



2025 Projections Review – Was the Forecast Correct?

The **Stonebank 2025 Annual Projections and Audibles** report correctly anticipated a year of uncertainty and disruptive events. The central theme was the necessity for C-suite leaders to maintain extreme strategic and operational flexibility—the "C-Suite Audible"—to navigate disruptions in global trade, inflationary pressures, government spending cuts, and the aggressive integration of Artificial Intelligence. Key focuses include the strategic use of tariffs as leverage, the pursuit of government efficiency via the DOGE initiative, and a projected surge in M&A activity fueled by lower interest rates and massive private equity "dry powder".

Stonebank was very accurate regarding **Global Trade tactics, AI investment surges, and the M&A rebound**. It was partially correct on **Inflation and Government Efficiency** (accurately predicting workforce cuts but overestimating spending reductions). Its primary "miss" was the **Corporate Tax Rate**, which remained at 21% despite legislative efforts to lower it.

As we enter 2026, the focus for executives shifts from **Policy Speculation** to **Operational Execution**. Success in 2026 will be defined by a company's ability to prove ROI and drive business innovation on 2025 technology investments, navigate a more settled but still evolving trade environment, and take advantage of the AI revolution.

2025 Stonebank Projections Review Summary

Dimension	2025 Stonebank Projection	Actual 2025 Outcome	Validation Status
Global Trade	20-25% tariffs on Mexico/Canada; 25% on China as policy leverage.	10-25% tariffs overall. 25% on Canada/Mexico and 20% on China implemented. Policy leverage but also added government revenue	Validated
Inflation & Rates	Inflation at 2.5%; Fed Funds rate cut to 4% target.	Inflation at 2.7% (Nov); Fed Rate cut to 3.72% (Dec). CPI ~2.5-2.8%; debt >\$17T. 75 BPS reduction in Fed Funds	Strongly Validated
Corporate Tax	Reduction from 21% to 17-18% range.	Statutory rate remained at 21% ; 100% expensing passed instead.	Not Validated
Government Efficiency	DOGE creation; \$2T in spending cuts.	9% workforce cut (271k jobs); but spending increased by \$248B.	Partially Validated
AI Revolution	AI investment to exceed \$200B.	Global AI spending reached \$1.5 Trillion .	Strongly Validated
M&A Activity	Substantial increase driven by rates & dry powder.	Global M&A hit \$4.8 Trillion; US deals up >50%.	Strongly Validated

2026 Projections and Audibles

Looking ahead to 2026, we expect the operating environment to remain structurally uncertain. GDP growth is expected to remain positive, in the range of approximately 2.5–3%, but volatility across trade policy, technology adoption, and capital markets will persist. Leadership advantage will be determined less by prediction and more by organizational adaptability and execution discipline. The following are Stonebanks top factors that will affect business success in 2026.

1. Inflation and Interest Rates: The "Stubborn Last Mile"

We forecast inflation to hover in a narrow but sticky band of **2.6%–2.8%** throughout 2026. Consequently, the Federal Reserve is expected to continue the easing cycle and, establishing a "pause floor" for interest rates at **3.0%–3.25%**. While the initial price shocks from 2025 tariffs have stabilized, the structural costs of "near-shoring" and a tightening market for specialized labor are headwinds against the 2.0% target.

C-Suite Audible: "The Efficiency Hedge." Focus on growth drivers especially where there is opportunity for new business innovation while shifting the C-suite focus to **Internal Rate of Return (IRR)** improvements. Every major initiative must now prove a 10-15% productivity gain via automation to offset the persistent 3% floor in operating expenses. The internal capital, R&D, IT, and Continuous improvement project portfolios need to be continuously reviewed for execution delivery and business case assumptions evolution.

2. AI ROI: The "Value Realization" Reckoning

Projection: 2026 will be the year of the **"AI Value Test."** Total spending will shift from infrastructure (chips/servers) to applications and agentic workflows, with AI software spending projected to reach **\$270 billion**. After the \$400B+ infrastructure "arms race" of 2025, public markets and boards will demand proof of margin expansion. Companies that cannot demonstrate a 10–20% reduction in "cost-to-serve" or "time-to-market" by Q3 2026 will face significant valuation corrections.

C-Suite Audible: "Scale or Scrape." By Q2, perform a cold-eyed review of all 2025 AI pilots. Defund "experimental" projects that haven't hit KPIs and reallocate 80% of your technology capital to the **top use-cases** that have proven they can drive core bottom-line growth or productivity.

3. Global Trade: The "Fortress North America" Anchor

Projection: The July 2026 **USMCA Review** (United States – Mexico – Canada) will be the most significant trade event, likely resulting in a "permanent regionalism" policy that solidifies Mexico and Canada primary U.S. manufacturing hubs. The volatility of 2025 has forced a realignment of Mexico's exports which are on track to hit **\$700 billion** in 2026. The "China Plus One" strategy is being replaced by a "USMCA First" mandate for critical components. Tariff policy will continue to evolve in 2026 with bargaining between countries and also the U.S. Supreme court weighing the President's authority to set tariffs without congressional approval. Recent developments with Venezuela could have significant opportunities but likely only after a newly established government and post-2026. U.S. proposed Greenland purchase has pushed again to the forefront using Tariffs to influence not only trade fairness but national security. We expect that will have negative trade implications for between the U.S. and Europe in the first half of the year, even if there is compromise.

C-Suite Audible: "Supply Chain Sovereignty." Do not wait for a "return to globalism." Negotiate long-term logistics and manufacturing contracts within the North American trade zone before the July renegotiations trigger a new wave of localized price spikes. Just as in 2025 monitor and plan for Tariff uncertainty. Supply chain risk management plans are critical to have in place to address Tariffs and North America specific agreements.

4. Labor: The "Fractional & Automated" Workforce

2026 Projection: As unemployment holds steady or rises slightly (approaching 4.6%–4.8%), 2026 will see a surge in "fractional" executive leadership and specialized AI-augmented roles. Middle management will shrink as AI-driven "Business Process Automation" takes over reporting and coordination. With wage growth flattening and productivity being the primary investment lever, companies will shift from full-time headcount to "talent-on-demand" for specialized initiatives. Like nearly all historical technology advances, labor displacement was "catastrophically" forecasted but has resulted in more of a reallocation of capacity and roles, retooling of skills, and it takes time for companies to change. AI transformation is following the same historical trend and at this point net additions are expected to outpace reductions.

C-Suite Audible: Implement AI Process Automation/Custom Agents and enhancements along-side **Organizational Re-Tooling and Flattening**. Redesign

roles to be "AI-First." Train your remaining workforce on AI-orchestration rather than task execution.

The 2026 Executive Mandate

To be successful in 2026, the C-suite must transition from **defensive agility** (reacting to 2025's shocks) to **offensive execution**. **The Winning Move:** Conduct an Operational **"Zero-Based and AI enabled Productivity"** review. Ask how much more efficient the business can be and what are the opportunities to change our offerings leveraging AI and associated services to drive growth. **The winners of 2026 will be those who Focus on the most impactful opportunities, Execute against realistic plans, and Monitor and Adjust to the market and competition since it is evolving quickly.**

About STONEBANK Partners

Stonebank Partners LLC is a management consulting firm focused on C-level executive decision-making, advisory, strategy, R&D execution, AI operational improvement, and critical initiative acceleration, across high technology industries, such as High Tech, Medical Technology, Industrial, and Consumer Products companies. www.stonebankllc.com