



## Report for May 2024

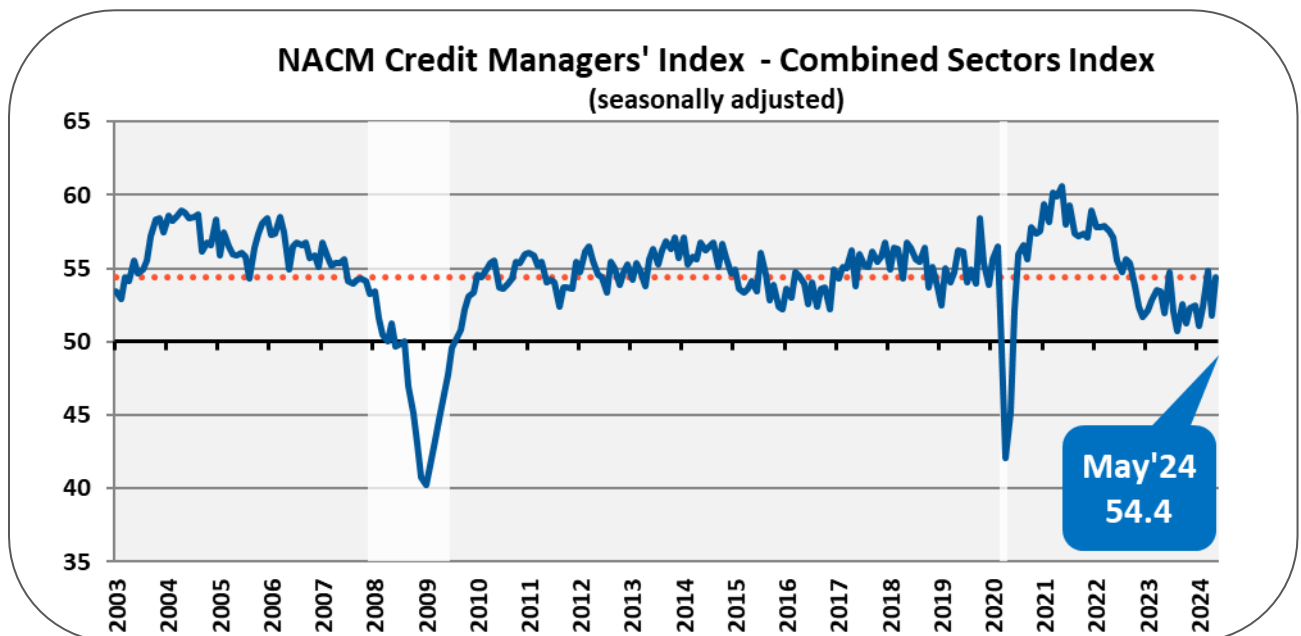
Issued May 31, 2024

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 May 2024 improved 2.6 points to a seasonally adjusted 54.4. "Once again the CMI has bounced back into decidedly expansion territory," said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"The Credit Managers' Index oscillates between being on the precipice of recession to solidly in expansion. A little deeper look, and the survey respondents indicate sales are continuously improving and there is no indication that recession risk is even present. Yet the number of accounts placed for collection has consistently been reported as rising for about a quarter of respondents each month for the past 24 months, indicating a lot of weakness in business trade. It goes a long way to explaining why business optimism is so weak – costs are rising, and while sales and new orders look good, getting paid is taking a lot of work for credit managers."



