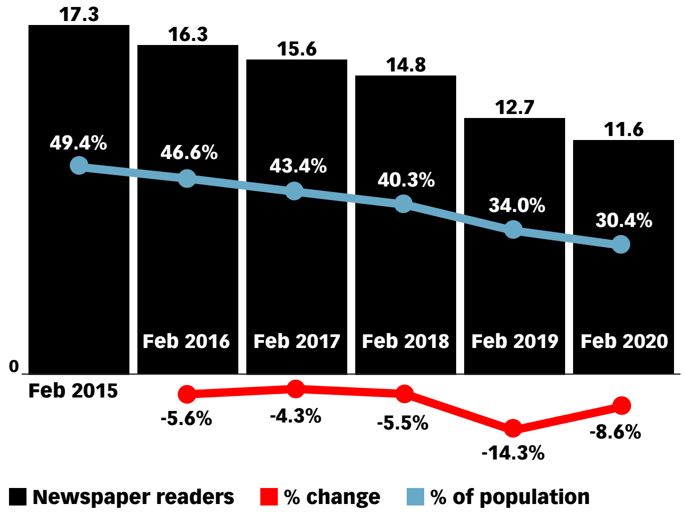
Even though the government shifted a large share of its social communication and ad budget to print media, this still has not been enough to save an already struggling industry.

According to Mexico's National Institute of Statistics and Geography (INEGI), newspaper readership has continued on a downward spiral. In February 2015, nearly half (49.4%) of the country's population—who were literate and over the age of 18—read newspapers. As of February 2020, this figure amounted to less than one-third (30.4%).

Newspaper Readership Penetration Among Adults* in Mexico, Feb 2015-Feb 2020
millions, % change and % of population



*Note: ages 18+; *who are literate*
Source: Instituto Nacional de Estadística y Geografía (INEGI), "Módulo sobre Lectura (MOLEC) 2020"; eMarketer calculations, April 23, 2020

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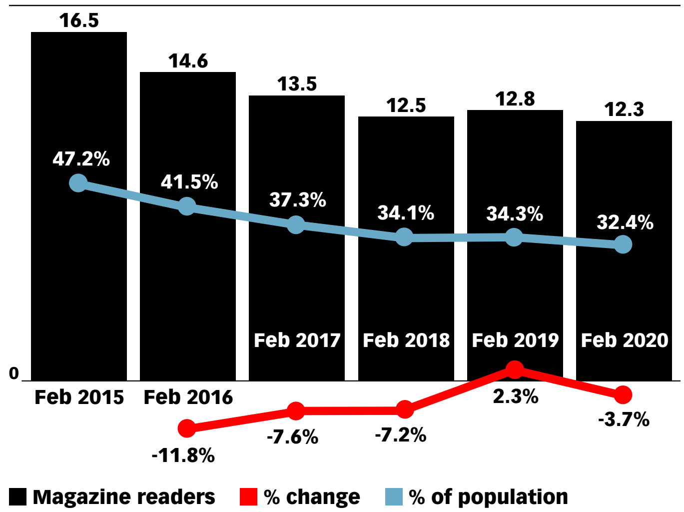
Magazine readership did not fare much better. During this same time period, similar decreases were observed. Readership fell from 47.2% of the literate population in February 2015 to 32.4% as of February 2020.

Magazine Readership Penetration Among Adults* in Mexico, Feb 2015-Feb 2020
millions, % change and % of population



*Note: ages 18+; *who are literate*
Source: Instituto Nacional de Estadística y Geografía (INEGI), "Módulo sobre Lectura (MOLEC) 2020"; eMarketer calculations, April 23, 2020

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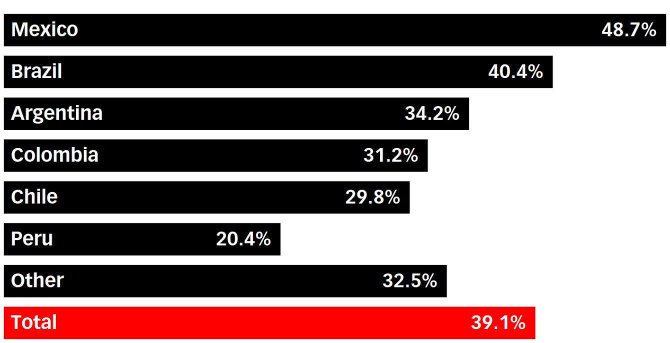
Even with a slight 2.3% recovery in readership in 2019, this still was not enough for magazines to attract significant dollars back to them. We forecast that magazine ad spending in Mexico will decrease 15.7% this year, from $158.5 million (MXN3.05 billion) to $133.6 million (MXN2.57 billion). By 2024, magazine outlays will fall even further, resulting in a market worth $113.3 million (MXN2.18 billion) at that time.

