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# News Release

## **Video game industry growth still strong PwC: Wireless, consoles, advertising to continue to drive sector**

By Georg Szalai

**NEW YORK, NY** – The video game sector will remain one of the above-average growth segments of the U.S. and global entertainment industries through 2011, with global games spending set to exceed music spending this year, according to PricewaterhouseCoopers.

In the U.S., the size of the games market will top the music sector next year, it projects.

Key growth engines will include online and wireless games, new-generation consoles, as well as the burgeoning in-game advertising business.

The predictions are all part of the eighth annual edition of PwC's "Global Entertainment and Media Outlook" report, set for release today.

By 2011, the worldwide gaming market will be worth \$48.9 billion at a compound annual growth rate of 9.1% during the five-year period, with gains slowing every year because of the maturation of the current generation of consoles, according to the global consultancy. The compound gains handily exceed the 6.4% advance that PwC eyes for the overall entertainment economy during the period.

Its data includes consumer spending on games, but does not include spending on hardware and accessories.

"Video gaming is one of the most exciting stories in terms of pure growth numbers," said Marcel Fenez, PwC's global managing partner, entertainment and media practice.

For the U.S. gaming business, PwC projects 6.7% compound annual gains for 2007-11 to \$12.5 billion.

The Asia Pacific region should remain the region with the highest overall spending on gaming during the period and reach \$18.8 billion in 2011, PwC forecasts. Despite its

leading size, its 10% average annual gains will only be exceeded by the combined region of Europe, the Middle East and Africa (EMEA), which is pegged for a 10.2% compound annual gain and set to remain at No. 2 in terms of worldwide gaming.

U.S. gaming sector growth will trail all other regions during the 2007-11 frame, with this year's 15.5% growth shrinking to 3.3% by the end of the period, according to PwC.

For 2006cq, PwC's preliminary estimates are for the U.S. gaming market to have expanded 10.6% to \$9 billion, and it expects the first-ever jump beyond the \$10 billion mark this year to about \$10.4 billion.

Worldwide game spending jumped 14.3% to \$31.6 billion in 2006 and should rise 18.5% to \$37.5 billion this year, according to the preliminary data.

Overall, PwC reduced its future expectations for the U.S. a bit, while boosting its global outlook slightly, thanks mainly to strong growth in Asia Pacific and EMEA. In last year's "Outlook" report, the consultancy predicted lower 2010 figures for those two regions than this year, while its U.S. estimate for that year stood at nearly \$13 billion, compared with a now-revised \$12.1 billion.

"Asia has generally outperformed," with momentum in the wireless space particularly surprising many, Fenez said. In turn, a quicker PC games decline along with a looming maturation in the console space is holding back the U.S. growth figures a bit, he added.

Overall, PwC's latest five-year growth forecast for gaming is somewhat below last year's five-year outlook. For the U.S., projected growth now stands at 6.7%, compared with last year's 8.9%, EMEA is down from 13% to 10.2%, Asia moves from 12.3% to 10%, and the world goes from 11.4% to 9.1%.

In the U.S., online and wireless games should see the biggest gains through 2011, as PwC predicts online will expand from an estimated \$1.1 billion market last year to \$2.7 billion in 2011, and wireless will double from \$499 million to \$1 billion.

Consumer spending on console and hand-held games will go from \$6.5 billion in 2006 to \$7.9 billion in 2011, the consultancy estimates. In the U.S., such new consoles as Nintendo's Wii and Sony's PlayStation 3, will continue to drive the market in 2007 and 2008, but "sales will slow during 2009-11 as these machines approach maturity," according to the PwC report.

While other platforms might see more explosive gains, consoles will "remain extremely important" overall, Fenez said.

In-game advertising will be a key spark for U.S. gaming revenue, growing from an estimated \$80 million last year to \$950 million in 2011, according to PwC. But Fenez signaled that this estimate could prove conservative as "advertisers like to reach the younger males" that many games tend to attract.

He also said that the overall gaming audience continues to expand and become somewhat more female and older than in the past thanks to casual games and the arrival as games as an "important part of culture."

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