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

<b>Combined Manufacturing and Service Sectors (seasonally adjusted)</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>	<b>Jan '24</b>	<b>Feb '24</b>	<b>Mar '24</b>	<b>Apr '24</b>	<b>May '24</b>
Sales	53.4	61.0	54.7	49.4	58.3	52.6	55.9	53.6	52.7	57.6	62.1	57.6	62.9
New credit applications	57.3	58.0	56.5	56.5	56.5	56.6	58.4	60.4	55.1	59.5	61.2	57.6	60.6
Dollar collections	56.7	61.0	56.3	52.5	58.6	56.5	59.4	58.7	56.1	59.0	61.2	54.9	59.9
Amount of credit extended	56.0	60.5	56.7	55.2	61.5	58.7	58.3	58.1	57.9	56.1	64.2	60.8	60.8
<b>Index of favorable factors</b>	<b>55.9</b>	<b>60.1</b>	<b>56.1</b>	<b>53.4</b>	<b>58.7</b>	<b>56.1</b>	<b>58.0</b>	<b>57.7</b>	<b>55.4</b>	<b>58.1</b>	<b>62.2</b>	<b>57.7</b>	<b>61.1</b>
Rejections of credit applications	48.8	53.3	50.5	50.0	49.2	49.7	48.8	49.1	50.7	47.9	51.5	49.0	51.0
Accounts placed for collection	45.7	48.1	47.7	44.9	47.0	45.4	44.6	45.8	44.6	42.9	45.7	44.7	44.9
Disputes	48.4	51.0	49.9	49.5	47.4	48.4	49.9	49.4	48.6	48.2	49.6	49.7	49.6
Dollar amount beyond terms	50.8	51.1	45.8	48.6	49.6	45.5	48.9	48.2	43.6	50.6	54.1	43.9	51.0
Dollar amount of customer deductions	52.8	50.8	50.7	50.6	47.4	48.8	51.2	50.5	50.1	49.5	49.9	50.0	52.3
Filings for bankruptcies	49.5	52.4	52.0	49.8	50.0	50.5	47.7	51.1	51.7	52.6	49.4	49.8	50.6
<b>Index of unfavorable factors</b>	<b>49.3</b>	<b>51.1</b>	<b>49.4</b>	<b>48.9</b>	<b>48.4</b>	<b>48.1</b>	<b>48.5</b>	<b>49.0</b>	<b>48.2</b>	<b>48.6</b>	<b>50.0</b>	<b>47.8</b>	<b>49.9</b>
<b>NACM Combined CMI</b>	<b>52.0</b>	<b>54.7</b>	<b>52.1</b>	<b>50.7</b>	<b>52.5</b>	<b>51.3</b>	<b>52.3</b>	<b>52.5</b>	<b>51.1</b>	<b>52.4</b>	<b>54.9</b>	<b>51.8</b>	<b>54.4</b>

