



## Report for October 2021

Issued October 30, 2021

National Association of Credit Management

### Combined Sectors

NACM's Credit Managers' Index (CMI) has been fluctuating for months starting with the decline from the pandemic, followed by unanticipated economic recovery earlier this year. However, October's readings show some form of stability. This month's combined index score remained fairly unchanged with only a 0.1-point drop to 58.0 compared to last month.

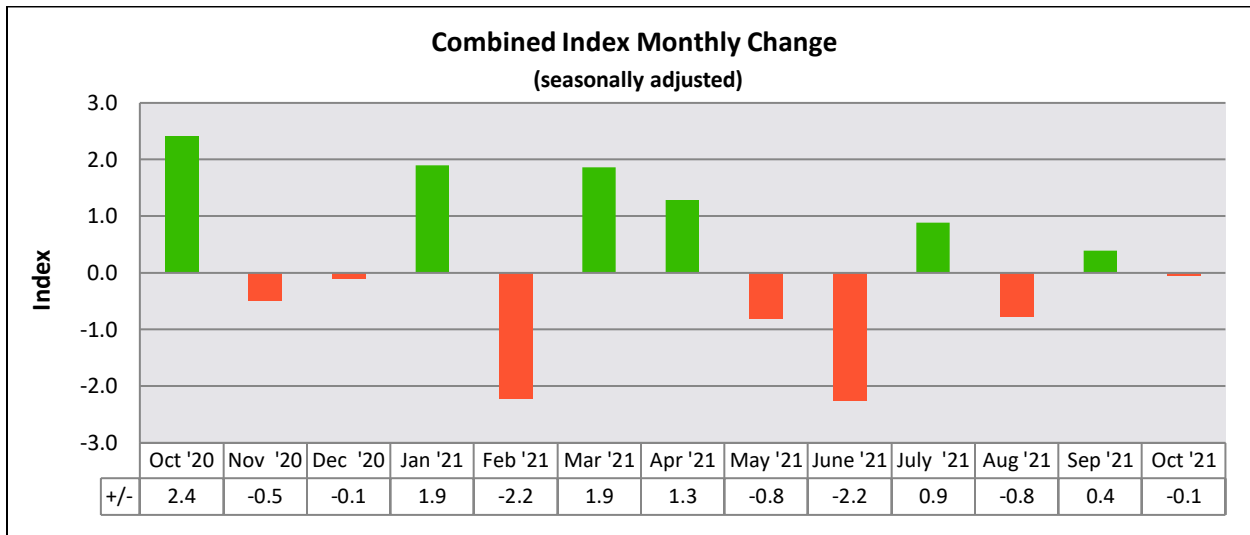
"The fact that the CMI this month is nearly identical to the CMI last month is an anomaly but perhaps a welcome one," said NACM Economist Chris Kuehl, Ph.D. "Given the fact that credit managers tend to think more about the future than what is happening right now, this outbreak of stability may be pointing to a more predictable end of the year."

The combined index of favorable factors improved with a 1.7-point gain this month. Sales numbers and dollar collection improved by 2.3 points to 72.7 and 63.4, respectively. Amount of credit extended improved the most with a 2.5-point jump to 70.0 - the first time this category has breached the 70's. New credit applications slipped 0.4 points to 64.6.

"Many companies are buying more heavily and aggressively than they usually do as they are trying to beat inflation and they are concerned about the supply chain," Kuehl noted.

The combined index for unfavorable factors slipped with a 1.3-point drop to 51.5 - the lowest level seen in the last year. Rejections of credit applications remained unchanged at 52.1 while accounts placed for collection dipped slightly by 0.2 points. The disputes category dropped 2.8 points into the contraction zone and the dollar amount of customer deductions also fell by 2.8 points into contraction territory. Filings for bankruptcies stayed fairly stable with a 0.5-point drop.

