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#US / #Politics / #Data indicators

Vibes versus reality

US consumer sentiment is at lows normally reserved for times of severe recession. Regardless of whether household perceptions have broken from reality, or macro data are failing to capture a wide swathe struggling to get by, the 'vibecession' matters for politics. Ultimately it feeds into votes, policy choices and back into the economy and markets.

Key Takeaways

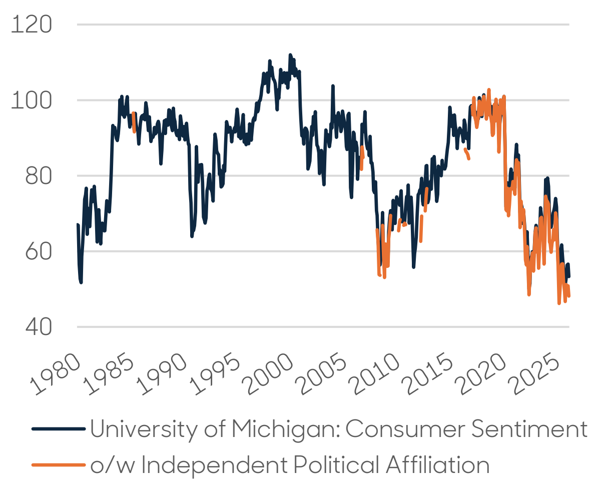
- Rock bottom US sentiment readings and discontent with the political system stand in stark contrast to historically still low unemployment, a booming stock market and robust growth.
- Of course, it is possible that headline macro indicators fail to capture important dynamics under the surface that may be killing the 'vibes'. For example, an inflation hangover from the pandemic, wealth gains being skewed to the richest, or ongoing structural change that is making job prospects increasingly uncertain.
- That said, it is hard to distinguish between genuine economic hardship and pessimism coinciding with a solid economic backdrop. Social media is potentially amplifying a disconnect to personal finances. Other non-economic factors, such as social ones, may have also spilled into sentiment.
- In that sense, it is not impossible to envision consumption and economic growth continuing at robust rates even if sentiment remains severely depressed. But the 'vibes' are crucial to defining the political landscape: we expect that anti-incumbency will become an engrained feature of politics, feeding into policy volatility and more frequently unsettling markets.

Broad-based discontent…

The chasm between generally robust macro data and an increasingly pessimistic US consumer – known as the 'vibecession' – continues to grow.

The long-standing University of Michigan's survey is a case in point. While the bipartisan split between Republicans and Democrats, who are both cheerier when their parties are in power, risks skewing the headline index, independent voters' sentiment closely tracks the headline series (see Figure 1).

Figure 1: Consumer sentiment indices are at record lows, regardless of political affiliation, age, education or income



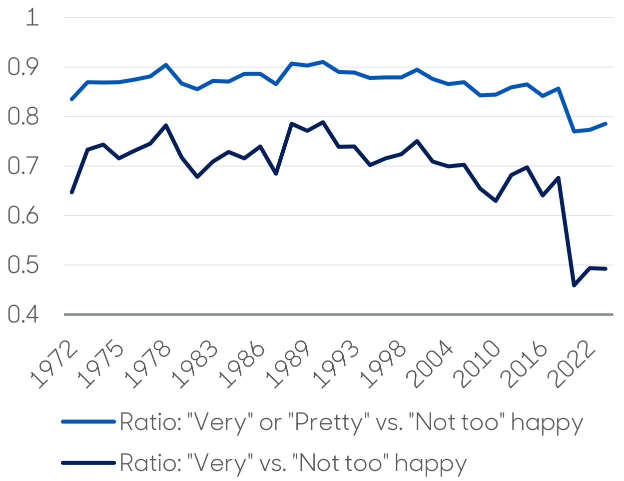
Source: Aberdeen, University of Michigan, July 2026

Similarly, other questions asked by the University of Michigan show that sentiment is at levels that would normally be reserved for times of severe recession, regardless of whether survey respondents are grouped by age, income levels or education.

Of course, much like focusing on any one macro indicator can mislead, it is worth considering a broad swathe of 'vibes'.