## CMI Combined Sectors Factor Indexes

### Key Findings:

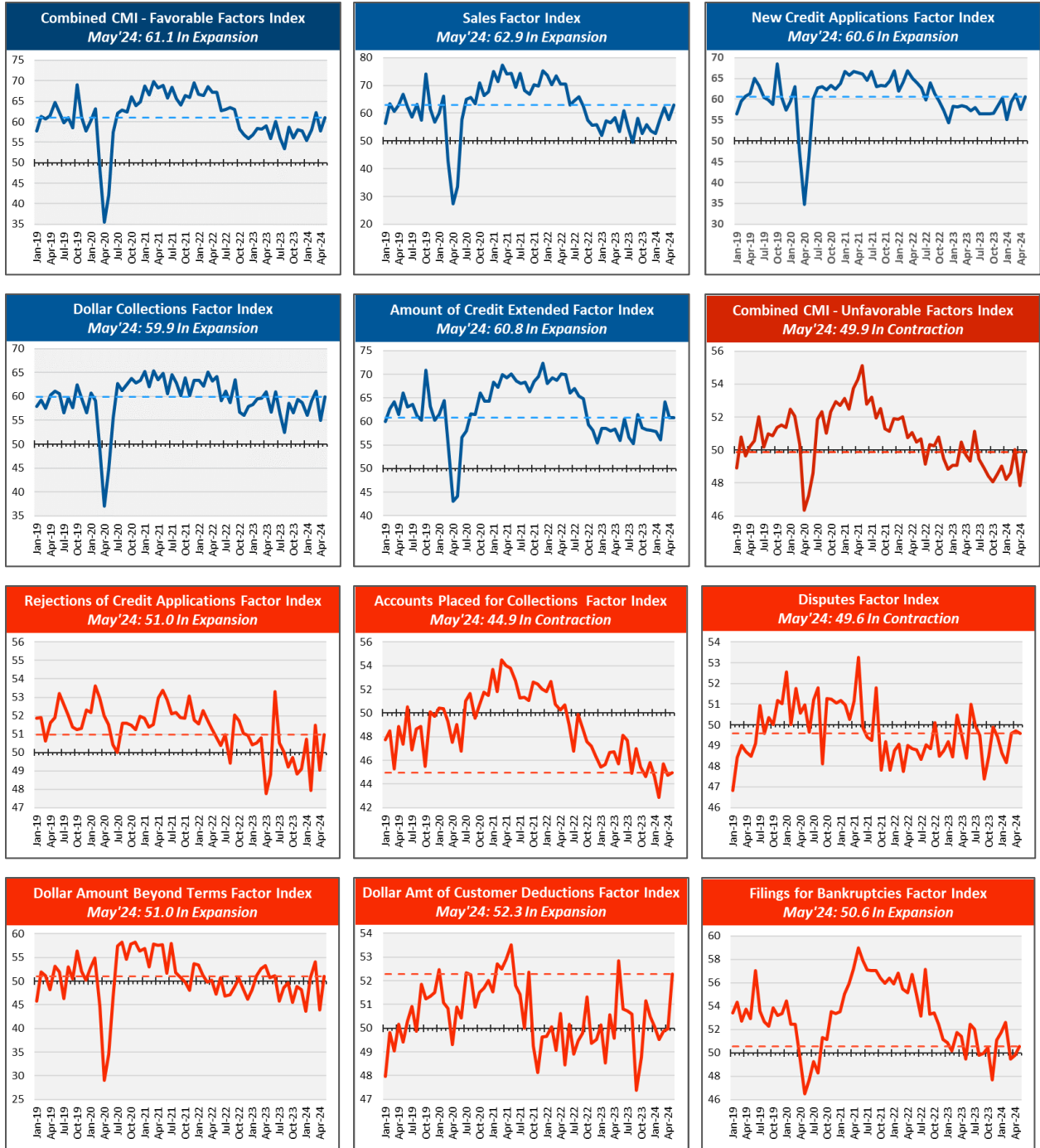
- The index for unfavorable factors improved by 2.0 points to 49.9, marking its second month in contraction territory where it has been for 10 of the past 12 months.
- The index for dollar amount beyond terms recovered from the steep drop in April, marking a 7.2-point improvement to push the index back into the expansion zone with a value of 51.0.
- The index for accounts placed for collection is at 44.9 this month, its 24<sup>th</sup> month in contraction.
- The index for favorable factors remains solidly in expansion and recovered most of the decline noted in April. This index now stands at 61.1 with all sub-indexes in a tight range around this value.

“The CMI captures most of the experiences of our survey respondents but with ten questions we can’t cover everything,” said Cutts. “The comments from respondents often make up for this and one noted this month that they are seeing a continued rise in the number of slower paid-when-paid contractual payments. This is a little different than simply being beyond terms and very frustrating for credit managers to manage.”

“The indicators in the CMI are not just about domestic business, but rather reflect global trends as well. One respondent noted that customers are looking for longer, more flexible terms globally. Additionally, over the past year shipping has become much more complicated with the war in Ukraine, attacks in the Red Sea, and the drought in Panama. The workarounds are looking more permanent than we may have thought a year ago. At least now the port of Baltimore is back in full operation with the clearing of the Dali wreckage from the shipping lanes.”

