

J.P.Morgan

INNOVATION ECONOMY

Startup Insights

H1 2026



Executive summary

Capital investment has returned to levels close to 2021 and 2022, when venture activity was at its peak. What’s different this time is that deal volume continues to decline, driving greater concentration and more frequent “mega-rounds” that capture headlines—and an outsized share of total capital. The net effect is larger rounds at higher valuations, but fewer companies receiving funding overall. For founders, fundraising remains a top priority, and current data—paired with thoughtful preparation—can make a meaningful difference in securing capital on the right terms. The amount being raised, the sector and the city where a company is building all add nuance to the planning process and can introduce unintended consequences if not considered early. Finally, we highlight renewed momentum in U.S. manufacturing and the role startups can play in building the next wave of industrial and technological capacity.

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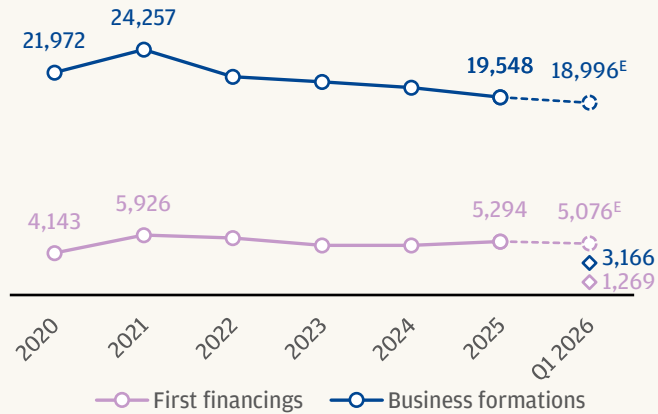
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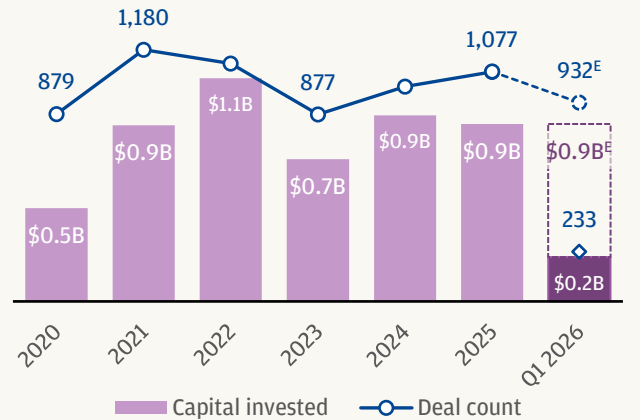
Startup Innovation Economy Dashboard: 2020-Q1 2026

Key indicators for the current state of the startup innovation economy

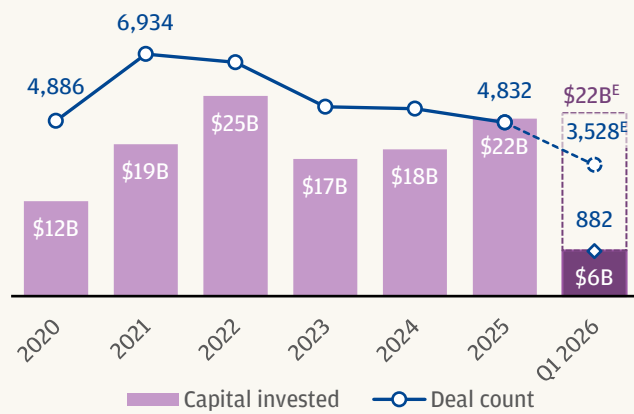
FIRST FINANCINGS & BUSINESS FORMATION^{1,2}



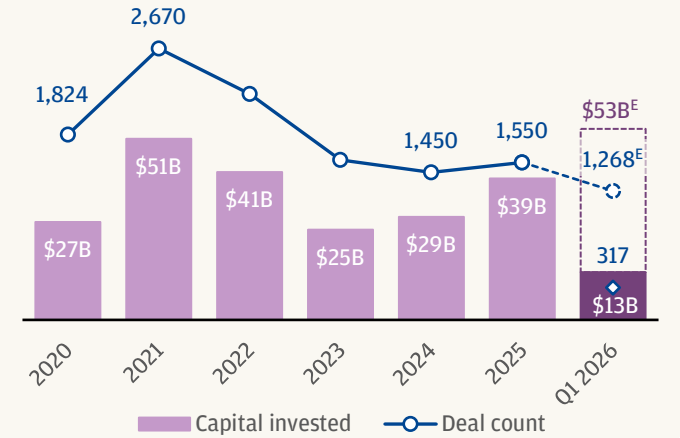
PRE-SEED DEAL COUNT & DOLLARS INVESTED^{2,3}



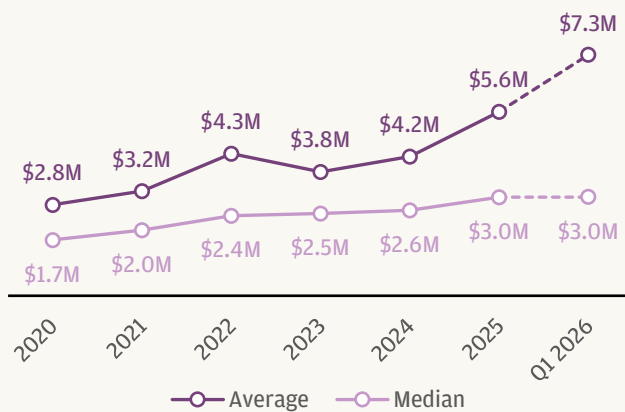
SEED DEAL COUNT & DOLLARS INVESTED^{2,3}



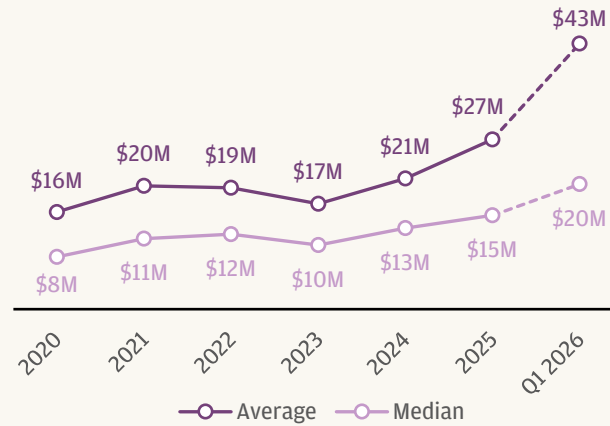
SERIES A DEAL COUNT & DOLLARS INVESTED^{2,3}



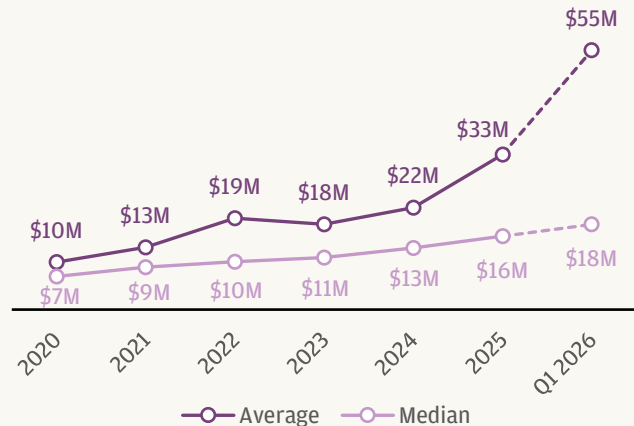
MEDIAN & AVERAGE SEED DEAL SIZE³



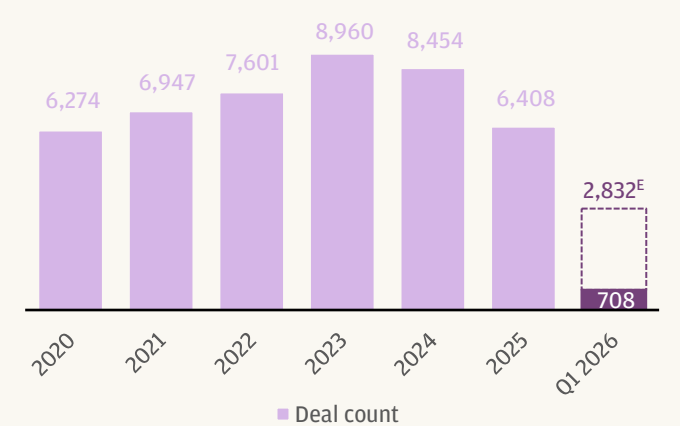
MEDIAN & AVERAGE SERIES A DEAL SIZE³



MEDIAN & AVERAGE SEED VALUATION⁴



ACCELERATOR/INCUBATOR DEAL COUNT^{2,5}



Notes: ¹ Business formation based on U.S. high-propensity business applications for the information sector. Q1 estimate only includes January and February data. ² For Q1 2026, ^E represents the extrapolation of quarterly date for the whole year. ³ Includes only deals with a disclosed transaction amount. ⁴ Pre-money valuation. ⁵ Accelerator/incubator deals may appear understated, since this metric often reflects the year startups join an accelerator/incubator program rather than deal date; data may remain incomplete until year-end.

Source: [Federal Reserve Bank of St. Louis](https://www.frbstlouis.org/); PitchBook. Data has not been reviewed by PitchBook analysts.

