

ECONOMIC VIEWPOINT

United States: The 2026 Midterm Elections and the US Economy

A look at the issues and the potential economic consequences of the November 3 elections

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HIGHLIGHTS

On Tuesday, November 3, voters will be heading to the polls for the midterm elections. Every seat in the US House of Representatives and roughly one-third of US Senate seats are up for grabs, as they are every two years. There are also a number of state and local races on the ballot. While President Trump is not running for office, his influence looms large over the election. His personality, leadership style, policies and latest promises will all weigh heavily on voters' choices. The president's party typically loses seats in the midterm elections, and that could spell trouble for Republicans. This is borne out in the latest polls, which also show that Americans are particularly worried about the rising cost of living. However, data centres and artificial intelligence are also emerging as hot-button issues. If Democrats win a majority in either chamber of Congress, we're unlikely to see much federal action on the economy for the next two years.

The Current State of Congress

Congressional elections are held every two years in the US. As the name suggests, midterm elections take place midway through a president's term, with no presidential race on the ballot. This year, they mark the halfway point in President Donald Trump's second term after his 2024 re-election. Members of the House of Representatives serve two-year terms, and senators serve staggered six-year terms. This means that all 435 House seats and roughly one-third of Senate seats (33/100) are up for election this year. There will also be two special elections to fill the Senate seats vacated by Vice-President J.D. Vance in Ohio and Secretary of State Marco Rubio in Florida. There are also a number of state and local races on the ballot as well, including 36 gubernatorial races.

Republicans have controlled the House of Representatives since the midterm elections in 2022. Currently, they hold 219 seats (including one independent who caucuses with them), the Democrats hold 214 and there are two vacancies.

Following the 2024 election, the Senate includes 53 Republicans and 47 Democrats (including two independents who caucus with them). Because the Republicans don't hold the 60 votes needed to overcome a filibuster, they have faced significant obstacles in advancing their legislative agenda and President Trump's priorities. The government-wide shutdown in fall 2025, the longest in US history, reflects this limit on their power.

What Might the Outcome Be?

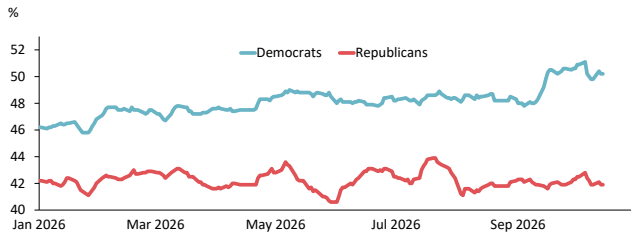
Election outcomes are notoriously difficult to predict. Over the past few decades, elections have produced plenty of surprises both in the United States and elsewhere. That said, most polling to date for the November 3 elections suggests that voters nationwide are leaning toward Democratic candidates.

History is also on the Democrats' side: in midterm elections, voters generally favour the party that does not control the White House. Since the turn of the 20th century, the president's party has lost House seats in all but three midterm elections (1934, 1998 and 2002).

As of this writing, Democrats hold an approximately eight-point lead in national polling, an advantage that has grown since mid-September (graph 1). This is a rather large margin for a midterm election and suggests they could be poised to make substantial gains in the House of Representatives (graph 2).

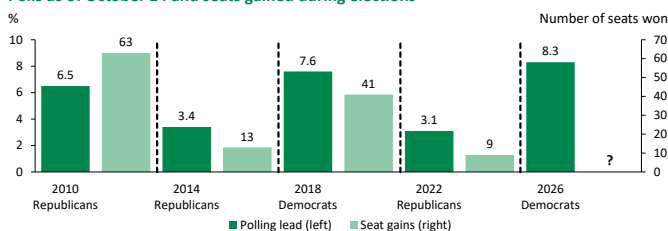
Graph 1
Recent Polls Have Democrats Ahead