## CMI Combined Sectors Factor Indexes Charts

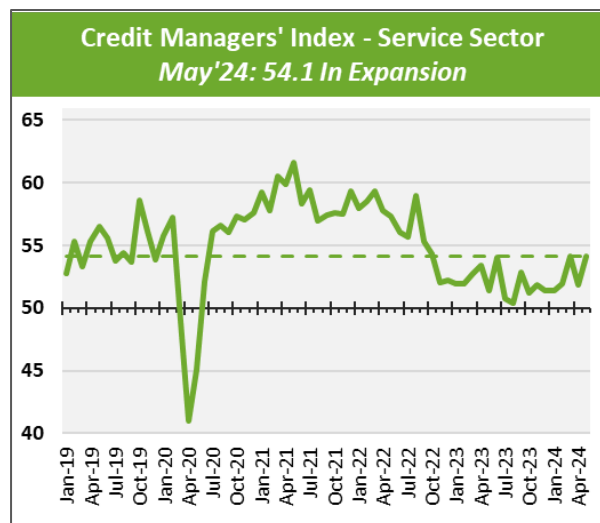
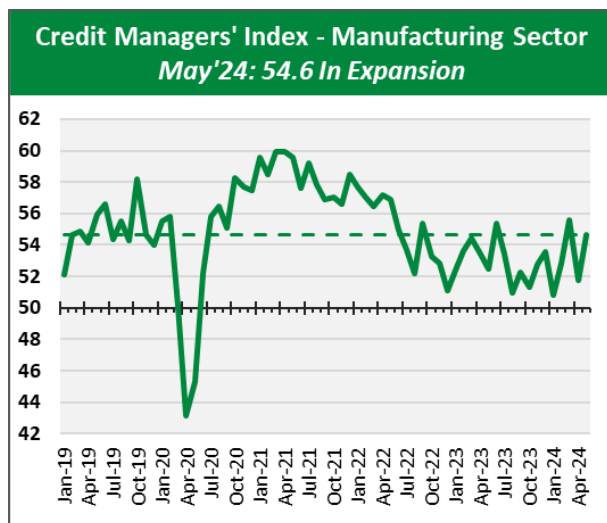
*All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.*



### CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI improved 2.8 points in the May CMI survey to a level of 54.6. The Service Sector CMI also improved, by 2.3 points, and now stands also stands at 54.1.

“Although there are some small differences in how the service sector and manufacturing sector CMIs are composed, we are seeing very similar trends between them. With the recent swings it’s hard to see that both indexes have been running a little higher this year through May than they did last year.”



The data in the charts are seasonally adjusted.

### CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors improved 2.7 points to 60.6. The unfavorable factors index rose 2.9 points to a value of 50.6 putting it in the expansion range again.

#### Key Findings:

- Three factor indexes deteriorated this month: The index for the amount of credit extended (down 1.8 points to 59.3), the index for disputes (down 0.7 points 49.1), and the filings for bankruptcies index (down 0.1 points to 49.6).
- The index for the dollar amount beyond terms improved sharply, regaining 10.7 of the 16.8 points it lost in April. The index is back in the expansion range at a value of 52.4.
- The accounts placed for collections index marks its tenth consecutive month in contraction with a value of 45.7.

“The manufacturing CMI made a nice recovery this month. Led by consistent improvements in each of the four favorable factor indexes, with most reaching the second-best reading over the past twelve months,” said Cutts. “However the unfavorable factor indexes paint a much weaker picture. For ten straight months the manufacturing index or the number of accounts placed for collection has been in contraction. This month the index improved two-tenths of a point to 45.7, but this came about from a hollowing out of the group that reported no change. We saw a rise in the share of respondents reporting more accounts referred to collections and a greater share that said they referred fewer accounts to collections.”

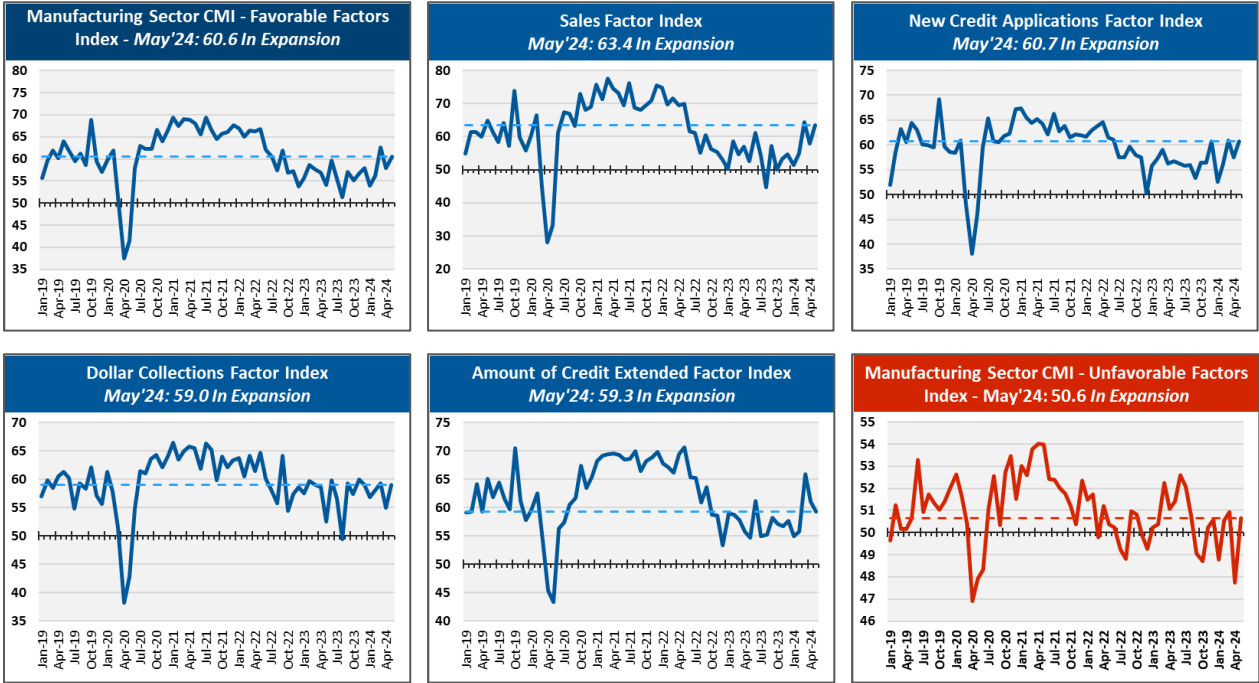
“While the Manufacturing CMI indicates strong sales performance and respondents reported a rise in the dollar amount of new orders, the Institute for Supply Management PMI Business Report for Manufacturing in April 2024 showed contractionary conditions have persisted for eleven of the past twelve months in the sector.”