DIGITAL AD SPENDING

The fallout from the coronavirus and the political turmoil seen throughout the region in recent months will have more negative consequences for traditional media this year than for digital media. While we expect traditional media outlays to decrease by 17.5%, digital will continue to grow in terms of share and real investment as advertisers pivot their ad budgets toward online channels amid market volatility.

In 2020, digital ad spending in Latin America will rise by 5.0% to $9.33 billion. That means, for the first time, digital will account for nearly 40% of the regional ad market. Mexico will boast the region's greatest share of digital ad spending as a percent of total media ad spending; advertisers will allocate 48.7% of media ad spending at 48.7%. Brazil will rank second at 40.4%, followed by Argentina at 34.2%.

Digital Ad Spending Share in Latin America, by Country, 2020
% of total media ad spending



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; includes classifieds, display (banners/static display, rich media, sponsorships and video, including advertising that appears before, during or after digital video content in a video player), search (paid listings, contextual text links and paid inclusion), in-game advertising, newsletter advertising and email
Source: eMarketer, June 2020

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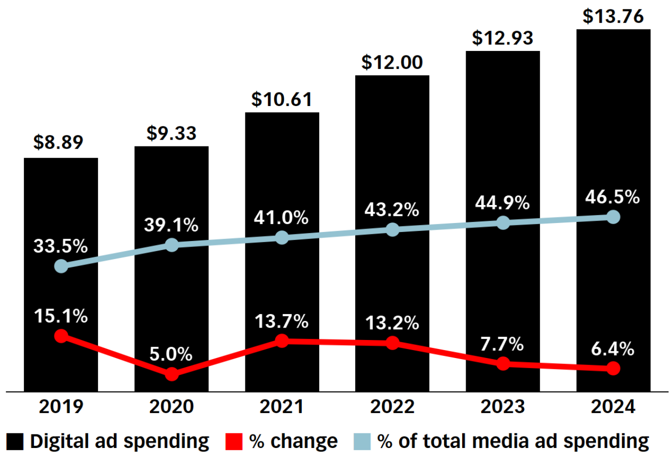
As digital ad spending begins to recover in a post-COVID-19 world, we expect double-digit growth in 2021 and 2022 before falling back down into the single digits in 2023 and 2024. Even so, digital will continue to grow in share, making up 46.5% of paid media outlays in four years' time. That translates to a digital ad market valued at $13.76 billion.

Digital Ad Spending in Latin America, 2019-2024
billions, % change and % of total media ad spending



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; includes classifieds, display (banners/static display, rich media, sponsorships and video, including advertising that appears before, during or after digital video content in a video player), search (paid listings, contextual text links and paid inclusion), in-game advertising, newsletter advertising and email
Source: eMarketer, June 2020

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Latin America's strong digital growth will be driven by its two largest ad markets, Brazil (5.2%) and Mexico (4.1%). Although digital ad spending in Colombia will grow twice as fast as the regional average, it is important to remember that Colombia will represent only 3.3% of all digital ad spending in Latin America this year. Therefore, the country's seemingly impressive growth will ultimately be derived from a far smaller base of digital media outlays than either Brazil's or Mexico's.

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Digital Ad Spending Growth in Latin America, by Country, 2020

% change

Colombia	11.2%
Chile	5.9%
Brazil	5.2%
Argentina	4.4%
Mexico	4.1%
Peru	2.4%
Other	4.2%
Total	5.0%

Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; includes classifieds, display (banners/static display, rich media, sponsorships and video, including advertising that appears before, during or after digital video content in a video player), search (paid listings, contextual text links and paid inclusion), in-game advertising, newsletter advertising and email
Source: eMarketer, June 2020

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When ranked by digital media ad spend, this becomes even more apparent. Brazil is by far the biggest in the region, with a digital ad market worth $4.80 billion (BRL18.94 billion)—accounting for 51.4% of all digital outlays. It is also more than double the size of Mexico's digital ad market ($2.21 billion; MXN42.54 billion) and 15.5 times greater than Colombia's ($308.8 million; COP1.013 trillion).

Digital Ad Spending in Latin America, by Country, 2020

billions

Brazil	$4.80
Mexico	$2.21
Colombia	$0.31
Argentina	$0.29
Chile	$0.29
Peru	$0.13
Other	$1.31

Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; includes classifieds, display (banners/static display, rich media, sponsorships and video, including advertising that appears before, during or after digital video content in a video player), search (paid listings, contextual text links and paid inclusion), in-game advertising, newsletter advertising and email
Source: eMarketer, June 2020

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Not only that, Brazil will also have the ninth-largest digital ad market in the world, ahead of South Korea ($4.09 billion; KRW4.766 trillion) and behind France ($5.51 billion; €4.93 billion).

