



## Report for December 2023

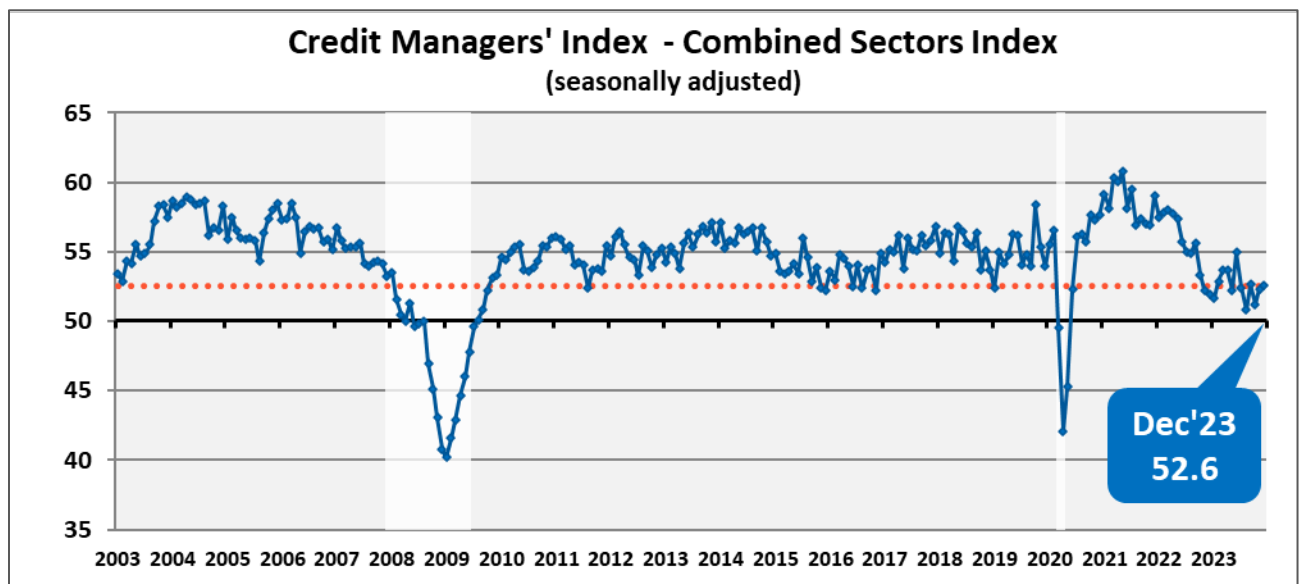
Issued December 29, 2023

National Association of Credit Management

### Credit Managers' Index Combined Sectors

The National Association of Credit Management's seasonally adjusted combined Credit Managers' Index (CMI) for December 2023 gained 0.3 of a point to 52.6. "The CMI continues to show considerable weakness but remains above the contraction threshold," said NACM Economist Amy Crews Cutts, Ph.D., CBE. "However, it points to considerable decline in credit conditions that are leading indicators of economic activity,"

"Inflation continues to slow, which is wonderful in the big picture," Cutts said. "But slow inflation still means prices are still rising, and the cumulative impact on businesses and consumers is detrimental as budgeting and cash flow are stressed. The Fed's aggressive stance to fight inflation has also hit businesses through increased borrowing costs. The Credit Managers' Index is showing these stresses with higher delinquencies on accounts receivables and increasing business bankruptcies."



The CMI is centered on a value of 50, with values greater indicating expansion and values lower indicating economic contraction.

