



Report for July 2024

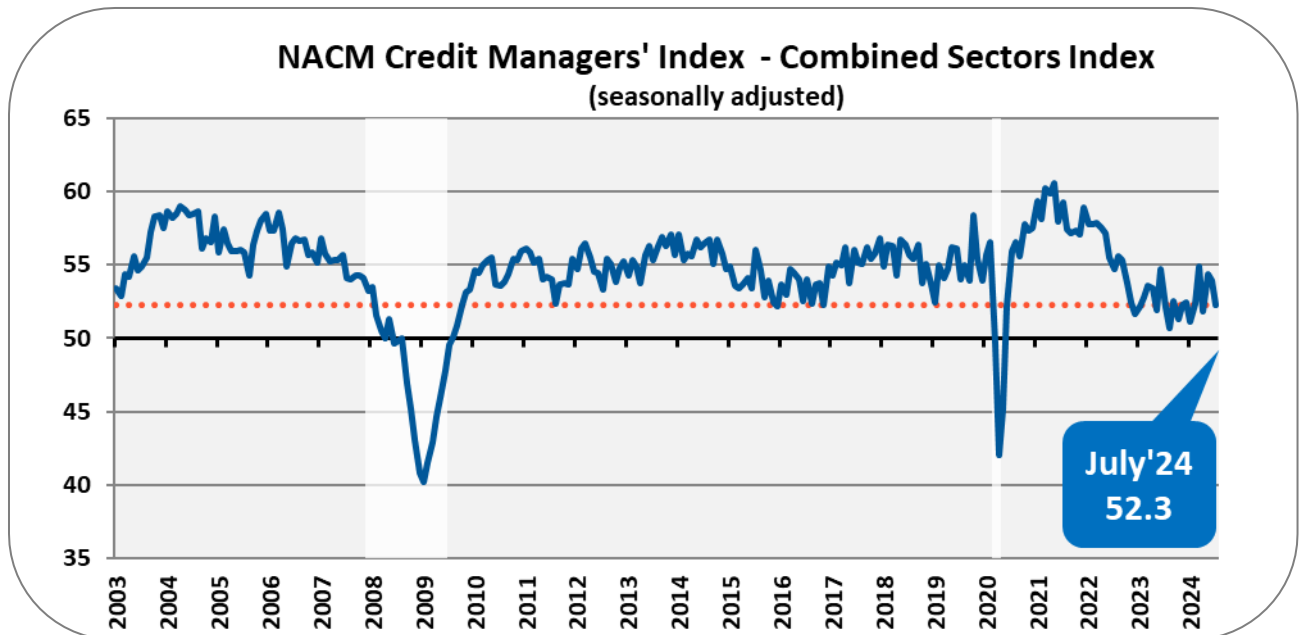
Issued August 1, 2024

National Association of Credit Management

Credit Managers' Index Combined Sectors

The National Association of Credit Management's combined Credit Managers' Index (CMI) for July 2024 deteriorated 1.6 points to a 52.3. "Despite the strong 2Q 2024 GDP report, the July Credit Managers Index, which reports on June's accounts receivables trends, fell noticeably. While it remains on the expansion side there appears to be rising economic risk," said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"The Credit Managers' Index is back to near non-recession lows. Negative factors like slow or nonpayment of accounts are driving this."