Top 10 Countries, Ranked by Digital Ad Spending, 2020

billions

1. US	$134.66
2. China*	$75.33
3. UK	$19.25
4. Japan	$15.16
5. Germany	$8.27
6. Australia	$6.60
7. Canada	$6.37
8. France	$5.51
9. Brazil	$4.80
10. South Korea	$4.09

*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; includes classifieds, display (banners/static display, rich media, sponsorships and video, including advertising that appears before, during or after digital video content in a video player), search (paid listings, contextual text links and paid inclusion), in-game advertising, newsletter advertising and email; *excludes Hong Kong*
Source: eMarketer, June 2020

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Given digital's rapid acceleration across Latin America, our core six countries will all secure a spot in this year's top 10 fastest-growing digital ad markets worldwide for the first time. Among the 37 markets we forecast, Colombia (11.2%), Chile (5.9%) and Brazil (5.2%) will rank first, second and third, coming in ahead of China (5.0%). Argentina and Mexico will come in fifth and sixth place, respectively. Peru will be right on the heels of Finland and Russia, in 10th, since the two countries will tie for ninth place.

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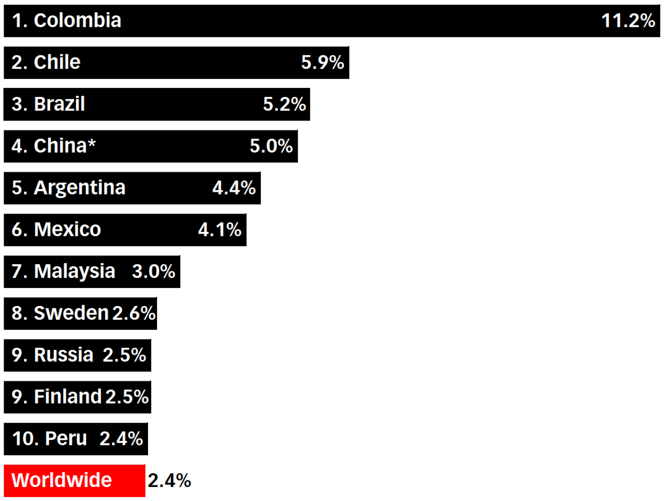
Top 10 Countries, Ranked by Digital Ad Spending Growth, 2020
% change



*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; excludes SMS, MMS and P2P messaging-based advertising; *excludes Hong Kong*
Source: eMarketer, June 2020

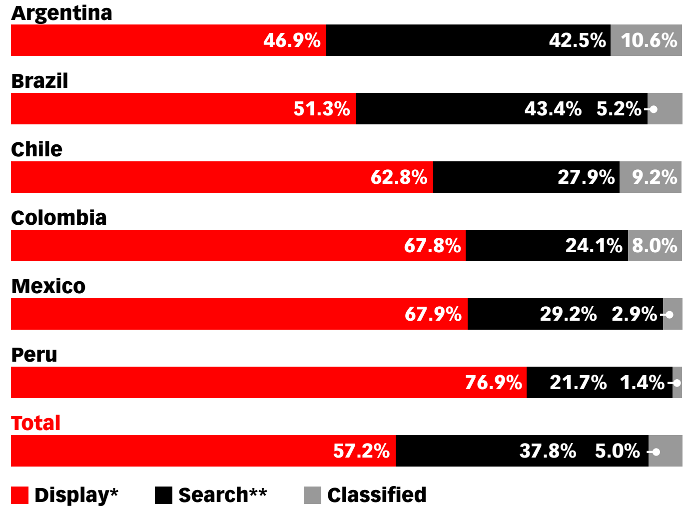
T10911 www.eMarketer.com

DIGITAL ADVERTISING FORMATS

As advertisers experiment and incorporate a variety of formats into their digital media mix, social media and video continue to be the main drivers of digital ad spending growth in Latin America. This makes sense, given that 84.8% and 76.3% of internet users in the region will use social networks and watch digital video this year, respectively, according to our estimates.

In response to this growing trend, we increased our estimates for display's share of digital ad spending in Latin America to 57.2%, amounting to $5.34 billion, by the end of this year. This figure will be highest in Peru, where 76.9% of all digital ad buys will go toward display. Meanwhile, in countries like Argentina, digital ad spending will be more evenly split between display (46.9%) and search (42.5%).