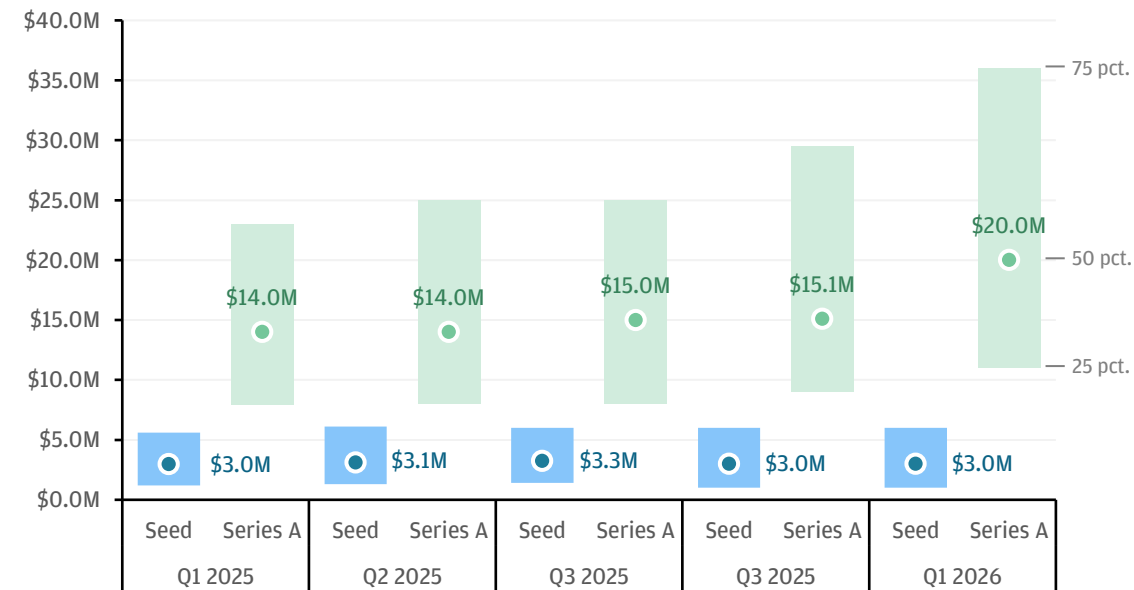
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Founder insights



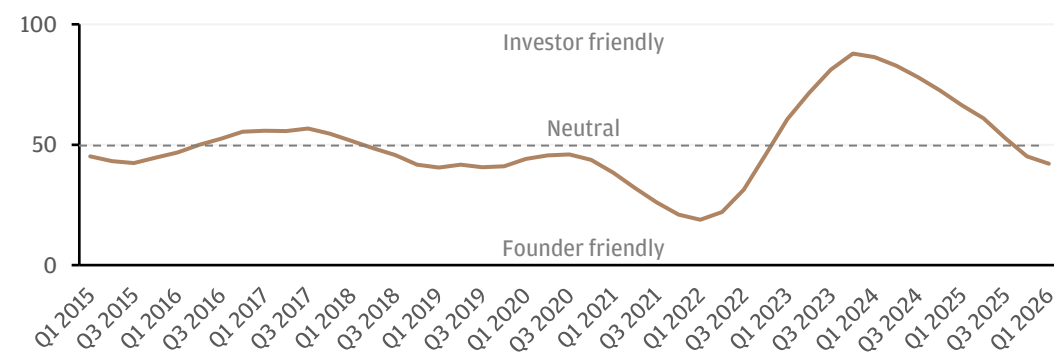
Preparing to fundraise: What founders need to know

DEAL SIZE RANGES: WHERE MOST DEALS HAPPEN



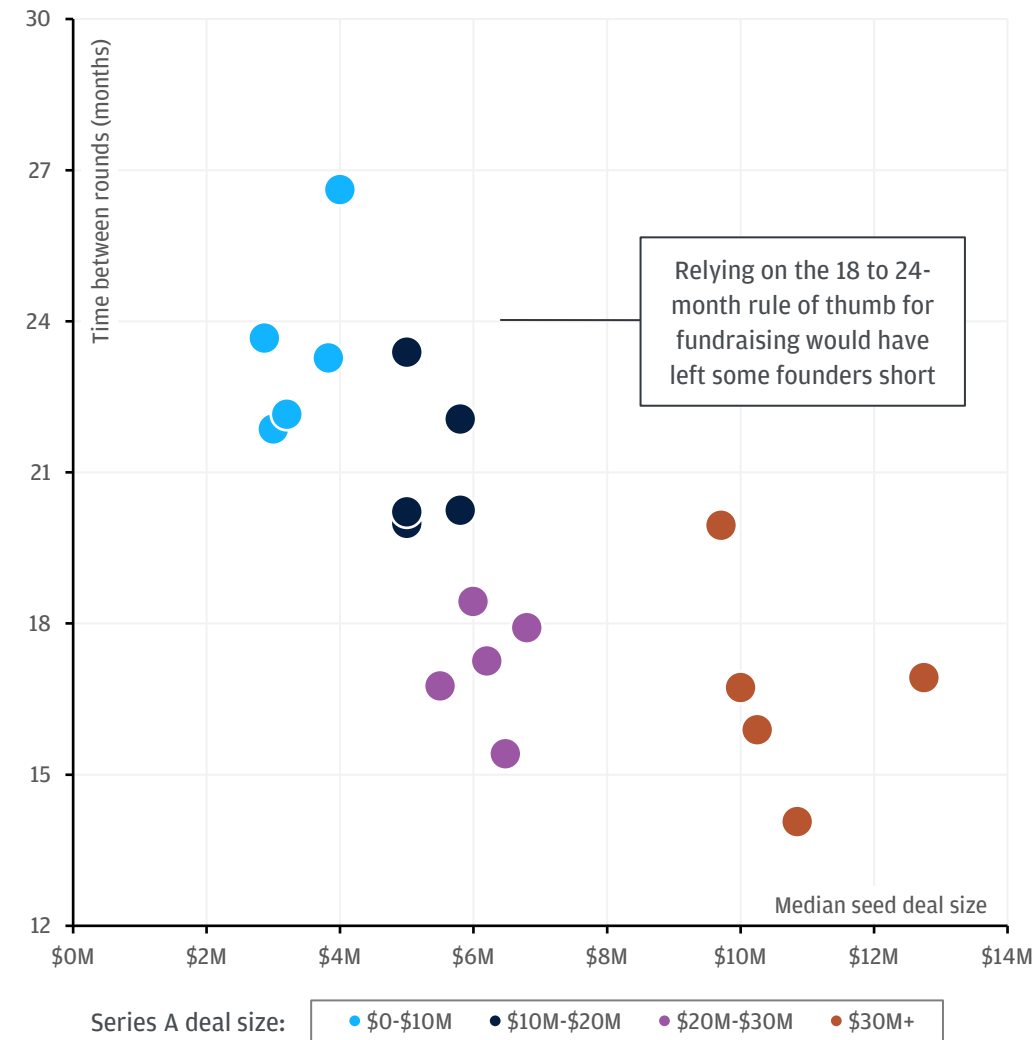
Median and interquartile range of seed and Series A deal sizes

NEGOTIATIONS: ADVANTAGE EDGES TOWARDS (SOME) FOUNDERS



Early-stage dealmaking indicator¹

FOR FOUNDERS WHO WENT ON TO RAISE A SERIES A, LARGER ROUNDS WERE TYPICALLY RAISED MORE QUICKLY



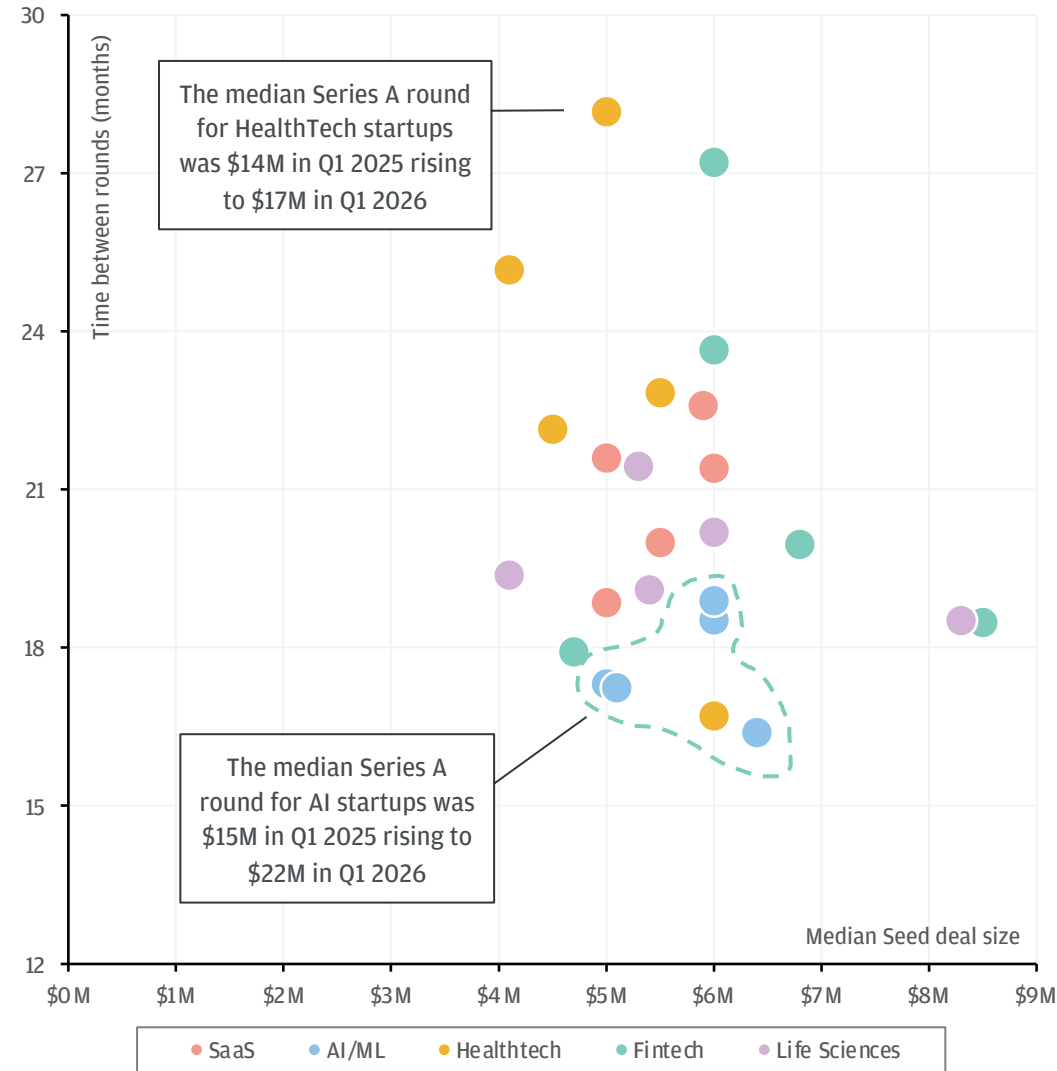
Series A cohorts; median prior seed deal size and time between rounds, by Series A deal size²

Estimating the right amount of capital to raise is a common challenge for founders—especially when headlines spotlight outsized rounds. Those high-profile deals can distort expectations, pulling benchmarks away from where most financings close and complicating negotiations. Relative to Series A, seed check sizes have been steady since early 2025. For companies that did raise a Series A, fundraising timelines tended to shorten as round size increased. Larger seed rounds also typically preceded larger Series A financings. Financing needs still vary by company, but headcount is usually the primary cost driver. A newer—and harder to forecast—planning variable is AI compute cost, particularly token usage, which can change rapidly based on product adoption, model selection and vendor pricing.

