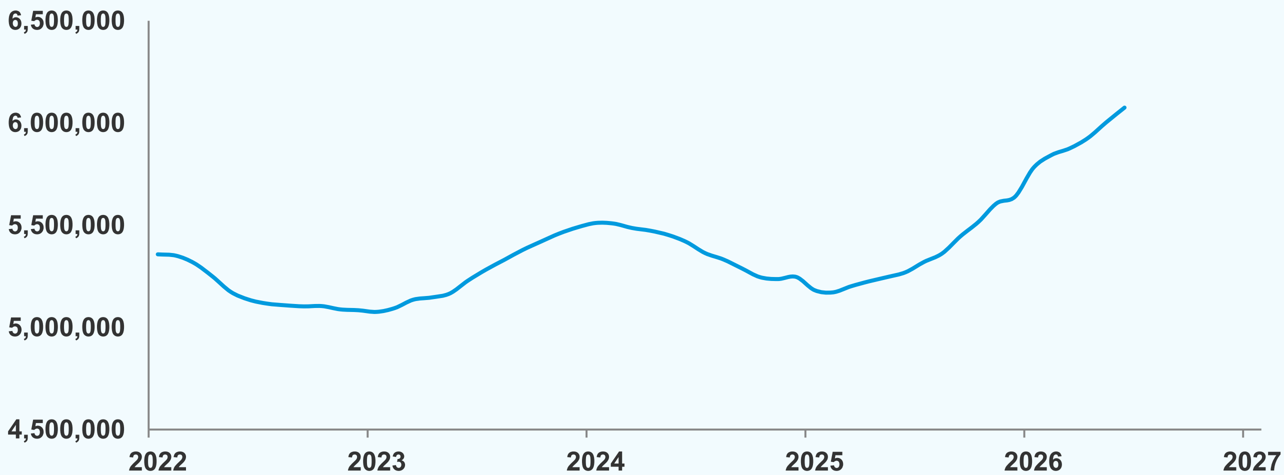
ALGER

Alger On The Money

AI and the Entrepreneurial Boom

Americans are applying to start new businesses at a record pace. While several factors may be contributing to this increase, we believe artificial intelligence (AI) is beginning to play an important role by reducing the time, cost, and expertise required to launch and operate a business. As these tools become more capable and widely available, entrepreneurship may become increasingly accessible across the economy. For investors, we believe that understanding the potential winners and losers from this entrepreneurial boom may prove critical.

New U.S. Business Formation Hits Record Highs (Rolling 12-Month Sum)



Source: Federal Reserve Bank of St. Louis as of 6/30/26.

- As shown in the chart above, the pace of new business formation has surged to a record high in the U.S., with more than six million new business applications filed over the last 12 months, up 15%. While entrepreneurial activity has increased across many industries, the strongest growth has occurred within the information sector, where new business applications are up 25% over the last 12 months as Americans increasingly launch websites, software products, and media services.
- We believe a key driver of this trend may be the rapid adoption of AI. Recent releases of AI coding assistants, along with design tools, content generation platforms, and workflow automation solutions, are enabling individuals and small teams to develop, test, market, and scale business concepts more efficiently than ever before. As the barriers to launching digital businesses decline, entrepreneurship may become increasingly accessible to a broader segment of the population, accelerating innovation throughout the U.S. economy.
- The long-term implications could extend well beyond startups. AI-enabled entrepreneurs may challenge incumbent providers across industries, including enterprise software, professional services, and other knowledge-based sectors (see also AI and the Declining Cost to Create). At the same time, supporting this wave of business creation may require substantial investment in the infrastructure that powers AI, potentially benefiting companies that provide data center equipment, electrical infrastructure, power generation, networking technology, and other critical AI-enabling assets.

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