



Report for June 2024

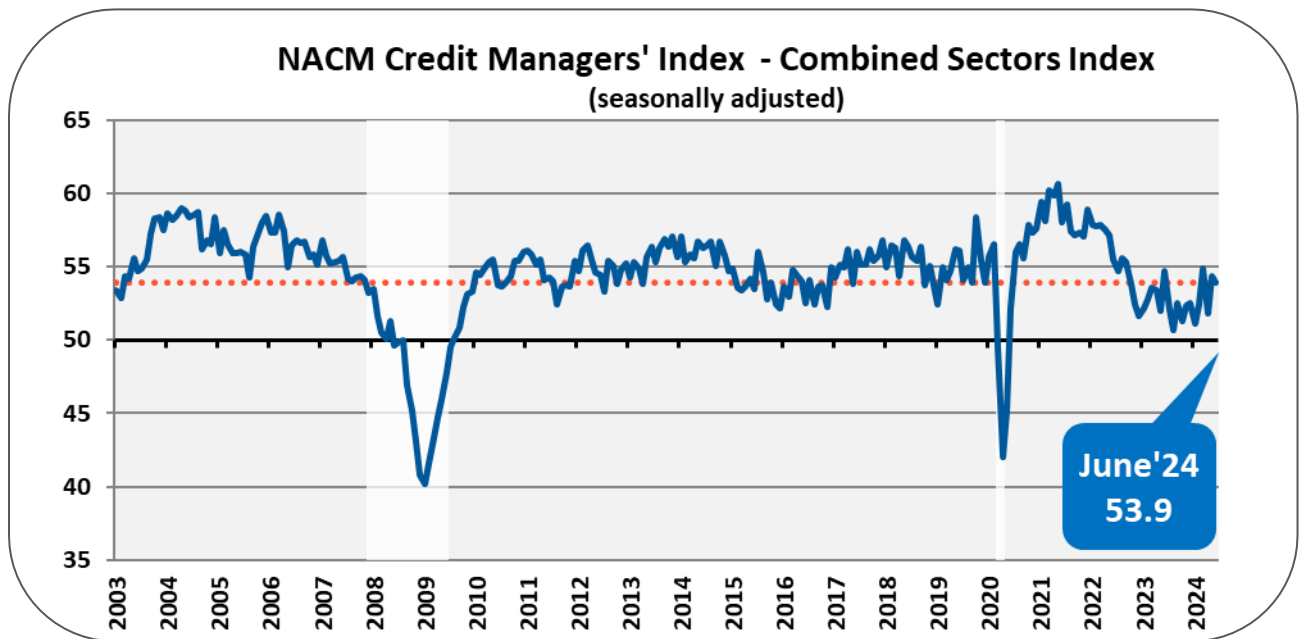
Issued June 30, 2024

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 June 2024 deteriorated 0.5 to a seasonally adjusted 53.9. "There is no discernible trend in the CMI except that it remains in a low orbit," 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 and this month was a down month. This tracks with the major economic indicators pretty well, as we have growing employment but essentially just at levels consistent with population growth, we have positive GDP growth, but not strongly so, and rising delinquency rates across both consumer and commercial credit markets."



