

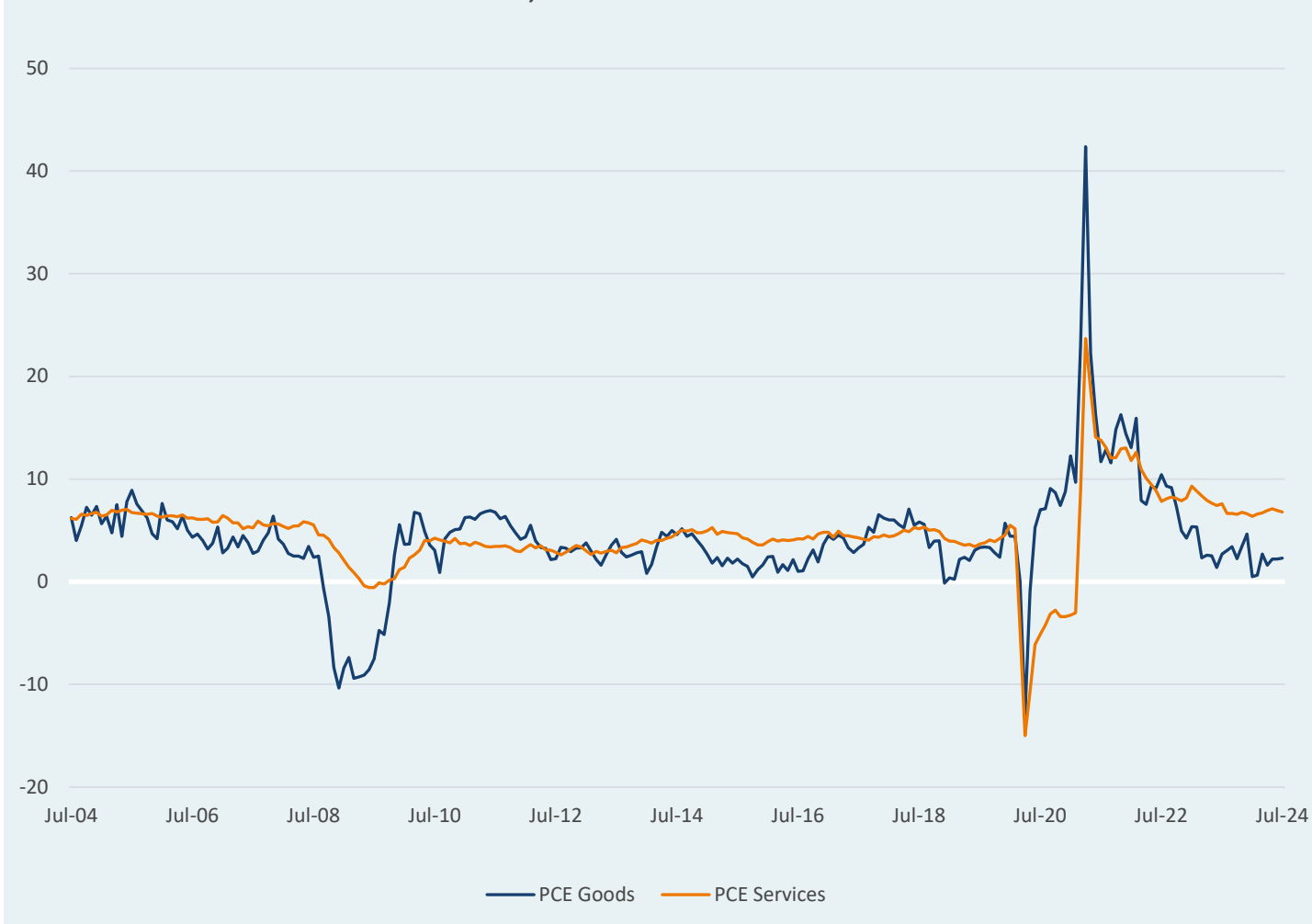
# Verus Market Note

## U.S. manufacturing weakness has coincided with a slowdown in goods purchases

In recent years, consumer purchases of *goods* have significantly lagged the purchases of *services*. This effect often occurs during rising interest rate environments, due to big-ticket items such as autos and homes, as well as other physical goods, being more difficult to afford when financing rates are higher. During the same period, U.S. manufacturing activity has shown continued weakness, as reflected in Tuesday's ISM Manufacturing PMI report. These two trends are likely linked at least partially, as more than half of U.S. manufacturing is consumer-facing, and most consumer-facing products are sold domestically rather than exported.

In this week's Market Note, we outline the significant swing towards services and away from goods spending in the higher rate environment.

PERSONAL CONSUMPTION EXPENDITURES, YEAR-OVER-YEAR % CHANGE



Source: St. Louis FRED, as of 9/4/24