Chart of the Month | July 2025

Lessons from the ’90s: How AI Is Powering a New Investment Cycle

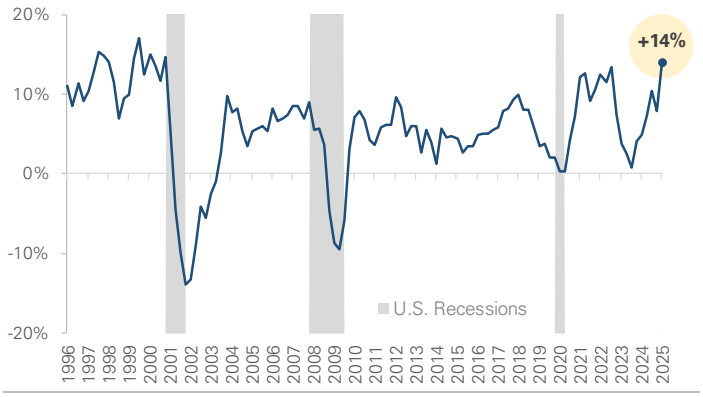
Technology spending is accelerating at the fastest pace in decades. Figure 1 shows investment in information processing equipment and software grew +14% year-over-year (YoY) in Q1 2025, the fastest pace since the late 1990s. During the dot-com era, investment in computers and software grew over +15% YoY before collapsing in the early 2000s as the tech bubble burst. Tech investment rebounded in the mid-2000s but turned negative again in 2008 as economic growth slowed. Spending growth averaged a more modest +5.5% YoY in the 2010s, but it remained well below the highs of the late 90s. The COVID pandemic initially caused tech spending to stall, but it reaccelerated in recent years and is now growing at 1990s levels.

Figure 2 graphs annual capital expenditures by telecom and artificial intelligence (AI) companies, adjusted for inflation. The data reveals two distinct eras of rapid technology investment. At the turn of the century the world was transitioning to a more digital society. In the late 1990s, telecom companies invested heavily to lay fiber, construct cell towers, and build the internet’s physical backbone. Telecom investment slowed in the early 2000s before stabilizing over the past two decades. Today, a new wave of tech investment is underway, driven by advancements in AI. Leading tech companies are investing billions in computer chips to train AI models, data centers to run the models, and new energy infrastructure to support it all. The chart shows AI capex could soon surpass the telecom peak from the late 1990s.

The latest tech spending boom has significantly impacted the stock market. Over the past two years, the S&P 500 technology sector gained +66%, outpacing the S&P 500’s +42% return. The “Magnificent 7,” a group of mega-cap AI leaders that includes Nvidia, Microsoft, Amazon, and Meta, returned +89% over the same period, more than double the S&P 500’s price return. The group’s large index weight and its ability to convert the AI industry’s momentum into earnings growth have driven the stock market to a series of record highs.

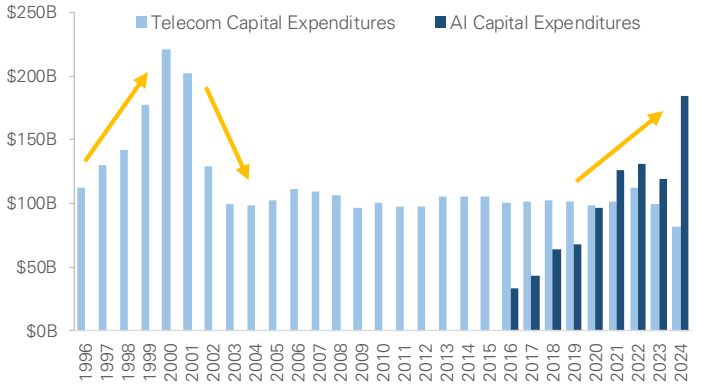
This period is a historical moment, marked by billions being spent to develop a transformative technology. Two takeaways come to mind when reviewing the figures below. First, as the late 1990s telecom boom showed, today’s rapid growth will eventually return to a more normal level. The current growth rate is unlikely to continue indefinitely, and Figure 1 shows tech investment has historically been tied to overall economic growth. Second, today’s spending levels are a reminder that the U.S. economy has a strong track record of innovation and economic resilience. Investing in the stock market offers a way to participate in and benefit from those advancements.

Figure 1 – Technology Investment (Year-Over-Year Growth)



Source: U.S. Bureau of Economic Analysis. Data represents the year-over-year growth rate of private investment in information processing equipment and software. Time Period: Q1 1996 to Q1 2025. Latest available data as of 7/15/2025.

Figure 2 – Inflation-Adjusted Capital Expenditures By Year



Source: USTelecom, Various Company Filings. AI Capex: Annual capital expenditures of Microsoft, Amazon, Meta, and Alphabet. Time period: 1996 to 2024. Latest available data as of 7/15/2025.

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