<b>Combined Manufacturing and Service Sectors (seasonally adjusted)</b>	<b>Oct '20</b>	<b>Nov '20</b>	<b>Dec '20</b>	<b>Jan '21</b>	<b>Feb '21</b>	<b>Mar '21</b>	<b>Apr '21</b>	<b>May '21</b>	<b>June '21</b>	<b>July '21</b>	<b>Aug '21</b>	<b>Sep '21</b>	<b>Oct '21</b>
Sales	74.2	66.5	70.2	75.9	69.9	73.9	74.7	73.2	67.7	73.3	68.6	70.4	72.7
New credit applications	65.2	63.9	64.4	67.8	65.5	63.9	65.9	64.6	63.1	69.8	64.4	65.0	64.6
Dollar collections	64.6	62.6	62.8	66.0	59.2	64.5	63.1	60.0	61.1	63.8	62.8	61.1	63.4
Amount of credit extended	68.0	64.8	65.3	69.2	66.8	68.4	69.0	69.0	67.4	61.1	68.4	67.5	70.0
<b>Index of favorable factors</b>	<b>68.0</b>	<b>64.4</b>	<b>65.7</b>	<b>69.7</b>	<b>65.3</b>	<b>67.7</b>	<b>68.2</b>	<b>66.7</b>	<b>64.8</b>	<b>67.0</b>	<b>66.0</b>	<b>66.0</b>	<b>67.7</b>
Rejections of credit applications	51.4	51.5	51.3	51.6	51.5	52.0	53.0	53.1	52.3	52.2	52.2	52.1	52.1
Accounts placed for collection	49.5	56.2	51.6	52.9	51.6	55.1	59.6	54.2	53.2	52.0	51.7	51.7	51.5
Disputes	51.0	50.6	51.2	50.9	51.0	50.6	51.3	53.7	50.4	49.4	49.5	51.3	48.5
Dollar amount beyond terms	58.0	58.1	57.0	58.9	52.0	57.0	59.4	57.1	49.5	52.4	51.6	51.9	50.9
Dollar amount of customer deductions	51.0	51.7	51.5	51.3	52.8	52.2	53.0	53.6	52.6	52.2	50.1	52.3	49.5
Filings for bankruptcies	50.7	53.0	52.5	52.3	54.5	55.7	57.1	59.3	58.3	58.2	57.4	57.3	56.8
<b>Index of unfavorable factors</b>	<b>51.9</b>	<b>53.5</b>	<b>52.5</b>	<b>53.0</b>	<b>52.2</b>	<b>53.8</b>	<b>55.6</b>	<b>55.2</b>	<b>52.7</b>	<b>52.7</b>	<b>52.1</b>	<b>52.8</b>	<b>51.5</b>
<b>NACM Combined CMI</b>	<b>58.4</b>	<b>57.9</b>	<b>57.8</b>	<b>59.7</b>	<b>57.5</b>	<b>59.3</b>	<b>60.6</b>	<b>59.8</b>	<b>57.5</b>	<b>58.4</b>	<b>57.7</b>	<b>58.1</b>	<b>58.0</b>



## Manufacturing Sector

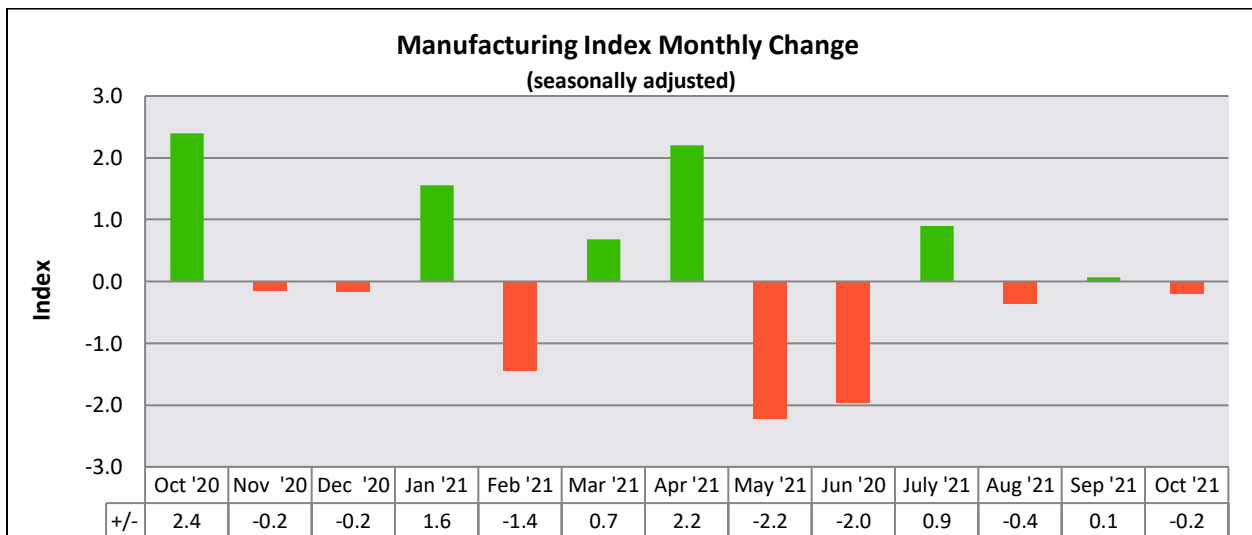
The overall index for manufacturing remained fairly stable with a 0.2-point gain, but there was some more variability in the subsectors. Favorable factors gained 0.8 points while unfavorable factors slipped 0.9 points. “The stability in this sector comes as a bit of a surprise given the impact that supply chain woes have had on the sector this year,” Kuehl said. “Manufacturing has been the bright spot for the economy through the majority of the pandemic as the consumer had little choice but to shift their spending from services to goods.”