Poll of polls – Congressional generic ballot



RealClearPolitics, Bloomberg and Desjardins Economic Studies

Graph 2
The Democrats' Polling Lead Suggests They Could Make Substantial Gains in the House of Representatives
Polls as of October 14 and seats gained during elections



RealClearPolitics and Desjardins Economic Studies

That said, winning the popular vote doesn't automatically translate into comparable gains in Congress. On the House side, that's because some districts lean heavily Republican or Democrat. It's also because of gerrymandering, the redrawing of electoral maps to favour one party over the other. At President Trump's behest, a greater number of states moved to redraw electoral districts this year, departing from the usual practice of updating maps once a decade, after the census results are released. The most recent census was in 2020, suggesting that most redistricting should have already taken place ahead of the 2022 or 2024 elections. However, nine states will be using new electoral maps for this November's election. Overall, these changes are predicted to hand Republicans a net gain of nine seats, with 15 redrawn districts favouring Republicans, largely in Florida and Texas, and six favouring Democrats, mainly in California. Put plainly, these new maps have tilted the playing field and could blunt the Democrats' polling advantage. It's also worth noting that there are fewer incumbents running for House seats this year than usual. A total of 60 House members have

announced that they will not be seeking re-election. This is the highest number of departures since 1992, when 65 members stepped down.

On the Senate side, the outcome is less clear, though once again it does appear favourable for the Democrats. Of the 35 seats at stake this year, 22 are currently held by Republicans and 13 by Democrats (graph 3). In theory, that means Democrats have a greater chance of making gains. What's more, seven of those 22 Republican seats are open, meaning the incumbent isn't seeking re-election. Republicans therefore don't have the incumbent advantage in those races. But many of the seats the GOP is defending are in safely Republican states in the South and in the centre of the country. However, some state-level polls suggest that significant breakthroughs are possible for several candidates. While the margins are razor-thin, Democrats seem well positioned to compete for a handful of Republican-held Senate seats, including those in Texas, Maine, Ohio, North Carolina and Alaska. Furthermore, according to recent polls, the races are surprisingly close in Kansas, Iowa and South Carolina. Of the Democratic-held seats up for grabs this year, only Michigan and Minnesota appear vulnerable, though Republican challengers still trail slightly in the polls. At this point, 20 days before the election, the odds slightly favour Democrats taking back a narrow Senate majority, with projections pointing to a 52-48 split. It remains to be seen whether this trend holds until November 3.

Graph 3
Senate: More Republican Seats Are Up for Grabs This Cycle

Senate seats currently held by each party



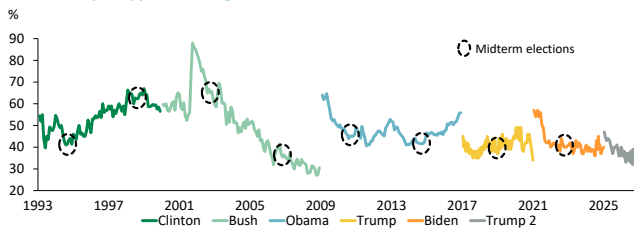
U.S. Senate and Desjardins Economic Studies

Which Economic Issues Are Motivating Voters?

A number of issues can sway midterm voters. There are local concerns as well as broader social issues. US politicians often lean into values-driven debates, or "culture war" issues, during election campaigns, using them to redirect voters' attention toward issues where they believe they hold a political advantage. President Trump's discourse has been consistently focused on immigration, urban crime rates, and gender identity in schools and sports. In turn, Democrats have focused their attacks on the outsized influence of billionaires and scrutinized the conduct of President Trump and his family.

That said, voters are still chiefly focused on domestic politics. Trump's grip on the Republican Party, as evidenced by his considerable influence over this year's primaries, has effectively turned these midterm elections into a referendum on his presidency. If that is the case, the Republicans could be in real trouble, given his low approval rating (graph 4).