<b>Combined Manufacturing and Service Sectors (seasonally adjusted)</b>	<b>Dec '22</b>	<b>Jan '23</b>	<b>Feb '23</b>	<b>Mar '23</b>	<b>Apr '23</b>	<b>May '23</b>	<b>Jun '23</b>	<b>Jul '23</b>	<b>Aug '23</b>	<b>Sep '23</b>	<b>Oct '23</b>	<b>Nov '23</b>	<b>Dec '23</b>
Sales	55.9	51.2	57.6	57.0	59.0	54.1	62.0	55.6	49.5	58.8	52.6	56.1	53.8
New credit applications	55.6	56.9	58.5	58.9	58.5	57.7	58.3	56.8	56.2	56.3	56.4	58.3	60.4
Dollar collections	58.3	57.7	59.7	60.0	61.4	57.1	61.6	56.2	52.6	58.0	55.9	59.4	59.0
Amount of credit extended	56.1	57.9	58.6	58.2	58.6	56.5	60.2	56.8	54.9	61.4	58.7	58.3	58.3
<b>Index of favorable factors</b>	<b>56.5</b>	<b>55.9</b>	<b>58.6</b>	<b>58.5</b>	<b>59.4</b>	<b>56.4</b>	<b>60.5</b>	<b>56.4</b>	<b>53.3</b>	<b>58.6</b>	<b>55.9</b>	<b>58.0</b>	<b>57.9</b>
Rejections of credit applications	50.9	50.4	50.4	50.8	47.7	48.7	53.3	50.7	50.3	49.2	49.8	48.7	49.0
Accounts placed for collection	46.4	45.2	45.5	46.6	46.7	45.9	48.2	48.2	44.9	47.5	45.6	44.6	45.8
Disputes	49.0	48.9	48.4	50.6	49.6	48.4	51.1	50.3	49.8	47.3	48.3	49.6	49.5
Dollar amount beyond terms	46.5	47.9	51.4	53.0	53.8	51.4	51.8	46.1	48.9	50.5	45.6	49.2	48.4
Dollar amount of customer deductions	49.3	50.0	48.5	50.5	49.8	52.9	51.0	51.0	50.9	47.4	48.9	51.1	50.5
Filings for bankruptcies	51.0	50.8	50.1	51.8	51.4	49.7	52.4	52.3	50.2	50.0	50.5	47.8	50.8
<b>Index of unfavorable factors</b>	<b>48.9</b>	<b>48.9</b>	<b>49.1</b>	<b>50.5</b>	<b>49.8</b>	<b>49.5</b>	<b>51.3</b>	<b>49.8</b>	<b>49.1</b>	<b>48.7</b>	<b>48.1</b>	<b>48.5</b>	<b>49.0</b>
<b>NACM Combined CMI</b>	<b>51.9</b>	<b>51.7</b>	<b>52.9</b>	<b>53.7</b>	<b>53.7</b>	<b>52.2</b>	<b>55.0</b>	<b>52.4</b>	<b>50.8</b>	<b>52.6</b>	<b>51.2</b>	<b>52.3</b>	<b>52.6</b>

## CMI Combined Sectors Factor Indexes

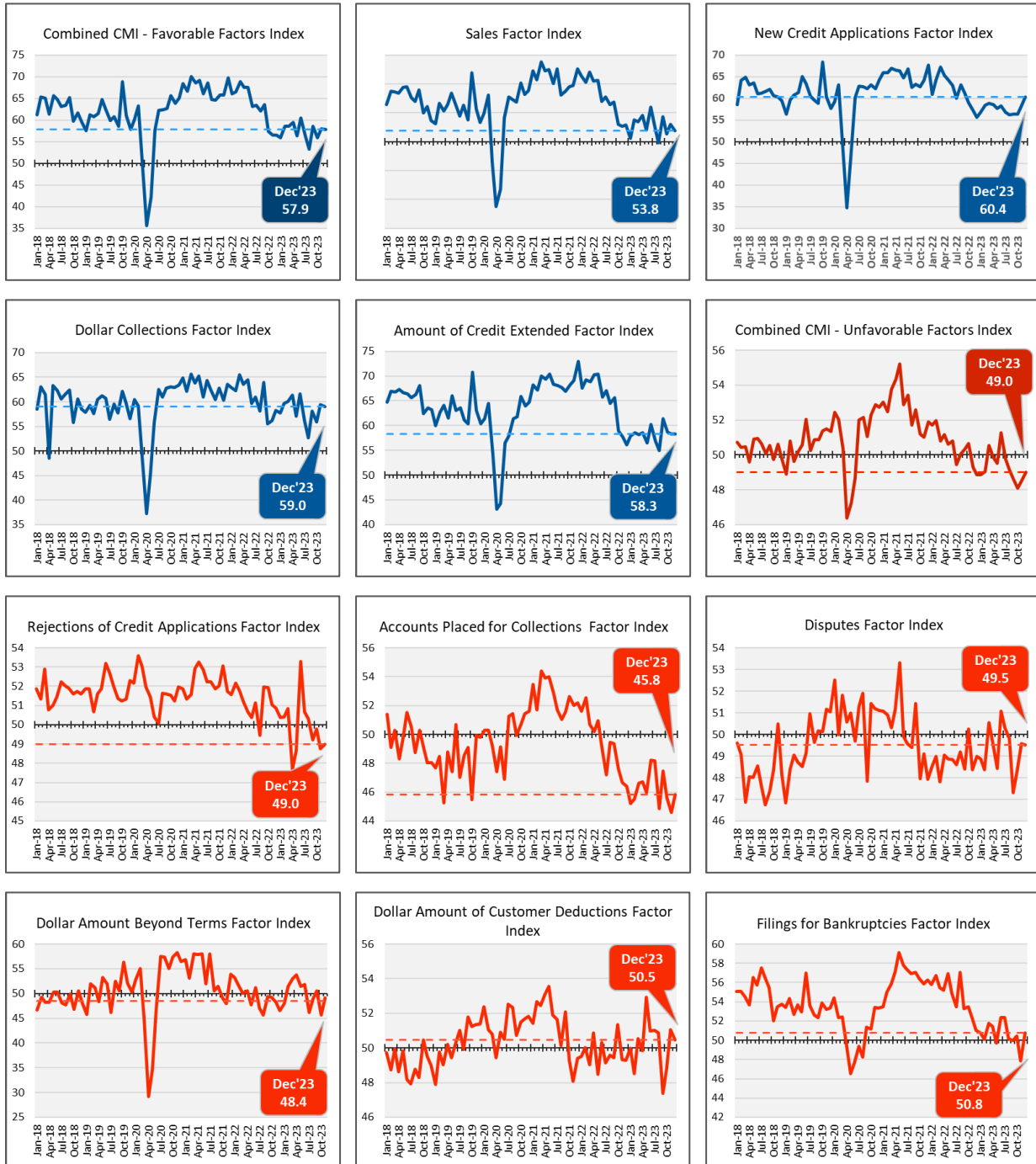
### Key Findings:

