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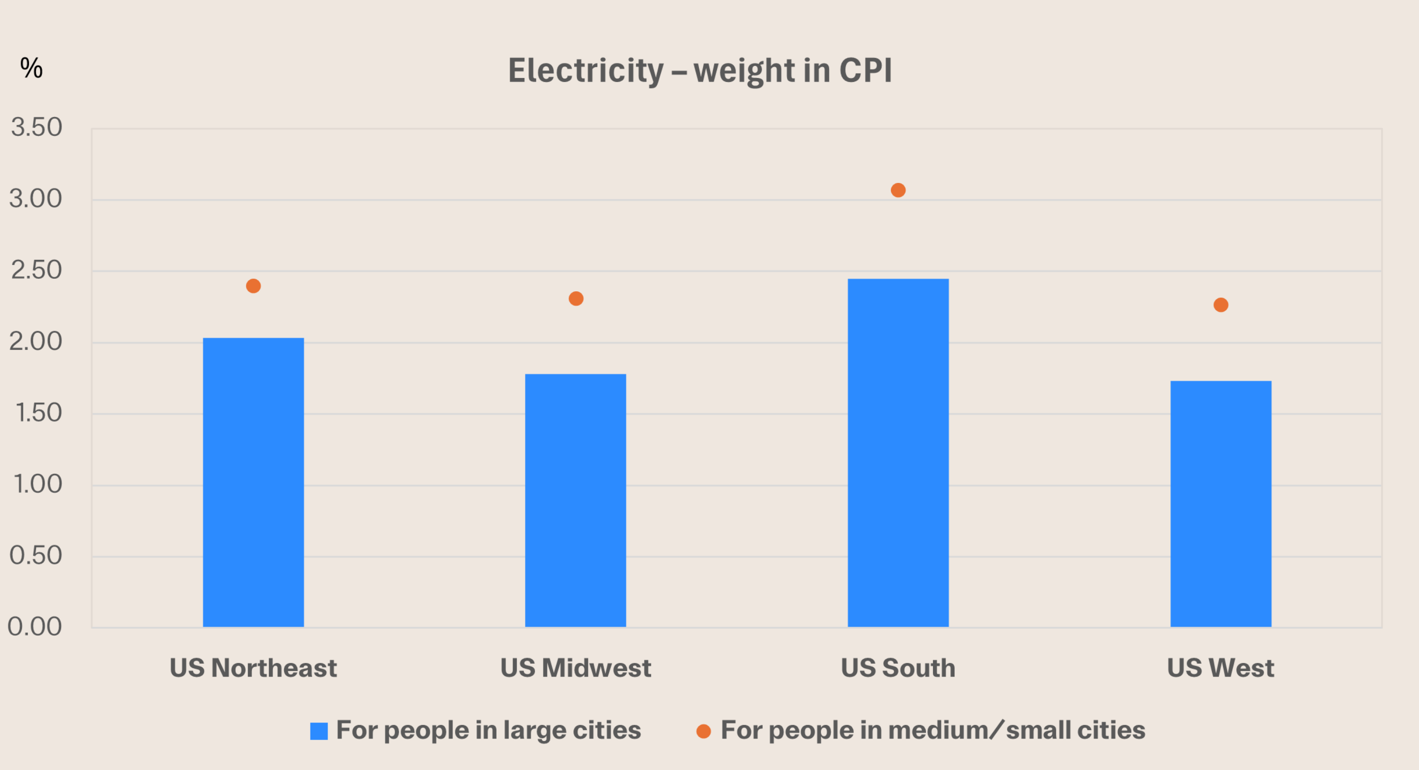
Global Listed Infrastructure

Infrastructure in focus: January 2026

Affordability is a hot-button issue for 2026

The affordability challenge is front and centre in the news and in politics at present. This imbalance between the rising costs of household essentials and incomes is set to grow in importance for businesses and markets in 2026. The US midterm elections and persistent inflation set the scene for further debate.

We are watching this closely because if household budgets become strained, there can be meaningful impact on those regulated utilities, predominantly in the US, in which we invest. This could manifest through pushback from state regulators on rate increases, which could also present headwinds to further capex growth for these companies.



We see two key dynamics that are important to watch in the New Year to better understand the potential flow-through from affordability to regulated utilities' revenues:

- Higher utility costs affect some households disproportionately: We note that consumer price inflation is experienced more acutely by lower-income households, by older demographics and by smaller population areas. As the chart below shows, this creates a complex picture across US geographies. This will be influential on regulators' decisions and on public sentiment.
- How affordability "feels" for households is important: The trend in real incomes looks reasonable for US households in recent quarters, recovering from its covid lows. At the same time, since the post-covid rebound, nominal wages growth has been slowing down. As a result, although purchasing power has improved, households appear more sensitive to price increases. It makes sense that most people focus on the sticker price of goods and services as a proportion of their monthly pay cheque rather than their "real" wages. Regulators and companies will also need to be sensitive to such sentiment in rate decisions this year.

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