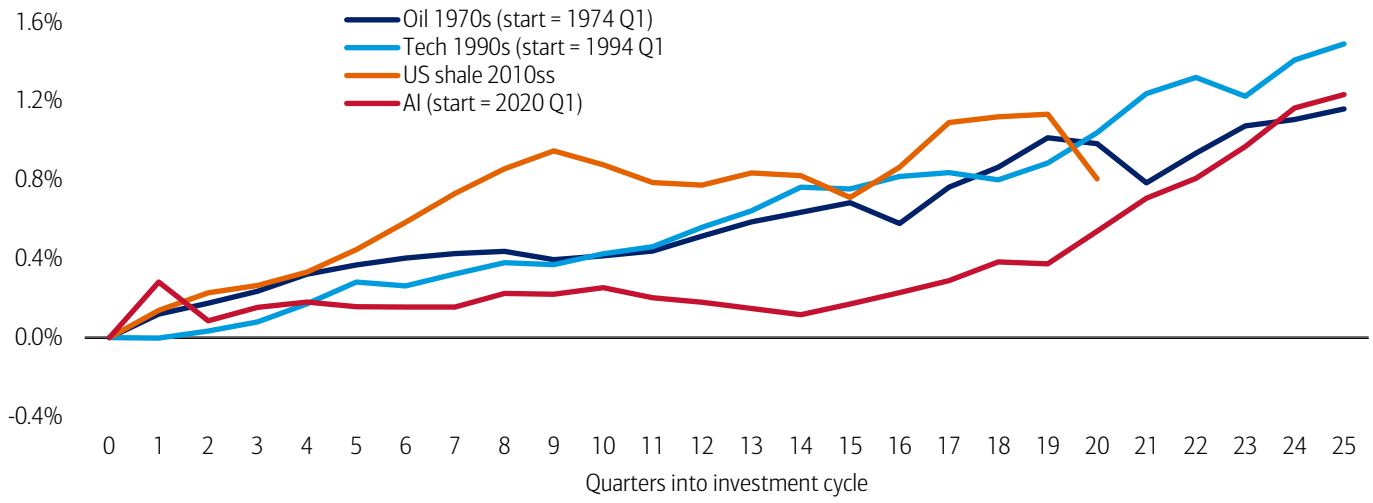
Daily Insights

AI investment boom now trails the 1990s tech cycle

23 October 2026

The AI investment surge now only trails the 90s tech boom
Investment cycles - Capex by sector (% of GDP, change from initial quarter)



Source: US Bureau of Economic Analysis (BEA), BofA Global Research
Note: BofA Global Research uses the following line items from the national account data to define each investment cycle: (1) 1970s oil: mining shafts & wells, mining & oilfield machinery, petroleum & natural gas wells. (2) Tech 1990s: communication equipment, computers & peripheral equipment, communication facilities and software. (3)1990s oil: mining shafts & wells, mining & oilfield machinery, petroleum & natural gas wells. (4) AI: Computers & peripheral equipment, software, data centers

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The current AI investment surge has surpassed the comparable stages of the 1970s oil and 2010s shale booms, leaving only the 1990s technology cycle ahead of it, according to BofA Global Research. Since the first quarter of 2020, AI-related capital spending has increased by roughly 1.2% of GDP, compared with about 1.5% during the equivalent period of the 1990s tech expansion.

The scale of today's buildout has made data centers an important source of US economic growth, supporting construction, manufacturing and income, even as hiring has weakened elsewhere. Although the pace of investment is likely to moderate, strong hyperscaler spending and a substantial pipeline of data center projects suggest the AI buildout still has room to run.

For more on the topic, read: Can the AI buildout keep building?

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