- The index for favorable factors is deteriorated 0.1 to 57.9, led by a 2.3-point drop in the sales factor index to 53.8 points and a 0.4-point decline in the dollar collections factor index to 59.0.
- The amount of credit extended factor index was unchanged in the December survey after two months of deterioration.
- The sales factor index has been the most volatile in 2023 and is down 8.1 points from its recent high of 62.0 in June.
- The index for unfavorable factors improved by 0.5 to 49.0, remaining in the tight range around 50 that it has been in the past year and a half, while recording its sixth month below 50.
- Half of the six unfavorable factor indexes improved in the December survey, which records credit performance for the prior month; the index for filings of bankruptcies led with a rise of 2.9 points to an index value of 50.8.
- The index for accounts placed for collection improved by 1.2 points to 45.8, its 19<sup>th</sup> month below 50 points. Index values below 50 mean that an increasing number of accounts are sent to collections.

“Respondents were quiet this month regarding their views on current conditions,” said Cutts. “The few that did add commentary indicated concern that some customers, those already in distress, are not curing at previous rates. Hence, collections referrals are rising. The index for accounts placed for collections has been below 50 for an astounding 19 months and we saw bankruptcies rise quickly this year—these two trends are clearly indicating a recession in business activity heading into 2024.”

## CMI Combined Sectors Factor Indexes Charts

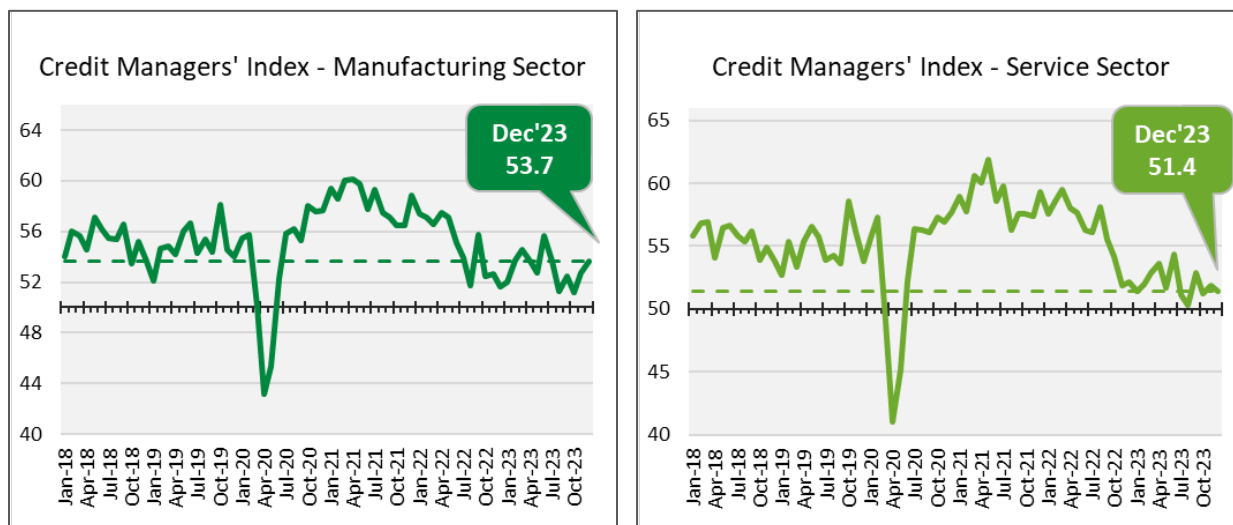
All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.



## CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI improved 1.0 points in the December CMI survey to a level of 53.7. The Service Sector CMI fell 0.5 to 51.4.