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

Combined Manufacturing and Service Sectors (seasonally adjusted)	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	Jun '24
Sales	61.0	54.7	49.4	58.3	52.6	55.9	53.6	52.7	57.6	62.1	57.6	62.9	61.1
New credit applications	58.0	56.5	56.5	56.5	56.6	58.4	60.4	55.1	59.5	61.2	57.6	60.6	58.8
Dollar collections	61.0	56.3	52.5	58.6	56.5	59.4	58.7	56.1	59.0	61.2	54.9	59.9	58.1
Amount of credit extended	60.5	56.7	55.2	61.5	58.7	58.3	58.1	57.9	56.1	64.2	60.8	60.8	59.6
Index of favorable factors	60.1	56.1	53.4	58.7	56.1	58.0	57.7	55.4	58.1	62.2	57.7	61.1	59.4
Rejections of credit applications	53.3	50.5	50.0	49.2	49.7	48.8	49.1	50.7	47.9	51.5	49.0	51.0	51.2
Accounts placed for collection	48.1	47.7	44.9	47.0	45.4	44.6	45.8	44.6	42.9	45.7	44.7	44.9	46.2
Disputes	51.0	49.9	49.5	47.4	48.4	49.9	49.4	48.6	48.2	49.6	49.7	49.6	49.3
Dollar amount beyond terms	51.1	45.8	48.6	49.6	45.5	48.9	48.2	43.6	50.6	54.1	43.9	51.0	51.1
Dollar amount of customer deductions	50.8	50.7	50.6	47.4	48.8	51.2	50.5	50.1	49.5	49.9	50.0	52.3	51.5
Filings for bankruptcies	52.4	52.0	49.8	50.0	50.5	47.7	51.1	51.7	52.6	49.4	49.8	50.6	52.3
Index of unfavorable factors	51.1	49.4	48.9	48.4	48.1	48.5	49.0	48.2	48.6	50.0	47.8	49.9	50.3
NACM Combined CMI	54.7	52.1	50.7	52.5	51.3	52.3	52.5	51.1	52.4	54.9	51.8	54.4	53.9

CMI Combined Sectors Factor Indexes

Key Findings:

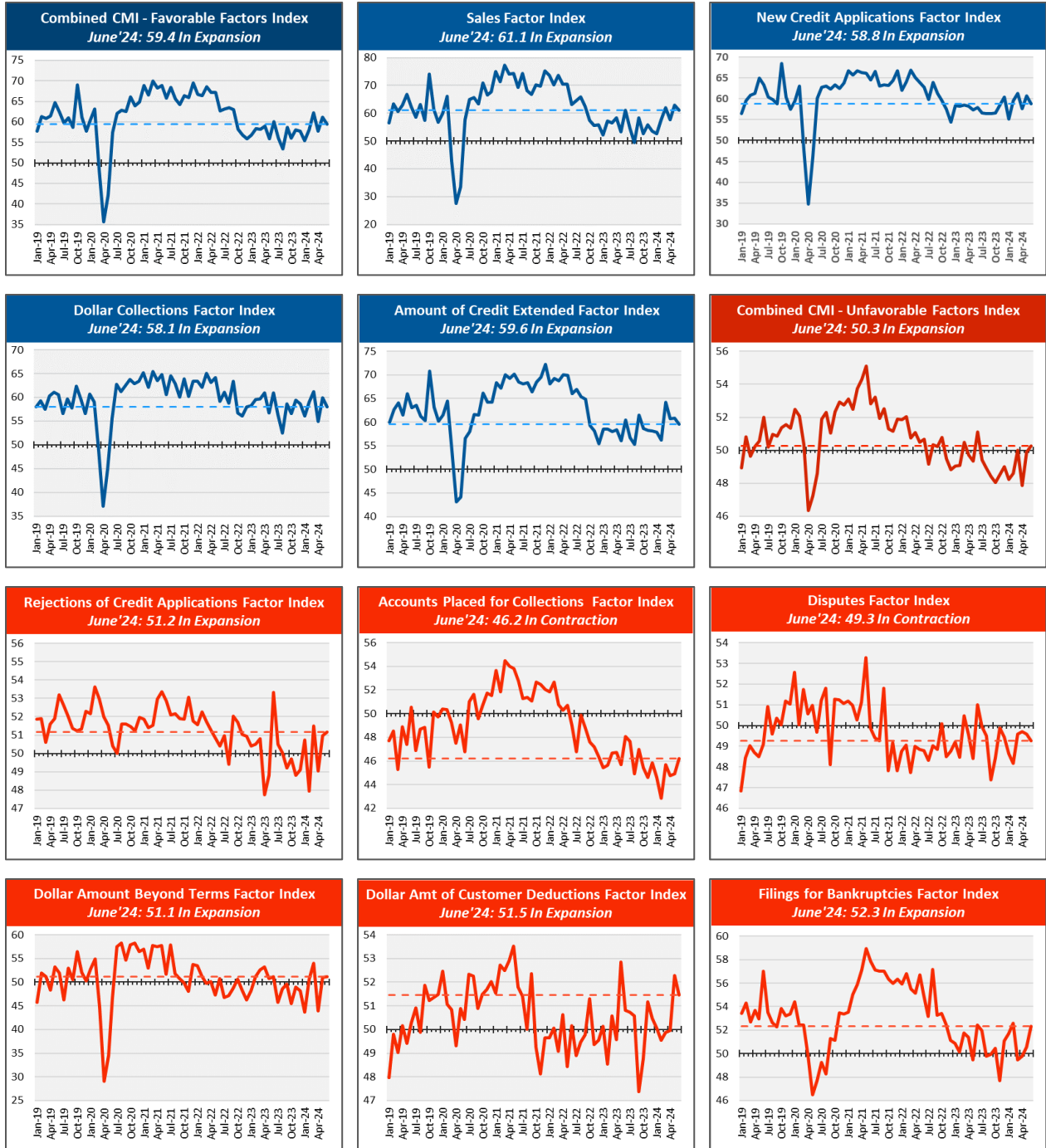
- The index for unfavorable factors improved by 0.4 points to 50.3, moving back to the expansion side. This index has only been in expansion territory twice in the past 12 months.
- The index for accounts placed for collection is at 46.2 this month, its 25th month in contraction.
- The only other index in contraction territory is the index for disputes, marking its 12th month in contraction though it has been within one point of the 50-point line for most of that time.
- The index for favorable factors remains solidly in expansion even with a 1.7-point decline in June. This index now stands at 59.4 with all sub-indexes in a tight range around this value.