Digital Ad Spending Share in Latin America, by Country and Format, 2020
% of total



*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices for all formats mentioned; numbers may not add up to 100% due to rounding; *banners (static display), rich media, sponsorships, video (including advertising that appears before, during or after digital video content in a video player); **paid listings, contextual text links and paid inclusion*
Source: eMarketer, June 2020

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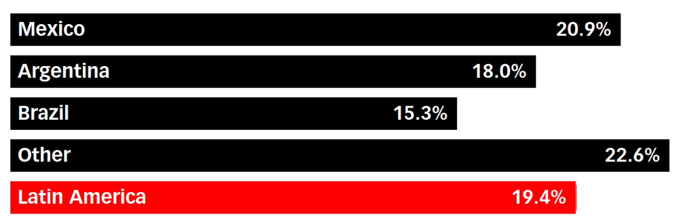
Search Advertising

Even though digital ad spending in Latin America tilts toward display, advertisers should keep search on their radar as retail ecommerce adoption surges in "other" emerging markets—like Colombia, Chile and Peru (22.6%)—as well as Mexico (20.9%).

Retail Ecommerce Sales Growth in Latin America, by Country, 2020
% change



Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice goods sales
Source: eMarketer, May 2020

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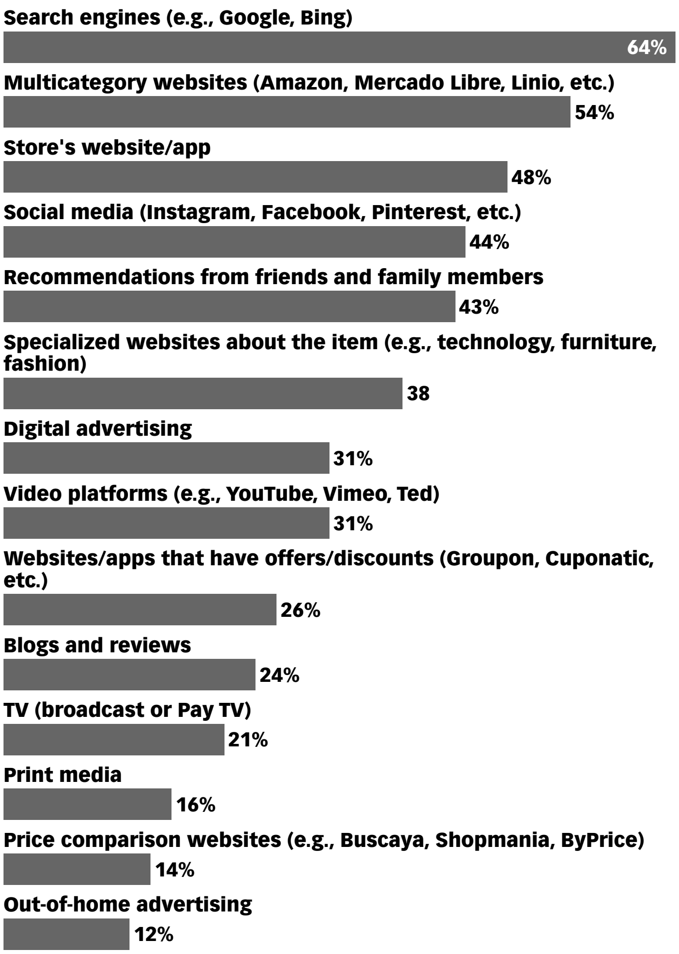
For example, digital buyers in Mexico were roughly 1.5 times more likely to consult search engines (64%) than social media (44%) before deciding to make a purchase, according to a January 2020 Asociación Mexicana de Venta Online (AMVO) survey conducted by Netquest.

Sources Digital Buyers in Mexico Consult Before Deciding to Make a Purchase, Jan 2020

% of respondents



Note: n=813 ages 18+
Source: Asociación Mexicana de Venta Online (AMVO), "Venta Online México 2020" conducted by Netquest, Jan 29, 2020

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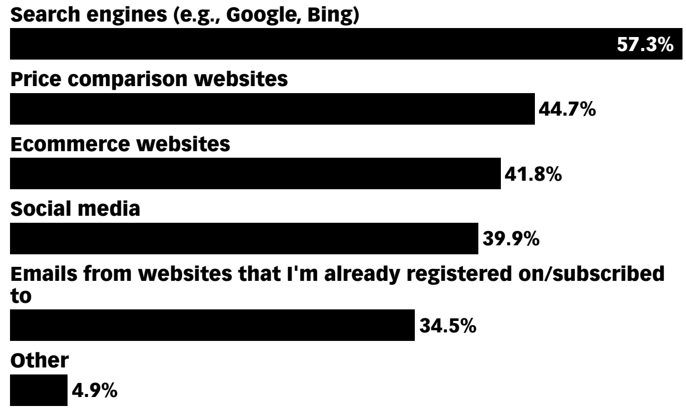
Similar trends were found among internet users in Brazil, especially during holiday shopping periods like Christmastime. In a December 2019 Social Miner and Opinion Box survey, 57.3% of internet users in Brazil used search engines to research Christmas deals vs. 39.9% of those who used social media.