“The manufacturing sector CMI improved in the December survey while the service sector declined a bit,” Cutts said. “Both sector CMIs have declined markedly over the past two years or so, but the services sector shows less volatility and a lower trend – that is, it is weaker overall, especially in the unfavorable factor indexes. While the manufacturing sector unfavorable factor index has been hovering around 50 all year, the same index for the services sector has been below 50 for 14 consecutive surveys.”



The data in the charts are seasonally adjusted.

### CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors improved 1.7 points to 58.2, marking the third month of improvement. The unfavorable factor index improved this month by 0.4 to 50.6.

#### Key Findings:

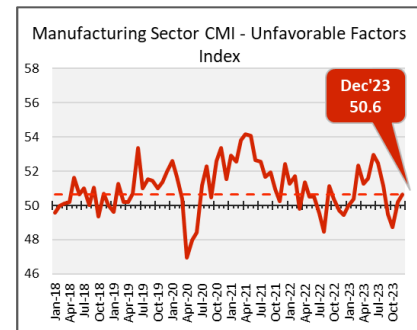
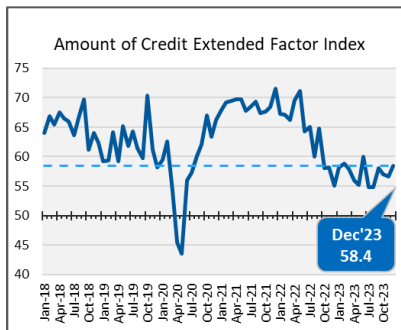
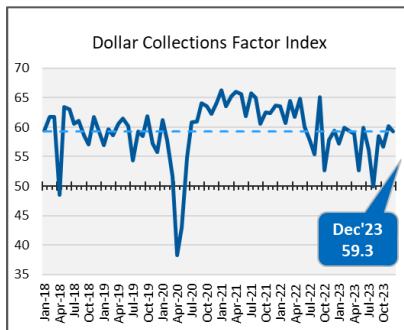
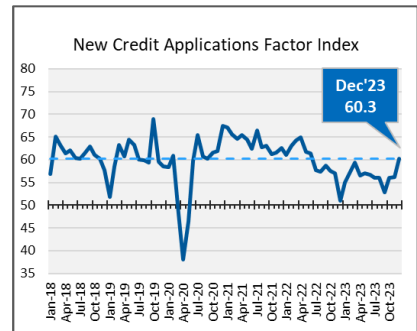
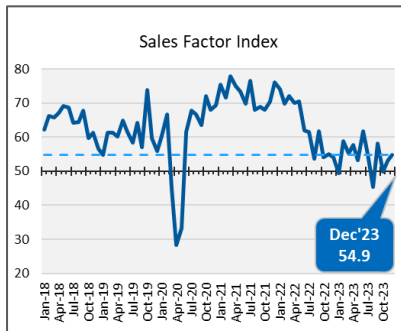
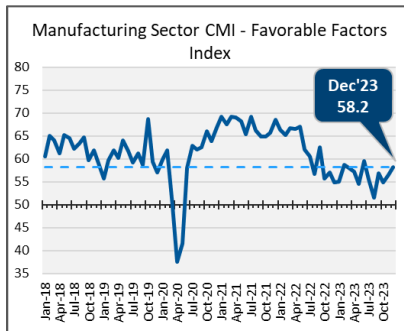
- Only one favorable factor index declined this month. The dollar collections index deteriorated by 0.8 points to 59.3 points. The new credit applications index showed the largest gain, coming in at 60.3, 4.1 points higher than last month.
- The index for sales gained 1.8 points to 54.9. The sales index has been the most volatile this year, ranging from a low of 45.4 in August to a high of 61.7 just two months earlier.
- Two of the unfavorable factors deteriorated in the December survey: Disputes and the dollar amount of customer deductions. Both of these factors are in the contraction zone, and indicate that more customers are struggling, disputing invoices in an effort to reduce the amount due or demanding discounts.
- The largest improvement was in the index for filings for bankruptcies, which jumped 3.2 points to 51.8. The dollar amount beyond terms index improved for the second month rising from 51.5 in the November survey to 53.0 in December.
- The index for accounts placed for collection improved in the December survey, but marked the fifth month in which credit managers saw more accounts deteriorate to collections status.

