

Election Year Forecast: A Divided Congress

In 2024, Republicans swept the White House, Senate, and House, which let them make the Trump tax cuts permanent. But the clock is ticking on their congressional majorities.

At this point, we think the odds are very high that the Democrats win back the House in the mid-term election in November. Compared to how they did in 2024, the Democrats only have to gain three seats to take back the House. Historically, the party not in control of the White House – this cycle, the Democrats – have gained at least three House seats in eighteen of the twenty mid-term cycles since the end of World War II.

The Democrats are polling much better than they did in 2024, when the GOP won the national House vote by 2.7 percentage points. Today the Democrats are up in the “generic” House polling average by 6.0 points, according the RealClearPolitics. A swing of 8.7 points against the Republicans should generate a loss of about 25 House seats. However, keep in mind that in the 2018 midterms the generic ballot showed the Democrats up by 12%+ at one point and they won by a smaller 8.4 point margin, so there’s still time for the GOP to improve.

Yes, mid-cycle changes in district lines around the country could slightly favor the Republicans, but not enough to make up for a loss of 25 seats. Many Republicans had been hoping a Supreme Court case heard last year would give them more options for redistricting. But it now looks like that decision will arrive too late to help much in 2026, even though it should help them substantially in 2028. For this year, unless the polls improve for the GOP, changes in district lines might help hold their losses to about 20 seats.

However, Republican prospects look much better for keeping control of the Senate. The last time these same states were in play was 2020, a year when President Biden beat Trump by about 4.4 points in the popular vote. In other words, even if this cycle is bad

for the GOP, it won’t be much worse than the last time these same seats were up for grabs.

Yes, the Republicans have to defend most of the seats up for grabs this year, but of the twenty-two they have to defend, twenty are in what we would describe as “Red” states, where it will be tough for the Democrats to flip even one of these seats and they might end up flipping zero. That leaves only two “Purple”-state Republican seats that are vulnerable: North Carolina and Maine.

In North Carolina, the Republican is retiring and the Democrats have the inside track. But in Maine the Republican incumbent, Susan Collins, is running again and she has a proven track record of winning in years that are bad for the GOP nationally, like in 2008 and 2020, as well as doing much better than the polls suggest in each of her past three races.

As a result, we think the most likely outcome is a divided Congress with the Democrats running the House but the GOP still in control of the Senate.

What will this mean for policy? Starting in January 2027, every bill that reaches the president’s desk is going to have to be at least a little bipartisan to get there. We think spending deals will be cut in Congress, but, like in so many other arenas, President Trump will push the legal limits and we expect him to exercise “impoundment” powers that haven’t been used since the early 1970s. This will lead to a legal fight about how much leeway presidents have to refuse to spend money appropriated by Congress.

In turn, if Trump wins that fight, all future presidents will have greater authority to reduce spending. It would be a “one-way” ratchet, and future presidential candidates could run on their willingness to stand athwart Congress yelling “stop spending so much.” If so, we think the American people would have more options to get our long-term fiscal house in order.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
4-6 / 9:00 am	ISM Non Mfg Index – Mar	54.9	55.5	54.0	56.1
4-7 / 7:30 am	Durable Goods – Feb	-1.0%	-1.2%		0.0%
7:30 am	Durable Goods (Ex-Trans) – Feb	+0.4%	+0.2%		+0.4%
2:00 pm	Consumer Credit – Feb	\$11.3 Bil	\$7.7 Bil		\$8.1 Bil
4-9 / 7:30 am	Initial Claims – Apr 4	210K	206K		202K
7:30 am	Q4 GDP Final Report	+0.7%	+0.7%		+0.7%
7:30 am	Q4 GDP Chain Price Index	+3.8%	+3.8%		+3.8%
7:30 am	Personal Income – Feb	+0.3%	+0.3%		+0.4%
7:30 am	Personal Consumption – Feb	+0.6%	+0.6%		+0.4%
4-10 / 7:30 am	CPI – Mar	1.0%	+0.9%		+0.3%
7:30 am	“Core” CPI – Mar	+0.3%	+0.2%		+0.2%
9:00 am	Factory Orders – Feb	-0.2%	NA		+0.1%