Graph 4
President Trump's Approval Rating Has Dropped Since the Start of His Second Term and Is Now Relatively Low
President's job approval rating

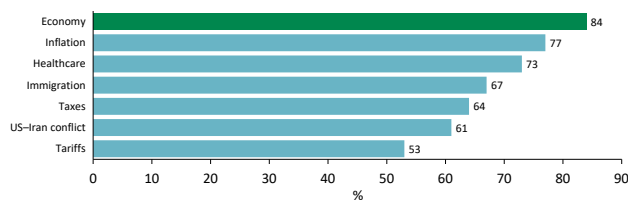


University of California and Desjardins Economic Studies

These ratings are linked to economic performance, which is also the issue of greatest concern to voters. The economy and inflation will be top of mind when Americans head to the polls in November (graph 5). The cost of living has become the defining issue of the campaign. For many voters, the economy is now synonymous with inflation, as rising prices outweigh job reports, housing affordability and stock market performance (graph 6).

Graph 5
The Economy Is the Top Issue for Voters

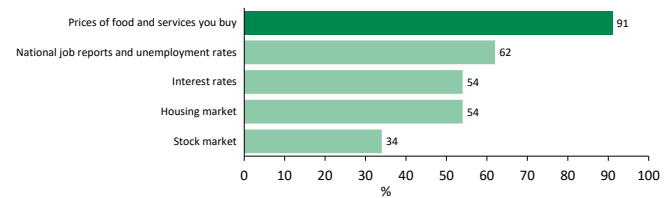
% of registered voters who say the issue is very important to them in 2026



September 30–October 2 survey. Several issues could be chosen.
CBS News/YouGov and Desjardins Economic Studies

Graph 6
When Voters Assess the Economy, Cost of Living Comes First

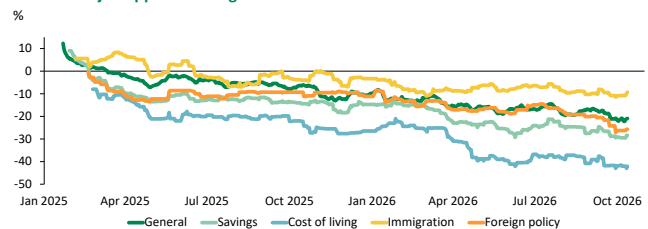
% of registered voters who think about each factor when deciding if the US economy is good or bad



September 30–October 2 survey.
CBS News/YouGov and Desjardins Economic Studies

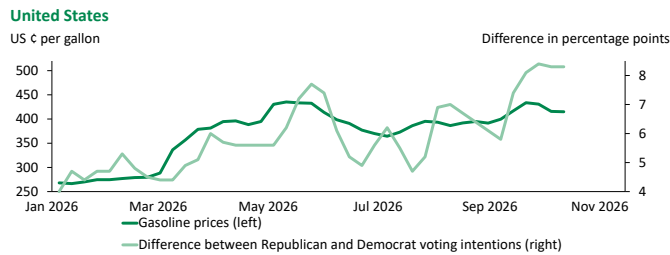
And that is where the problem lies for President Trump and his party. In poll after poll, respondents have indicated that the Republican response to the cost-of-living crisis has been inadequate. While President Trump's approval ratings have slipped on multiple fronts since returning to office, prices are his biggest liability (graph 7). The perception is that the president has not just neglected the issue but has actively contributed to it through his trade policies and, most significantly, the war with Iran. Higher oil prices caused by the conflict, as well as the resulting jump in gasoline and diesel prices, have added to voters' frustration and weakened Republican prospects ahead of Election Day (graph 8 on page 4). Above all, voters want candidates to address affordability and the cost of living (graph 9 on page 4). Donald Trump's refusal to take this matter seriously, coupled with his repeated claims that inflation is down and the economy has never been stronger—contrary to what American households are experiencing in their own lives—has undermined support for both him and his party, particularly among independents. Republicans seem to be [falling into the same trap](#) as the Biden–Harris administration, which was also perceived as having neglected this issue. At the same time, a clear majority of American voters are ready to back candidates who oppose Trump's approach to the conflict with Iran and tariffs on imported goods, viewing both policies as factors that have pushed prices higher (graph 10 on page 4).