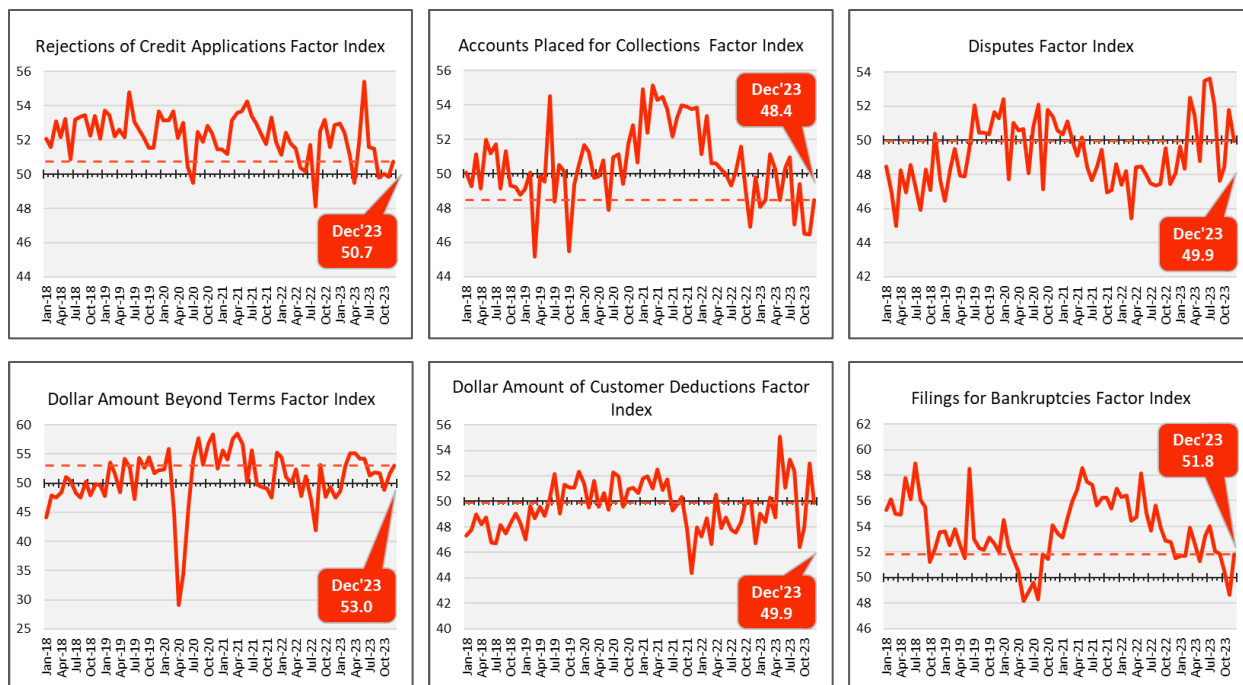
“Although we are not yet hearing of supply issues, global shipping is reeling from attacks in the Red Sea and the continued limited capacity in the Panama Canal due to drought,” Cutts said. “Shipping capacity is much improved from where it was two years ago, but it is taking longer to get shipments from port to port and shipping costs have risen significantly in recent weeks.”

<b>Manufacturing Sector (seasonally adjusted)</b>	<b>Dec '22</b>	<b>Jan '23</b>	<b>Feb '23</b>	<b>Mar '23</b>	<b>Apr '23</b>	<b>May '23</b>	<b>Jun '23</b>	<b>Jul '23</b>	<b>Aug '23</b>	<b>Sep '23</b>	<b>Oct '23</b>	<b>Nov '23</b>	<b>Dec '23</b>
Sales	54.1	49.5	58.9	55.2	57.6	53.1	61.7	54.9	45.4	58.0	49.9	53.1	54.9
New credit applications	51.1	55.0	57.5	59.4	56.6	57.1	56.7	56.0	56.0	52.9	56.0	56.2	60.3
Dollar collections	59.4	57.2	60.0	59.4	58.9	52.7	59.9	56.2	49.9	58.5	56.6	60.2	59.3
Amount of credit extended	55.0	58.2	58.8	57.9	55.9	55.2	60.0	54.8	54.8	58.1	57.0	56.6	58.4
<b>Index of favorable factors</b>	<b>54.9</b>	<b>55.0</b>	<b>58.8</b>	<b>58.0</b>	<b>57.3</b>	<b>54.5</b>	<b>59.6</b>	<b>55.5</b>	<b>51.5</b>	<b>56.9</b>	<b>54.9</b>	<b>56.5</b>	<b>58.2</b>
Rejections of credit applications	52.9	53.0	52.4	51.1	49.5	51.7	55.4	51.6	51.5	49.8	50.0	49.9	50.7
Accounts placed for collection	49.8	48.1	48.5	51.1	50.2	48.5	50.3	51.0	47.0	49.4	46.5	46.5	48.4
Disputes	48.0	49.6	48.3	52.5	51.5	48.8	53.5	53.6	52.1	47.6	48.4	51.8	49.9
Dollar amount beyond terms	47.6	48.5	53.0	55.1	55.1	54.2	54.2	51.3	51.8	51.7	48.9	51.5	53.0
Dollar amount of customer deductions	46.7	49.1	48.4	50.3	48.8	55.1	51.1	53.3	52.4	46.4	48.0	53.0	49.9
Filings for bankruptcies	51.5	51.7	51.7	53.9	52.5	51.3	53.2	54.0	52.0	51.9	50.6	48.6	51.8
<b>Index of unfavorable factors</b>	<b>49.4</b>	<b>50.0</b>	<b>50.4</b>	<b>52.3</b>	<b>51.3</b>	<b>51.6</b>	<b>53.0</b>	<b>52.4</b>	<b>51.1</b>	<b>49.5</b>	<b>48.7</b>	<b>50.2</b>	<b>50.6</b>
<b>NACM Manufacturing CMI</b>	<b>51.6</b>	<b>52.0</b>	<b>53.7</b>	<b>54.6</b>	<b>53.7</b>	<b>52.8</b>	<b>55.6</b>	<b>53.7</b>	<b>51.3</b>	<b>52.4</b>	<b>51.2</b>	<b>52.7</b>	<b>53.7</b>