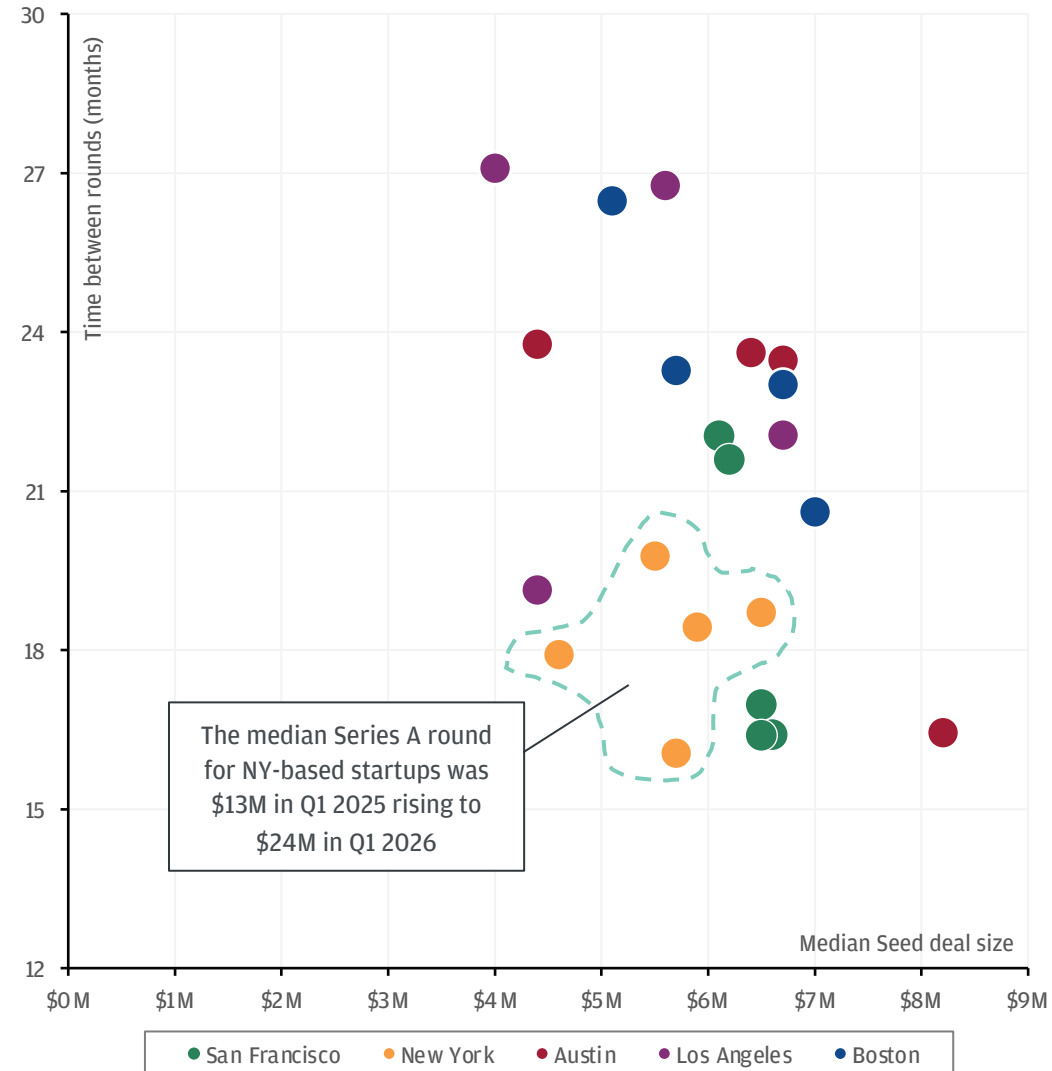
Notes: ¹ The dealmaking indicator methodology can be found [here](#). ² Series A cohorts refers to companies that raised a Series A in any quarter from Q1 2025 through Q1 2026; we then analyze the seed round those same companies raised prior to their Series A. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

What and where matter when planning to fundraise

SECTOR: AI & LIFE SCIENCE STARTUPS USUALLY RAISE FASTER



CITY: NY- & SF-BASED STARTUPS TEND TO CLOSE QUICKER



Series A cohorts; median prior Seed deal size & time between rounds, by sector¹

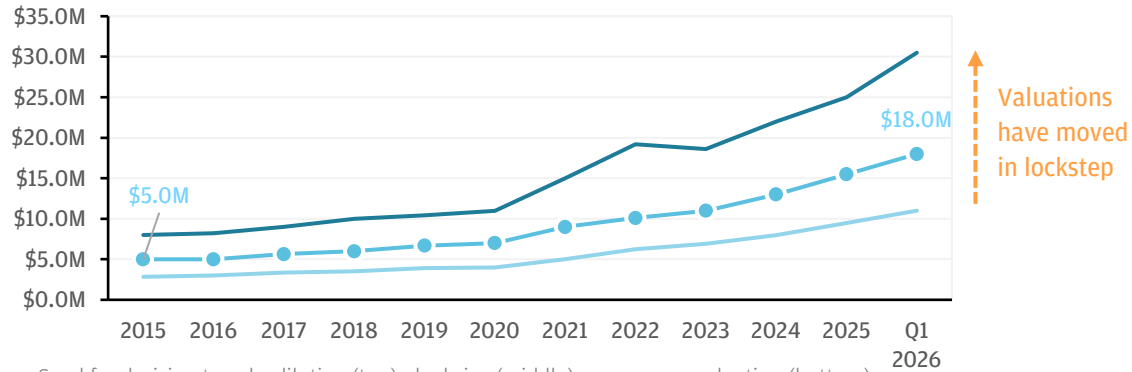
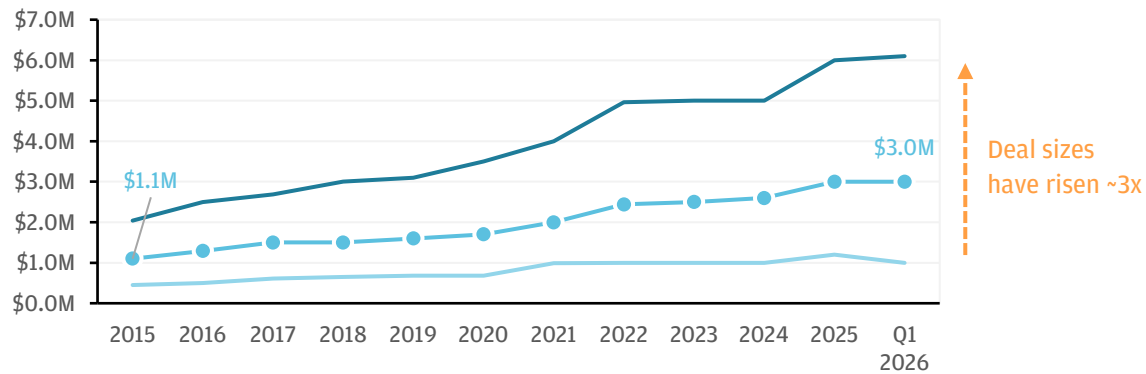
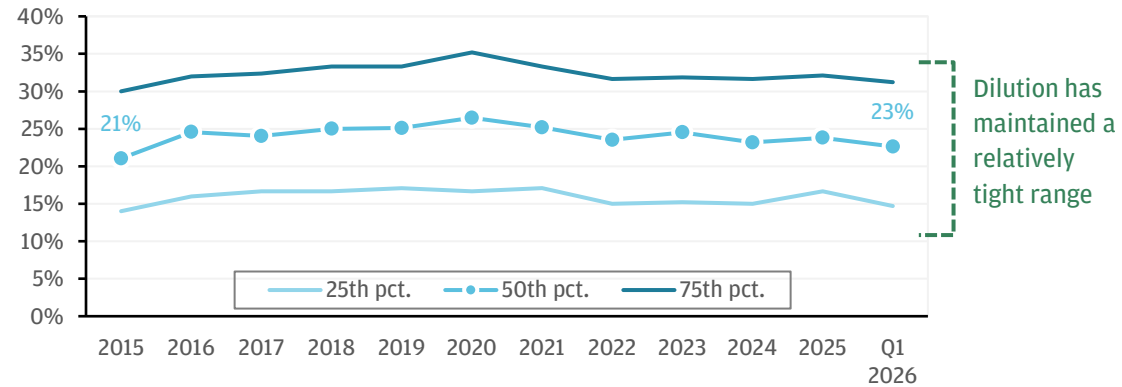
Series A cohorts; median prior Seed deal size & time between rounds, by city^{1,2}

The sector and city where a startup is building can influence fundraising outcomes. Companies that successfully raised a Series A round tended to have raised a seed round between \$4.0 million and \$7.0 million—above the median for all seed rounds, which has remained between \$3.0 million and \$3.3 million since the start of 2025, regardless of sector or location. Generally, startups based in a major venture hubs, like San Francisco or New York, or in popular sectors, like AI or life sciences, were able to close their Series A rounds more quickly. As a result, tracking timelines by comparable cohorts—rather than relying on rules of thumb—should produce more accurate planning assumptions for founders.

Notes: ¹ Series A cohorts refers to companies that raised a Series A in any quarter from Q1 2025 through Q1 2026; we then analyze the Seed round those same companies raised prior to their Series A. ² Q1 2026 data omitted for Austin, Los Angeles, and Boston due to insufficient data points. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