Some other surveys – such as the Conference Board's Consumer Confidence index, which has been sliding since 2021 – are much less alarmist than the University of Michigan's survey when one considers the historical average. And, while this could imply it would be wise to fade some of the signal, other more esoteric indicators also point to more general discontent and feelings of malaise that could underpin bad 'vibes'. The General Social Survey's Happiness score has stepped down dramatically since the pandemic, for example (see Figure 2).

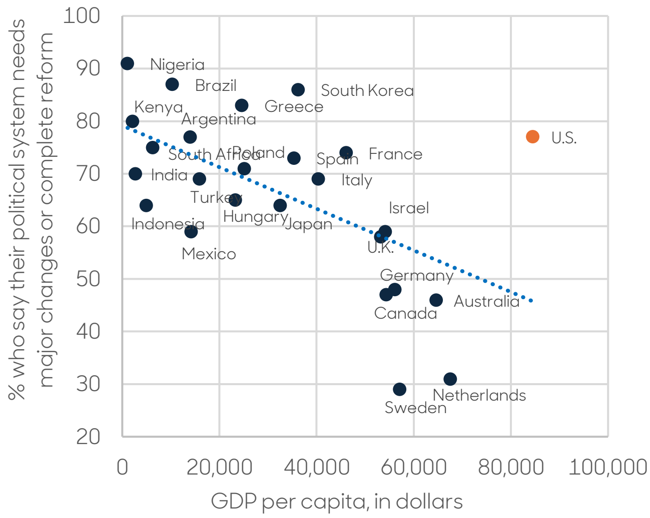
Figure 2: The proportion of households reporting they are happy has fallen since 2018



Source: Aberdeen, The General Social Survey, University of Chicago, July 2026

Polling also points to an unhappy electorate. US voters stand out for dissatisfaction with its current political system, particularly when relative standard of living – as measured by GDP per capita – is taken into account (see Figure 3).

Figure 3: Money isn't buying US voters happiness with their political system

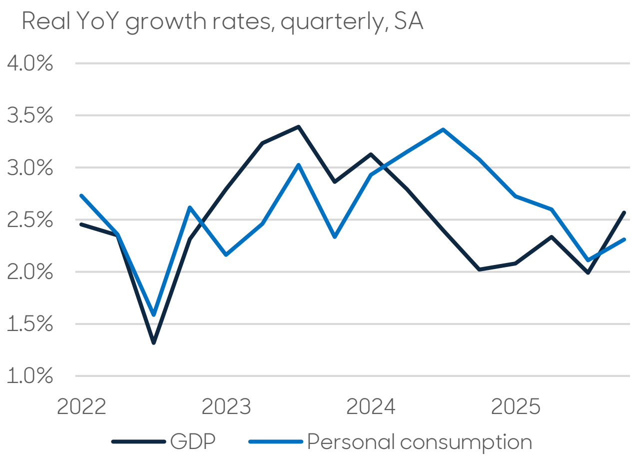


Source: Aberdeen, PEW Research Centre, July 2026

... which contrasts with still robust macro headlines

Despite the 'vibecession', the US economy has held up well in the post-Covid years. GDP growth has been strong, and personal consumption figures point to a healthy consumer (see Figure 4).

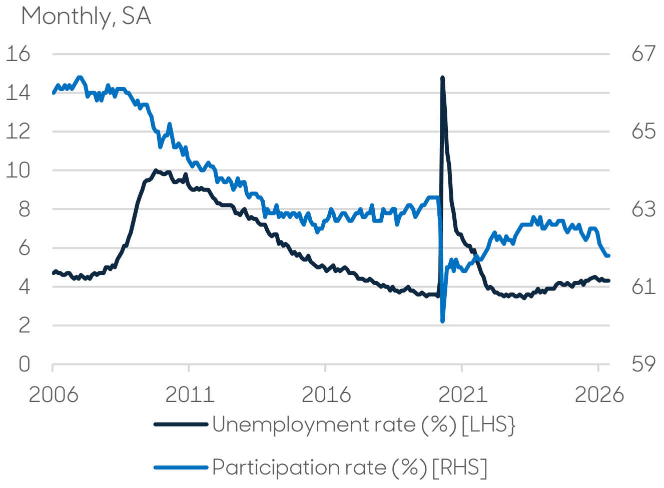
Figure 4: Solid economic growth in recent years conflicts with voter sentiment



Source: Aberdeen, Haver, July 2026

Similarly, we are not seeing any significant weakness in the unemployment rate, which remains low by historical standards (see Figure 5).

