

WEEKLY COMMENTARY

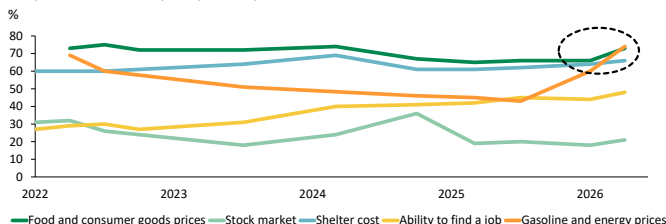
United States: Will Housing Be a Factor in the Midterms?

By Francis Généreux, Lead Economist

The November 3 midterm elections are just a few days away. As we recently explained in [our analysis of the main election issues](#), the rising cost of living is central to the campaign. This issue is multifaceted. The war in Iran and its impact on oil prices have exacerbated household concerns about energy and gasoline prices, as shown by a [recent Pew Research Center survey](#) (graph 1). Food and consumer goods prices also remain a concern. The third most important aspect is the difficulty of finding affordable housing. Home prices remain high despite the housing market slowdown, while the recent rise in mortgage rates has done nothing to ease US voters' concerns.

Graph 1
The Rising Cost of Living, Including Housing Costs, Is Weighing on Households

Respondents who say they're very concerned about this economic issue

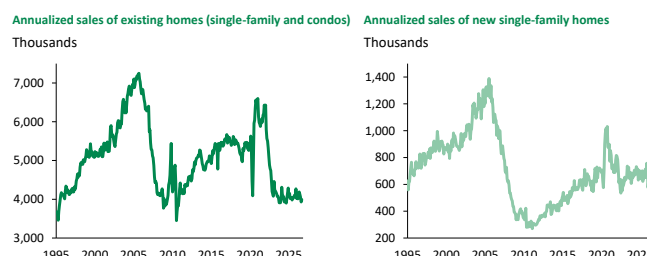


Pew Research Center and Desjardins Economic Studies

housing one of very few issues on which both parties agree. But fiscal, trade and immigration policies have complicated matters.

We also need to recognize that improving housing affordability in the US won't be easy as long as mortgage rates remain high. Mortgage rates are obviously affecting demand. The Federal Reserve's Senior Loan Officer Opinion Survey on Bank Lending Practices reported weaker demand, which is also reflected in the 21.6% decrease in mortgage applications for home purchases since mid-May. High rates are also affecting supply. Homeowners who secured long-term loans at very low rates during the pandemic are now reluctant to sell because they'd have to take out a new mortgage at a much higher rate. This lock-in effect has frozen the resale market and is helping keep sales low (graph 2).

Graph 2
Home Sales Remain Relatively Weak, Especially in the Resale Market



National Association of Realtors, U.S. Census Bureau and Desjardins Economic Studies

Are US politicians on the campaign trail—or the Trump administration, which will remain in place for another two years—offering any simple solutions to make housing more affordable? Everyone wants to improve affordability, making

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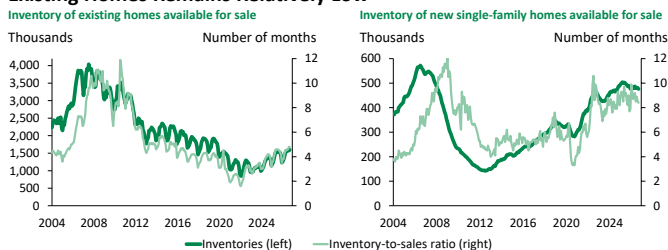
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Solutions Are Focused on Boosting Supply

The housing policies coming out of Washington generally aim to increase supply. This includes encouraging more construction, which would help ease some of the pressure on affordability. But current market conditions don't necessarily indicate a major supply imbalance. In fact, the inventory of new homes for sale is currently high (graph 3, right). The inventory of existing homes for sale isn't as high, but it's still up from the post-pandemic low (graph 3, left). So it's hard to argue there's a severe housing shortage. Conditions in the rental market aren't particularly alarming, either. Rental vacancy rates are relatively high, and several indexes indicate that rents are even declining. Conditions can, of course, vary by region and especially by housing and income segment. However, at the national level, the problem appears to stem more from sticky home prices and high interest rates than from a dire shortage of supply.