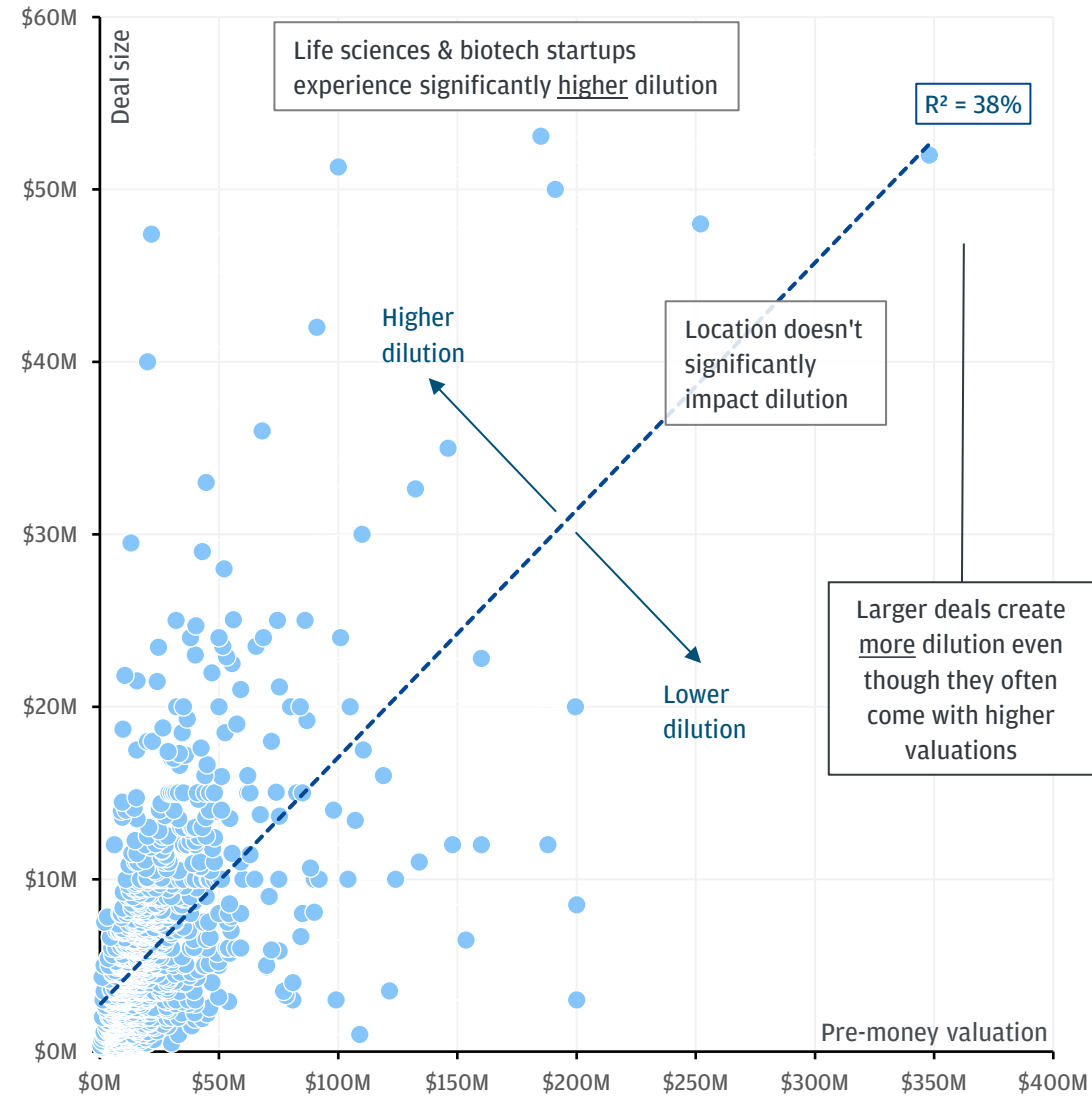
Deliberations about dilution

VENTURE CAPITAL MATH: DILUTION IS LESS NEGOTIABLE



Seed fundraising trends; dilution (top), deal size (middle), pre-money valuation (bottom)

LARGER ROUNDS ARE THE BIGGEST DRIVER OF DILUTION



Relationship between deal size and valuation for Seed rounds raised in 2025

The amount of ownership (dilution) a founder trades for equity has remained consistent, largely due to investor ownership targets, but disparities exist. At the same time, deal sizes and valuations have climbed, driven in part by a structural shift in early-stage venture: more investors have gravitated toward earlier-stage opportunities and are writing larger checks. This in turn demands stronger proof of traction and greater de-risking of the business than would have been required in prior periods. However, certain traits can affect the level of dilution. Raising larger Seed rounds can increase dilution, as valuations don't increase commensurately.¹ This is especially evident in sectors that typically have higher capital needs, such as biotech. Interestingly, where a startup is based does not have a meaningful effect on dilution.

Note: ¹ Dilution is calculated as deal size divided by post-money valuation. Option pool expansion, SAFE note conversion, and other factors may skew dilution calculations.

Source: PitchBook. Data has not been reviewed by PitchBook analysts.

Dilution isn't a moment, it's a pattern.

By the time founders reach Series A, many may already have surrendered more than they realize across pre-seed, seed and pre-money option pool top-ups. And that Series A round? A median pre-money of \$49 million against a \$15 million raise implies ~23% dilution in a single close.

The compounding is relentless and it happens with every funding round: option pool shuffles, pro-rata rights and anti-dilution clauses that quietly reshape your cap table.

Founders need to model every round from day one, know their number before every term sheet and educate themselves because dilution is going to happen.



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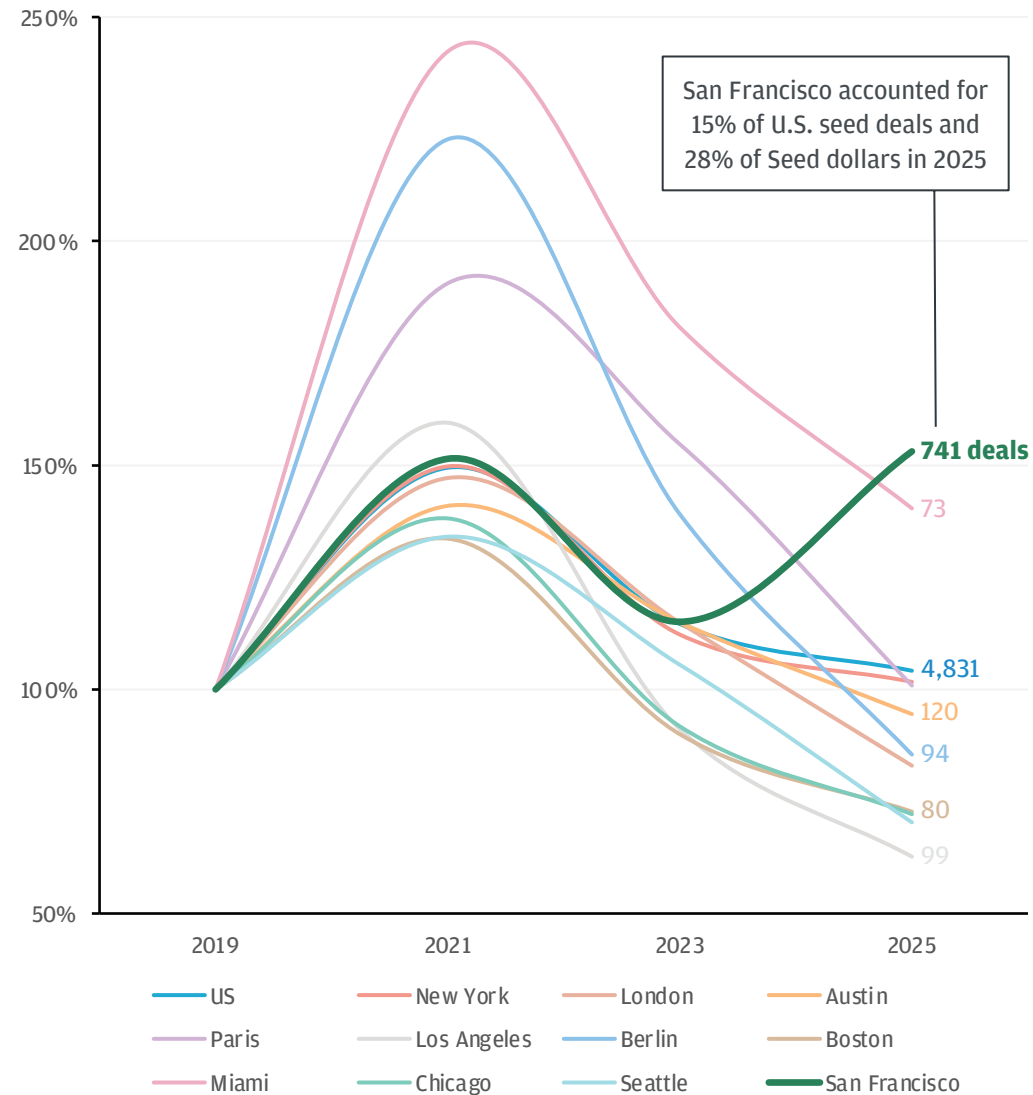
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Regional insights



Deciding where to build

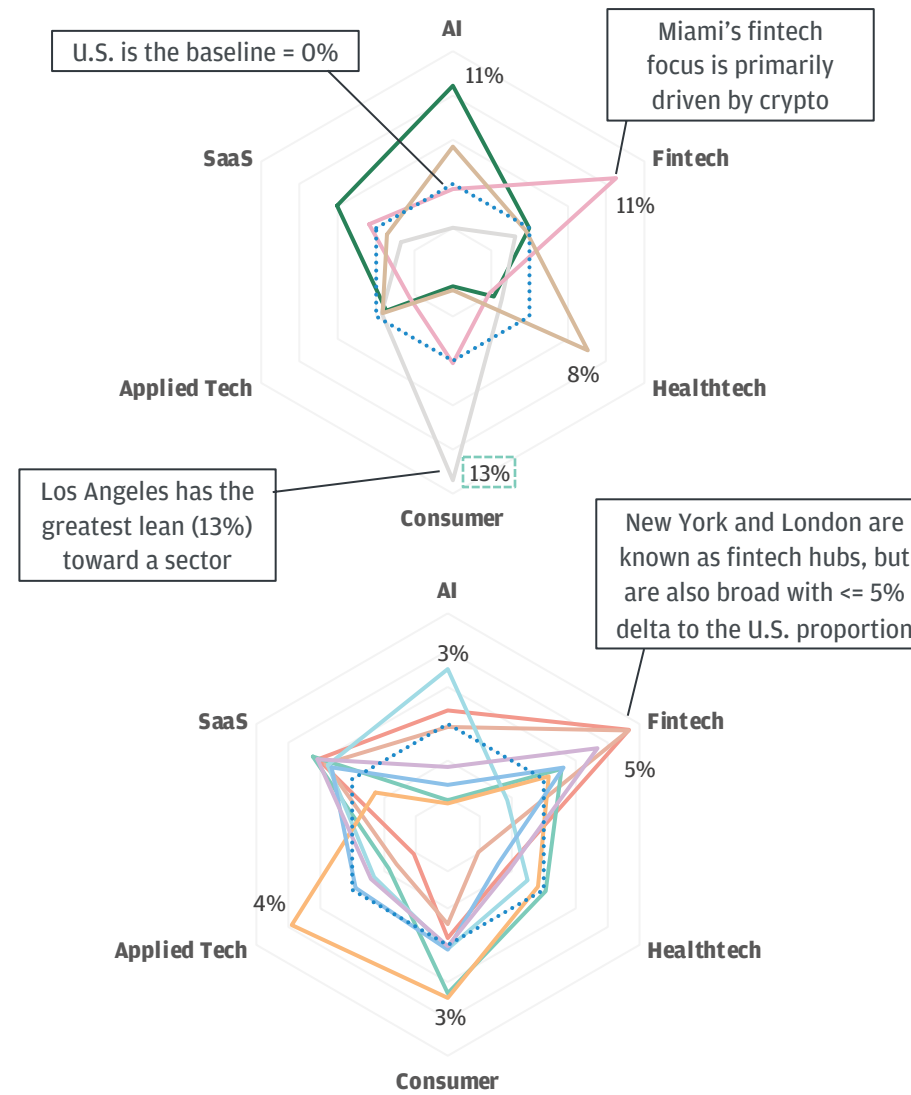
SAN FRANCISCO BUCKS THE DECLINING SEED DEAL TREND



Indexed Seed deals by city (100% = 2019 Seed deal count)

Note: ¹For each city, we compared its sector mix of Seed deals with the U.S. sector mix and calculated the difference to identify sectors where the city is over- or under-indexed in seed activity.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

CERTAIN CITIES DOMINATE SECTOR SPECIALIZATION



Difference in sector share of total seed deals by city¹

FOUNDER CONSIDERATIONS

Startup activity & sector specialization

- Vibrancy of ecosystem
- Proximity to customers and partners
- Level of subject matter expertise