Figure 5: Unemployment remains low, but more are dropping out of the labour force



Source: Aberdeen, Haver, July 2026

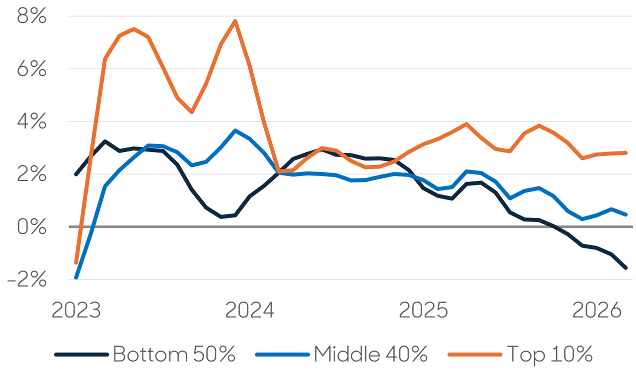
Of course, labour market variables are not unambiguously positive: the participation rate remains somewhat depressed compared to its pre-pandemic norms; youth and long-term unemployment have been rising; while the labour market remains in a low-fire, low-hire state.

Income inequality and cost of living pressures

It may be that strong headline GDP numbers and traditional metrics, like unemployment, mask underlying weakness that could be influencing household sentiment. Growth is being propped up by the AI buildout, which may be adding to uncertainty about future job prospects for example.

And the strength in personal consumption is disproportionately driven by higher earners, who have been benefiting from rising asset prices as well as stronger wage growth. Real disposable income growth for the top 10% of earners has consistently outpaced lower income groups, particularly in the past two years. For the bottom 50%, growth even turned negative in the past year (see Figure 6).

Figure 6: Top 10% of earners are seeing higher growth in disposable income



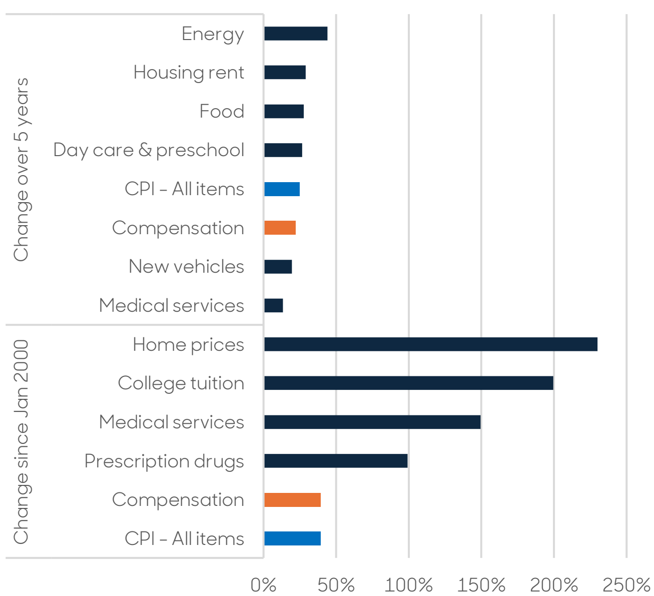
Source: Aberdeen, realtimeinequality.org, July 2026

This income disparity is why talk about the K-shaped economy has been prominent. Some reports suggest that the top 10% of earners account for half of all consumer spending.

A hangover from the inflationary shock unleashed by the pandemic is also a plausible reason behind the rock-bottom sentiment readings.

Over the last five years, inflation has outpaced compensation in several categories, including energy, rent and food, which helps to explain why voters continue to cite affordability as their primary concern (see Figure 7, top panel).

Figure 7: Is the American dream too costly now?



Source: Aberdeen, Haver, July 2026

Moreover, even categories that have fallen in real terms over the past five years have seen rapid price rises over a longer time horizon.

The prices of housing, college, and healthcare have dwarfed growth in compensation over the last 25 years, likely fuelling discontent, particularly among younger generations, who feel priced out of the life their predecessors were able to afford (see Figure 7, bottom panel).

There is also an inequality angle to the pain of inflation. At first glance, lower- and upper-income cohorts have experienced near identical inflation over the past five years. But quirks of the inflation data mean that actual housing costs for homeowners, many of whom locked in mortgages at favourable rates (below rental inflation) and are more likely to be upper income, are overstated. In contrast, renters have seen on average a 22% increase in rent in the past five years, squeezing those on lower incomes.