Graph 3
The Inventory of New Homes Is Fairly High, While the Inventory of Existing Homes Remains Relatively Low



National Association of Realtors, U.S. Census Bureau and Desjardins Economic Studies

A Rare Bipartisan Breakthrough: An Encouraging Example for the Second Half of Trump's Term

One supply-focused housing policy is the *21st Century ROAD to Housing Act*, which became law on July 11, 2026. It was the result of a rare bipartisan effort. After several versions and a number of compromises in both chambers of Congress, the final text passed by a vote of 85 to 5 in the Senate and 358 to 42 in the House of Representatives. President Trump refused to sign it into law, not because he disagreed with it, but to protest the Senate's failure to pass the *SAVE America Act*, which sought to tighten voter ID requirements. But since he didn't veto the bill, it nevertheless became law 10 days (excluding Sundays) after it was sent to the White House, in accordance with constitutional rules.

Despite Trump's inaction, the bipartisan nature of the legislation is noteworthy. It suggests that Congress can find ways to work together on issues where opinions aren't sharply divided. Housing is one such issue because it affects nearly every segment of society. This legislative compromise is broad in scope. It mostly cuts red tape to facilitate permitting and new construction. It

also relaxes the rules for prefab homes and strengthens several federal programs. One of its most talked-about provisions prohibits large institutional investors from acquiring more single-family homes.

Before the *21st Century ROAD to Housing Act* was passed, President Trump also issued two executive orders on housing in March 2026. They aimed to ease federal regulations—especially environmental ones—on residential construction, establish best practices for states and municipalities to accelerate the permitting process, and facilitate mortgage financing. However, those executive orders don't have the same scope as the legislation passed by Congress, which enacts a series of reforms affecting supply, financing and several federal housing programs.

Other Trump Administration Policies Are Undermining Affordability

Although these measures help, they won't solve all of the problems with the housing market. More importantly, they don't ensure that more housing can be built at affordable prices. Some of the constraints on building more affordable housing are directly related to other Trump administration policies.

First, there are the **tariffs**. Many of the materials and types of equipment needed for construction are now subject to tariffs that didn't exist two years ago. Despite prolonged weakness in residential and non-residential construction, producer prices for building material and supplies dealers increased by 26.3% over the last two years. A year ago, the [Brookings Institution](#) estimated that tariffs would inflate residential investment costs by US\$30 billion.

Immigration is also an issue, although its effects are more complicated. Immigrant workers play a major role in the construction industry. More restrictive immigration policies and increased enforcement, including arrests and deportations, have reduced the available workforce in a sector where labour shortages were already significant. According to a study by the National Bureau of Economic Research cited by [The New York Times](#), construction employment fell by 7.5% for undocumented workers. What's more, the deportations are also affecting US-born workers. For every arrest by Immigration and Customs Enforcement, six American-born workers lost a job, and four undocumented workers lost one. But there's another side to the issue. Reducing immigration also reduces housing demand. The net impact on affordability therefore remains unclear.

Another competitor has also emerged for some of the resources needed in construction: **data centres**. A growing share of the US population already disapproves of them, and the issue has now made its way into the midterm election campaign. Data centres may also affect the housing market. The current AI boom requires massive amounts of capital, which puts upward pressure on interest rates. It also requires specialized workers, equipment

and other resources used in construction. Survey respondents also believe that data centres are driving up utility costs.

What If There Really Is a Blue Wave?

For now, the polls indicate that the Democrats could make big enough gains to win majorities in both the Senate and the House of Representatives. However, the election results likely won't trigger a complete reversal of housing policy. Bipartisan support for the *21st Century ROAD to Housing Act* suggests that there's already common ground on which the two parties and the White House can build if they choose to do so.

