

68th TREND/FORECASTING REPORT

AN UPDATE

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THE DILENSCHNEIDER GROUP, INC.
www.dilenschneider.com

249 Long Neck Point Road
Darien, CT 06820
(917 579 3395)
Robert L. Dilenschneider
rld@dgi-nyc.com

Gables Columbus Center
50 Minorca Avenue, 1014
Coral Gables, FL 33134
(786) 536 7074
jdedmon@dgi-miami.com

HIGHLIGHTS

- Tariff deadlines hit. The ultimate effect on the economy is unclear.
- Will there be interest rate cuts in September? Recent jobs and inflation numbers paint a complicated picture.
- Trump meets Putin and Zelensky. Things remain pretty much the same.
- The GENIUS act moves crypto closer to the mainstream.
- AI and Data centers are driving surging electricity demand.
- Chairman Brendan Carr and the new FCC are asserting power more aggressively.
- Young adults are living at home longer and delaying marriage and home ownership.
- Apple iPhone 17 to launch in September.

THE ECONOMY AND POLITICS

Tariffs

One needs a lengthy scorecard to keep up with the latest tariffs. Hardest hit are:

- Brazil (50 percent), with whom we have a trade surplus but the tariffs are motivated by the prosecution of former president Jair Bolsonaro.
- India (50 percent) based on its buying discounted Russian oil
- Switzerland (39 percent) for reasons that aren't completely clear.
- Canada (35 percent).
- China (30 percent), with further tariffs paused while trade talks are underway.
- Mexico (25 percent, possibly moving to 35 percent in the fall).

In the case of Mexico and Canada, a number of products are exempt under the United States-Mexico-Canada Agreement on trade (USMCA).

The U.S. effective tariff rate is now hovering near 18.6% — the highest since 1933, according to the latest Yale Budget Lab estimate.

The administration has carved out a number of makers of chips and semiconductors like Apple, Nvidia and Advanced Micro Devices for pledging to build more and source more in the U.S. However, President Trump has also called for the resignation of Intel CEO Lip-Bu Tan over alleged ties to the Chinese mainland and Communist Party.

Implications for Business: Uncertainty continues. Through pre-tariff inventory stockpiling and short-term profit sacrifices, many businesses have been able to hold the line on price increases. But most analysts believe businesses will have to start passing long their additional costs soon. And the 50 percent tariff on India to punish it for purchasing Russian oil will cause major dislocations for both Indian and U.S. companies.

Interest Rates

In July, the Federal Reserve kept interest rates steady for a fifth straight meeting, despite badgering from President Trump to lower them. It has “made no decisions” on cutting rates at its next meeting, the Fed chair said.

There were two dissenting members. Christopher J. Waller, a governor, and Michelle W. Bowman, vice chair for supervision — both of whom were appointed Mr. Trump — supported the Fed lowering interest rates by a quarter of a percentage point. The last time two board members opposed a decision on monetary policy was in 1993 when Alan Greenspan was chair.

Federal Reserve officials also diverged at their June meeting about how aggressively they would be willing to cut interest rates, split between concerns over tariff-fueled inflation and signs of labor market weakness and lowered economic strength.

There are differing views on the Fed and interest rates going forward. For instance, Bank of America CEO Brian Moynihan said recently he expects the Fed to hold steady on interest rates for the remainder of the year, arguing that inflation remains sticky. And labor market resilience may keep the Fed on hold until 2026.

On the other hand, Goldman Sachs thinks the Fed will lower interest rates three times this year, starting in September, given the weakening job market, tariff effects that are a bit smaller than expected and other deflationary forces. JPMorgan Chase also sees three interest rate cuts beginning in September.

While the Fed says it will follow the data, the data are mixed to say the least. The Bureau of Labor Statistics reported that overall inflation held steady at 2.7 percent in July, but core inflation grew at 3.1 percent year-over-year. In addition, the Producer Price Index was the highest in three years, an inflationary signal.