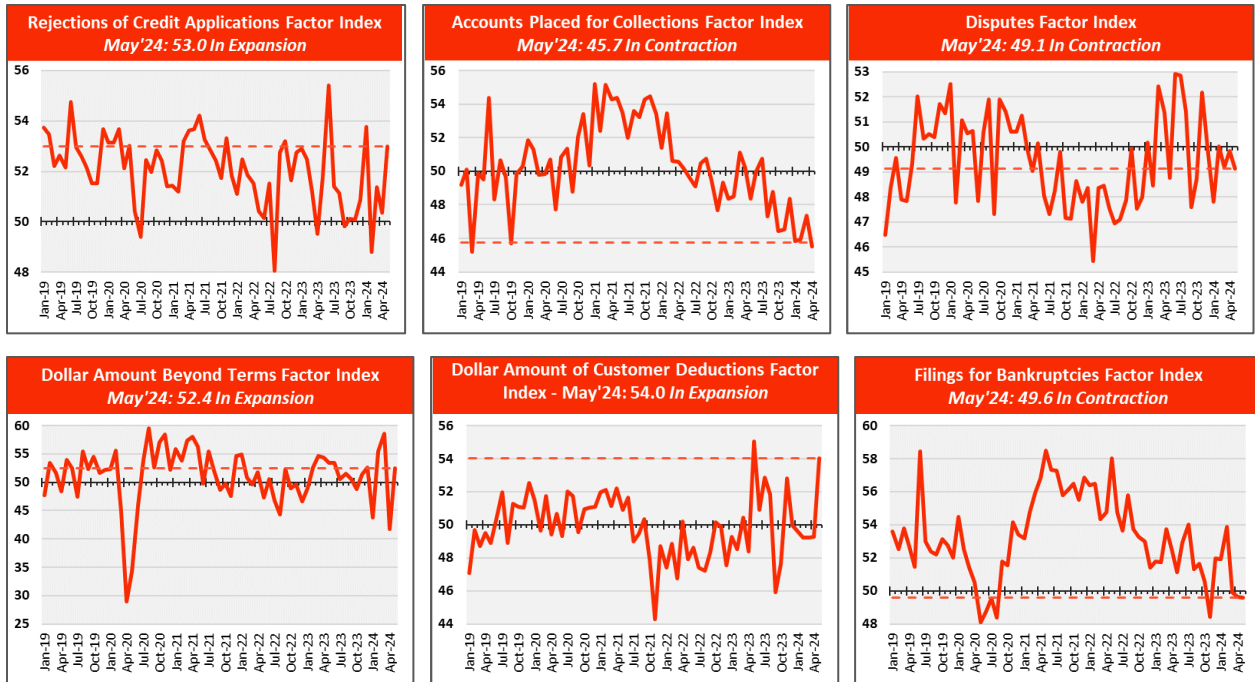
Manufacturing Sector (seasonally adjusted)	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24
Sales	52.6	61.1	54.4	44.8	57.2	50.0	53.3	54.6	51.4	54.9	64.4	57.9	63.4