“This month we saw a wide range of comments from respondents,” said Cutts. “In general, they fell into two groups: ‘business is good and has normalized from pandemic disruptions’ or ‘our customers are asking for extensions, are slow to pay, or otherwise showing distress.’”

“Somewhat worrying is that fraud is rising again, and fraudsters always seem to be one step ahead. A recent session at NACM’s Credit Congress highlighted how difficult it can be to protect a company from fraud. For example, we might think that using credit cards as a payment method adds an extra layer of protection because the bank that issued the card has also vetted the business. But they get taken too, and fraudsters use the dispute system to deny payment on legitimate transactions after the product has been delivered.”

CMI Combined Sectors Factor Indexes Charts

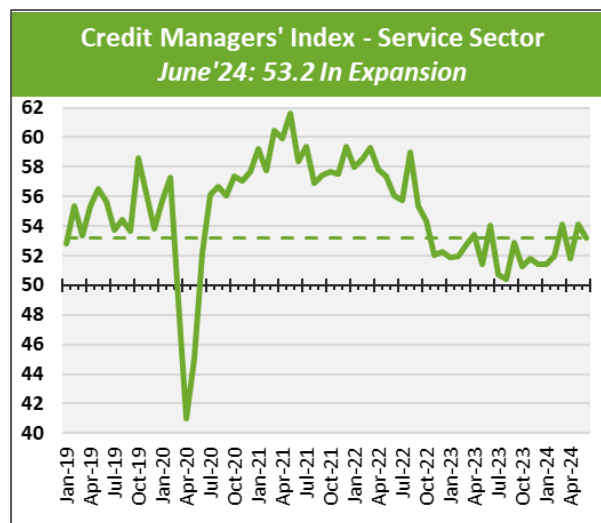
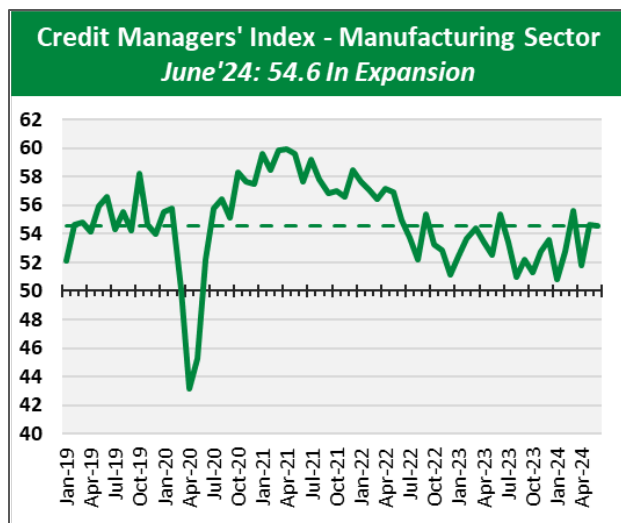
All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.



CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI deteriorated 0,1 points in the June CMI survey to a level of 54.6. The Service Sector CMI also deteriorated, by 0.9 points, and now stands also stands at 53.2.

“Although the two sector CMIs are similar in trends, they get there in very different ways. The Service Sector CMI has a higher average value for favorable factors and a lower average for unfavorable factors over the past year but in aggregate the differences balance out.”



The data in the charts are seasonally adjusted.

CMI Manufacturing Sector Factor Indexes

Among the June CMI Manufacturing Sector Factor Indexes, favorable factors deteriorated 1.1 points to 59.5. The unfavorable factors index rose 0.7 points to a value of 51.3.

Key Findings:

- Four factor indexes improved this month: The index for the amount of credit extended (up 1.0 point to 60.3), the index for accounts placed for collections (up 2.2 points to 47.9), the index for dollar amount beyond terms (up 1.0 point to 53.5), and the filings for bankruptcies index (up 3.7 points to 53.3).
- The index for accounts placed for collections marked its 11th consecutive month in contraction and with the 2.2 point improvement in June the index now sits at 47.9
- The index for disputes is the only other Manufacturing Sector factor index that is in contraction this month. The index has been below 50 for four consecutive months and deteriorated 0.1 points to 49.0.

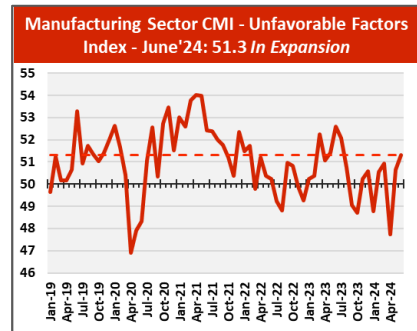
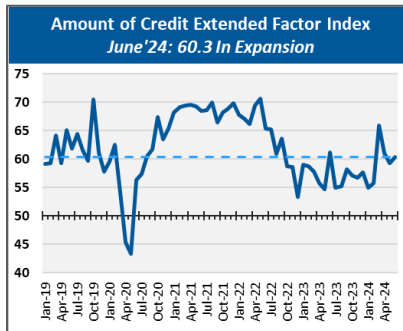
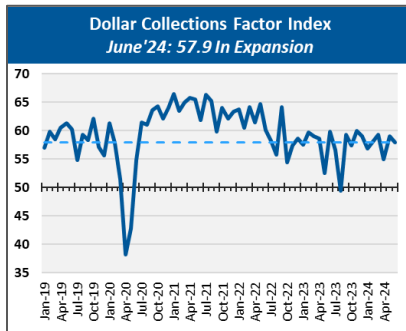
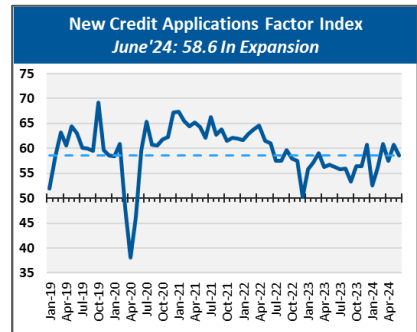
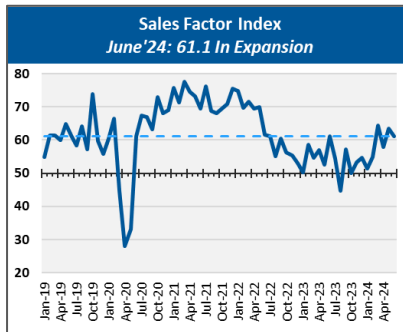
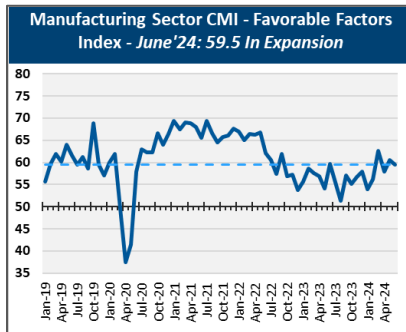
“The manufacturing CMI has had two months above 54 points, signaling that the sector is firmly in expansion,” said Cutts. “However the unfavorable factor indexes are less favorable. Although they are above the contraction threshold this month, these indexes have been pretty much right on the line for the last 12 months.”