Sources Used by Internet Users in Brazil to Research Christmas Deals, Dec 2019

% of respondents



Note: ages 16+
Source: Social Miner and Opinion Box, "Intenção de compra para o Natal 2019," Dec 12, 2019

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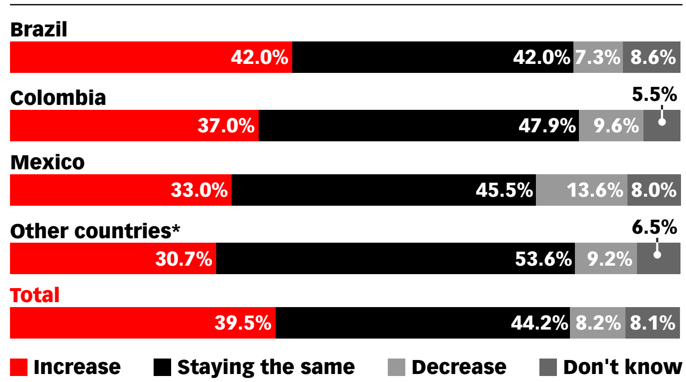
Professionals in Latin America have also shown a growing interest in search as evidenced in a March 2020 Rock Content survey. Among the 55.8% of respondents whose companies implemented an SEO strategy, 39.5% said their company planned to increase SEO spending in 2020. Some 44.2% said spending would stay the same, while only 8.2% planned to decrease expenditures.

Professionals in Latin America Whose Companies Plan to Increase vs. Decrease SEO Spending in 2020, by Country, March 2020

% of respondents in each group



*Note: n=1,137 whose companies have implemented an SEO strategy; numbers may not add up to 100% due to rounding; *includes Argentina, Bolivia, Chile, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Uruguay and Venezuela*
Source: Rock Content, "SEO Trends 2020: Brasil e América Hispânica," April 13, 2020

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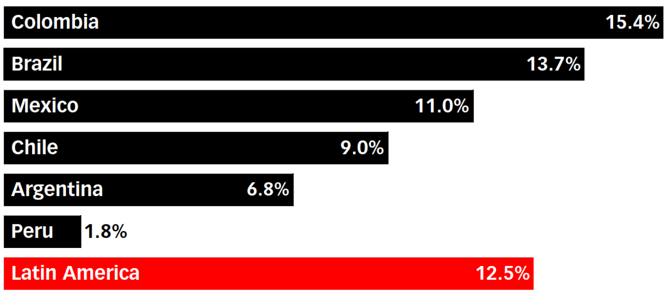
We expect search advertising to increase 12.5% this year to $3.53 billion. Colombia will be home to the region's fastest-growing search ad market, at 15.4%, followed by Brazil (13.7%) and Mexico (11.0%).

Search Ad Spending Growth in Latin America, by Country, 2020
% change



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; includes paid listings, contextual text links and paid inclusion
Source: eMarketer, June 2020

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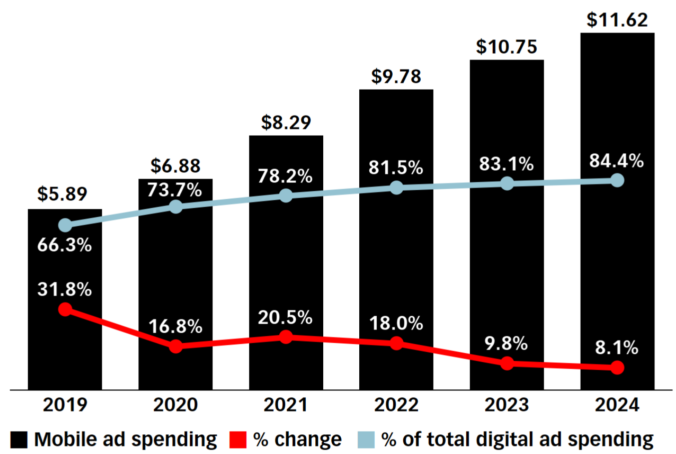
Overall, search advertising will be an effective way for brands to target consumers with relevant ads as consumer spending habits shift online in response to this "new normal." Advertisers that adapt their digital strategies and formats accordingly will be able to influence consumers' purchase decisions at the discovery and consideration stages of the consumer journey.

MOBILE AD SPENDING

Mobile's ad spending growth within Latin America is a leading reason why the region owns the world's highest digital growth rate this year. As such, advertisers must fully embrace mobile devices' increasing prevalence in the consumer journey and ensure they become an integral part of their media strategy.