Sales improved slightly with a 0.2-point gain while new credit applications data dropped by 2.0 points. Dollar collections jumped by 3.1 points and amount of credit extended rose into the 70s for the first time in years.

“Much of the motivation for the rise in credit has been the moves by manufacturers to buy more inventory as they worry about the impact of inflation and the chronic supply chain issues,” Kuehl said.

Within unfavorable categories, the rejections of credit applications fell 0.4 points while accounts placed for collection dropped 0.8 points. The disputes category fell further into contraction territory with a 2.3-point drop while dollar amount beyond terms escaped the contraction zone with a 0.5-point gain. Dollar amount of customer deductions slipped into contraction territory with a 2.4-point drop. Filings for bankruptcies remained unchanged at 56.5.

<b>Manufacturing Sector (seasonally adjusted)</b>	<b>Oct '20</b>	<b>Nov '20</b>	<b>Dec '20</b>	<b>Jan '21</b>	<b>Feb '21</b>	<b>Mar '21</b>	<b>Apr '21</b>	<b>May '21</b>	<b>June '21</b>	<b>July '21</b>	<b>Aug '21</b>	<b>Sep '21</b>	<b>Oct '21</b>
Sales	75.3	69.9	71.1	76.7	71.1	72.7	75.6	71.3	68.2	74.7	69.0	71.6	71.8
New credit applications	62.0	62.4	70.2	68.6	66.9	62.3	65.4	64.4	60.0	71.9	63.4	64.7	62.7
Dollar collections	65.0	62.3	65.9	67.1	63.8	65.5	64.7	64.4	62.5	65.5	65.0	60.4	63.5
Amount of credit extended	69.4	62.6	66.8	69.7	69.1	67.8	68.9	68.2	67.3	54.3	68.7	67.9	70.0
<b>Index of favorable factors</b>	<b>67.9</b>	<b>64.3</b>	<b>68.5</b>	<b>70.5</b>	<b>67.7</b>	<b>67.1</b>	<b>68.7</b>	<b>67.1</b>	<b>64.5</b>	<b>66.6</b>	<b>66.5</b>	<b>66.2</b>	<b>67.0</b>
Rejections of credit applications	52.8	52.5	51.3	50.9	51.1	53.8	53.8	53.3	53.4	53.7	53.1	52.4	52.0
Accounts placed for collection	51.4	63.0	51.4	54.1	52.0	56.3	65.4	54.0	53.4	51.6	53.1	54.5	53.7
Disputes	51.6	49.8	50.7	50.5	51.8	50.4	49.6	51.2	48.7	47.3	48.3	49.8	47.5
Dollar amount beyond terms	58.4	58.9	53.5	59.1	53.3	57.2	61.3	55.2	48.5	54.3	50.8	49.9	50.4
Dollar amount of customer deductions	50.5	51.0	50.6	51.0	52.0	50.8	52.8	51.1	52.4	50.6	50.0	50.6	48.2
Filings for bankruptcies	51.2	53.7	52.8	52.1	54.4	55.6	56.7	58.8	57.8	57.5	56.5	56.5	56.5
<b>Index of unfavorable factors</b>	<b>52.6</b>	<b>54.8</b>	<b>51.7</b>	<b>52.9</b>	<b>52.4</b>	<b>54.0</b>	<b>56.6</b>	<b>54.0</b>	<b>52.4</b>	<b>52.5</b>	<b>51.9</b>	<b>52.3</b>	<b>51.4</b>
<b>NACM Manufacturing CMI</b>	<b>58.8</b>	<b>58.6</b>	<b>58.4</b>	<b>60.0</b>	<b>58.5</b>	<b>59.2</b>	<b>61.4</b>	<b>59.2</b>	<b>57.2</b>	<b>58.1</b>	<b>57.8</b>	<b>57.8</b>	<b>57.6</b>