Ecosystem maturity

- Density of startups
- Access to accelerators and service providers

Access to capital

- Depth of local investor network
- Ability to raise next round of funding

Availability of talent

- Access to skilled, experienced talent
- Proximity to talent sources, like universities
- Level of AI talent and expertise

Cost of living & cost to operate

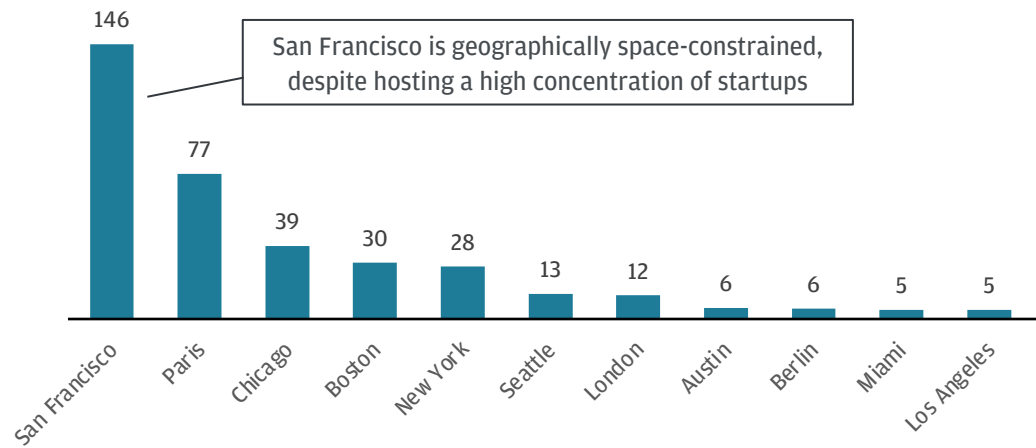
- Salary levels and rent/office costs
- Quality of life and general affordability
- Tax burden and available incentives

Ease of doing business

- Low regulatory friction
- Local government support

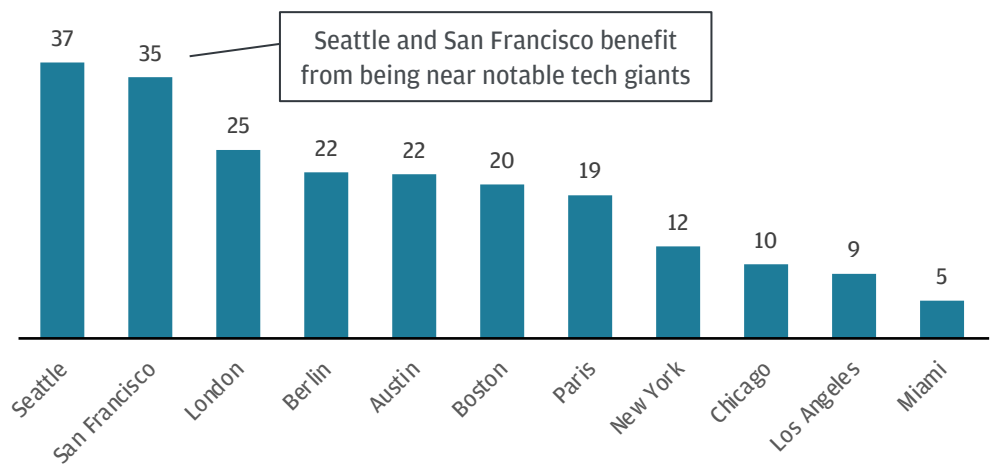
Startup location strategy is a set of trade-offs

SAN FRANCISCO IS PACKED WITH STARTUPS



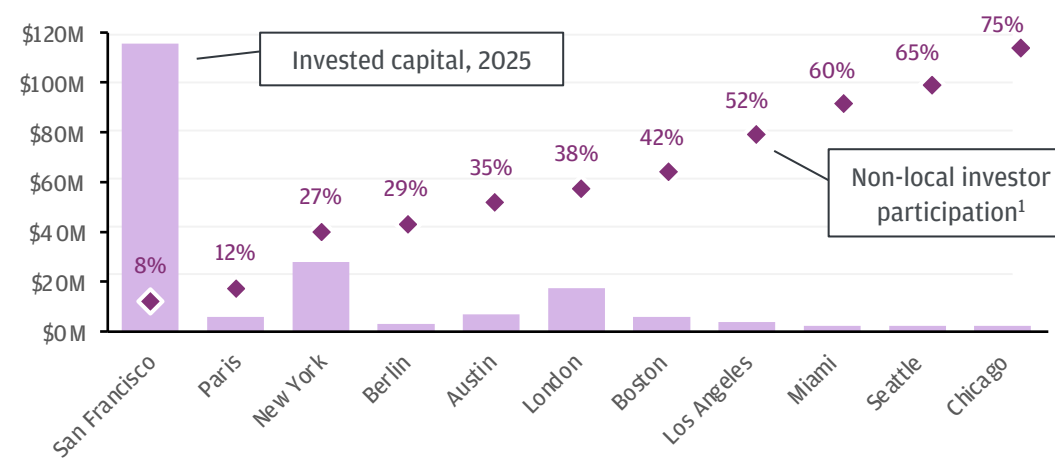
Number of startups per square mile for select cities

ACCESS TO SKILLED, EXPERIENCED TALENT IS A NECESSITY



Number of software developer jobs per 1,000 jobs for select cities

A SUPPORTIVE LOCAL INVESTOR NETWORK HELPS



Capital invested in 2025 and proportion with non-local participation for select cities¹

WEIGHING WORK-LIFE BALANCE

City	Cost of living	Average sunny days/year	Quality of life
Austin	1	5	2
Berlin	2	8	4
Boston	7	6	3
Miami	6	3	7
Chicago	3	7	6
San Francisco	10	2	5
Los Angeles	5	1	11
Seattle	9	9	1
Paris	4	10	8
New York	11	4	10
London	8	11	9

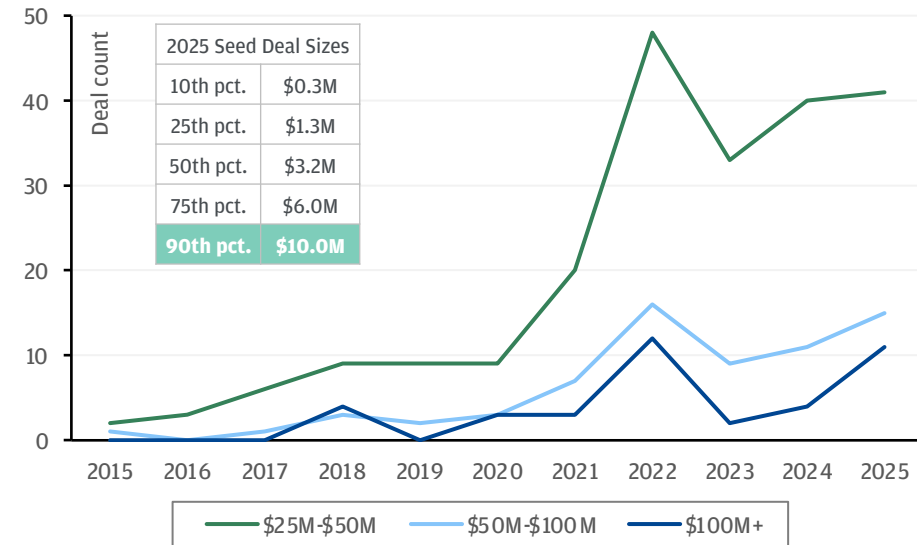
Standard of living metrics, ranked for select cities

Startup location strategy is less about picking the single “best” city and more about balancing access to networks, capital, talent and quality of life. San Francisco stands out for its exceptional startup density and, more recently, its role at the center of the AI wave. That concentration can drive stronger knowledge spillovers as the community is more tightly knit, making connections and opportunities easier to find. Talent remains a deciding factor, with some markets offering deeper pools shaped by major tech employers and leading universities. For many first-time tech founders, often in their mid-30s to early 40s, family needs also factor heavily in where they choose to live and build. At the same time, a “996” work culture—roughly 72 hours a week—has taken hold in some hubs, including San Francisco.

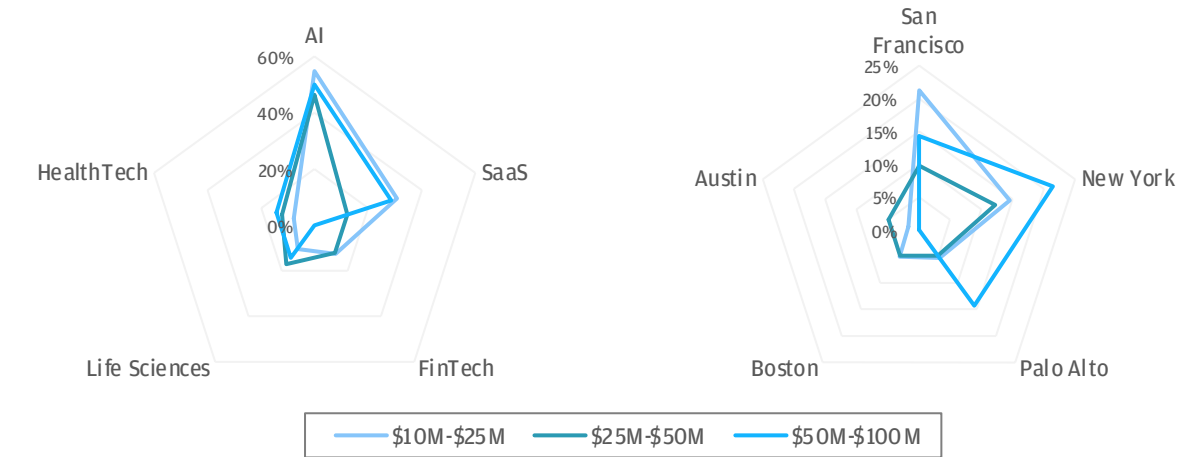
Note: ¹ Non-local investor participation is calculated as the percentage of the capital invested that involved a non-local investor. A local investor is classified as within the same state as the city, except for San Francisco, New York, Los Angeles, Berlin, Paris and London.
 Source: U.S. Census Bureau, U.S. Bureau of Labor Statistics, Numbeo, National Oceanic and Atmospheric Administration (NOAA), PitchBook. Data has not been reviewed by PitchBook analysts.