This year, we estimate that mobile's share of digital ad spending will account for nearly three-quarters (73.7%) of digital investments, totaling $6.88 billion. By 2024, mobile advertising will reach $11.62 billion and make up 84.4% of total digital ad spending in the region.

Mobile Ad Spending in Latin America, 2019-2024
billions, % change and % of total digital ad spending



Note: includes display (banners, rich media and video) and search; includes ad spending on tablets; excludes SMS, MMS and P2P messaging-based advertising
Source: eMarketer, June 2020

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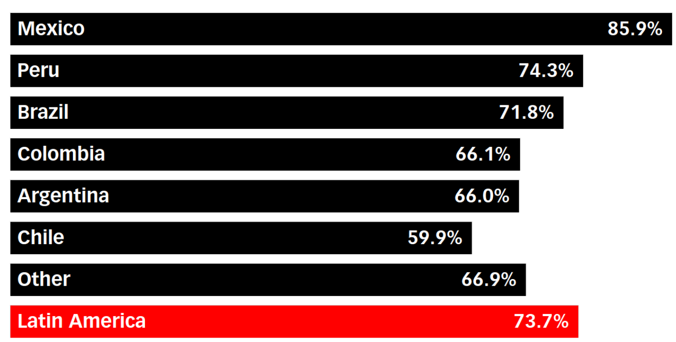
Mexico will boast the region's greatest share of mobile ad spending as a percent of total digital ad spending, with 85.9% of digital budgets allocated to mobile. Peru will come in second with 74.3%, followed by Brazil with 71.8%. These higher shares make sense given each country's high penetration of mobile-only and mobile-first internet users.

Mobile Ad Spending Share in Latin America, by Country, 2020
% of total digital ad spending



Note: includes display (banners, rich media and video) and search; includes ad spending on tablets; excludes SMS, MMS and P2P messaging-based advertising
Source: eMarketer, June 2020

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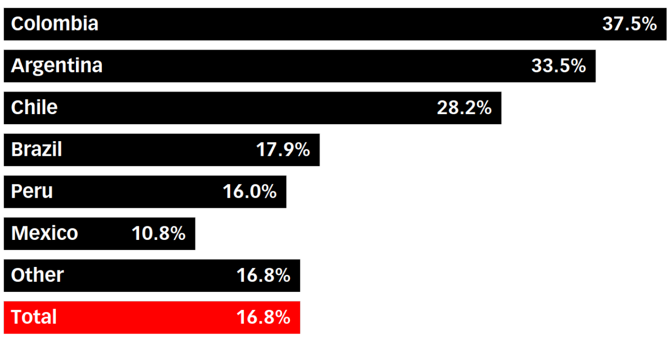
Colombia will be Latin America's fastest-growing mobile advertising market, at 37.5%, followed by Argentina (33.5%) and Chile (28.2%). However, it is important to keep in mind that mobile ad spending growth in these countries will be derived from far smaller bases than those of Brazil or Mexico.

Mobile Ad Spending Growth in Latin America, by Country, 2020
% change



Note: includes display (banners, rich media and video) and search; includes ad spending on tablets; excludes SMS, MMS and P2P messaging-based advertising
Source: eMarketer, June 2020
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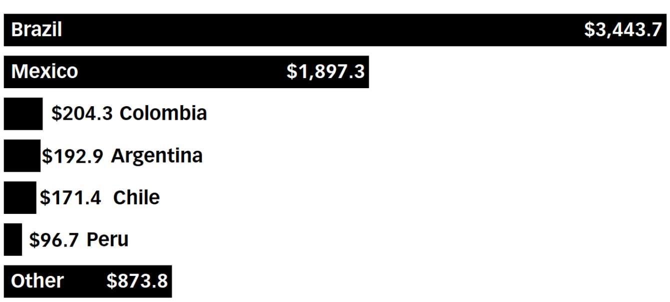
Total ad spending on mobile placements will be highest in Brazil, at $3.44 billion (BRL13.57 billion), followed by Mexico in second place at $1.90 billion (MXN36.57 billion). In either case, mobile ad spending in these two countries will far surpass that of Colombia ($204.3 million; COP670.24 billion) and Argentina ($192.9 million; ARS10.57 billion).