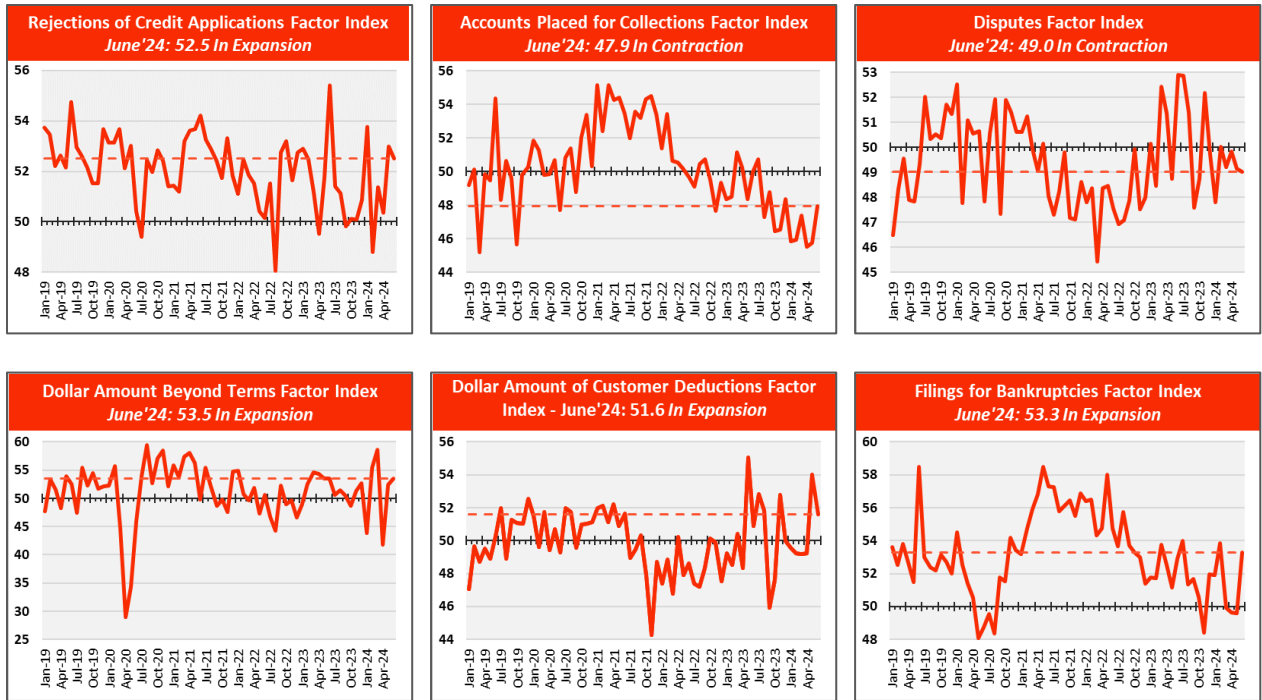
“Respondents who commented on payments said they are seeing more delinquent accounts, slower payments, and some customers trying to circumvent policies for prior nonpayment, such as trying to get accounts reopened when they’ve been put into hold or collect on delivery status without a fundamental change in their financial condition.”