Land of the giants: The Bay Area and New York dominate

90TH PERCENTILE GRABS OUTSIZED SHARE OF CAPITAL

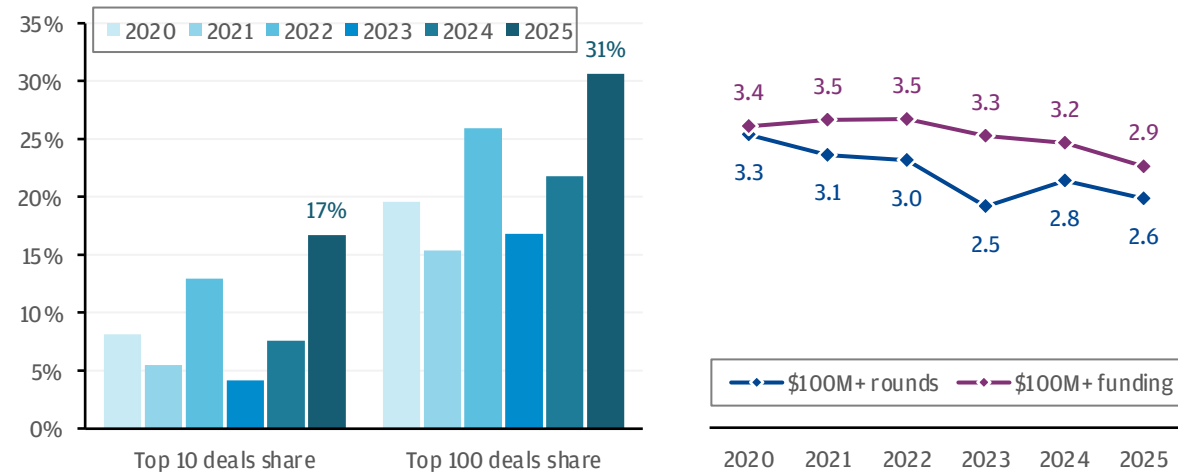


AI STARTUPS IN MAJOR VENTURE HUBS CAPITALIZE

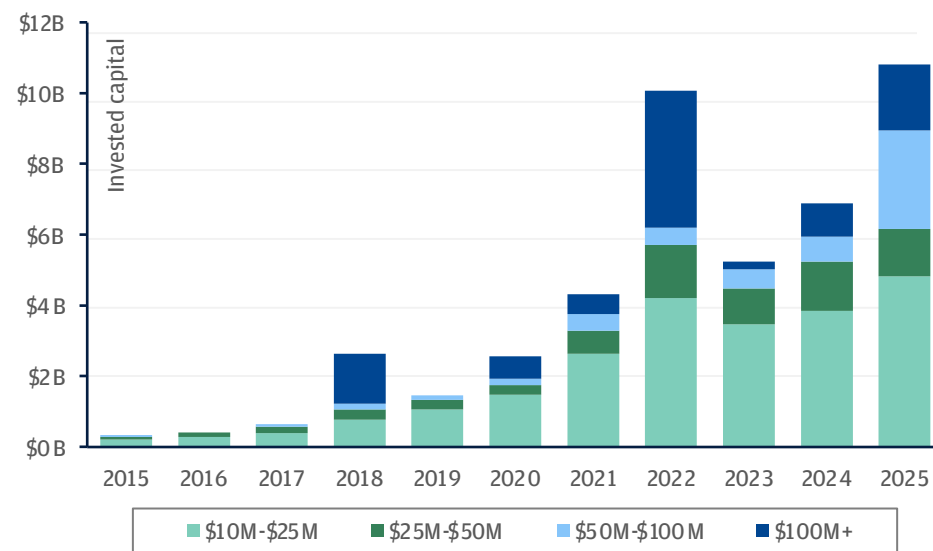


Sector and location concentration for Seed deals in 2025 by deal size bucket

A HUNDO COMES QUICKER AS DOLLARS CONCENTRATE



Share of total Seed capital (LHS) and average number of rounds to reach \$100M threshold (RHS)



Number of seed deals (top) and capital raised (bottom) by seed deal size bucket¹

An uptick in the number of giant seed rounds has led some in the ecosystem to describe them as “coconut” seeds (because of their size). However, these rounds only represent a tiny proportion of all seed deals (less than 10% in 2025 are over \$10 million), although account for a meaningful share of the seed capital raised (approximately 55% in 2025). Much of this large-seed activity has centered on AI companies based in the Bay Area and New York. As with other venture stages, seed investing is becoming more concentrated: in 2025, the top 10 and top 100 seed deals captured the largest share of total seed capital seen this decade. In parallel, companies are reaching \$100 million+ rounds—or surpassing \$100 million raised—in fewer financing rounds than before.

Note: ¹ The \$10M-\$25M deal-size bucket was removed to show the trends for the larger deal-size buckets clearer.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

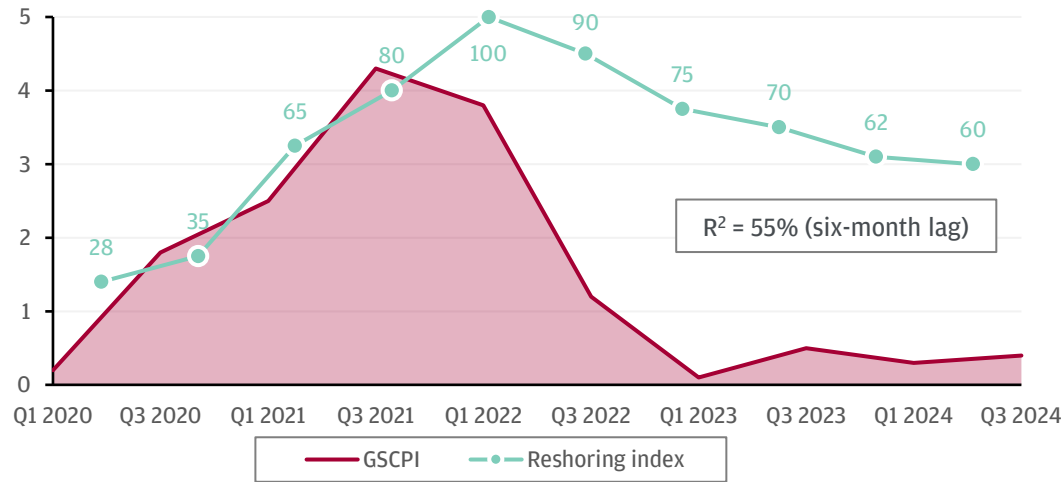
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| Sector insights



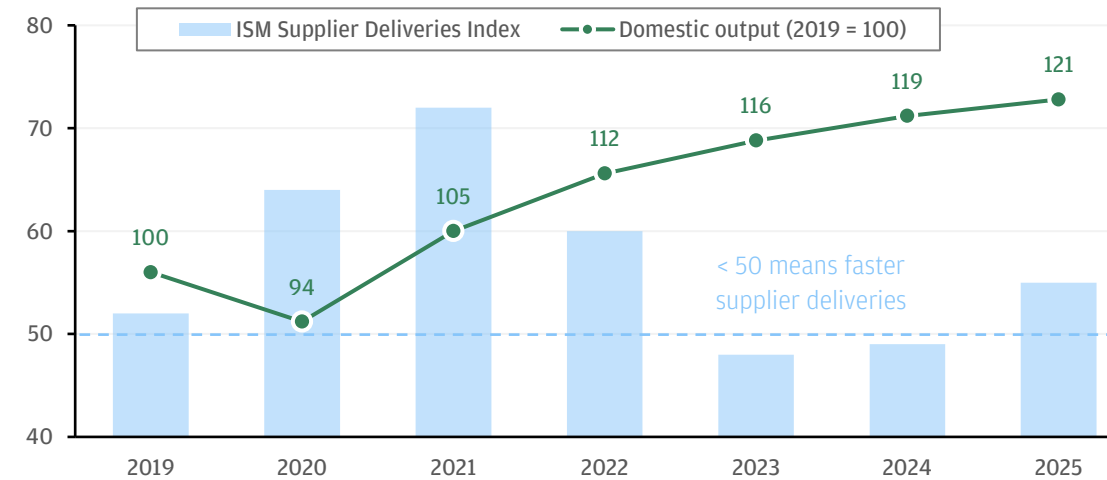
U.S. manufacturing is rebuilding around resilience

SUPPLY CHAIN SHOCKS ACCELERATED RESHORING



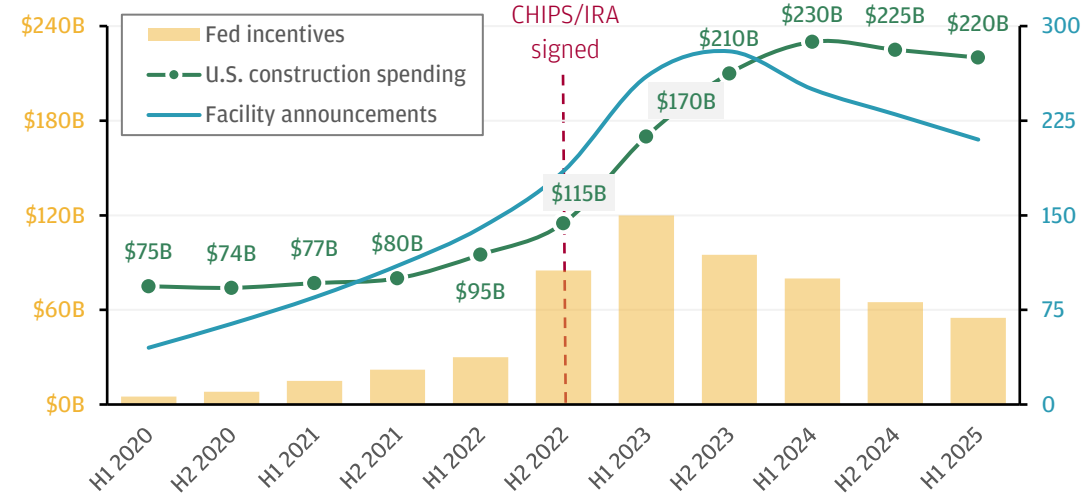
NY Fed Global Supply Chain Pressure Index (GSCPI) vs. reshoring index (t+6 months)¹

DOMESTIC OUTPUT RECOVERED AS BOTTLENECKS EASED



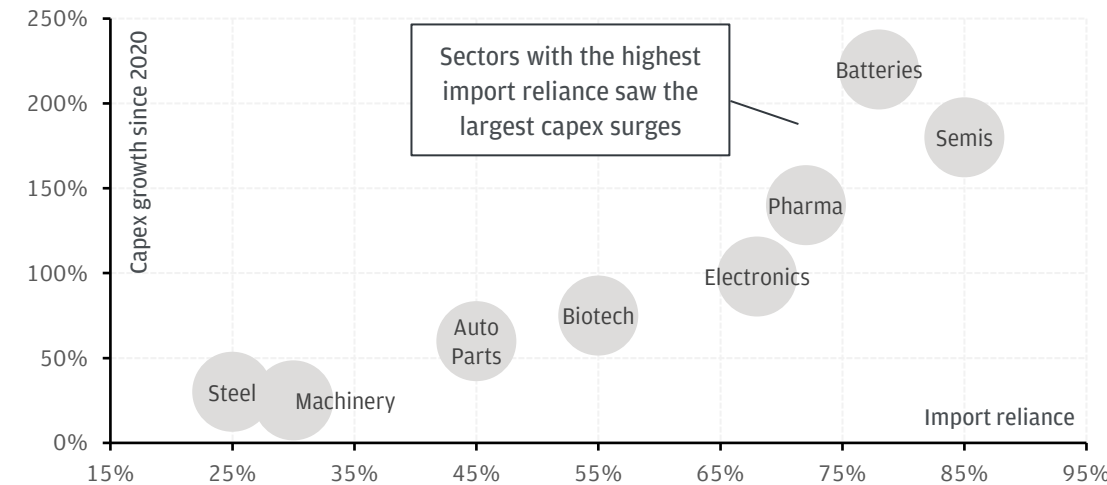
ISM Supplier Deliveries Index (supplier deliveries > 50 = slower) vs. domestic output index (2019 = 100)