Mobile Ad Spending in Latin America, by Country, 2020
millions



Note: includes display (banners, rich media and video) and search; includes ad spending on tablets; excludes SMS, MMS and P2P messaging-based advertising
Source: eMarketer, June 2020
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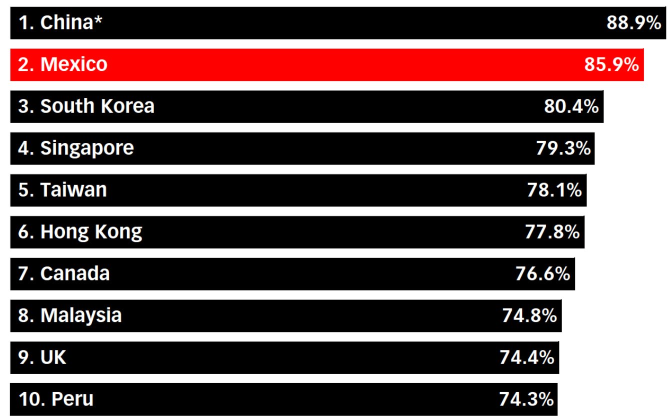
Even though Mexico will rank only second to Brazil in terms of overall spending on mobile devices—at the regional level—the country will boast the world's second-greatest share of mobile ad spending as a percent of total digital ad spending this year, at 85.9%—slightly behind China's 88.9% share.

Top 10 Countries, Ranked by Mobile Ad Spending Share, 2020
% of total digital ad spending



*Note: includes display (banners, rich media and video) and search; includes ad spending on tablets; excludes SMS, MMS and P2P messaging-based advertising; *excludes Hong Kong*
Source: eMarketer, June 2020
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Mexico will continue to maintain its No. 2 position throughout the remainder of the forecast period, accounting for 91.9% of all digital ad spending by 2024.

MOBILE ADVERTISING FORMATS

With this mobile-first mindset, data provided to us by Logan, a mobile marketing agency in Latin America, indicated that mobile video ad spending among its clients in the region more than tripled between 2016 and 2019, up from a 7.2% share to 23.0%. Rich media ad spending also increased, growing from a 33.5% share in 2016 to 43.0% in 2019.

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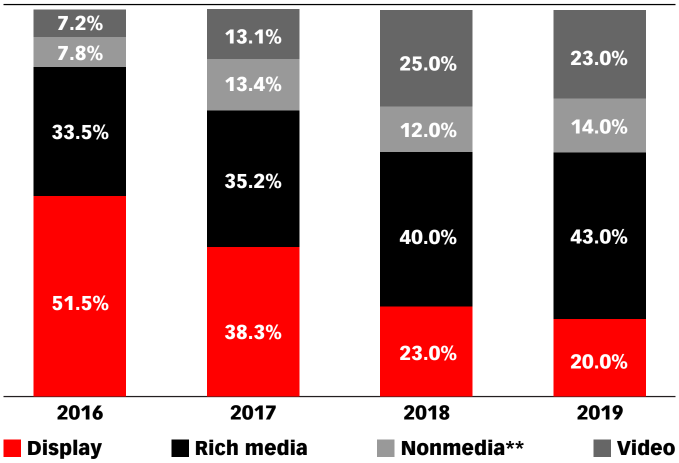
Mobile Ad Spending Share in Latin America*, by Format, 2016-2019
% of total



*Note: represents activity tracked by Logan, broader industry metrics may vary; *Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guatemala, Mexico and Peru; **includes SMS/MMS and push notifications*
Source: Logan, "Mobile Report 2019," March 31, 2020

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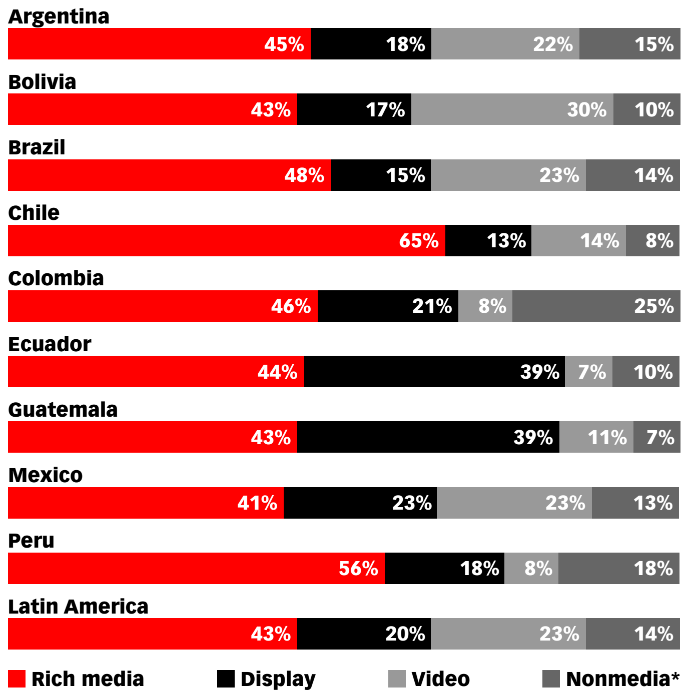
Meanwhile, client investments in standard mobile display fell from a 51.5% share to 20.0% during this same period. According to Logan, this decrease and reallocation of ad budgets to mobile video and rich media formats is a strong indication that advertisers across the region are rapidly maturing in their mobile marketing skills.