Perception also plays a part in the inflation discontent, with consumers being more aware of changing prices of things they purchase regularly such as food or utilities. Food prices have increased 15% since 2021, and account for 11% of low-income households spending, versus 6% for high-income households. In effect, a larger share of the population has been more exposed to the more visible price shifts.

In short, lower-income households have disproportionately been squeezed by both inflation and weaker income growth.

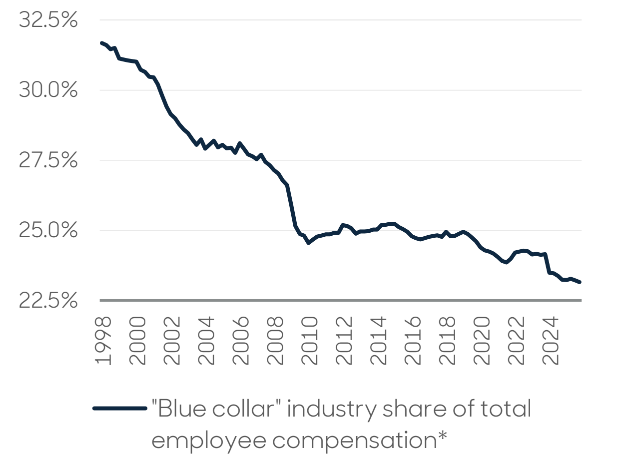
Blue collar blues

Structural change within the economy and workforce is also a prime candidate contributing to the 'vibecession' and the anti-globalisation backlash in politics.

The hollowing out of US manufacturing, and traditional 'blue collar' jobs more generally, is often cited as one of the concerns that President Donald Trump tapped into to secure his victories.

The share of compensation going to industries such as manufacturing, construction and transportation fell by 6.4 percentage points between 1998 and 2009, and, following a period of relative stability, it has fallen a further 1.7ppts since 2019 (see Figure 8).

Figure 8: Solid headline labour market indicators may disguise discontent driven by a changing mix of jobs



Source: Aberdeen, BEA, July 2026 *Note: "Bue collar" industries defined as: forestry & fishing, mining & oil and gas extraction, construction, manufacturing, wholesale, transportation & warehousing.

While difficult to quantify, fear of change, perhaps due to the changing jobs market and the emergence of artificial intelligence could also be depressing sentiment.

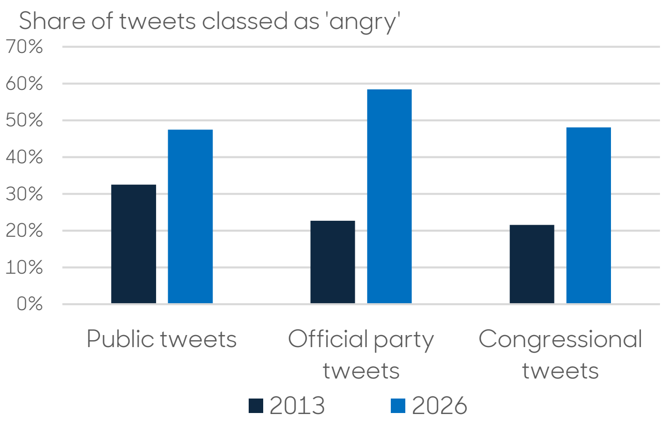
Social media is likely amplifying anxieties

And social media might be amplifying these concerns. The proportion of Americans who say that social media is their main source of news has grown significantly in recent years, to 34%.

While some academic research such as that conducted by Barberá (2020) suggests that exposure to a wide variety of opinions can have moderating effects on political views, algorithms that push 'rage-bait' to fuel engagement with their platforms are a plausible cause of political polarisation.

Analysis on Elon Musk's X (formerly Twitter), suggests the share of posts that can be classified as angry has significantly increased since 2013, particularly among government officials and affiliated accounts (see Figure 9).