That said, there are also clear differences. The Democrats will likely seek to provide more assistance to households, promote affordable housing and introduce measures to help first-time homebuyers. With Republican support, they could also try to lower tariffs on construction equipment and materials. Democratic members of Congress have already introduced legislation to this effect: the *Housing Tariff Exclusion Act*. A Democratic majority would also oppose the current immigration policy and could limit its funding, which would reduce its negative impact on labour supply in the construction industry. However, as we noted in our October 14 analysis of the midterm elections, there are limits to what a Democratic-controlled Congress could accomplish without the approval of the US president.

Interest Rates Remain the Key Issue

Despite politicians' best intentions, interest rates continue to be the main economic issue affecting affordability. The solutions proposed so far probably won't be enough to meaningfully improve affordability if mortgage rates remain high.

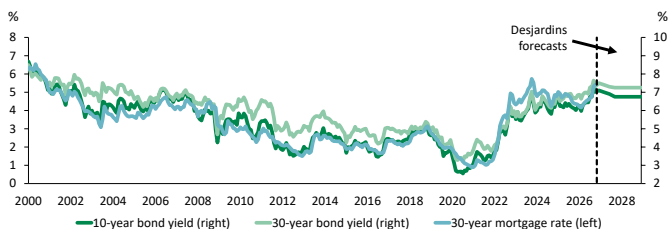
Several factors are keeping them high and could continue to do so for some time (graph 4). Inflationary pressures intensified by the war in Iran are influencing market expectations and pushing up bond yields and, by extension, mortgage rates. Demand for capital is also strong in the United States and elsewhere. We've

already discussed the investments needed to develop and deploy artificial intelligence. Of course, the private sector isn't the only one that needs funding. Public sector finances are also adding to the pressure. The US federal government ended fiscal 2026 with a deficit of US\$1.99 trillion, equivalent to approximately 6% of GDP. As at September 30, debt held by the public stood at US\$32.43 trillion. Against this backdrop, if the decisions made by the White House and Congress over the next few years further weaken public finances, it could make it harder for families to buy homes. This could have a greater impact on affordability than all the regulatory measures and incentives already adopted. If so, housing affordability and the high cost of living could once again loom large in the 2028 presidential campaign.

Graph 4

Mortgage Rates Are Expected to Remain Relatively High, in Line with US Federal Government Bond Yields

United States



Datastream and Desjardins Economic Studies

What to Watch For

MONDAY November 2 - 10:00

October

Consensus 54.6

Desjardins 53.5

September 54.5

WEDNESDAY November 4 - 10:00

October

Consensus 54.8

Desjardins 55.0

September 54.9

FRIDAY November 6 - 8:30

October

Consensus 58,000

Desjardins 120,000

September 29,000

FRIDAY November 6 - 10:00

November

Consensus 47.6

Desjardins 53.0

October 48.0

WEDNESDAY November 4 - 8:30

September

Consensus \$B

Desjardins 6.00

Desjardins 5.00

August 4.20

UNITED STATES

ISM Manufacturing index (October) – The ISM Manufacturing index edged down slightly in September but remained high at 54.5. A somewhat larger decline is expected in October, though the index should remain at a healthy level. The ISM could fall one point to 53.5, a reading that would still point to solid conditions in US manufacturing. It will be interesting to look at the comments accompanying the index for insight into how manufacturers view rising fuel prices.

ISM Services index (October) – After declining slightly in September, the ISM Services index is expected to remain flat in October. This would be consistent with the mixed signals we've received from the regional non-manufacturing indexes and consumer confidence indexes available so far. At 55.0, the ISM Services index would continue to be an encouraging signal for the economy at the start of the fourth quarter.

Change in nonfarm payrolls (October) – Hiring was disappointing in September, with monthly growth of just 29,000 workers. We expect to see better performance in October's print. Most striking is the remarkably low level of weekly jobless claims, which have remained below 200,000 since early September. Consumer confidence in job availability also improved in October. This sub-index of the Conference Board Consumer Confidence Index reached its highest level since April. The one notable soft spot is the slowdown in net hiring in the first half of October, according to ADP's weekly survey. Together, these elements suggest a gain of approximately 120,000 jobs in October. That said, caution is warranted, given the string of surprises in recent employment reports. Barring a sharp increase in the labour force or further volatility in the household survey, the unemployment rate should edge back down to 4.1%.