New credit applications	56.8	56.3	55.8	55.9	53.3	56.4	56.5	60.7	52.5	56.1	60.8	57.5	60.7
Dollar collections	52.5	59.9	56.6	49.4	59.3	57.3	60.0	59.0	56.9	58.0	59.3	55.0	59.0
Amount of credit extended	54.7	61.1	54.9	55.3	58.3	57.1	56.8	57.6	55.0	55.7	65.9	61.1	59.3
<b>Index of favorable factors</b>	<b>54.1</b>	<b>59.6</b>	<b>55.4</b>	<b>51.3</b>	<b>57.0</b>	<b>55.2</b>	<b>56.6</b>	<b>58.0</b>	<b>53.9</b>	<b>56.2</b>	<b>62.6</b>	<b>57.9</b>	<b>60.6</b>
Rejections of credit applications	51.8	55.4	51.4	51.1	49.8	50.1	50.1	50.9	53.8	48.8	51.4	50.3	53.0
Accounts placed for collection	48.4	50.0	50.7	47.3	48.8	46.5	46.5	48.4	45.8	45.9	47.4	45.5	45.7
Disputes	48.8	52.9	52.9	51.4	47.6	48.7	52.2	49.7	47.8	50.0	49.2	49.8	49.1
Dollar amount beyond terms	53.4	53.5	50.6	51.5	50.5	48.7	51.4	52.6	43.8	55.4	58.6	41.8	52.4
Dollar amount of customer deductions	55.1	50.9	52.8	51.8	45.9	47.6	52.8	50.0	49.6	49.2	49.2	49.3	54.0
Filings for bankruptcies	51.1	52.9	54.0	51.3	51.7	50.6	48.4	52.0	51.9	53.9	49.9	49.6	49.6
<b>Index of unfavorable factors</b>	<b>51.4</b>	<b>52.6</b>	<b>52.1</b>	<b>50.8</b>	<b>49.1</b>	<b>48.7</b>	<b>50.2</b>	<b>50.6</b>	<b>48.8</b>	<b>50.5</b>	<b>50.9</b>	<b>47.7</b>	<b>50.6</b>
<b>NACM Manufacturing CMI</b>	<b>52.5</b>	<b>55.4</b>	<b>53.4</b>	<b>51.0</b>	<b>52.2</b>	<b>51.3</b>	<b>52.8</b>	<b>53.5</b>	<b>50.8</b>	<b>52.8</b>	<b>55.6</b>	<b>51.8</b>	<b>54.6</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 May Service Sector CMI favorable factors Index improved by 4.0 points to 61.6, remaining in the economic expansion range. The sector’s unfavorable factors index rose by 1.2 points to 49.1 and marked the 19<sup>th</sup> consecutive month that the index has remained in contraction territory.

### Key Findings:

- The improvement in the favorable factor index was led by a 6.0-point advance in the index for dollar collections to 60.9, recovering more than two-thirds of the decline in the May survey.
- The index for the dollar amount beyond terms gained 3.6 points to land at 49.6 recording its thirteenth consecutive month below the 50-point contraction threshold while the accounts placed for collections index has been in contraction for 25 months in a row.
- Only one factor index for the sector retreated this month though the change was minor: the dollar amount of customer deductions index fell by 0.1 points to 50.5, remaining in expansion.