Figure 9: Social media is getting angrier



Source: Aberdeen, Algan, Davoine, Renault & Stantcheva, July 2026

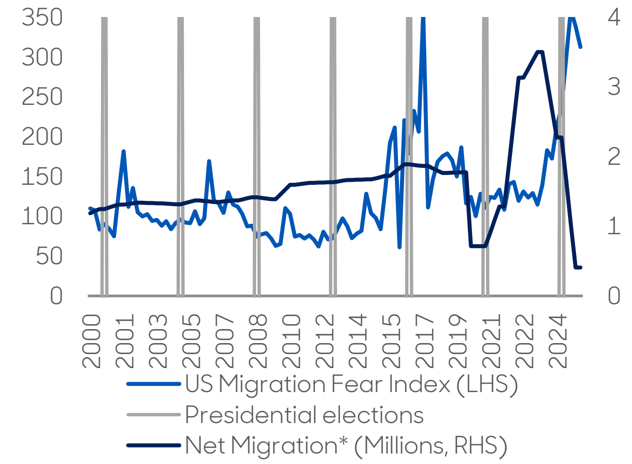
Rising virtual vitriol across a range of economic and social debates could be crowding out a more balanced discussion of the economy, in particular where political alliances and echo chambers lead debates.

Migration still matters

Migration, which has become a political focal point in the US and elsewhere, adds another dimension to the 'vibes' and the upcoming mid-terms.

Tough immigration policies have reduced recorded southern border crossings close to zero, and, as a result net migration was likely at a 35-year low in 2025. But fear of migration – as measured by text analysis, which spiked ahead of Trump's first and second presidencies – remains near record highs (see Figure 10).

Figure 10: Fear of migration spiked in the run up to the 2016 and 2024 elections and remains close to record highs



Source: Aberdeen, Haver, CBO, July 2026 *Note; UN population data used up to 2019, CBO migration estimates from 2020 onwards.

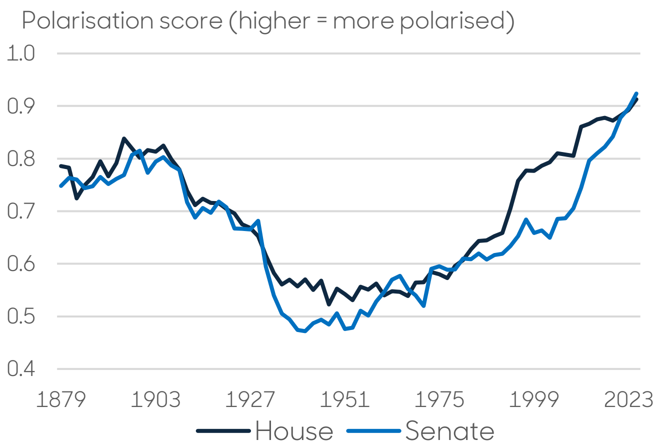
It is unclear whether it is concerns about immigration or loathing of Immigration and Customs Enforcement (ICE) actions – following on from high-profile deaths – that will prevail. Whichever it is, it might become another decisive factor in the mid-terms.

A brave new political world?

It is still possible that the 'vibecession' does not derail the economy or dent the markets. As a general rule, economists have a strong preference to analyse what people do, not what they say they feel. But the 'vibes' are crucial in defining the political landscape, which ultimately decides which politicians are elected, what policy choices are made and how much 'churn' we see across the political and policy landscape.

Voter dissatisfaction with the status quo and partisan politics is increasingly reflected in the choice of elected officials. Politicians themselves have become more partisan over time, reflecting their electorate, (see Figure 11) resulting in fewer successful legislative efforts, and an increasing reliance on the reconciliation process to pass tax and spend bills.

Figure 11: Congress is becoming more polarised, with both sides drifting further from the centre



Source: Aberdeen, Vote View, July 2026

Reconciliation bills, which allow for the passage of tax and spend legislation with a simple majority in the Senate, rather than the typical 60 votes, have become more common over the past few decades. Their use, which theoretically allows the incumbent party to pursue spending priorities using party-line votes rather than compromise with the opposition, has the potential to inflate spending packages over time. Fiscal consolidation is difficult to pursue in this environment, so US government debt levels are likely to keep climbing alongside polarisation.

Another likely consequence is that anti-incumbency voting will persist alongside voter dissatisfaction.

A higher churn of politicians (including outside of the US) and oscillations between party control could feed policy volatility.

This can feed through into higher business and market uncertainty, with politicians less able to address structural issues facing the economy and more inclined to focus on quick wins and reversing policy changes made by previous incumbents. Populism and uncertainty are rarely a winning combination, especially for markets.

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