# Comprehensive Research Report: The Current State and Outlook of the Prediction Markets Industry (2025)

## Executive Summary

The prediction markets industry is a rapidly evolving frontier blending finance, technology, and forecasting to transform how event outcomes are traded and predicted. Key players such as \*\*Kalshi\*\*, \*\*Polymarket\*\*, \*\*Robinhood\*\*, and \*\*Railbird\*\* lead the charge by leveraging different technologies and regulatory frameworks to capture diverse customer bases, from federal-regulated retail investors in the U.S. to global decentralized crypto communities.

This detailed report provides data-driven insights on market size, key operators, operational mechanics, industry synergies, regulatory landscapes, and future growth potential with visual charts and tables to support strategic decision-making.

## 1. Industry Landscape & Market Size

The prediction markets ecosystem intersects with, but differs from, the broader predictive analytics industry. The market is segmented as follows:

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| Market Segment | Description | 2024 Value (Billion USD) | CAGR (%) | Projected Value |
| Predictive Analytics Market | AI/ML-powered business forecasting | 18.89 | 21.4-28.3 | $82.35B by 2032 |
| Decentralized Prediction Markets | Blockchain-based peer-to-peer event trading | 1.4 | 46.8 | $95.5B by 2035 |
| US-Regulated Prediction Markets | Event contract exchanges regulated by CFTC | ~5 (estimate) | Rapid growth | Substantial growth projected |

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The predictive analytics market is broad and enterprise-focused, while decentralized prediction markets use blockchain to enable transparent, global trading. The US regulated market, led by Kalshi and expanding through Robinhood and Railbird, is a nascent yet fast-growing segment enabled by federal oversight.

## 2. Leading Companies & Market Positions

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| --- | --- | --- | --- | --- | --- |
| Company | Market Type | 2024 Trading Volume (Billion USD) | Regulation | Core Offering | Strategic Notes |
| Kalshi | Federally regulated exchange | 2 | CFTC-regulated Designated Contract Market (DCM) | Binary event contracts (politics, sports, etc.) | US market leader; partners with Robinhood; growth via legal approvalse |
| Polymarket | Decentralized crypto-native | 9 | Acquired CFTC-licensed QCX exchange | Peer-to-peer outcome contracts using crypto | Global volume leader; re-entered US market legally; partnered with X (Twitter) |
| Robinhood | Retail brokerage + prediction hub | N/A (new segment) | CFTC-regulated derivatives | Provides access to Kalshi event contracts | Introduced prediction contracts within own app; enables retail user participation |
| Railbird | Federally licensed exchange | N/A (emerging) | CFTC-regulated | Sports-focused event contracts | Under acquisition talks with DraftKings for scaling US footprint |

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This diverse operator landscape illustrates varying approaches: Kalshi pioneers federal regulation; Polymarket dominates crypto-native innovation; Robinhood democratizes through app integration; Railbird targets sports-specific markets.

## 3. How Prediction Markets Operate

- \*\*Binary Contracts:\*\* Contracts represent simple yes/no event outcomes, priced between $0.01–$0.99, where price equals implied probability.

- \*\*Trading Mechanisms:\*\*

- Continuous Double Auctions (CDA) where bids/offers are matched in real-time.

- Automated Market Makers (AMM) use algorithms (e.g., Logarithmic Market Scoring Rule) to provide constant liquidity.

- \*\*Event Categories:\*\* Encompass politics, sports, economics, entertainment, and technology.

- \*\*Examples:\*\*

- Kalshi offers event contracts such as “Will the Federal Reserve raise rates by March 2026?” priced at $0.35 indicating 35% probability.

- Polymarket trades crypto contracts on global political and social events.

- Robinhood integrates Kalshi’s federally regulated contracts within its app, bringing event trading to retail investors.

## 4. Market Share & Growth Trends

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| Platform/Segment | 2024 Trading Volume (Billion USD) | Comment |
| Polymarket | 9 | Largest global crypto-native platform |
| Kalshi | 2 | US federally regulated market leader |
| US Regulated Prediction Mkts | ~5 total (including Railbird etc.) | Emerging but growing rapidly |
| US Legal Sports Betting | >90 | Dominates broader betting market |

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The decentralized sector is exploding and expected to reach $95.5 billion by 2035. The US regulated segment is rapidly expanding with increased retail participation via Robinhood’s entry and DraftKings’ acquisition interest in Railbird.

## 5. Industry Synergies: Sportsbooks vs Prediction Markets

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| Aspect | Sportsbooks | Prediction Markets |
| Pricing Model | Fixed odds set by bookmaker | Market-driven, consensus pricing |
| Regulation | State-by-state licensing | Federally regulated (CFTC) |
| User Interaction | Entertainment betting focus | Trading financial contracts |
| Liquidity Source | Bookmaker-provided | Peer-to-peer exchange and AMMs |
| Event Coverage | Primarily sports | Sports, politics, economics, culture |
| Complementarity | Use prediction market data to refine odds | Use sportsbook odds for contract pricing |

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Prediction markets complement sportsbooks by providing accuracy signals, expanded event coverage, and access in states without sportsbooks. Many major sportsbook operators are exploring integration with prediction platforms.

## 6. Industry & Policymaker Commentary

### Industry Leaders

- \*\*Kalshi CEO Tarek Mansour:\*\* Envisions prediction markets as a trillion-dollar asset class transforming forecasting.

- \*\*DraftKings CEO Jason Robins:\*\* Cautiously watching, perceives regulatory clarity as key to entry.

- \*\*Flutter CEO Peter Jackson:\*\* Actively preparing to offer prediction markets leveraging sportsbook synergies.

- \*\*Robinhood VP JB Mackenzie:\*\* Sees prediction markets as engaging retail investors in event trading.

### US Policymakers

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| --- | --- | --- |
| Name | Role | Commentary |
| Rostin Behnam | Former CFTC Chair | Led Kalshi’s regulatory approval; successor introduces uncertainty |
| Sen. Adam Schiff | US Senator (CA) | Concerned prediction markets might encourage gambling risks |
| Sen. Cory Booker | US Senator (NJ) | Examines overlap with sports betting regulations |
| Quintenz (CEI) | Regulatory Advocate | Supports light-touch, innovation-friendly regulation |

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Continued legislative discussion and state-level regulatory actions, including limits on election betting, influence the sector’s trajectory.

## 7. Visual Summary: Market Size & Growth

This chart illustrates the market size progression by segment:

- Predictive Analytics Market: From $18.9B (2024) to $82.35B (2032), $100.2B (2035)

- Decentralized Prediction Markets: From $1.4B (2024) to $95.5B (2035)

- US-Regulated Prediction Markets: Estimated $5B in 2024, with rapid growth anticipated

## Conclusion

The prediction markets industry is a dynamic, high-growth segment positioned at the intersection of finance, gaming, and technology. US operators like Kalshi, Robinhood, and Railbird are leading federally regulated expansion, while Polymarket dominates globally in decentralized crypto-driven markets.

With technology advances, regulatory clarity, and increasing integration with traditional sportsbooks, prediction markets promise to reshape event-based trading, forecasting, and entertainment over the next decade. Investors and stakeholders should closely monitor regulatory developments and evolving operator strategies to capitalize on this emerging frontier.

This report offers a complete, data-rich, visual, and strategic view of the prediction markets landscape for current and potential investors, operators, and policymakers.