POLICY HELPED TURN INTENT INTO BUILDOUT



Federal manufacturing incentives vs. U.S. manufacturing construction spending and facility announcements

CAPEX SURGED WHERE DEPENDENCE WAS THE HIGHEST



Sectors charted by import reliance vs. capex growth since 2020²

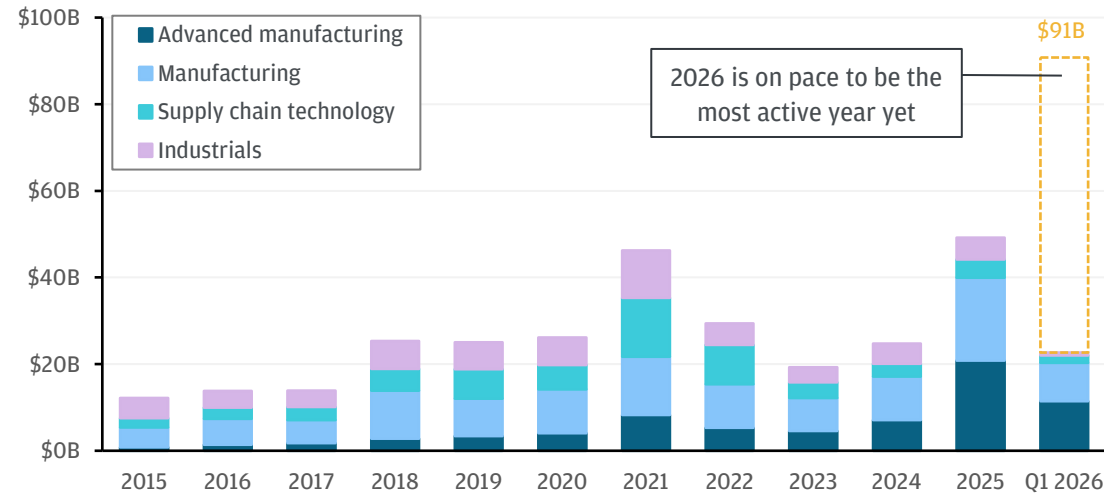
The rebound in U.S. manufacturing is not cyclical, but strategic. The 2021 supply-chain shock exposed the fragility of global production networks and pushed companies to get more control over their manufacturing and supply chain operations. More recently, this issue has expanded into national security interests. As such, the federal government, through incentives (and tariffs) is encouraging this transition by helping turn plans into reality (and making alternatives more expensive). Investment is flowing into industries where the U.S.'s dependence on imports, national security and policy support most strongly overlaps—a convergence J.P. Morgan's [Security and Resiliency Initiative](#) is designed to support. With that buildout underway, the next question is where value accrues inside the plant.

Notes: ¹ The "Reshoring Index" is a composite activity index constructed from Reshoring Initiative quarterly job announcement data, normalized to a 0-100 scale where 100 = peak quarterly activity (Q1 2022). The GSCPI data is plotted at the quarterly midpoint. A 6-month lag was applied to the reshoring series for correlation analysis, yielding $r=0.74$ and $R^2=55\%$. ² Import reliance represents the share of domestic demand met by imports. Higher = more dependent on foreign supply.

Source: [New York Fed](#); [Reshoring Initiative](#); [Institute for Supply Management \(ISM\)](#); [FRED Manufacturing Output](#); [National Institute of Standards and Technology](#); [Semiconductor Industry Association](#); [The Organisation for Economic Co-operation and Development](#)

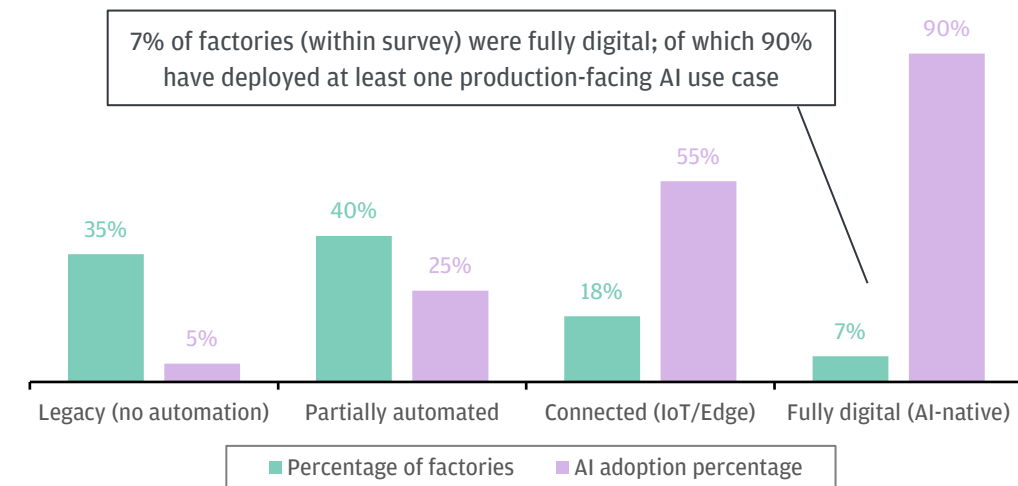
The buildout is underway: The next opportunity is inside the plant

MANUFACTURING VENTURE ACTIVITY IS ACCELERATING



U.S. venture capital investment for various manufacturing subsectors¹

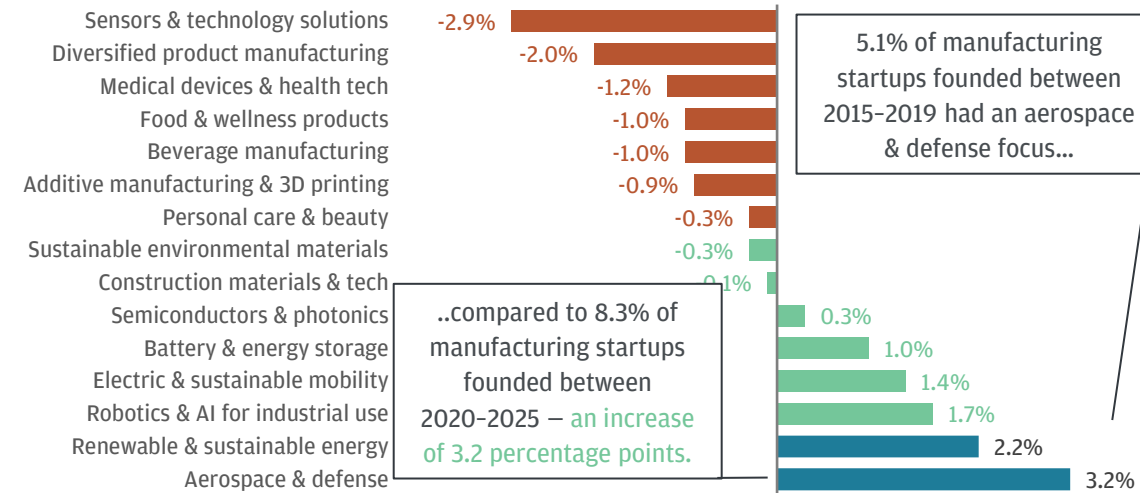
MOST FACTORIES ARE NOT "AI-READY"



Factory digitization level vs. AI adoption rate²

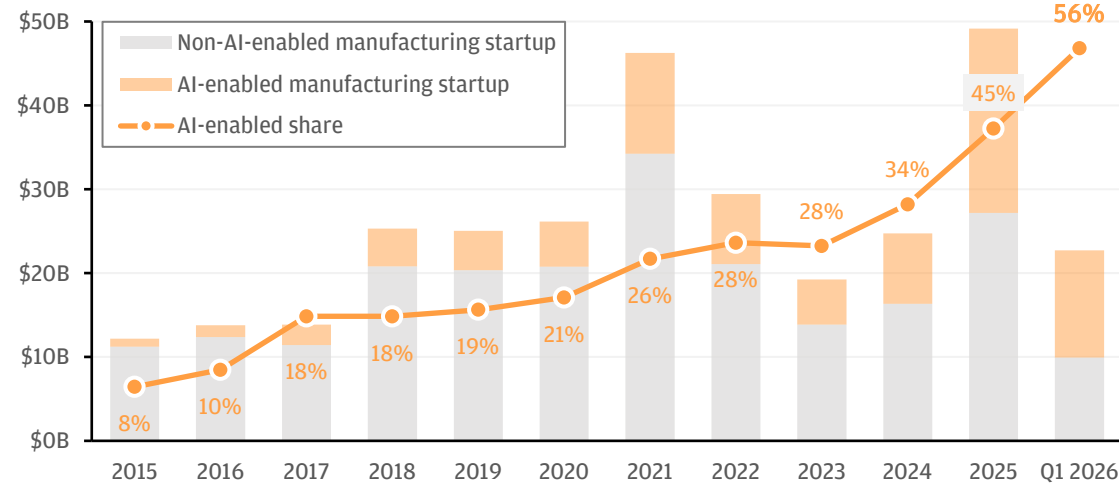
Notes: ¹ Subsectors are not mutually exclusive. For 2026, Q2 to Q4 extrapolation is ~\$68B, full-year is ~\$91B. ² "AI-Ready" means a factory has the data infrastructure necessary to deploy AI/ML models. This is distinct from "AI-Deployed" (actually running AI in production).
Source: [IoT Analytics](#); [Rockwell](#); [McKinsey](#); PitchBook. Data has not been reviewed by PitchBook analysts.