Adding to the uncertainty, President Trump fired the head of the Bureau of Labor Statistics over the poor July jobs numbers. Trump has nominated E.J. Antoni, chief economist at the Heritage Foundation and BLS critic, as the replacement. Many are questioning his credentials for the job.

Implications for Business: Further commentary and, ideally, enlightenment from the Fed will come at the annual Jackson Hole Economic Symposium August 21-23. There is unanimity that the BLS data need to be nonpartisan and trustworthy to gauge the nation's economic performance.

Ukraine, Russia and the U.S.

Whither the war in Ukraine? Perhaps the best answer is Winston Churchill's memorable quote about the Soviet Union in 1939 – "a riddle wrapped in a mystery inside an enigma."

President Trump met with Russian President Vladimir Putin in Alaska August 15 and Ukraine President Volodymyr Zelensky August 18 with European leaders, including British Prime Minister Keith Starmer, French President Emmanuel Macron, German Chancellor Friedrich Merz, Italian Prime Minister Giorgia Meloni and Finnish President Alexander Stubb.

There are very mixed reviews about the Alaska outcome. Some objected to the red-carpet treatment given Putin and Trump's backing off a call for ceasefire as a prelude to an overall peace agreement.

There appeared more optimism after the Monday meeting. Trump offered security guarantees for Ukraine that would in some way involve the U.S., although the details were unclear. In addition, there also appeared to be progress toward trilateral dialogue among Putin, Zelensky and Trump.

Implications for Business: No one can predict the ultimate outcome. However, there is almost unanimity that Putin can't be trusted in any deal without security guarantees.

The GENIUS Act/Crypto

The Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS) was signed into law July 18 and paves the way for private firms to issue what are known as stablecoins, which are privately issued digital money. (The “stable” part of stablecoin comes from the idea that the tokens’ value would always be equivalent to \$1.)

While some firms have already been issuing stablecoins, they have been operating in a legal gray zone. The GENIUS Act lays out specific requirements for companies that issue stablecoins, like complying with anti-money laundering laws and monitoring and reporting suspicious activity. In the eyes of many consumer protection advocates, the requirements are grossly inadequate.

Most entities now considering tapping into stablecoins following the GENIUS Act’s passage say they would first use them for largely “back-end” purposes, like reducing fees paid by merchants to credit card companies or more easily converting currencies from cross-border payments.

Critics say that as stablecoins become more intertwined with the mainstream banking system, consumers and businesses could be exposed to higher levels of risk, which may lead to insolvencies and federal bailouts.

Mainstream financial institutions are interested. *The Wall Street Journal* has reported several large U.S. banks, along with the payments platform Zelle, are in talks about issuing a joint stablecoin. Flush with enthusiasm amid the bill’s passage, investors have lifted the three major crypto tokens — Bitcoin, Ether and Ripple — to all-time highs.

More than half of the nation’s 25 largest banks are now weighing or rolling out crypto related products.

Implications for Business: Crypto is coming. You must be prepared, and you must have a strategy. Among the first decisions is whether you will accept crypto payments.

Data Centers and AI

Power hungry artificial intelligence data centers are causing unprecedented growth in the demand for electricity. In the first six months of this year, electricity demands, generation and prices all hit record highs. This hunger is driven by AI's need for massive amounts of electricity.

Microsoft, Google, Amazon, and Meta are the main players investing at staggering levels to build and upgrade data centers, with those four companies alone forecasting a record \$364 billion of capital investment in 2025.

The so-called Magnificent Seven tech giants combined spent more than \$100 billion on data center projects in just the past three months, as calculated by the *Wall Street Journal*.

All this spending has an impact on the economy. Estimates from Renaissance Macro Research indicate that so far in 2025, the dollar value contributed to GDP growth by AI data center expenditures surpassed the total impact from all U.S. consumer spending—the first time this has ever occurred.

Data from McKinsey projects that between 2025 and 2030, companies worldwide will need to invest a remarkable \$6.7 trillion into new data center capacity to keep up with AI demands.

AI data center spending has grown at least 10-fold since 2022, with the well-known business blogger Paul Kedrosky estimating that it's nearing 2 percent of total U.S. GDP by itself.