Graph 7
Americans Are Clearly Unhappy with How Trump Has Handled the Cost of Living
President's job approval rating on each issue



RealClearPolitics, Bloomberg and Desjardins Economic Studies

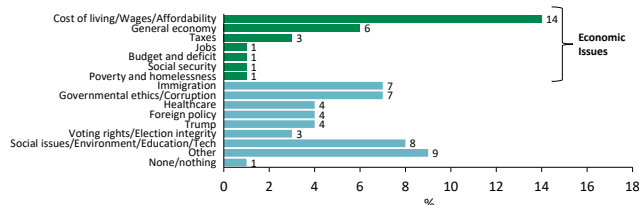
Graph 8
Higher Gas Prices Seem to Have Given Democrats a Boost



RealClearPolitics, Bloomberg, U.S. Energy Information Administration and Desjardins Economic Studies

Graph 9
Voters Want Midterm Candidates to Address the Cost of Living

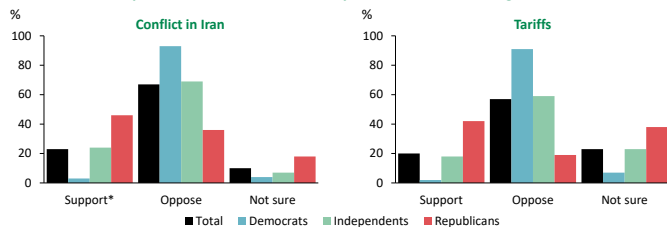
What one issue would you most like to hear congressional candidates talk about?



Pew Research Center and Desjardins Economic Studies

Graph 10
The Continued Conflict in Iran and Tariff Hikes Are Both Unpopular

% of voters who prefer candidates with this opinion on the following issues



Support = Wants the conflict to continue until Iran makes further concessions.
CBS News/YouGov and Desjardins Economic Studies

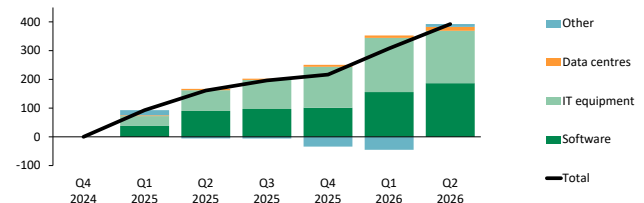
A New Campaign Issue Is Emerging: AI and Data Centres

After passing tax cuts in 2025 and imposing new tariffs over the last two years, the Trump administration's economic strategy now hinges largely on stronger private-sector investment in the United States, including from foreign companies. Business investment in the United States has clearly picked up since the end of 2024. It is also clear that these new investments are largely concentrated in software, computer equipment and, to a lesser extent, the construction of data centres (graph 11). Outside these areas, investment growth has been largely stagnant. It seems that artificial intelligence is dominating the landscape,

leaving little room for anything else. The surge in investment is intensifying competition for capital with governments and other borrowers, adding upward pressure on bond yields. According to the [White House website tracking new investments](#) credited to the Trump administration's policies, the largest sums (excluding vague commitments from foreign governments) are concentrated in technology, AI and related equipment manufacturing. A similar dynamic has taken hold for data centre construction. Along with energy construction, it's the only category of private construction that has posted growth since the start of Donald Trump's second term (graph 12). Even construction of new factories has declined, despite the president's promise to revive American manufacturing.

