

Google's ad growth shows signs of life, but H2 could be challenging, our analyst says

Article

“Google is facing increasing competition on every front, and a good quarter of growth is helpful to bolster its position,” our analyst Evelyn Mitchell-Wolf said on a recent [“Behind the](#)

Numbers” podcast episode.

Putting Google’s Q2 performance into perspective

- Google’s revenues, 80% of which come from online ads, have grown at an average annual rate of 28% since going public in 2004, per The Economist.
- Q2 advertising revenues grew 3.3% YoY, an improvement from being flat in Q1, but lower than the 11.6% growth in Q2 over 2021.

Analyst insight: “I think we really need to readjust our expectations to learn to love, or at least respect, mid- to-high-single-digit growth for Google and other Big Tech players,” said Mitchell-Wolf. “The era of consistent double-digit growth may have come to an end.”

Challenges with YouTube’s TrueView inventory and Shorts

- YouTube has been accused of not adhering to quality standards with its TrueView ads—including being skippable, audible, and viewer-initiated—and not serving most of its inventory on YouTube. Google refuted the claims, but advertisers are concerned, and YouTube’s ad revenues may take a hit next quarter.
- **YouTube Shorts reached 2 billion monthly logged-in users**, up from 1.5 billion last year, per Google. But Mitchell-Wolf said advertisers lacked visibility into its monetization. “The 2 billion figure—yes, it’s a milestone, but it’s also Google choosing to focus on this stat, and it’s crafting a narrative over the long term, choosing to deploy certain numbers at certain times to placate investors.”

Analyst insight: Mitchell-Wolf said YouTube’s growth was “heartening.” We project YouTube’s US ad revenues will grow 7.3% this year to reach \$7.36 billion.

Microsoft comes for Google’s search dominance

- Microsoft’s adoption of ChatGPT into Bing ignited discussion about its potential to compete with Google’s search share.
- But Google hasn’t felt that impact, according to The Economist, which noted that **Google still holds more than 90% of global monthly search share.**

Analyst insight: As generative AI is further integrated into search, Mitchell-Wolf said Microsoft will be a “very worthy competitor” to Google’s consumer search dominance.

Looking ahead: While Google's Q2 ad revenue recovery is encouraging, the tech giant's second-half performance could be impacted by ongoing regulatory challenges, including allegations of anti-competitive practices.

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