

2026 Midterm Elections: What Corporate Leaders Need to Know

Expect gridlock on legislation, dealmaking on funding and different effects by industry

Nov. 3

Election Day: all 435 House seats and 35 Senate seats are on the ballot

76% | 57%

Odds of House | Senate control changing hands; Senate majority a close contest
[Decision Desk HQ](#)

Dec. 11

Federal funding expires

3.75–4.00%

Fed funds target with expectation for two more Fed hikes
[Federalreserve.gov](https://www.federalreserve.gov)

What to expect in Washington

- **Legislative gridlock:** little new law beyond funding; veto power limits major policy shifts in either direction
- **More oversight:** expanded committee investigations and hearings if either chamber changes hands; Confirmations become harder if the Senate flips
- **Reconciliation as messaging:** simple-majority budget bills can preview the 2028 agenda but are unlikely to become law without agreement from Administration
- **Executive action stays central:** policy making tariffs, regulation remain executive-driven, with courts defining the limits

Where cooperation is most likely

- **Government funding:** the December 11 deadline looms; defense and domestic priorities potentially traded, with little fiscal discipline; potential to pass continued temporary resolutions to keep funding the government until agreement can be reached
- **Permitting & energy:** a bipartisan Senate deal (Sept. 30) would require data centers to pay their own transmission costs
- **AI & digital infrastructure:** skepticism of data-center build-outs spans parties; federal AI rules and state preemption remain unresolved
- **Shared goals:** lower drug prices (especially Medicare) and U.S. industrial growth

What it means for business

1 Rates & fiscal

Deficits near 5.8% of GDP, per [CBO](#), and a funding deal with little discipline point to higher borrowing costs. With the Fed at 3.75–4.00% and more hikes signaled, treasurers should secure funding and refinancing plans, and examine their capital structure and capital allocation policies

2 Trade policy

Tariffs imposed under Sec. 232/301 after the Supreme Court's IEEPA ruling and remain executive-driven. Expect continued volatility and industry focus regardless of the election outcome.

3 M&A & antitrust

Federal merger review continues to have a pro-business leaning; midterms are not expected to change deal activity materially as companies seek to accelerate transactions before a change in administration in 2029

4 Sector divergence

Power, industrials and financials see relative tailwinds; consumer, healthcare, real estate and TMT face headwinds or cross-currents. See the industry impact view on the next page.

Bottom line: policy shift from legislation to negotiated outcomes; Business strategy should proceed with a long-term view and refresh scenario planning to remain agile in face of continued uncertainty

Election Impact by Industry Group

Directional view of election-related policy effects across industry

Industry	Likely net impact	Key drivers	What to watch
Consumer & Retail	Headwind	- Affordability is a central theme: confidence is at its lowest since 2014 [Conf. Board] and gasoline is up ~40% y/y [AAA] - Tariffs now rest on Sec. 232/301 after the IEEPA ruling – executive-driven, with limited congressional leverage	Dec. 11 funding deal; fuel prices and end of Iran war; the Fed's next move, impact of AI adoption
Energy	Mixed	- Brent near \$90/b in 2H26 on Hormuz constraints, increased oversight of agencies and industry - Favorable midstream conditions could improve with permitting reform - Wind/solar credit cliff is already law and unlikely to be reversed under divided government; nuclear, storage, geothermal credits run to 2033	Legislative permitting bill; Strait of Hormuz flows; end of Iranian War; global supply of distillates and other downstream products
Financial Institutions	Tailwind	- Generally favorable regulatory environment, e.g., Agencies' March capital proposal would lower system-wide requirements; rulemaking is agency-led, so largely insulated from Congress - Fed at 3.75–4.00% with more hikes signaled; wide deficits add rate pressure [CBO]; merger review is settlement-friendly	Final capital rule; oversight of bank regulation and M&A; Fed meetings; Dec. 11 funding
Healthcare	Mixed	- Drug pricing is the clearest bipartisan issue – Most Favored Nation drug policy deals (all 50 states in the Medicaid model) and Medicare negotiation – with oversight likely - Enhanced ACA credits expired Jan. 1; Medicaid work requirements start Jan. 2027; changes would require legislation	ACA open enrollment; H.R. 1 implementation, insurer and hospital pricing scrutiny will only increase
Industrials	Mixed	- Demand: FY27 defense request of \$1.5T (incl. \$350B via reconciliation) plus a \$67B+ Iran-conflict supplemental [Conf. Board]; ISM PMI at 54.5 with rising backlogs particularly around data center ecosystem [ISM] - Costs: ISM prices index at 77.9 on steel/aluminum tariffs and fuel; trade policy remains executive driven [ISM] - Interest rate environment weighing on U.S. housing starts and U.S. existing home sales [FRED]	Defense topline in the Dec. 11 deal; Sec. 232 changes; permitting reform for infrastructure Reshoring and near shoring of supply chains; status of U.S.-Mexico and U.S.-Canada trade relations Iranian war impact on input costs
Power & Utilities	Tailwind	- EIA sees record U.S. generation in 2026–27 on data centers and manufacturing [EIA]; FERC ordered grid operators to revise or justify large-load rules - Bipartisan Senate permitting deal would make data centers pay their own transmission costs; states are also flexing power	Lame-duck permitting vote; RTO filings; state data-center laws and rate cases
Real Estate	Mixed	- Rates dominate: 30-yr mortgage near 7.2% after the Fed hike; existing-home sales down 2% in August [NAR] - Housing policy is bipartisan, but state and local regulations matter immensely - If higher rates coincide with a significant economic slowdown, commercial real estate, especially retail and leisure, will feel the impact	10-yr yield reaction to funding deal; Treasury/HUD rules; CRE refinancing; data-center demand
Technology, Media & Telecom	Mixed	- AI rules unsettled: White House seeks federal preemption; a bipartisan House draft proposes audits and three-year preemption - Data-center skepticism spans parties and states; state AGs are challenging deals federal agencies cleared	Preemption fight; frontier-model oversight; data-center cost rules; FTC/DOJ and state AG actions; Tech and software valuations/stock prices

Net impact: Tailwind Mixed Headwind

Net impact = election-related policy plus current conditions, next 12–24 months

Cross-sector M&A: federal review is settlement-friendly and midterms are not expected to change deal activity materially

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