Graph 11
Over the Last Year, Investment Growth Has Come Almost Entirely from the IT Sector

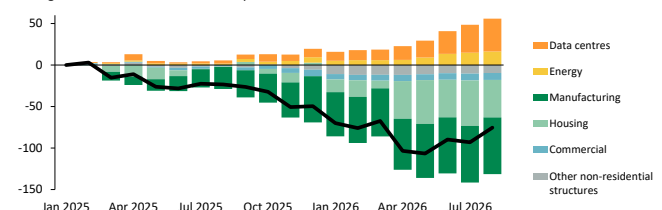
United States – Real non-residential private investment
Cumulative change in billions of 2017 US\$ since Q4 2024



Bureau of Economic Analysis and Desjardins Economic Studies

Graph 12
Data Centres Are One of the Only Sources of Growth in Construction

United States – Private construction
Change in billions of US\$ since January 2025



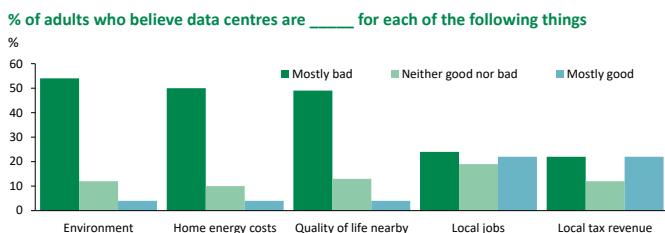
Bureau of Economic Analysis and Desjardins Economic Studies

With the AI boom supporting both economic growth and stock market gains, the administration has shown little desire to kill the goose that lays the golden eggs. In recent weeks, Donald Trump has instead doubled down on his support for the industry, rejecting calls for increased monitoring and regulation of the AI sector.

This unequivocal support could, however, come at a political cost during the election. The American public has grown increasingly wary of AI's expanding role in everyday life. In a [Pew Research Center survey](#), 52% of respondents say they are more concerned than excited about the phenomenon, while only 9% hold the

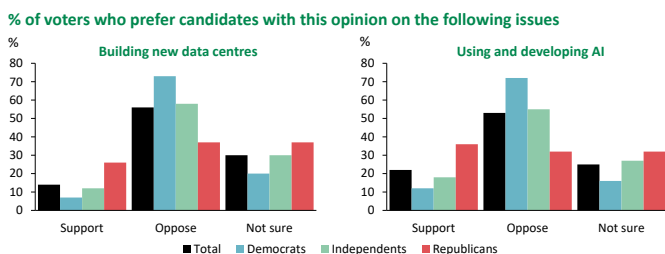
opposite view. Of those surveyed, 71% believe that AI will lead to job losses. And each new survey finds that attitudes are becoming more negative. Americans are increasingly opposed to new data centre projects in their communities, and most believe that such facilities do more harm than good (graph 13). Concerns about their impact on the cost and quality of public services, especially electricity, are adding to broader frustration over the rising cost of living. Voters are therefore much more likely to support candidates who oppose the construction of data centres and the increased use of AI (graph 14). This could hurt Republicans, given President Trump's prominent role as an advocate for the industry. Alongside cost-of-living concerns, particularly high fuel prices, this issue is likely to be a major factor at the ballot box.

Graph 13
Americans Are Wary of Data Centres



Pew Research Center and Desjardins Economic Studies

Graph 14
Building New Data Centres Is Unpopular, Even Among Republicans



CBS News/YouGov and Desjardins Economic Studies

Buying Voters' Support?

In an apparent effort to boost his own standing and that of his party while easing cost-of-living pressures on households, President Trump has announced direct cash payments to Americans. The administration has begun distributing US\$500 rebates to around 950,000 American adults who were covered under the *Affordable Care Act*, also known as "Obamacare," drawing on surplus funds accumulated through the program. They will also be sending out US\$90 payments to around 21 million Americans enrolled in Medicare. However, the most

