Google Says Lower AI Mode Monetization Weighed On Search Growth via @sejournal, @MattGSouthern



Alphabet's (GOOGL) Google Search & Other line had a 12% increase in year-over-year revenue in Q3 2026 to $63.35 billion. Search revenue growth has been slowing down for two quarters now, after being at 19% in Q1 and 17% in Q2; and Search revenue was essentially flat compared to last quarter's $63.27 billion.

On Alphabet's earnings call, Chief Business Officer Philipp Schindler mentioned that lower monetization within AI Mode was one of three reasons for the slower growth.

In addition to announcing expanded availability of ads in AI Mode in ten additional markets, Alphabet also stated that it is launching ads in AI Mode follow-on question functionality in the United States. All existing Search, Shopping, and Performance Max campaigns are eligible by default and cannot

opt out separately.

Why Search Growth Slowed

The biggest factor driving the search slow down compared to Q2 was, according to Schindler, currency movements. Retail also experienced an impact, he said, with certain Asia-Pacific advertisers affected by the E.U. eliminating its de minimis exemption for low-value imports. Media and entertainment saw spending normalize after a strong Q2 which included the FIFA World Cup.

Google CFO Anat Ashkenazi stated that currency movement was a small headwind to the year over year growth and a larger headwind to the quarter over quarter growth. Ashkenazi also mentioned that there was a tougher compare because the search growth continued to accelerate throughout the second half of 2025.

On the Q2 earnings conference call in July, Ashkenazi had signaled both items stating that Google expected a slight FX headwind in Q3 primarily in Search & YouTube ads. Additionally, she stated that search would begin lapping last year’s acceleration in Q3.

In my prior report I noted in July that Q2 was the first time we had seen a slow down in search growth after 4 quarters of accelerating growth. The issue at hand then was if it was a temporary slow down or if it represented the beginning of a period of slowing growth.

What Google Said About AI Mode Monetization

CEO Sundar Pichai stated during the earnings announcement that AI investment has driven Search query growth (including commercial queries) as well as the “year-over-year query

growth rate is the highest it’s been in the last five years.”

During the call with investors, J.P. Morgan analyst Doug Anmuth questioned the difference in year over year query growth and Search ad revenue growth. Schindler noted it was currency, retail and media first and then stated that strong AI mode query growth negatively impacted search revenue growth due to lower monetization in AI Mode. He did not state what AI mode’s monetization was lower than, nor the amount of money this impacted search ad revenue.

Pichai told analysts:

> *“Just like our shift to mobile over a decade ago, we are focused on building the best Search user experience, followed by monetization.”*

In his prepared remarks, Schindler said many of the new questions people ask in AI-powered Search are upper-funnel, and that the majority of AI Mode queries are incremental, which he said creates more monetization opportunities over time.

In Google’s announcement post, Shashi Thakur, VP and GM of Google Search Ads and Ads on Google Experiences, wrote:

> *“Our research shows that people are comfortable with ads in AI Mode and find them highly relevant. In fact, click-through rates are already similar between sponsored and organic product list items within AI Mode.”*

A footnote references a source of Google’s click through comparison, which is internal data for Google in the United States for the time period August 20th thru September 3rd of 2026.

At the Google Marketing Live event in May of 2025, Thakur stated to reporters, including me, that AI Overviews generate

revenue “at the same rate” as those exact searches when there are no overviews. This claim covered AI Overviews, but does not include data on AI mode.

Ads In AI Mode Expand To 10 Countries

Google is scaling ads in AI Mode in Australia, Canada, India, Kenya, Malaysia, New Zealand, Nigeria, Pakistan, the Philippines, and Singapore.

Google Ads / Market Expansion

Where AI Mode ads are expanding

Google named 10 markets where ads are scaling, plus additional locales planned for Q4 2026.

SCALING

10 countries

PLANNED Q4

3 named*



Highlighted markets are those named in the Oct. 28

announcement. Unmarked countries are not an availability statement. *Q4 examples are not an exhaustive list.

Americas

Scaling: Canada

Planned: Brazil, Mexico

Europe & Africa

Scaling: Kenya, Nigeria

Planned: U.K.

Asia-Pacific

Scaling: Australia, India, Malaysia, New Zealand, Pakistan, Philippines, Singapore

The post also says Google is launching multiturn ads in the U.S., which allow ads in follow-up queries in AI Mode.

Google's help page on ads in AI-powered Search experiences states that advertisers cannot directly target AI Overviews or AI Mode individually, however negative keywords & brand exclusions will continue to apply.

When a query has direct commercial intent, exact match and phrase match keywords can serve; however, these types of keywords do not qualify for contextual matching on broader, exploratory-type questions. AI Max for Search, broad match, Shopping campaigns and Performance Max all qualify for both.

Placements that have AI explainers carry short text generated by Gemini from the user query, the AI response and public sources (including the advertiser's website). The advertiser has no ability to create, edit, approve or opt out of this

content. Google announced AI explainers at Google Marketing Live in May.

Results are included in standard reporting as part of aggregate reporting for campaigns and search terms reports. The help page lists English as the language for ads within AI Overviews and AI Mode and also indicates only text ads will be available in Pakistan.

Why This Matters

Google tied both its highest query growth rate in five years and part of its revenue slowdown to AI.

How much AI Mode inventory a campaign can reach depends on whether it uses AI-powered targeting such as broad match or AI Max, and standard reports combine AI Mode results with the rest of Search.

In Q2, Pichai said Google was sending “billions of clicks to websites every week” through AI features in Search. His published Q3 remarks and the call didn’t include a clicks figure, so the quarter adds detail on how Google makes money from AI Mode but none on traffic to websites.

Looking Ahead

CFO Anat Ashkenazi said that in Q4, at current spot rates, Google expects a slightly larger currency headwind, mostly in Search and YouTube ads, and that continuing to lap last year’s Search acceleration will pressure growth.

Google plans to expand ads in AI Mode to more locales in Q4 2026, including Brazil, Mexico, and the U.K.

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https://www.searchenginejournal.com/google-search-growth-slows

-again-ai-mode/594862/