Manufacturing Sector (seasonally adjusted)	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	Jun '24
Sales	61.1	54.4	44.8	57.2	50.0	53.3	54.6	51.4	54.9	64.4	57.9	63.4	61.1
New credit applications	56.3	55.8	55.9	53.3	56.4	56.5	60.7	52.5	56.1	60.8	57.5	60.7	58.6
Dollar collections	59.9	56.6	49.4	59.3	57.3	60.0	59.0	56.9	58.0	59.3	55.0	59.0	57.9
Amount of credit extended	61.1	54.9	55.3	58.3	57.1	56.8	57.6	55.0	55.7	65.9	61.1	59.3	60.3
Index of favorable factors	59.6	55.4	51.3	57.0	55.2	56.6	58.0	53.9	56.2	62.6	57.9	60.6	59.5
Rejections of credit applications	55.4	51.4	51.1	49.8	50.1	50.1	50.9	53.8	48.8	51.4	50.3	53.0	52.5
Accounts placed for collection	50.0	50.7	47.3	48.8	46.5	46.5	48.4	45.8	45.9	47.4	45.5	45.7	47.9
Disputes	52.9	52.9	51.4	47.6	48.7	52.2	49.7	47.8	50.0	49.2	49.8	49.1	49.0
Dollar amount beyond terms	53.5	50.6	51.5	50.5	48.7	51.4	52.6	43.8	55.4	58.6	41.8	52.4	53.5
Dollar amount of customer deductions	50.9	52.8	51.8	45.9	47.6	52.8	50.0	49.6	49.2	49.2	49.3	54.0	51.6
Filings for bankruptcies	52.9	54.0	51.3	51.7	50.6	48.4	52.0	51.9	53.9	49.9	49.6	49.6	53.3
Index of unfavorable factors	52.6	52.1	50.8	49.1	48.7	50.2	50.6	48.8	50.5	50.9	47.7	50.6	51.3
NACM Manufacturing CMI	55.4	53.4	51.0	52.2	51.3	52.8	53.5	50.8	52.8	55.6	51.8	54.6	54.6

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 June Service Sector CMI favorable factors Index deteriorated by 2.3 points to 59.3, remaining in the economic expansion range. The sector’s unfavorable factors index rose by 0.1 points to 49.2 and marked the 20thth consecutive month that the index has remained in contraction territory.

Key Findings:

- The decline in the favorable factor index was led by a 3.5-point retreat in the index for the amount of credit extended. This index is now at 59.3.
- The index for the dollar amount beyond terms gained 3.6 points to land at 49.6 recording its 14th 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. The collected weight of these two indexes have put the unfavorable factors index in contraction for 20 months.
- The index for filings for bankruptcies lost 0.1 points in June to 51.4. Although this index is in expansion now, it has not moved far off the line. The US Courts have reported sharply rising business bankruptcies over the past two years but this trend is not reflected in the CMI.

“The Services Sector CMI is stuck just above the expansion-contraction line, in a tight range between 51 and 54 points,” said Cutts. “But the weakness in the unfavorable factors is hard to ignore. While respondents continue to cite more dollars beyond terms and accounts placed for collections, they also continue to report that dollars of collections are coming in strongly. I guess they just have to bring out the heavy guns to get paid, increasing the workload of credit management teams.”