MANUFACTURING STARTUPS PIVOT TO DEFENSE, ENERGY & AUTOMATION



Percentage change in prevalence among manufacturing startups founded in 2015-2019 vs. 2020-2025, by theme

AI-ENABLED MANUFACTURING NOW LEADS VENTURE FUNDING

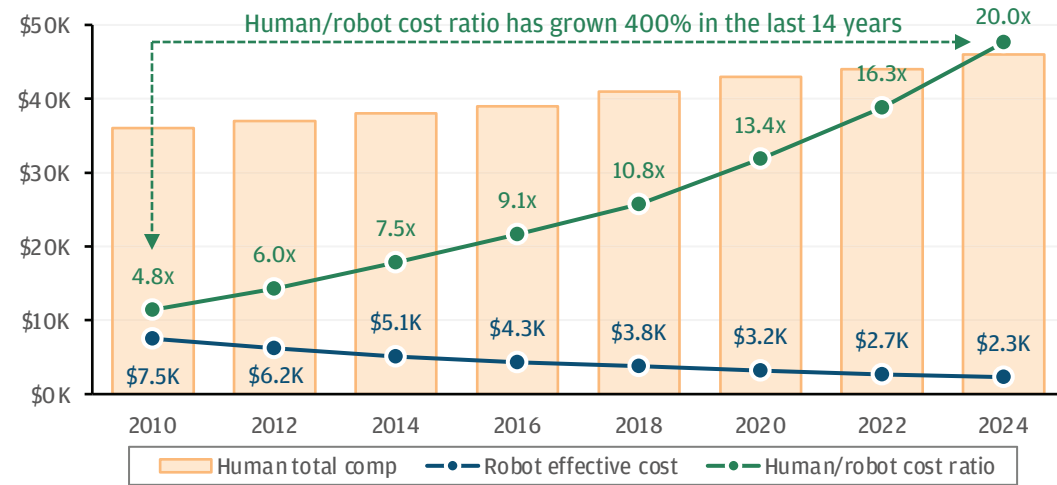


Venture investment for AI-enabled manufacturing startups vs. non-AI enabled manufacturing startups

Factory buildouts are only the start of a broader industrial modernization cycle. Venture activity suggests investors are positioning for technologies needed to operate facilities more efficiently—and the themes they are backing are shifting. Funding is pivoting toward hard tech and national priorities, as the manufacturing ecosystem is increasingly shaped by geopolitics, the energy transition and AI-driven automation. At the same time, the digital readiness gap inside plants remains large, as most factories are still far from AI-ready. That mismatch helps explain why AI-enabled manufacturing startups are capturing a growing share of capital. Once these facilities are up and running, the key question becomes how they operate and at what level of intelligence in the age of advanced AI and robotics.

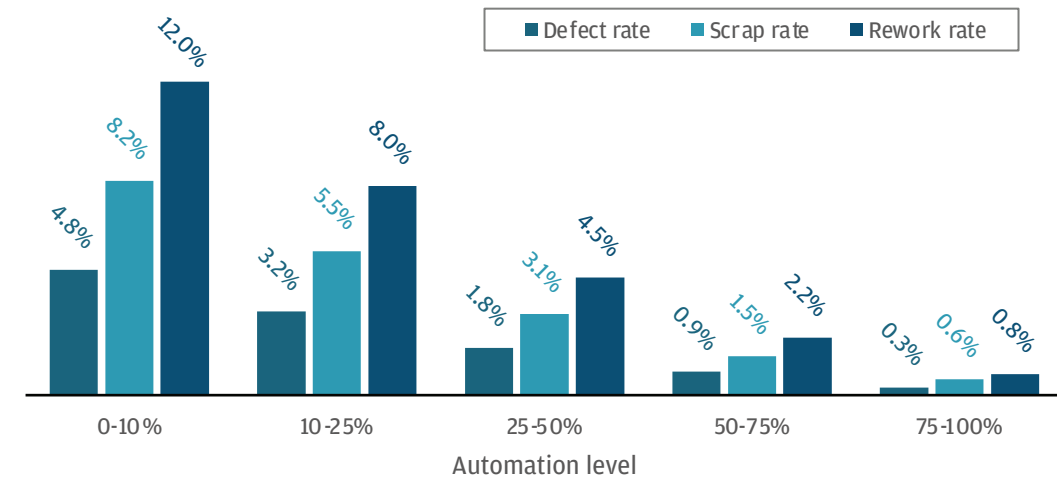
Applied robotics re-emerges as part of the next manufacturing revolution

FALLING ROBOT COSTS ARE IMPROVING AUTOMATION PAYBACK



Robot amortized cost (per ARK) vs. total employer costs for employee compensation (ECEC)¹

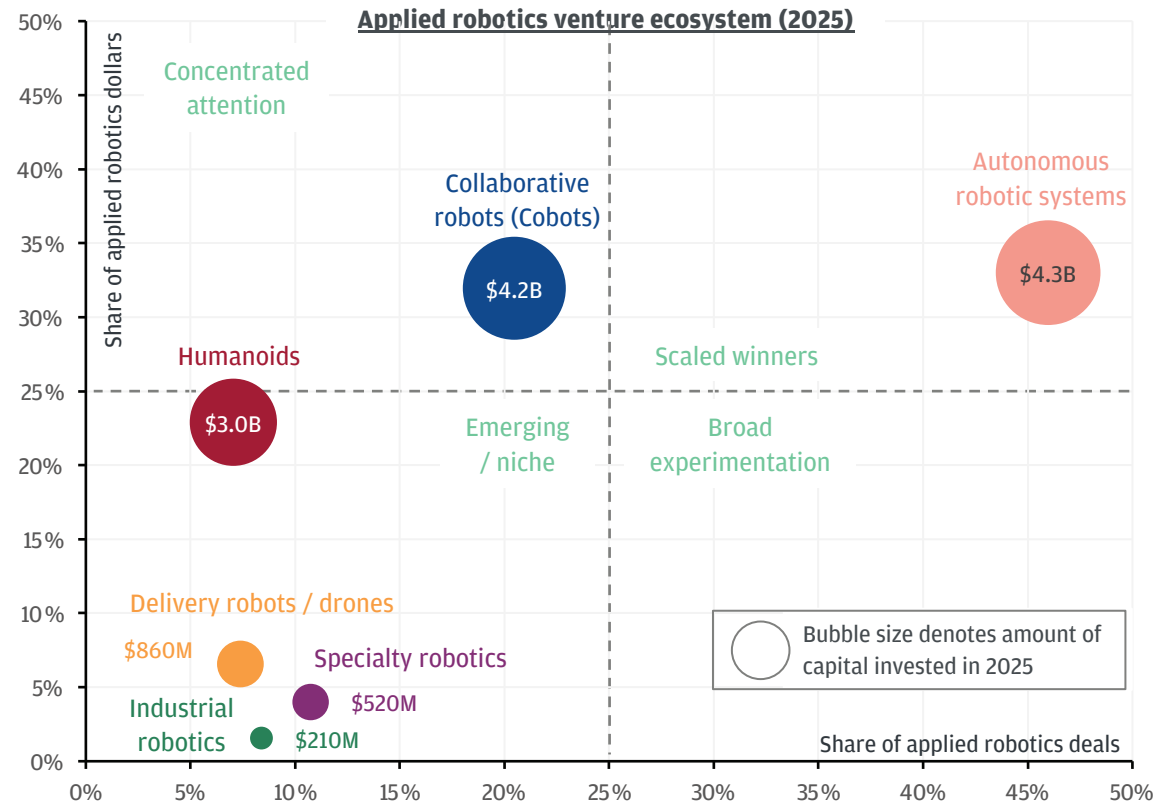
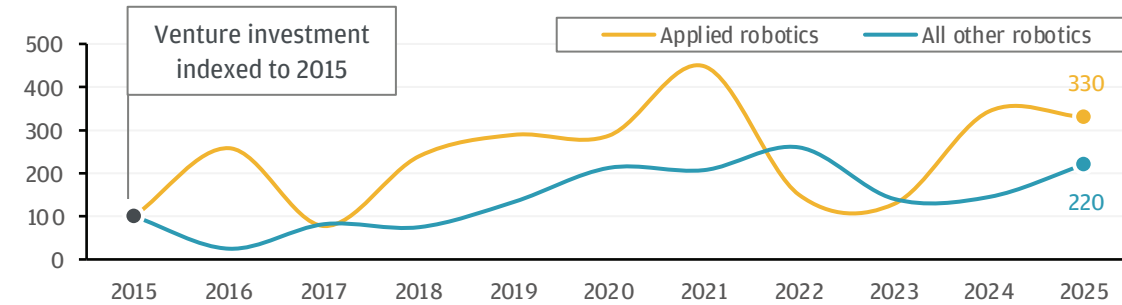
QUALITY LOSSES FALL AS AUTOMATION SCALES



Cohort analysis of 476 European manufacturing firms segmented by automation level (2022)²

Notes: ¹ Robot effective cost calculated as (avg. robot unit cost + lifetime maintenance cost) / total operating hours over useful life. Actual costs vary by robot type, application complexity, integration costs & utilization rate. ² "Automation level" includes both physical automation and digital automation. Source: [ARK](#); [EY](#); [Inbolt](#); [U.S. Bureau of Labor Statistics](#); [International Federation of Robotics](#); [European Manufacturing Survey](#); PitchBook. Data has not been reviewed by PitchBook analysts.

AUTONOMOUS ROBOTIC SYSTEMS & COBOTS LEAD THE WAY



Applied robotics and all other robotics venture investment (indexed to 2015) (top)
Applied robotics venture activity and relative share (2025) (bottom)

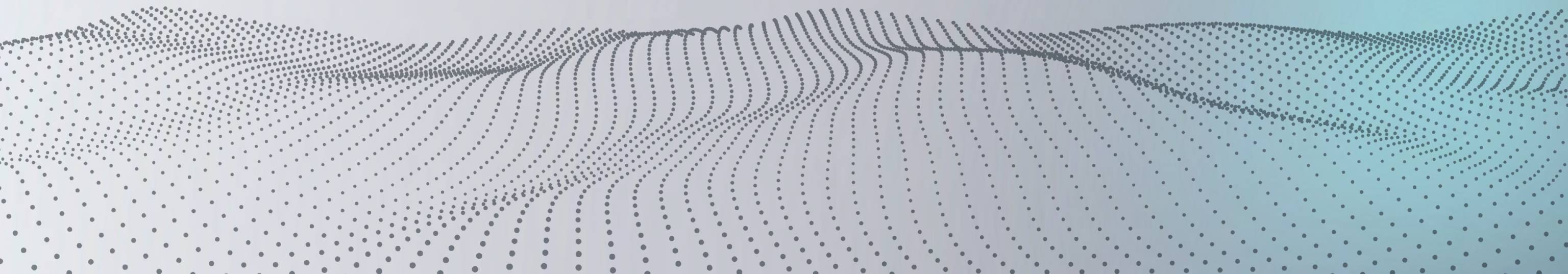
Robotics is emerging as a key aspect of the U.S.'s advanced manufacturing future. The level of automation in U.S. manufacturing has been growing. However, it still ranks behind many leading European and Asian markets based on robot density. Part of the problem has been affordability. As robot costs fall relative to compensation, payback periods are improving, especially as higher automation levels correlate with lower defect, scrap and rework rates. Venture activity reflects the reemergence of robotics, though capital remains concentrated in a handful of form factors—suggesting initial opportunities lie in solving specific plant pain points like quality, uptime and workflow rather than holistic, broad-based solutions.

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