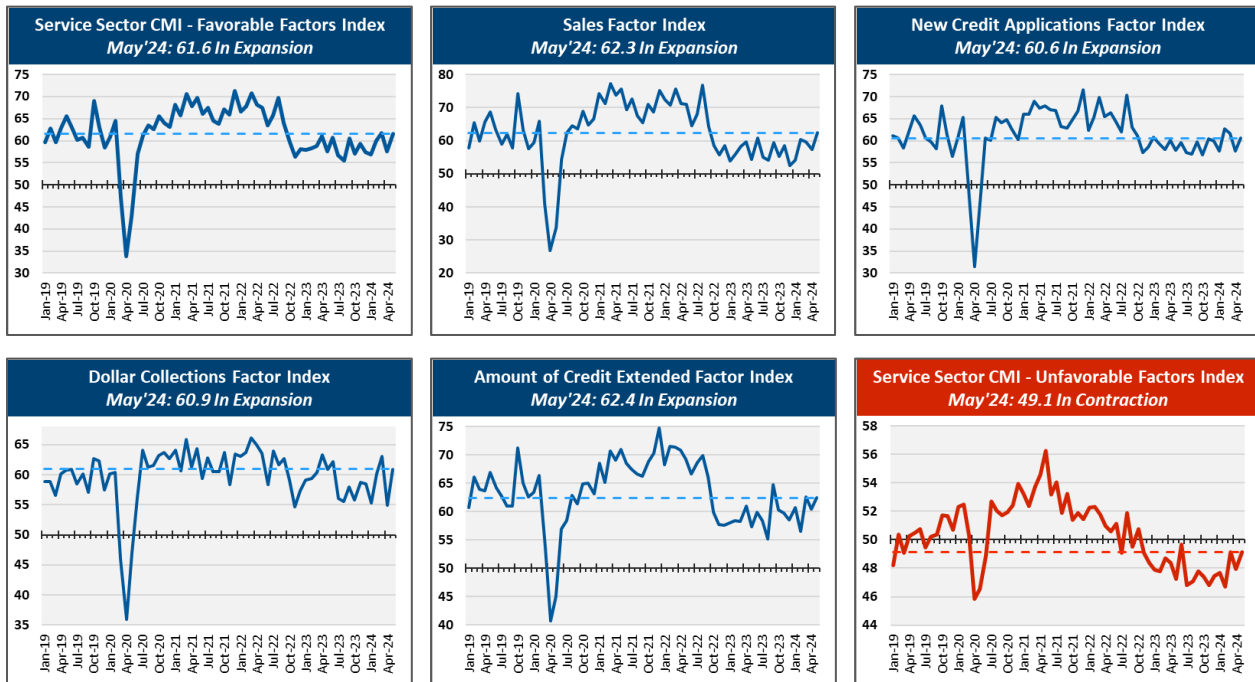
“Like in the Manufacturing sector, the favorable factors CMI Indexes point to solid economic activity in the services sector,” said Cutts. “But the weakness in the unfavorable factors is hard to ignore. The Index for dollar collections has remained well into expansion yet respondents continue to report difficulties with timely payments – a rising share of accounts placed into collections and dollars of receivables going beyond terms.”

“One of the more worrying ones to me is that about a third of respondents say that the dollar amount of receivables beyond terms is falling (a good thing), while just under 30 percent report that the amount is rising. The index doesn’t measure the degree of change, so we can’t tell how balanced it is in dollars but it’s hardly worth celebrating an expansionary reading for this factor when the share of showing worsening conditions is so high.”