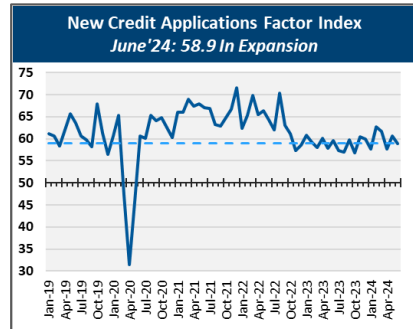
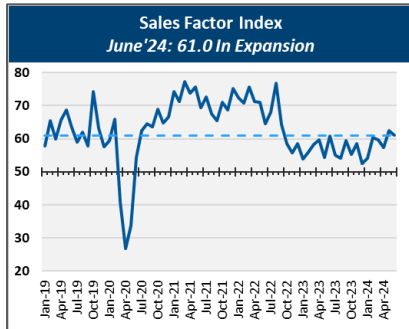
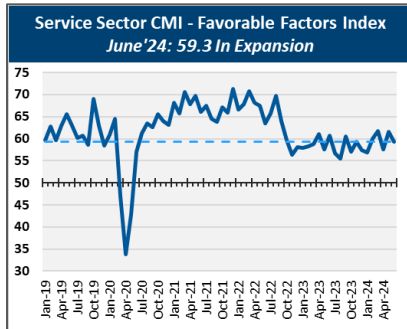
“Although this only affects the pharmacy industry, it is worth noting that well into the second quarter of 2024 pharmacies are still grappling with a change enacted by the Center for Medicare Services that transitions certain direct and indirect reimbursement fees assessed by Medicare Part D pharmacy benefit managers from

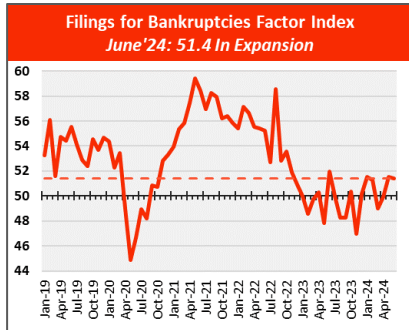
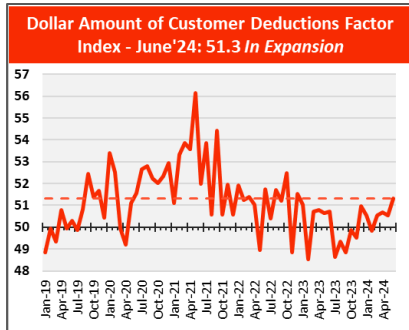
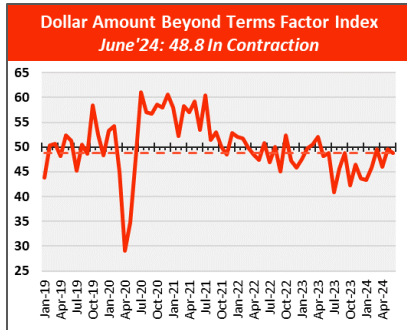
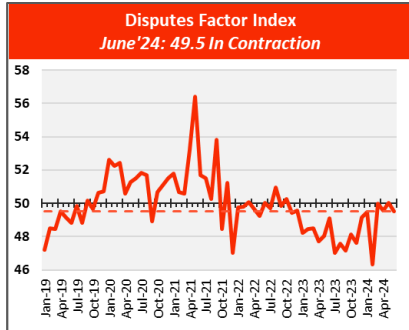
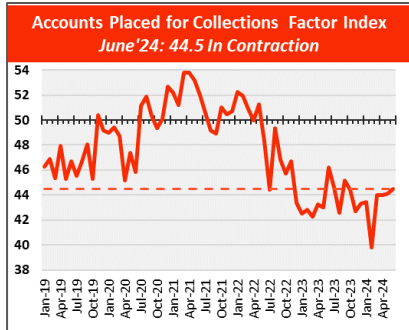
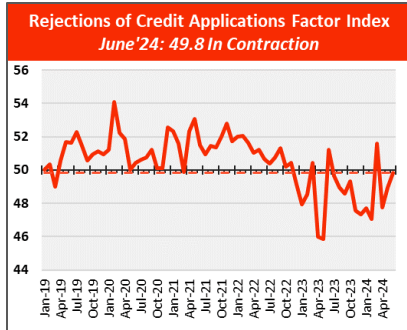
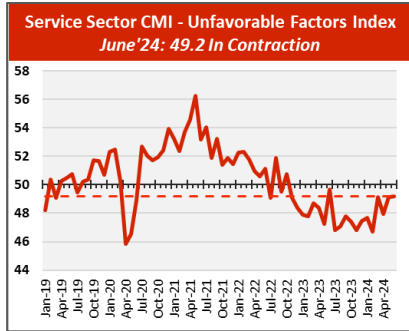
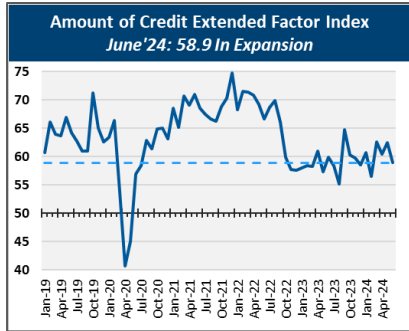
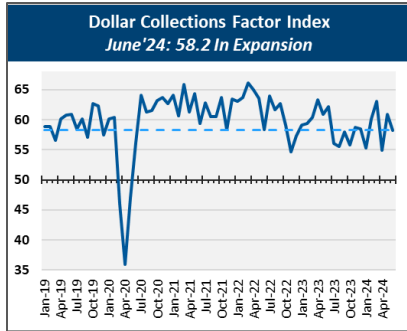
a retroactive assessment model to point of sale, meaning that some pharmacies are cash constrained due to the double payments being collected in 2024. Some respondents in the CMI Survey have noted this is a notable concern for several months.”