## CMI Manufacturing Sector Factor Indexes Charts

All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.





## CMI Service Sector Factor Indexes

The December CMI Service Sector Index marked a 2.0-point deterioration in the favorable factors index to 57.6. The sector’s unfavorable factors index improved by 0.6 points to 47.4, but marked the 14th consecutive month that the index has remained in contraction territory (below 50 points).

### Key Findings:

- The rise in the unfavorable factor index was led by a 2.7-point improvement in the filings for bankruptcies index to 49.7, a 1.9-point increase in the dollar amount of customer deductions factor index to 51.0, and a 1.7-point improvement in the disputes index to 49.1.
- The disputes factor index for the services sector has been below 50 for 12 consecutive months.
- The index for new credit applications and dollar collections were essentially unchanged this month. The decline in the favorable factors index was led by a 6.3-point deterioration in the sales factor index and a 1.8-point reduction in the amount of credit extended index.

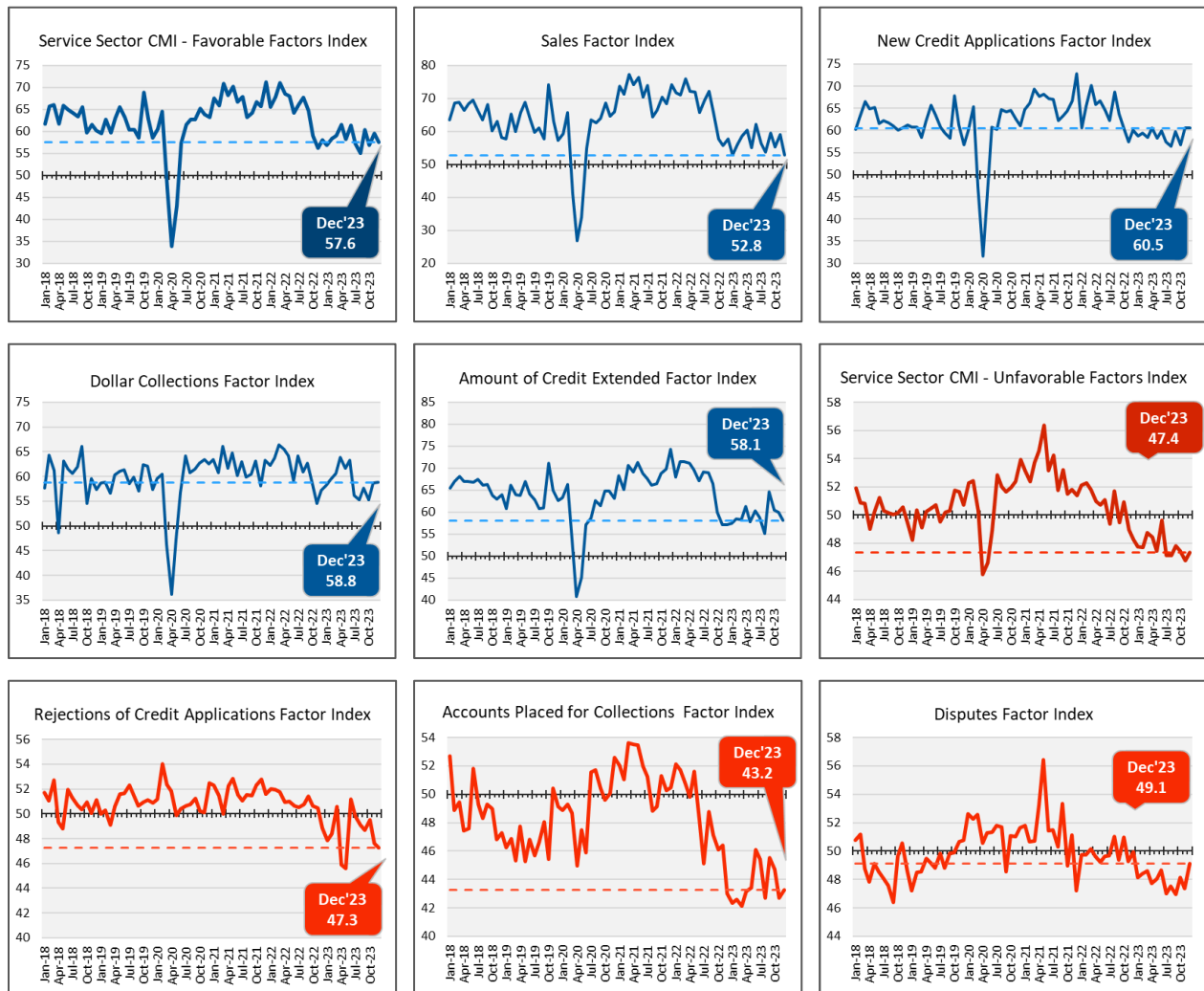
“The Service Sector CMI index has four unfavorable factor indexes that have been in contraction for six months or more and the other two have dabbled above 50 for a month or two in the last six and none have lingered above 50 at any point this year,” said Cutts. “While the sector index is still in expansion, these trends in account performance are clearly troubling. Dollar collections are still strong, one bright spot is that once credit managers bring down the hammer, they are getting paid, but it’s expensive to chase down clients for payment.”