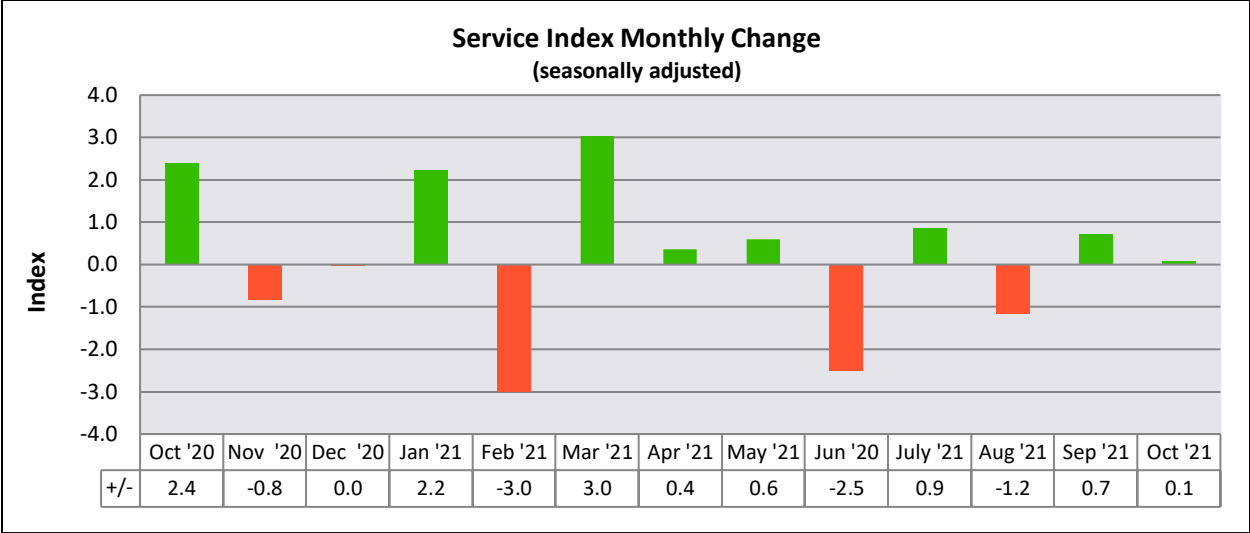
## Service Sector

Overall, the service sector's index fell 0.1 point. The sector's favorable factors improved 2.6 points while unfavorable factors fell 1.5 points. "For the last several months all eyes have been on the service sector as it has been recovery here that has determined the overall pace of recovery in the economy as a whole," Kuehl explained. "The expectation is that much of the 2022 recovery will depend on the further rebound of the service sector."

Sales numbers improved the most, rebounding back into the 70s with a 4.3-point gain. New credit applications improved with 1.4-point gain while dollar collections data grew 1.5 points. Amount of credit also improved with a 2.9-point jump. "These are all very encouraging numbers as the service sector seems to be staging a comeback," Kuehl said.

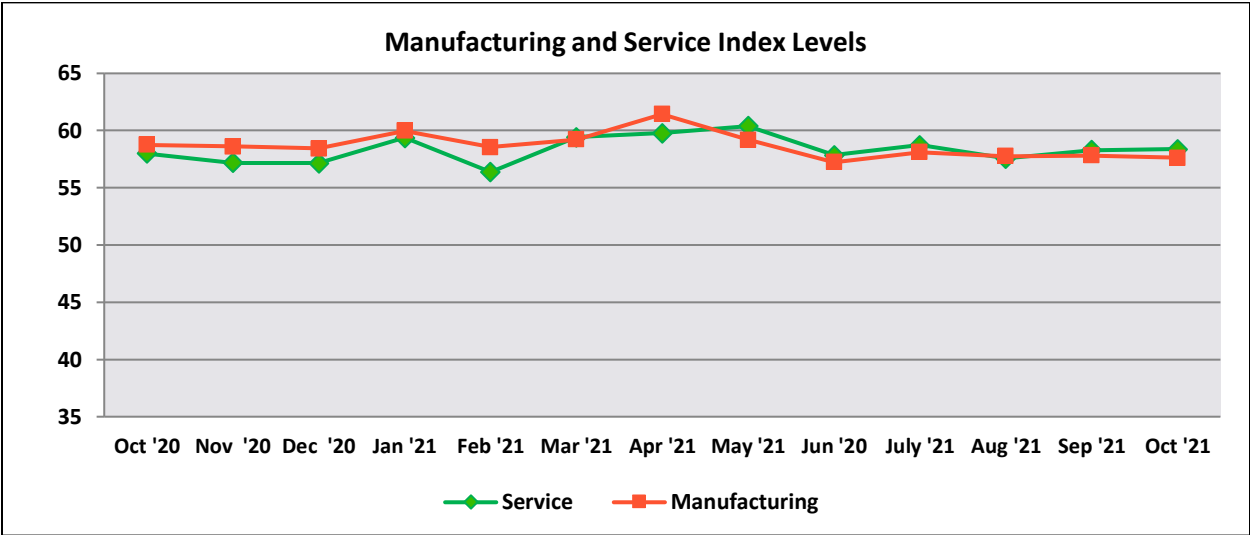
Within unfavorable categories, rejections of credit applications improved by 0.3 points. Despite a 0.4-point improvement, accounts placed for collection remains in contraction territory. Disputes saw the most dramatic drop falling by 3.4 points into contraction territory. Dollar amount beyond terms dropped 2.4 points and dollar amount of customer deductions fell 3.2 points. The filings for bankruptcies fell with a 0.9-point drop. "All in all, these numbers are still fairly upbeat given what has hit this sector but there are still pockets of distress," Kuehl said.

