

YouTube's ad revenues grow 13%, but challenges lie ahead

Article



By the numbers: Despite **YouTube** having what many would consider a strong quarter, it missed growth expectations—likely due to growing competition in the video market.

- Advertising revenues: \$8.7 billion, up 13% year-on-year.

- CTV views growth: More than 130% increase in the last three years, CEO **Sundar Pichai** said on Google's earnings call.
- Streaming leader: Top streaming platform on US TV screens for 17 consecutive months, per Nielsen data cited by Pichai.
- Google subscriptions, platforms, and devices revenues: \$9.3 billion, up 14.3% YoY, primarily driven by YouTube paid subscribers.

Why it matters: YouTube's advertising revenue growth, while slightly below analyst expectations, still demonstrates the platform's robust engagement and monetization capabilities.

The strong connected TV (CTV) viewing growth underscores the shift from traditional TV to streaming, with YouTube capitalizing on this trend. We estimate that roughly 4 in 10 ad dollars YouTube makes in the US comes from CTV.

In context: The platform has attracted diverse advertiser budgets, particularly for brand and direct response ads. But short-form video competition from **Instagram Reels** and **TikTok** remains a risk to its business.

- The platform's emphasis on Shorts suggests it's vulnerable to social video competitors and knows the medium will be more important in the future.
- Pichai pointed out that YouTube Shorts monetization has improved, particularly in the US, with a positive contribution from brand advertising. Shorts recently unveiled several new features in a bid to improve creator tools and boost user engagement.
- We forecast TikTok ad revenues will grow 38.1% this year to \$10.42 billion. While some of those are dollars that wouldn't have been spent on digital advertising otherwise, quite a few are undoubtedly coming from dipping into Instagram and YouTube budgets.

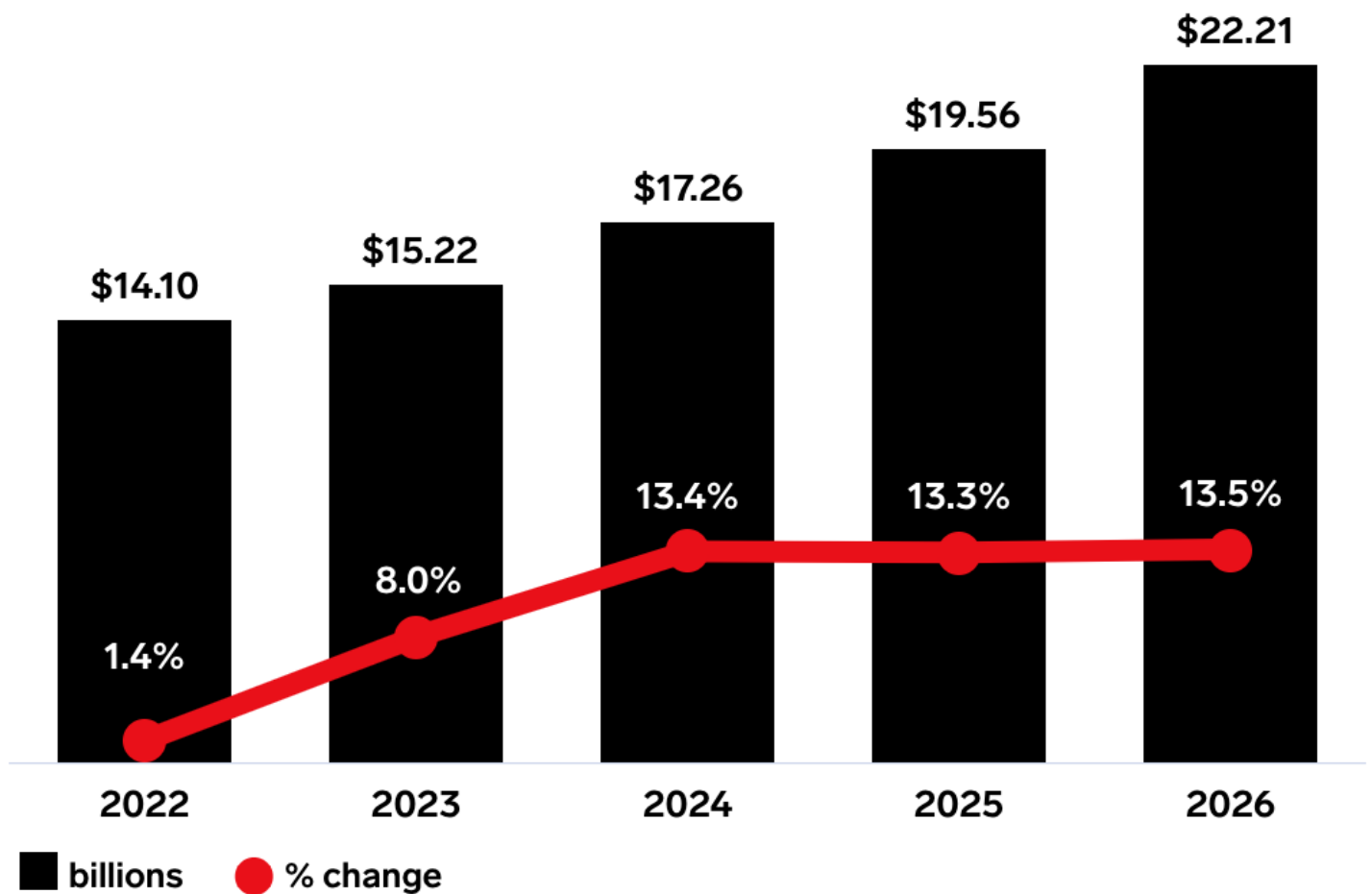
Our take: Looking ahead, YouTube's inroads into AI, creator tools, and innovative ad formats will likely drive growth and solidify its market leadership.

- AI will be both a challenge and an opportunity moving forward. YouTube is seeking record label licenses to expand its generative AI music tools—while also letting users request the removal of AI-generated content resembling their faces and voices due to growing deepfake concerns.

- Retail media is another opportunity for YouTube. **Instacart** recently expanded its partnership with Google Shopping Ads to include YouTube, [using first-party retail media data](#) to power shoppable ads for CPG partners like **Clorox** and **Publicis**.
- The platform is also intensifying its [battle against ad blockers](#); the outcome could boost its ad business, push users toward ad-free YouTube Premium, or create friction with dedicated users.

YouTube Ad Revenues

Worldwide, 2022-2026



Note: Exchange Rate; 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; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: EMARKETER Forecast, March 2024