Service Sector (seasonally adjusted)	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	Jun '24
Sales	60.9	55.0	54.1	59.3	55.2	58.5	52.6	54.1	60.3	59.7	57.4	62.3	61.0
New credit applications	59.6	57.2	57.0	59.7	56.9	60.4	60.0	57.7	62.8	61.6	57.6	60.6	58.9
Dollar collections	62.1	56.1	55.5	58.0	55.7	58.7	58.4	55.2	60.1	63.1	54.9	60.9	58.2
Amount of credit extended	59.9	58.4	55.2	64.8	60.3	59.8	58.6	60.8	56.5	62.6	60.5	62.4	58.9
Index of favorable factors	60.6	56.7	55.5	60.5	57.0	59.3	57.4	56.9	59.9	61.7	57.6	61.6	59.3
Rejections of credit applications	51.2	49.6	48.9	48.6	49.3	47.6	47.4	47.7	47.1	51.6	47.8	49.0	49.8
Accounts placed for collection	46.2	44.6	42.6	45.2	44.4	42.7	43.3	43.4	39.8	44.0	44.0	44.1	44.5
Disputes	49.1	47.0	47.6	47.2	48.1	47.6	49.2	49.5	46.3	50.0	49.5	50.0	49.5
Dollar amount beyond terms	48.8	40.9	45.7	48.7	42.3	46.5	43.7	43.4	45.8	49.5	46.0	49.6	48.8
Dollar amount of customer deductions	50.7	48.6	49.3	48.8	49.9	49.5	51.0	50.5	49.8	50.5	50.7	50.5	51.3
Filings for bankruptcies	52.0	50.0	48.2	48.2	50.3	47.0	50.2	51.5	51.3	49.0	49.9	51.5	51.4
Index of unfavorable factors	49.7	46.8	47.1	47.8	47.4	46.8	47.4	47.7	46.7	49.1	48.0	49.1	49.2
NACM Service CMI	54.1	50.8	50.4	52.9	51.2	51.8	51.4	51.4	52.0	54.2	51.8	54.1	53.2

CMI Service Sector Factor Indexes Charts

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

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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.

Favorable Factors	Why Favorable
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.
Unfavorable Factors*	Why Unfavorable
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>.