

Why Google's double-digit growth is 'no longer a reasonable expectation'

Article



Microsoft's new Bing has had a persistent hold over headlines. Combine this with a **third consecutive quarter of ad loss for YouTube** and the picture for Google may look less than rosy. But the company remains in good shape, with overall earnings beating expectations. It remains dominant in search, and YouTube use is still remarkably high. Here's a closer look.

Earnings beat: Google's ad revenues were flat in Q1, decreasing by less than 1% YoY to \$54.5 billion.

- “I think we’re starting to see Google, and even tech overall, enter a new stage of maturity where consistent double-digit growth across most business units is just no longer a reasonable expectation,” our analyst Evelyn Mitchell said on a recent episode of our “**Behind the Numbers**” podcast.
- Google’s ad revenues are underwhelming compared to last year’s strong figures. The slowdown can also be attributed to macroeconomic stress, slimming ad budgets, and overall changes in digital advertising with the deprecation of legacy identifiers.
- “I think the reality is that Google is in a really tough position—if you’re grading it against itself,” said Mitchell. But Google remains dominant in search and ad tech, and that won’t change in the near future.

Search surge: Google has a massive search lead, even as Microsoft builds out capabilities with the help of ChatGPT.

- Google will account for 52.2% of US search ad spend this year, according to our forecast. Next year, we project Google will fall below the 50% mark for search share.
- “Working hardest in Google’s favor is that delicate balance of agreements that keeps Google as the default search engine on most browsers and mobile operating systems,” said Mitchell.

YouTube loading: The video platform was not a shining star in Q1—YouTube saw **\$6.69 billion in revenues in the quarter**, compared to \$6.87 billion for the same period last year.

- YouTube’s competition comes from both streaming and social media, but it boasts more users than both Netflix and TikTok.
- “Declines in revenue aren’t good by any stretch, but it’s not a death sentence for YouTube,” said Mitchell, pointing to the platform’s popularity, moves into short video, and creator partnerships.
- Users can’t necessarily get the long-form, creator-driven media they’re seeing on YouTube in other places, putting the platform in a strong position.

So yes, Google is facing core challenges from all sides, including search, ad tech, and video. But a lot of decline comes from normalization after monster growth. If Google wants to

impress again, the company needs to improve its generative AI, stay ahead on video, and keep advertisers happy in a post-cookie world.

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