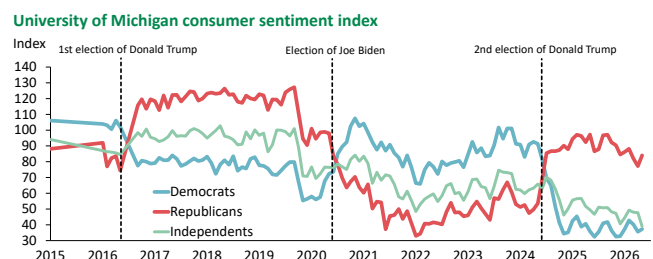
striking announcement—or promise, rather—is Trump's offer to send every adult US citizen a US\$5,000 "dividend" after the November 3 midterms if Republicans retain their congressional majority. With a potential cost of nearly US\$1.3 trillion, the measure would place a considerable burden on federal finances. The cost would exceed the total value of all direct payments made to households during the pandemic. There are serious doubts, however, about whether the administration can deliver on this promise. This is not the first time during his current term that Trump has floated the prospect of sizable payments to households without ultimately delivering them. First, there was a US\$5,000 "DOGE dividend" that never materialized; then there was a US\$2,000 "tariff dividend" promised last year. According to a [YouGov poll](#), only 21% of respondents believe that Donald Trump will pay the promised US\$5,000 dividend if Republicans retain control of Congress.

The Potential Economic Fallout

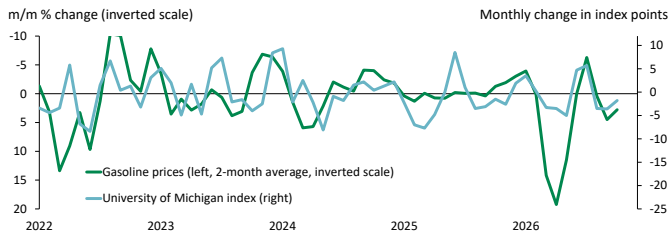
It's more difficult to gauge the impact of the midterm elections than that of presidential elections, where the agendas are more clearly defined. This is especially true when polling data suggest that Democrats could flip both chambers of Congress, leading to a divided government.

Though the economy is still currently growing, the outcome of these elections could amplify a number of existing risks. The outlook for consumer confidence, for example, is far from certain. Since the 2024 election, Republican supporters have buoyed household sentiment, while Democrats and independents have been rather pessimistic (graph 15). If Democrats manage to take back Congress in November, confidence could weaken among Trump supporters without necessarily boosting sentiment among Democrats, since nothing will have changed in the Oval Office. Consumer confidence is also still being affected by rising gasoline prices (graph 16 on page 6). If Americans start to view this situation as permanent instead of temporary, household spending could weaken further (graph 17 on page 6).

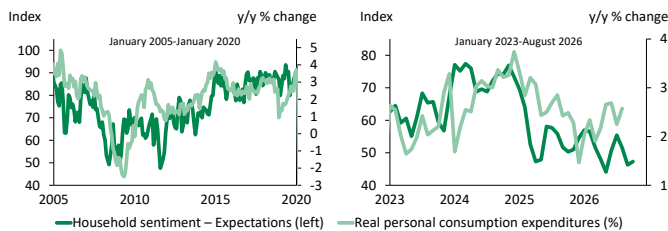
Graph 15
Democratic Consumer Confidence Is Very Low



University of Michigan and Desjardins Economic Studies

Graph 16
Gas Price Fluctuations Have Affected Consumer Confidence


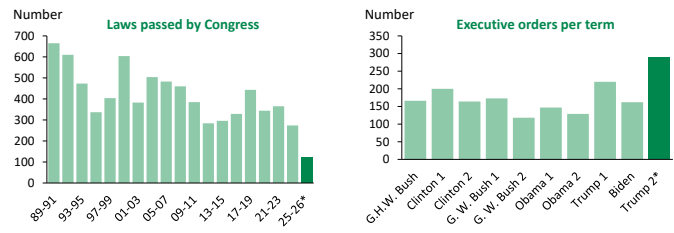
University of Michigan, U.S. Energy Information Administration and Desjardins Economic Studies

Graph 17
Spending Continues to Grow, Despite Weak Consumer Sentiment


University of Michigan, Bureau of Economic Analysis and Desjardins Economic Studies