Enterprise-software company IgniteTech laid off nearly 80 percent of the company's staff because they refused to adopt generative AI fast enough. Two years later, CEO Eric Vaughn remains steadfast in his decision, telling *Fortune* that he would do it again, despite the immense difficulty involved. Vaughan described the decision not as a goal, but as a necessity for survival in the face of what he viewed as an existential shift brought on by AI.

Implications for Business: If you haven't already, now is the time to start planning how to fit AI into your organization.

The New FCC

There have always been politics at the Federal Communications Commission, such as over net neutrality. However, it appears a more aggressive approach is being taken by the new Chairman, Brendan Carr. In approving Verizon's \$20 billion acquisition of Frontier Communications, the commission cited the company's commitment to end DEI initiatives. The chairman has also attacked critics of CBS's decision to cancel "Late Night With Stephen Colbert," saying: "They're acting like they're losing a loyal Democratic National Committee spokesperson that was entitled to an exemption from the laws of economics."

Carr has long been a critic of mainstream media outlets and had previously indicated the "60 Minutes" interview with former Vice President Kamala Harris, which sparked a Trump lawsuit and settlement, could be grounds for a news distortion complaint. He also has launched an investigation into Comcast over the company's relations with its NBC affiliates, which he said has eroded the public's trust in news coverage.

The news media is not popular among Americans. A Gallup survey in February showed 36% of those polled have "no trust at all" in mass media, 33% have "not very much" trust, and just 31% have a "great deal" or "fair amount" of trust.

Implications for Business: Even if you are not regulated by the FCC, be aware that the administration is targeting "woke" issues like diversity initiatives, support for LGBT+ groups, Pride Parades and minority focused organizations.

Apple iPhone 17 Launch

The next big Apple launch is just a few weeks away. According to a news report, the iPhone 17 series will be announced on September 9.

Apple intends to accept pre-orders for the iPhone 17 the following Friday, September 12, and start shipping them a week later. The phone should go on sale in stores starting September 19.

The iPhone Plus model is expected to be phased out in favor of the new device. As a result, in addition to the iPhone 17 we are likely to get iPhone 17 Air, iPhone 17 Pro, and iPhone 17 Pro Max.

The iPhone 17 Air is tipped to measure around 5.5 mm in thickness. According to a leak, the dummy unit measures 5.44 mm. That would make it slightly thicker than Apple's slimmest product, the M4 iPad Pro (5.1 mm).

Performance upgrades are always a major highlight of a new iPhone, and the iPhone 17 Pro is expected to be no exception. Rumors suggest it will be powered by Apple's new A19 Pro chip, built using the 3nm architecture, the latest generation in semiconductor technology marked by nano-sized transistors. This means faster processing, improved battery efficiency, and superior AI capabilities.

Implications for Business: If it lives up to advanced reports, the enhanced AI and other features of the iPhone 17 will make it a game-changer in mobile communications.

Delayed Adulthood

Most young adults have not reached the key milestones of adulthood, according to a new U.S. Census Bureau report. Moving out of the parental home, getting a job, tying the knot and having kids used to be the most common pathway to adulthood, with almost half of 25- to 34-year-olds having experienced all four milestones in 1975. Fifty years later, less than a quarter of U.S. adults in that age group have done the same. Findings suggest that young adults today prioritize economic security over starting a family, reflecting the rising burden of housing, food, gas and other costs.

Not surprisingly, the average age of first-time home U.S. buyers is now 38. Zillow found that in the country's 30 largest metro areas, more than half of Gen Z renters are spending more than 30 percent of their income on rent. And a recent report from MassMutual found that a quarter of millennials and Gen Zers without children do not plan to become parents, primarily due to financial stress.

Implications for Business: The impact on the economy of young people living at home longer, holding off or refusing marriage and not having children has not been fully measured, but the trend is certainly going to affect the nation in a variety of ways, from consumer behavior to home-buying and much more. Taking a hard look at how your organization will be impacted is crucial.

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