University of Michigan consumer sentiment index (November – preliminary) – After being revised upward from its preliminary reading, the final University of Michigan consumer sentiment index for October came in at 48.0, virtually unchanged from September's 48.1. This is a particularly weak reading, but we're fortunately expecting some improvement in November. One encouraging sign is the rebound in the Conference Board index, which rose 7.5 points in October after hitting a more-than-12-year low in September. The University of Michigan index tends to follow movements in this index with a one-month lag. Lower gasoline and diesel prices over the last few weeks should also have a positive effect on household sentiment. That said, stock market performance has been less favourable and interest rates have risen. The preliminary survey will conclude on November 2, a day before the midterm elections, so the results themselves should not affect the reading. Any election-related impact should therefore be limited to respondents' partisan expectations. The TIPP Economic Optimism Index will provide additional insight when it is released early next week. All in all, we expect the University of Michigan index to gain five points.

CANADA

International trade (September) – Canada likely posted a larger trade surplus in September. We anticipate that Canadian exports rose faster than imports in the month, supported by higher energy prices and increased exports to the United States. At the same time, imports likely saw a modest expansion, probably driven by somewhat positive motor vehicle sales.

FRIDAY November 6 - 8:30
October

Consensus 18,000

Desjardins 40,000

September -68,300
THURSDAY November 5 - 7:00
November

Consensus 4.00%

Desjardins 4.00%

September 17 3.75%

Net change in employment (October) – Following two months of job losses, we expect the October Labour Force Survey will show that approximately 40k people found work in Canada. A significant portion of the increase is expected to reflect temporary hiring associated with the Alberta referendum and provincial elections. That should help push the unemployment rate down one tick to 6.4%, at least for one month. With little progress in Canada–US trade relations over the month, however, continued weakness is likely in tariff-exposed sectors.

OVERSEAS

United Kingdom: Bank of England meeting (November) – The Bank of England (BoE) looks set to deliver a 25bp hike next week, taking the Bank Rate to 4.00%. This would be the first hike by the BoE since the Iran war began, and it would come against the backdrop of slower growth and limited evidence of second-round effects of higher energy prices. With markets already pricing substantial tightening through next year, the larger risk may lie in the Bank pushing back against expectations of a sustained hiking cycle.

Economic Indicators

Week of November 2 to 6, 2026

Day	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 2	10:00	ISM Manufacturing index	Oct.	54.6	53.5	54.5
	10:00	Construction spending (m/m)	Sep.	0.3%	0.5%	0.9%
	11:15	Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
TUESDAY 3	10:00	Factory orders (m/m)	Sep.	1.2%	0.9%	0.1%
	---	Total vehicle sales (ann. rate)	Oct.	15,980,000	16,100,000	15,980,000
	---	Midterm Elections				
WEDNESDAY 4	8:30	Trade balance – Goods and services (US\$B)	Sep.	-108.0	-108.3	-105.6
	10:00	ISM Services index	Oct.	54.8	55.0	54.9
THURSDAY 5	8:30	Initial unemployment claims	Oct. 26–30	196,000	198,000	194,000
	8:30	Nonfarm productivity – preliminary (ann. rate)	Q3	2.7%	2.7%	1.4%
	8:30	Unit labor costs – preliminary (ann. rate)	Q3	-0.2%	-0.4%	1.2%
	8:50	Speech by Federal Reserve Bank of Cleveland President B. Hammack				
	9:10	Speech by Federal Reserve Bank of Richmond President T. Barkin				
	19:00	Speech by Federal Reserve Bank of Dallas President L. Logan				
FRIDAY 6	4:30	Speech by Federal Reserve Bank of New York President J. Williams				
	8:30	Change in nonfarm payrolls	Oct.	58,000	120,000	29,000
	8:30	Unemployment rate	Oct.	4.2%	4.1%	4.2%
	8:30	Average weekly hours	Oct.	34.4	34.4	34.4
	8:30	Average hourly earnings (m/m)	Oct.	0.3%	0.2%	0.1%
	9:10	Speech by Federal Reserve Bank of St. Louis President A. Musalem				
	10:00	University of Michigan consumer sentiment index – prel.	Nov.	47.6	53.0	48.0
	12:15	Speech by Federal Reserve Vice Chair M. Bowman				
	15:00	Consumer credit (US\$B)	Sep.	13.750	5.500	8.281
CANADA						
MONDAY 2	---	---				
TUESDAY 3	---	---				
WEDNESDAY 4	8:30	International trade (\$B)	Sep.	6.00	5.00	4.20
THURSDAY 5	---	2026 Federal Budget				
FRIDAY 6	8:30	Net change in employment	Oct.	18,000	40,000	-68,300
	8:30	Unemployment rate	Oct.	6.5%	6.4%	6.5%