The President Isn't Going Anywhere

Though Trump has warned that if Democrats win, Americans could face a “1929-style economic depression,” midterm elections rarely disrupt economic policy. The truth is that Trump will still have control over the executive branch and may not even bother to change his governing approach. By historical standards, the current Congress has been relatively unproductive, passing far fewer laws than the average. In parallel, the president has signed more executive orders than his predecessors in a shorter span of time (graph 18). He has also enjoyed considerable latitude when handling economic and trade matters. The tariffs currently in place were implemented under laws that don't require congressional approval, unlike the previous IEEPA tariffs that were deemed illegal by the Supreme Court. The president would also keep his veto power over any bills approved by a Democratic-controlled Congress, which would be unlikely to command the two-thirds supermajority required to override a veto. While Democrats may try to advance legislation on AI, healthcare subsidies or limits to the president's unilateral trade powers, these efforts would likely be blocked by his veto. Finally, even without a presidential veto, Senate Republicans could still use a filibuster to derail legislation, as Democrats have recently done.

Graph 18
Despite the Republican Majorities in Congress, Trump Has Relied Heavily on Executive Orders


* In 21 months only
The American Presidency Project, Govtrack.us and Desjardins Economic Studies

A Divided Government: Good or Bad?

It's true that legislative action could slow further if Democrats take back Congress. Divided government—when one party has the presidency and the other controls one or both houses of Congress—typically results in political gridlock. We saw this in 2010, when Republicans took control of the House during President Obama's first term, and again in 2018, when Democrats were able to oppose Trump. A Democratic majority would make it far harder for the president to turn his priorities into law, forcing the White House into negotiations and concessions. With the parties being so divided on most matters, this could be an uphill battle. Of course, a crisis could change that dynamic. It's happened before, both during the financial crisis and during the pandemic.

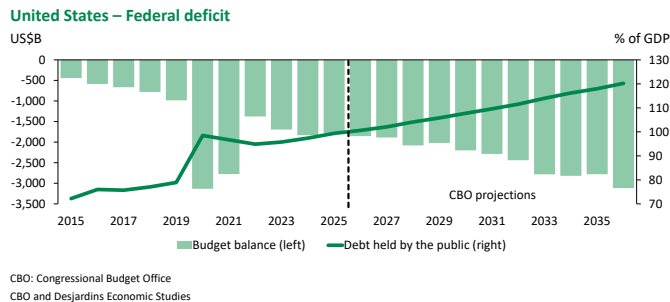
We might also see a new political battle over raising the debt ceiling or funding the federal government. The current government funding deadline is December 11, before the new Congress convenes in January. The debt ceiling could be reached sometime between late winter and midsummer of 2027, according to the Bipartisan Policy Center. These issues could quickly become a bone of contention between President Trump and the Democrats. Despite the influence Trump would maintain over international and military policy, a divided government could make it much harder to secure funding for operations involving Iran or continued support for Israel.

Finally, if the November results align with current polls, we can expect Congress to pivot toward more partisan issues aimed at challenging the administration. Congressional committees would likely make broad use of their investigative authority. Conflicts with the White House could then multiply, and we may see further attempts to impeach the president or other officials (which would likely be unsuccessful).

On the one hand, these factors could prevent both Congress and the White House from enacting costly government spending or tax-cut measures. On the other hand, they may make it even harder to tackle the long-term fiscal challenges that Washington will eventually have to confront. [As recently pointed out](#), there's little political will to implement policies that would meaningfully

improve public finances—it's far more popular to suggest measures that ultimately strain the budget. Meanwhile, deficits will continue to accumulate, and debt will continue to rise (graph 19), potentially adding to concerns in an already uneasy bond market.

Graph 19
Federal Finances Are Projected to Worsen, According to the CBO



In conclusion, the November 3 midterm elections are simply adding a bit more uncertainty to a situation that was already uncertain. The conflicts that would likely arise between a Democrat-led Congress and the Republican White House would make the outlook even harder to read. There is one safe bet, though: Once the midterms are over, the focus will shift to the next presidential election, which should be the first one since 2016 without Donald Trump on the ballot.