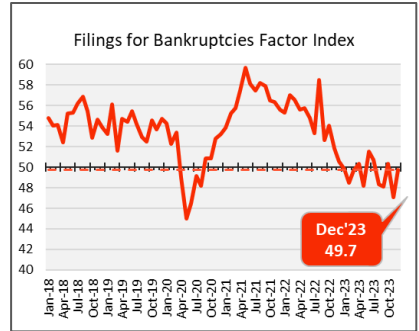
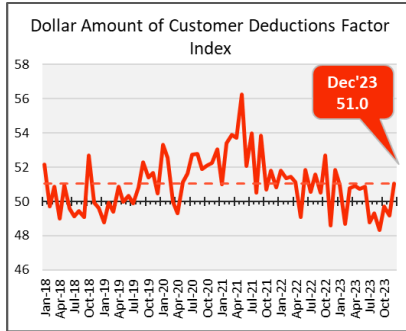
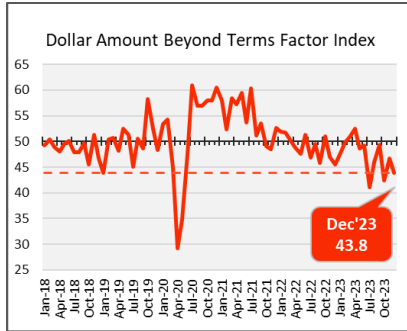
Service Sector (seasonally adjusted)	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23
Sales	57.7	52.9	56.3	58.7	60.4	55.2	62.2	56.4	53.7	59.5	55.3	59.1	52.8
New credit applications	60.1	58.7	59.5	58.5	60.5	58.3	60.0	57.5	56.4	59.7	56.7	60.5	60.5
Dollar collections	57.1	58.2	59.5	60.7	63.8	61.6	63.3	56.2	55.3	57.6	55.2	58.7	58.8
Amount of credit extended	57.2	57.5	58.4	58.4	61.3	57.7	60.4	58.9	55.1	64.7	60.4	59.9	58.1

<b>Index of favorable factors</b>	<b>58.0</b>	<b>56.8</b>	<b>58.4</b>	<b>59.1</b>	<b>61.5</b>	<b>58.2</b>	<b>61.5</b>	<b>57.2</b>	<b>55.1</b>	<b>60.4</b>	<b>56.9</b>	<b>59.6</b>	<b>57.6</b>
Rejections of credit applications	48.9	47.8	48.4	50.6	45.9	45.6	51.2	49.8	49.1	48.7	49.5	47.6	47.3
Accounts placed for collection	43.0	42.3	42.6	42.1	43.2	43.4	46.1	45.4	42.7	45.5	44.7	42.7	43.2
Disputes	49.9	48.1	48.4	48.6	47.7	48.0	48.7	47.0	47.5	47.0	48.1	47.4	49.1
Dollar amount beyond terms	45.5	47.4	49.8	50.8	52.5	48.6	49.3	41.0	46.0	49.4	42.3	46.8	43.8
Dollar amount of customer deductions	51.8	51.0	48.7	50.8	50.9	50.7	50.9	48.8	49.3	48.3	49.7	49.2	51.0
Filings for bankruptcies	50.5	49.8	48.5	49.7	50.3	48.2	51.5	50.7	48.3	48.1	50.3	47.0	49.7
<b>Index of unfavorable factors</b>	<b>48.3</b>	<b>47.7</b>	<b>47.7</b>	<b>48.8</b>	<b>48.4</b>	<b>47.4</b>	<b>49.6</b>	<b>47.1</b>	<b>47.2</b>	<b>47.8</b>	<b>47.5</b>	<b>46.8</b>	<b>47.4</b>
<b>NACM Service CMI</b>	<b>52.2</b>	<b>51.4</b>	<b>52.0</b>	<b>52.9</b>	<b>53.7</b>	<b>51.7</b>	<b>54.3</b>	<b>51.2</b>	<b>50.3</b>	<b>52.8</b>	<b>51.2</b>	<b>51.9</b>	<b>51.4</b>