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) | Jul '23 | Aug '23 | Sep '23 | Oct '23 | Nov '23 | Dec '23 | Jan '24 | Feb '24 | Mar '24 | Apr '24 | May '24 | Jun '24 | Jul '24 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Sales | 54.7 | 49.4 | 58.3 | 52.6 | 55.9 | 53.6 | 52.7 | 57.6 | 62.1 | 57.6 | 62.9 | 61.1 | 55.1 |
| New credit applications | 56.5 | 56.5 | 56.5 | 56.6 | 58.4 | 60.4 | 55.1 | 59.5 | 61.2 | 57.6 | 60.6 | 58.8 | 58.4 |
| Dollar collections | 56.3 | 52.5 | 58.6 | 56.5 | 59.4 | 58.7 | 56.1 | 59.0 | 61.2 | 54.9 | 59.9 | 58.1 | 55.6 |
| Amount of credit extended | 56.7 | 55.2 | 61.5 | 58.7 | 58.3 | 58.1 | 57.9 | 56.1 | 64.2 | 60.8 | 60.8 | 59.6 | 61.1 |
| Index of favorable factors | 56.1 | 53.4 | 58.7 | 56.1 | 58.0 | 57.7 | 55.4 | 58.1 | 62.2 | 57.7 | 61.1 | 59.4 | 57.6 |
| Rejections of credit applications | 50.5 | 50.0 | 49.2 | 49.7 | 48.8 | 49.1 | 50.7 | 47.9 | 51.5 | 49.0 | 51.0 | 51.2 | 50.0 |
| Accounts placed for collection | 47.7 | 44.9 | 47.0 | 45.4 | 44.6 | 45.8 | 44.6 | 42.9 | 45.7 | 44.7 | 44.9 | 46.2 | 46.6 |
| Disputes | 49.9 | 49.5 | 47.4 | 48.4 | 49.9 | 49.4 | 48.6 | 48.2 | 49.6 | 49.7 | 49.6 | 49.3 | 49.0 |
| Dollar amount beyond terms | 45.8 | 48.6 | 49.6 | 45.5 | 48.9 | 48.2 | 43.6 | 50.6 | 54.1 | 43.9 | 51.0 | 51.1 | 45.7 |
| Dollar amount of customer deductions | 50.7 | 50.6 | 47.4 | 48.8 | 51.2 | 50.5 | 50.1 | 49.5 | 49.9 | 50.0 | 52.3 | 51.5 | 50.9 |
| Filings for bankruptcies | 52.0 | 49.8 | 50.0 | 50.5 | 47.7 | 51.1 | 51.7 | 52.6 | 49.4 | 49.8 | 50.6 | 52.3 | 50.6 |
| Index of unfavorable factors | 49.4 | 48.9 | 48.4 | 48.1 | 48.5 | 49.0 | 48.2 | 48.6 | 50.0 | 47.8 | 49.9 | 50.3 | 48.8 |
| NACM Combined CMI | 52.1 | 50.7 | 52.5 | 51.3 | 52.3 | 52.5 | 51.1 | 52.4 | 54.9 | 51.8 | 54.4 | 53.9 | 52.3 |

CMI Combined Sectors Factor Indexes

Key Findings:

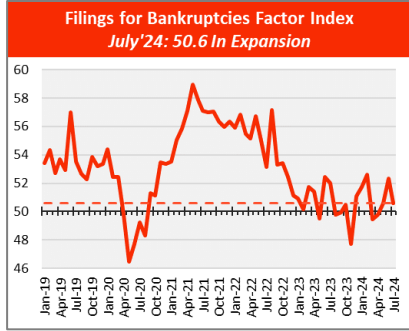
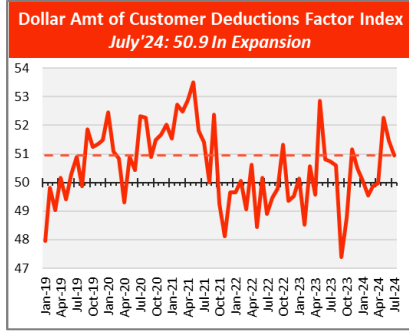
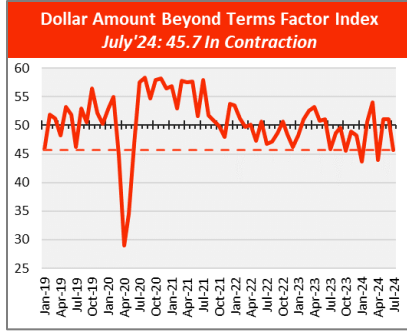
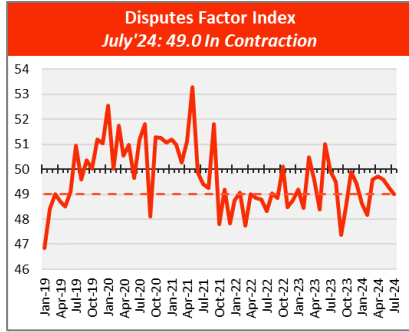
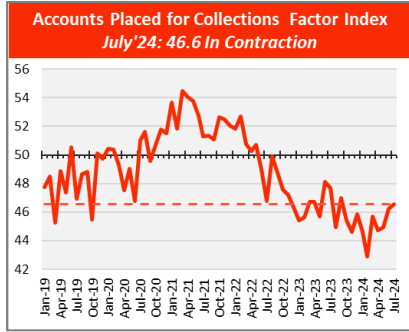
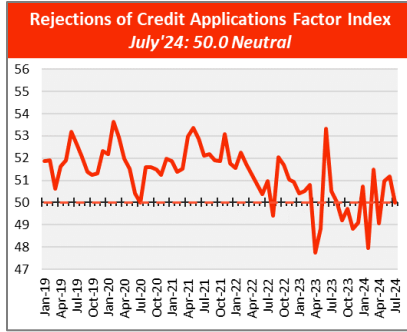
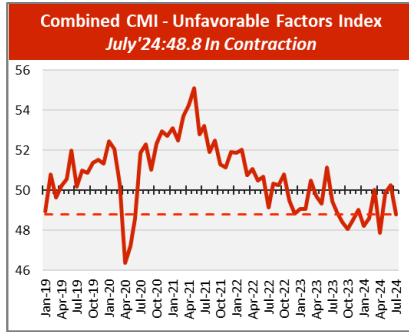
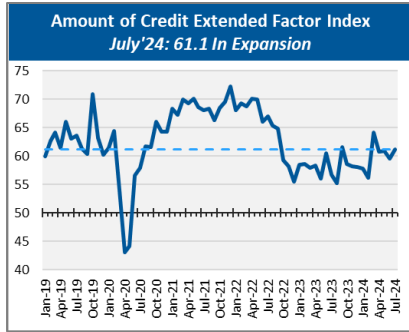
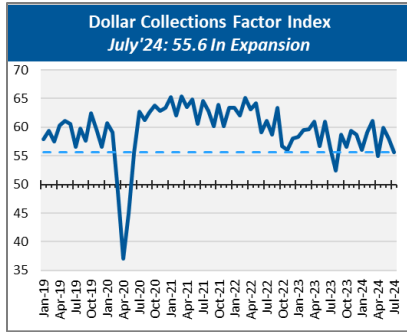
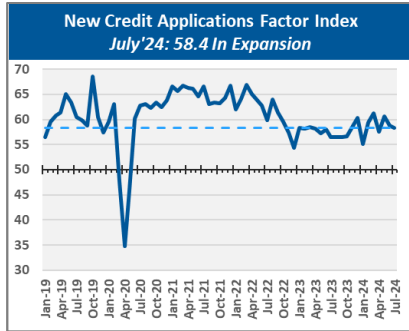
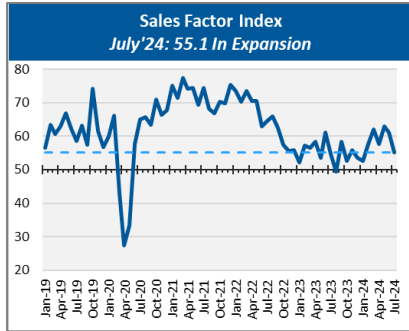
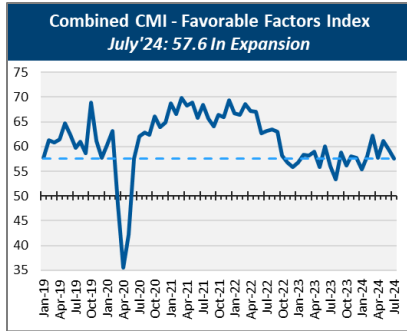
- The index for unfavorable factors deteriorated by 1.5 points to 48.8, moving back to the contraction side after only one month in expansion. This index has only been in expansion territory twice in the past 12 months.
- The index for accounts placed for collection is at 46.6 this month, its 26th month in contraction.
- The index for the dollar amount beyond terms had the largest deterioration, losing 5.4 points to 45.7, after spending the last two months above 50 points.
- The index for favorable factors remains solidly in expansion even with a 1.8-point decline in July and a 1.7-point decline in June. This index now stands at 57.6.