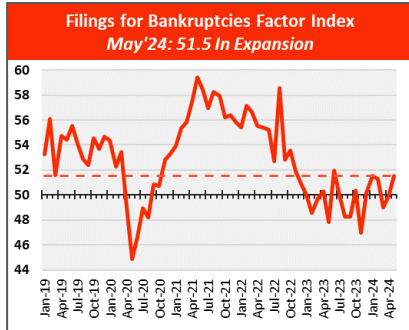
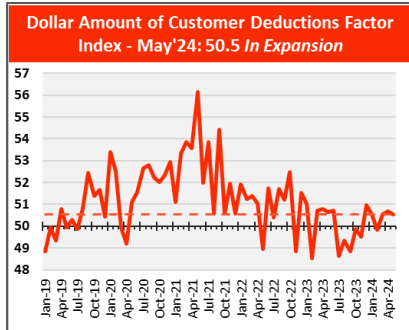
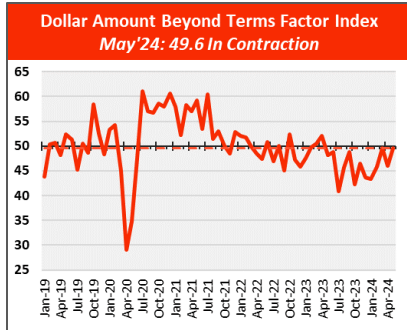
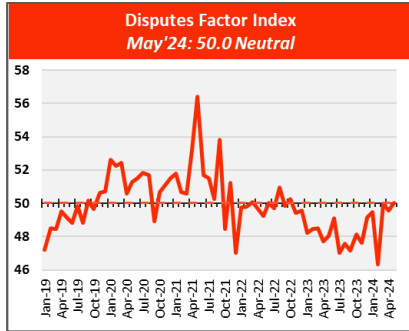
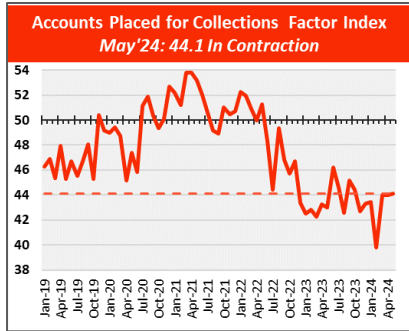
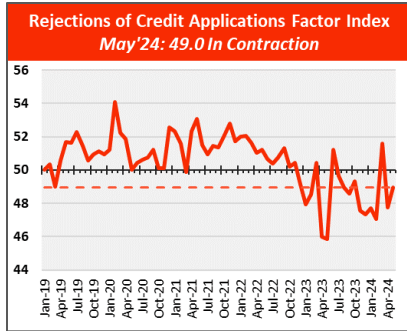
Service Sector (seasonally adjusted)	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24
Sales	54.3	60.9	55.0	54.1	59.3	55.2	58.5	52.6	54.1	60.3	59.7	57.4	62.3
New credit applications	57.9	59.6	57.2	57.0	59.7	56.9	60.4	60.0	57.7	62.8	61.6	57.6	60.6
Dollar collections	60.9	62.1	56.1	55.5	58.0	55.7	58.7	58.4	55.2	60.1	63.1	54.9	60.9
Amount of credit extended	57.3	59.9	58.4	55.2	64.8	60.3	59.8	58.6	60.8	56.5	62.6	60.5	62.4
<b>Index of favorable factors</b>	<b>57.6</b>	<b>60.6</b>	<b>56.7</b>	<b>55.5</b>	<b>60.5</b>	<b>57.0</b>	<b>59.3</b>	<b>57.4</b>	<b>56.9</b>	<b>59.9</b>	<b>61.7</b>	<b>57.6</b>	<b>61.6</b>
Rejections of credit applications	45.8	51.2	49.6	48.9	48.6	49.3	47.6	47.4	47.7	47.1	51.6	47.8	49.0
Accounts placed for collection	43.0	46.2	44.6	42.6	45.2	44.4	42.7	43.3	43.4	39.8	44.0	44.0	44.1
Disputes	48.0	49.1	47.0	47.6	47.2	48.1	47.6	49.2	49.5	46.3	50.0	49.5	50.0
Dollar amount beyond terms	48.2	48.8	40.9	45.7	48.7	42.3	46.5	43.7	43.4	45.8	49.5	46.0	49.6
Dollar amount of customer deductions	50.6	50.7	48.6	49.3	48.8	49.9	49.5	51.0	50.5	49.8	50.5	50.7	50.5
Filings for bankruptcies	47.8	52.0	50.0	48.2	48.2	50.3	47.0	50.2	51.5	51.3	49.0	49.9	51.5
<b>Index of unfavorable factors</b>	<b>47.3</b>	<b>49.7</b>	<b>46.8</b>	<b>47.1</b>	<b>47.8</b>	<b>47.4</b>	<b>46.8</b>	<b>47.4</b>	<b>47.7</b>	<b>46.7</b>	<b>49.1</b>	<b>48.0</b>	<b>49.1</b>
<b>NACM Service CMI</b>	<b>51.4</b>	<b>54.1</b>	<b>50.8</b>	<b>50.4</b>	<b>52.9</b>	<b>51.2</b>	<b>51.8</b>	<b>51.4</b>	<b>51.4</b>	<b>52.0</b>	<b>54.2</b>	<b>51.8</b>	<b>54.1</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

Contacts: Annacaroline Caruso, 410-423-1837

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>.