BRIEF: Ad market growth holds up as the AI shift helps ‘traditional’ media

31 October 2025

DAVID KENNEDY

david.kennedy@ventureinsights.com.au

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Abstract

Next week, we will publish our subscriber-only annual advertising market forecast, analysing trends in the TV, radio, print, outdoor, cinema and digital segments out to 2030. This free brief provides a preview of some of the key results.

The biggest change is the **decline of Google search** under pressure from AI substitutes. This will drive **a shift into digital display**, which will benefit YouTube. In many ways, Google is pivotal in the key trends shaping the advertising industry.

Paradoxically, **this will benefit ‘traditional’ sectors**, specifically television and radio, as search spending flows back into display. Both BVOD and digital radio offers are now maturing, and we expect a return to revenue growth for these sectors as their digital offers gain scale. **This requires a rethink of ad placement strategies**.

Advertising market forecast looks healthy

We estimate that the size of the advertising market was $23.363 billion in FY25. This represents 5.6% annual growth since FY23, the first full year after the pandemic recovery boom ended.

This rate of growth is expected to slow. The Reserve Bank has made some incremental downwards revisions in its GDP growth forecast out to 2027 in the last year, and we now expect the **ad market to grow at 3.6% CAGR to FY30**. However, we still expect ad market growth to exceed GDP growth every year out to FY30.

Figure 1. Australian Forecast GDP growth to FY27

	Year-ended					
	June 2025	Dec 2025	June 2026	Dec 2026	June 2027	Dec 2027
GDP growth	1.6	1.7	2.0	2.1	2.0	2.0
(previous)	(1.8)	(2.1)	(2.2)	(2.2)	(2.2)	(n/a)

Source: Reserve Bank of Australia, *Statement on Monetary Policy* – August 2025

A new inflection point for advertising

This steady headline growth disguises some important shifts in the composition of advertising revenue. One key operator is playing a pivotal role in these shifts: Google.

The biggest driver of change is Google’s push into subscription artificial intelligence services. Its Gemini AI agent has been embedded in its dominant search engine, providing answers to user queries without the bother of clicking a link. This inevitably will reduce click-through and ad revenues.

It seems perverse for Google to cannibalise its search revenues in this way. But it is clear that AI will displace conventional search over the next few years. If Google does not do this, then OpenAI or X's Grok will do it for them. **Google is gambling that it will be able to sell enough subscription AI services to compensate for the erosion of its dominant search product**.

For this reason, **we now forecast conventional search ad revenues to peak around 2028**, and decline thereafter. This is a 'big call', but one we think is warranted by the scale of AI's impact. (See also our free explainer "The End of Search: Navigating the Transition to an AI-Centric Information Ecosystem".)

The prime beneficiary of search's decline is digital display advertising. Here again Google plays a key role through YouTube, which dominates video display. Google AI also plays a role here - YouTube's AI recommendation system drives viewing. We forecast that digital display will grow faster than any category apart from outdoor media (which remains the growth champion).

And **within display, video will be the main source of growth**. Non-video display will stagnate by comparison, as the shift away from search reduces traffic on websites. Social media too, has problems maintaining engagement. (See our report "Social media decline: new opportunities open up for digital audio and TV").

Why this matters - new opportunities for 'traditional' sectors

Paradoxically, **this AI driven world will be good for 'traditional' media**, specifically free-to-air television and radio. The diversion of search revenue to display comes just as BVOD and digital radio gain momentum in the market (see our report "SCA results – digital is now the growth engine of radio"), and social media engagement has peaked.

For this reason, **we forecast improving revenue growth for both television and radio**, led by their digital offers. Radio benefits most, because podcasting is a new category that lifts overall engagement and inventory. Television also benefits, but to a lesser extent because BVOD is still more of a replacement than a complement for broadcast TV. For both sectors, better targeting and expanded inventory in the digital realm will increasingly dominate revenues.

But both sectors will face significant competition. While the SVOD subscription growth has flattened, YouTube remains a serious competitor in the digital video space, and already has ad revenues exceeding the entire FTA TV industry. Radio is better placed, with its main streaming music competitors slowing their growth.

For ad buyers, **the challenge is to manage the shift of eyeballs**. The media industry is passing through a major inflection that is upsetting assumptions about placement of advertising resources and the future of growth, and **this requires a rethink of ad placement strategies**.

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For more information go to ventureinsights.com.au or contact us at contact@ventureinsights.com.au.

David Kennedy, Managing Director
david.kennedy@ventureinsights.com.au

Venture Insights
Level 3, 461 Bourke Street, Melbourne, VIC 3000