At a by-country level, Bolivia had the largest share of mobile video outlays in 2019, at 30%, followed by Brazil (23%), Mexico (23%) and Argentina (22%). Chile had the highest share of rich media outlays in 2019, at 65%, followed by Peru (56%), Brazil (48%) and Colombia (46%).

Mobile Ad Spending Share in Latin America, by Country and Format, 2019
% of total



*Note: represents activity tracked by Logan, broader industry metrics may vary; numbers may not add up to 100% due to rounding; *includes SMS/MMS and push notifications*
Source: Logan, "Mobile Report 2019," March 31, 2020

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Note: Our display estimates include both rich media and video. Logan's display estimates include full-screen banner, native ads, overlay, postitial, standard ads and sticker ads; their video figures encompass discovery, pre-roll, sticky theatre, vertical video, video expandable, video interstitial and video menu. Rich media consists of alive, dynamics ads, expandable, flappy taylor, GPS ads, hole in the wall, on wheels, push down, rewards, rich media interstitial, run run run, save the date, selfie, social profile windows, the show, thermostat and WhatsApp chat.

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KEY TAKEAWAYS

- **The coronavirus pandemic has wreaked havoc on Latin America's advertising industry.** The region was initially expected to have a peak in total media ad spending growth of 4.1% in 2020, primarily driven by its two largest economies, Brazil and Mexico. However, both countries' failure to contain the further spreading of the virus prompted us to revise our total media ad spending growth figures downward. Since Brazil and Mexico will account for 68.8% of total media ad spending in Latin America this year, these revisions will inevitably have an adverse effect on total spending at the regional level. Total media ad spending in Latin America will plunge 10.0% from $26.54 billion in 2019 to $23.89 billion this year.

- **The coronavirus and political turmoil seen throughout the region in recent months will have negative implications for traditional media.** Latin America will forego its largest local sporting event this summer, the 2020 Copa América. This, coupled with the postponement of the Summer Olympics, caused an exodus of ad dollars from traditional media formats like TV and OOH. As such, we expect Latin America's traditional media outlays in 2020 to decline 17.5% year over year, from $17.65 billion to $14.56 billion.

- **Digital ad spending in Latin America will continue to grow as advertisers pivot their ad budgets toward online channels amid market volatility caused by the coronavirus.** While we expect traditional media outlays to decrease, digital ad spending will increase by 5.0% to $9.33 billion this year. That means, for the first time, digital will account for nearly 40% of total media ad spending in Latin America.

- **Display is still the region's most popular digital ad format.** Even so, advertisers should keep their eyes on search as retail ecommerce adoption surges in countries like Colombia and Mexico. Search advertising will be an effective way for brands to target consumers with relevant ads as spending habits shift online in response to this "new normal." Advertisers that adapt their digital strategies and formats accordingly will be able to influence purchase decisions at the discovery and consideration stages of the customer journey.

- **Growing mobile-only and mobile-first internet users will prompt advertisers to shift their ad budgets.** This year, mobile's share of digital ad spending in Latin America will account for nearly three-quarters (73.7%) of digital investments, totaling $6.88 billion. By 2024, mobile advertising will reach $11.62 billion and make up 84.4% of total digital ad spending in the region.

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Latin America Ecommerce 2020: How COVID-19 Will Affect Growth and Sales in Argentina, Brazil and Mexico

COVID-19's Impact in Latin America: How the Coronavirus Will Change Digital Advertising in Argentina, Brazil, Chile, Colombia, Mexico and Peru

COVID-19's Impact on Businesses and Consumers in Latin America

COVID-19 Impact: Latin America

How COVID-19 Has—And Has Not—Affected Global Ad Spending

Social Media Ads, Engagement and Influencers amid the Coronavirus

Latin America Digital Video 2019

Search in 2020

SOURCES

Agência Nacional de Telecomunicações (Anatel)

Asociación Mexicana de Venta Online (AMVO)

Center for Systems Science and Engineering (CSSE) at Johns Hopkins University

Gobierno de México

Instituto Federal de Telecomunicaciones (IFT)

Instituto Nacional de Estadística y Geografía (INEGI)

International Monetary Fund (IMF)

Logan

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EDITORIAL AND PRODUCTION CONTRIBUTORS

Anam Baig	Senior Editor
Joanne DiCamillo	Senior Production Artist
Donte Gibson	Chart Editor
Katie Hamblin	Chart Editorial Manager
Dana Hill	Director of Production
Erika Huber	Copy Editor
Ann Marie Kerwin	Executive Editor, Content Strategy
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