## CMI Service Sector Factor Indexes Charts

All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.





View CMI archives at <https://www.nacm.org/cmi/cmi-archive.html>.

Source: National Association of Credit Management

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Website: [www.nacm.org](http://www.nacm.org)

Twitter: @NACM\_National





## Methodology Appendix

CMI data has been collected and tabulated monthly since March 2002. The index, published since March 2003, is based on a survey of approximately 1,000 trade credit managers in the first half of each month, with about equal representation between the manufacturing and service sectors. The survey asks respondents to comment whether they are seeing improvement, deterioration, or no change for various favorable and unfavorable factors. There is representation from all states, except some of the less populated, such as Vermont and Wyoming. The computation of seasonality is based on the formula used by the U.S. Census Bureau and most of the federal government's statistical gathering apparatus, making it possible to compare the CMI diffusion index with comparable indices, such as the Purchasing Managers' Index (PMI) and other manufacturing and service sector indices.

### Factors Making Up the Diffusion Index

As shown in the table below, 10 equally weighted items determine the index. These items are classified into two categories: favorable factors and unfavorable factors. A diffusion index is calculated for each item with the overall CMI being a simple average of the 10 items. Survey responses for each item capture the change—higher, lower or the same—in the current month compared to the previous month.

For positive indicators, the calculation is:

$$\frac{\text{Number of "higher" responses} + \frac{1}{2} \times \text{number of "same" responses}}{\text{Total number of responses}}$$

For negative indicators, the calculation is:

$$\frac{\text{Number of "lower" responses} + \frac{1}{2} \times \text{number of "same" responses}}{\text{Total number of responses}}$$

A resulting CMI number of more than 50 indicates an economy in expansion; less than 50 indicates contraction.

<b>Favorable Factors</b>	<b>Why Favorable</b>
Sales	Higher sales are considered more favorable than lower sales.
New credit applications	An increase in credit applications says that demand is greater, which represents increased business if credit is extended.
Dollar collections	Higher dollar collections represent improved cash flow for the selling firm and the ability of buying firms to pay.
Amount of credit extended	An increase for this item means business activity is expanding with greater sales via trade credit.
<b>Unfavorable Factors*</b>	<b>Why Unfavorable</b>
Rejections of credit applications	Increased rejections of credit applications mean more marginal creditworthy customers are seeking trade credit and being denied.
Accounts placed for collection	As this item increases, the selling firm is having trouble collecting accounts, or conversely, there is an increase in buyers not paying.

Disputes	Higher dispute activity often is associated with cash flow problems of customers. They dispute the invoice to defer payment until later.
Dollar amount of receivables beyond terms	As this item becomes higher, it means customers are taking longer to pay.
Dollar amount of customer deductions	Higher deductions often are associated with cash flow problems of customers.
Filings for bankruptcies	Higher bankruptcy filings mean cash flow difficulties of customers are increasing.

*\*Note: When survey respondents report increases in unfavorable factor activities, the index numbers drop, reflecting worsening conditions.*

#### About the National Association of Credit Management

NACM, headquartered in Columbia, Maryland, supports more than 11,000 business credit and financial professionals worldwide with premier industry services, tools and information. NACM and its network of affiliated associations are the leading resource for credit and financial management information, education, products and services designed to improve the management of business credit and accounts receivable. NACM's collective voice has influenced our nation's policy makers on federal legislation concerning commercial business and trade credit for more than 100 years and continues to play an active role in legislative issues that pertain to business credit and corporate bankruptcy. Its annual Credit Congress & Expo is the largest gathering of credit professionals in the world. NACM has a wealth of member experts in the fields of business-to-business credit and law. Consider using NACM as a resource in the development of your next credit or finance story. View CMI archives at <https://www.nacm.org/cmi/cmi-archive.html>.