

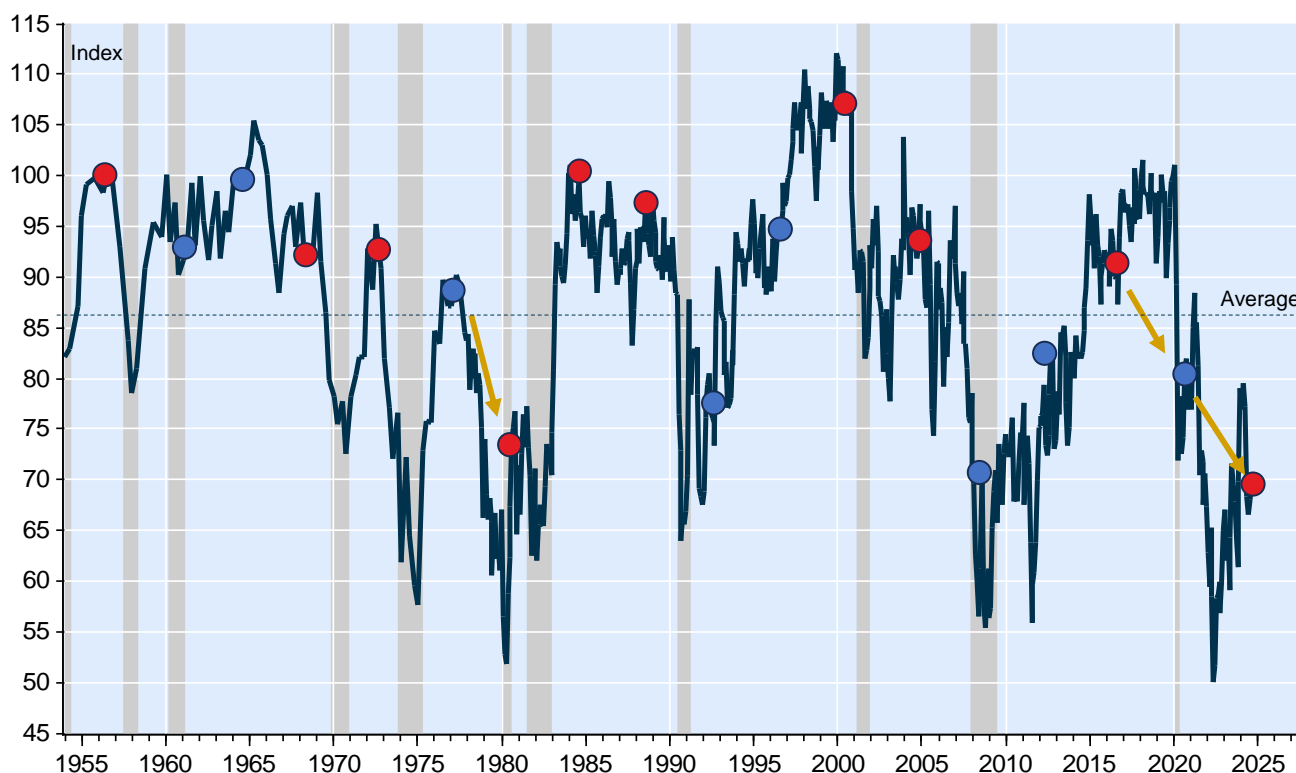
U.S. Watch

By **Matthieu Arseneau**

According to the "Keys of the White House", a system developed by the American historian Allan Lichtman to predict the outcome of US presidential elections, the Democratic Party was destined to be re-elected this week. In fact, no fewer than 8 statements were true (out of 13), above the 7 threshold which favours the incumbent party. Two of these statements were about the economy: "Is the economy in recession" and "Has GDP per capita growth been higher or equal compared to the last two mandates". At first glance, these criteria appear to be appropriate, as they take into account both the recent dynamism of the economy and the changes in the purchasing power of households in real terms (adjusted for inflation). While the economic situation looks good on this basis, US consumer confidence is very low by historical standards, comparable to levels seen during recessions. There is reason to believe that high inflation (including rising housing costs) during the administration has weighed on the morale of Americans, whatever other economic indicators may indicate. As today's Hot chart shows, there have only been three occasions when Americans have denied the party in power at least a second term, and each time consumer confidence has fallen well below its historical average during the term (1980, 2020, 2024). While economists are increasingly questioning the usefulness of soft data for economic forecasting (Consumption is currently strong despite poor confidence), perhaps political analysts should focus on these indicators when it comes to making election predictions.

U.S.: Political analysts failed to account for a "key" metric

University of Michigan sentiment index



NBC Economics and Strategy (data via Fred)



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