NOTE: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of November 2 to 6, 2026

Country	Time	Indicator	Period	Consensus		Previous reading	
				m/m (q/q)	y/y	m/m (q/q)	y/y
OVERSEAS							
SUNDAY 1							
Japan	19:30	Manufacturing PMI – final	Oct.	n/a		53.3	
MONDAY 2							
Germany	2:00	Retail sales	Sep.	0.4%	-0.2%	1.3%	-0.4%
Italy	3:45	Manufacturing PMI	Oct.	49.8		50.4	
France	3:50	Manufacturing PMI – final	Oct.	49.3		49.3	
Germany	3:55	Manufacturing PMI – final	Oct.	54.2		54.2	
Eurozone	4:00	Manufacturing PMI – final	Oct.	52.4		52.4	
United Kingdom	4:30	Manufacturing PMI – final	Oct.	52.8		52.8	
Australia	22:30	Reserve Bank of Australia meeting	Nov.	4.85%		4.60%	
TUESDAY 3							
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WEDNESDAY 4							
Sweden	3:30	Bank of Sweden meeting	Nov.	2.00%		1.75%	
Italy	3:45	Composite PMI	Oct.	50.7		51.0	
Italy	3:45	Services PMI	Oct.	51.5		51.7	
France	3:50	Composite PMI – final	Oct.	48.4		48.4	
France	3:50	Services PMI – final	Oct.	48.4		48.4	
Germany	3:55	Composite PMI – final	Oct.	52.8		52.8	
Germany	3:55	Services PMI – final	Oct.	51.7		51.7	
Eurozone	4:00	Composite PMI – final	Oct.	51.9		51.9	
Eurozone	4:00	Services PMI – final	Oct.	51.7		51.7	
United Kingdom	4:30	Composite PMI – final	Oct.	53.1		53.1	
United Kingdom	4:30	Services PMI – final	Oct.	53.1		53.1	
Eurozone	5:00	Consumer price index – preliminary	Oct.	0.4%	4.0%	0.6%	3.8%
Brazil	16:30	Central Bank of Brazil meeting	Nov.	13.75%		13.75%	
Japan	19:30	Composite PMI – final	Oct.	n/a		52.3	
Japan	19:30	Services PMI – final	Oct.	n/a		52.0	
THURSDAY 5							
Germany	2:00	Factory orders	Sep.	5.0%	3.3%	-10.6%	2.7%
France	2:45	Industrial production	Sep.	0.4%	-0.3%	-0.3%	0.3%
Norway	4:00	Bank of Norway meeting	Nov.	4.50%		4.50%	
Eurozone	5:00	Producer price index	Sep.	2.5%	10.6%	1.9%	8.2%
United Kingdom	7:00	Bank of England meeting	Nov.	4.00%		3.75%	
Mexico	14:00	Bank of Mexico meeting	Nov.	6.50%		6.50%	
FRIDAY 6							
Germany	2:00	Industrial production	Sep.	-0.2%	1.4%	2.0%	2.3%
France	2:45	Trade balance (€M)	Sep.	n/a		-6,122	
France	2:45	Wages – preliminary	Q3	n/a		0.7%	
Eurozone	5:00	Retail sales	Sep.	-0.1%	0.6%	0.1%	0.8%

NOTE: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).