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AI Boom Fuels 75% Jump in US Startup Funding as VC Firms Face Hurdles

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U.S. startup financing jumped 75.6 percent in the first half of 2025, reaching $162.8 billion, driven by continued enthusiasm for Artificial Intelligence (AI). Meanwhile, venture capital (VC) firms are facing a tougher fundraising environment, securing just $26.6 billion during the same period.

Investor interest in AI has never been stronger. Fueled by breakthroughs like ChatGPT and high-profile investments, AI deals accounted for 64.1 percent of total deal value and 35.6

percent of deal count in the year's first six months. In the past quarter alone, $69.9 billion flowed into U.S. startups, underlining the sector's momentum.

Among standout transactions was OpenAI's record $40 billion funding round. Meta (META.O) also made headlines, investing $14.3 billion for a stake in Scale AI. Other billion-dollar deals included significant commitments to Safe Superintelligence, Thinking Machine Labs, defense tech leader Anduril, and writing assistant platform Grammarly.

"I think it's downstream of the fact that OpenAI and Anthropic continue to grow at unbelievable rates," said Davis Treybig, partner at VC firm Innovation Endeavors, crediting robust performance at leading AI companies for broader investor confidence. "If there's even a chance you could see that sort of progress in other domains, whether it's robotics, protein folding models, world models or video models, then there are a lot of people who are going to want to invest a lot of money."

Despite booming startup valuations, VC funds struggle to attract fresh capital. In the first half of 2025, VC fundraising dropped 33.7 percent year-over-year, with only 238 funds bringing in a combined $26.6 billion. Fund managers are also taking longer to close new vehicles, with the median fundraising time stretching to 15.3 months, the longest since 2015.

H2 Fundraising

Limited partners (LPs) have grown cautious after the asset class's recent underperformance and liquidity constraints. Many are taking a wait-and-see approach, concerned about potential market corrections after the historic highs of 2021.

However, a rebound in exit activity is offering fresh optimism. Initial public offerings (IPOs) and mergers and acquisitions (M&A) rose by 40 percent in the second quarter compared to last year, encouraged by a more favorable regulatory environment and renewed appetite for public listings.

"The good news is we're starting to see the tide turn," said Lucas Swisher, co-head of growth investing at tech investment firm Coatue. "IPOs like Coatue portfolio companies Hinge Health and Coreweave have been well received by the market, and a dozen companies are filed now."

Looking ahead, sectors aligned with national priorities, such as AI, defense technology, fintech, and cryptocurrency are expected to dominate exit pipelines. U.S. leadership in AI is crucial for economic growth and national security, reinforcing long-term investor interest.

With VC fundraising under pressure, fund managers may need to adapt by offering more flexible structures or targeting niche strategies to attract LP capital. Yet, the ongoing AI wave offers a powerful tailwind for startups, positioning 2025 as one of the strongest years on record for U.S. innovation.