<b>Service Sector (seasonally adjusted)</b>	<b>Oct '20</b>	<b>Nov '20</b>	<b>Dec '20</b>	<b>Jan '21</b>	<b>Feb '21</b>	<b>Mar '21</b>	<b>Apr '21</b>	<b>May '21</b>	<b>June '21</b>	<b>July '21</b>	<b>Aug '21</b>	<b>Sep '21</b>	<b>Oct '21</b>
Sales	73.1	63.1	69.3	75.1	68.6	75.1	73.7	75.2	67.1	71.9	68.1	69.3	73.6
New credit applications	68.4	65.4	58.7	66.9	64.1	65.6	66.4	64.9	66.1	67.6	65.3	65.2	66.6
Dollar collections	64.3	62.9	59.7	64.9	54.6	63.4	61.6	55.7	59.8	62.2	60.5	61.8	63.3
Amount of credit extended	66.6	67.0	63.9	68.7	64.4	69.0	69.1	69.8	67.5	68.0	68.1	67.1	70.0
<b>Index of favorable factors</b>	<b>68.1</b>	<b>64.6</b>	<b>62.9</b>	<b>68.9</b>	<b>62.9</b>	<b>68.3</b>	<b>67.7</b>	<b>66.4</b>	<b>65.1</b>	<b>67.4</b>	<b>65.5</b>	<b>65.8</b>	<b>68.4</b>
Rejections of credit applications	50.0	50.4	51.2	52.2	51.8	50.2	52.2	52.9	51.1	50.7	51.4	51.8	52.1
Accounts placed for collection	47.7	49.4	51.8	51.8	51.2	54.0	53.7	54.3	53.0	52.3	50.3	48.9	49.3
Disputes	50.5	51.4	51.7	51.3	50.2	50.9	53.0	56.2	52.1	51.5	50.7	52.8	49.4
Dollar amount beyond terms	57.7	57.4	60.6	58.8	50.8	56.7	57.5	58.9	50.5	50.5	52.5	53.8	51.4
Dollar amount of customer deductions	51.5	52.38	52.37	51.5	53.5	53.5	53.1	56.1	52.7	53.7	50.3	54.0	50.8
Filings for bankruptcies	50.3	52.4	52.2	52.6	54.6	55.8	57.6	59.9	58.7	58.9	58.4	58.1	57.2
<b>Index of unfavorable factors</b>	<b>51.3</b>	<b>52.2</b>	<b>53.3</b>	<b>53.0</b>	<b>52.0</b>	<b>53.5</b>	<b>54.5</b>	<b>56.4</b>	<b>53.0</b>	<b>53.0</b>	<b>52.3</b>	<b>53.2</b>	<b>51.7</b>
<b>NACM Service CMI</b>	<b>58.0</b>	<b>57.2</b>	<b>57.1</b>	<b>59.4</b>	<b>56.4</b>	<b>59.4</b>	<b>59.8</b>	<b>60.4</b>	<b>57.9</b>	<b>58.7</b>	<b>57.6</b>	<b>58.3</b>	<b>58.4</b>



### October 2021 versus October 2020

There is more stability than would have been expected given all the stress that has appeared from inflation and the supply chain distress. The expectations from the credit managers remain high as far as the next few months are concerned.



### Methodology Appendix

CMI data has been collected and tabulated monthly since February 2002. The index, published since February 2003, is based on a survey of approximately 1,000 trade credit managers in the second 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 means 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 factors, 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>.

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