“This month we heard a definite change in respondent comments to the negative,” said Cutts. “Supply chains are again an issue with continued geopolitical events around the world as well as weather problems. Several respondents noted having to file more liens, send more accounts to collections, and a general sense that payment speeds are slowing.”

“While the dollar amount of sales is still strong according to respondents in the CMI Survey, they are noting that it is requiring much more effort to do due diligence on new accounts and a distressing amount of time and expense tracking down payments. Bankruptcies are on the rise and according to the US Courts, business bankruptcy filings in the second quarter are up 38% over last year and now exceed pre-pandemic levels.”

CMI Combined Sectors Factor Indexes Charts

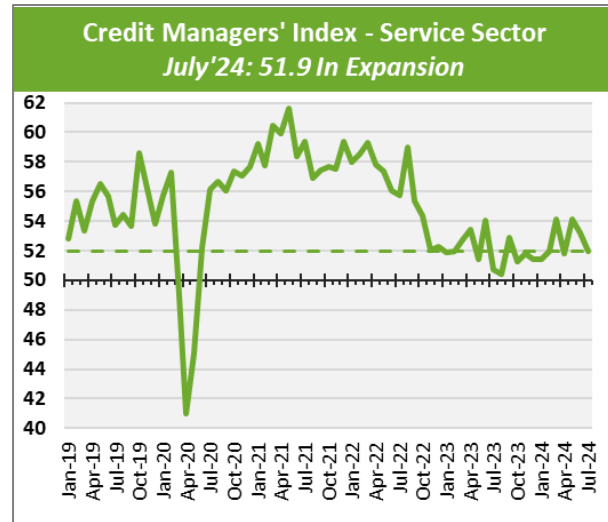
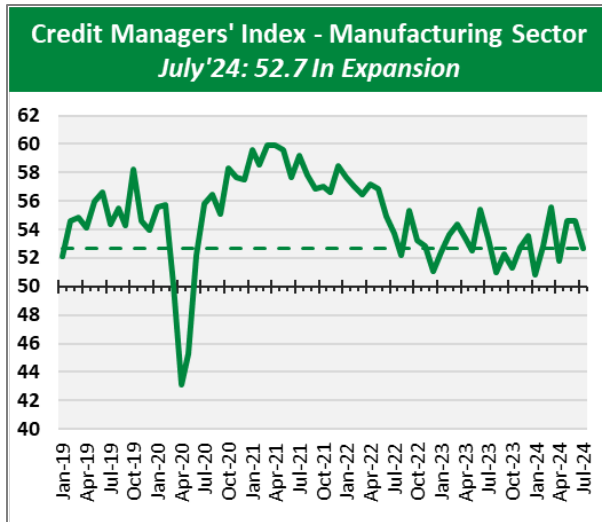
All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.



CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI deteriorated 1.9 points in the July CMI survey to a level of 52.7. The Service Sector CMI also deteriorated, by 1.3 points, and now stands also stands at 51.9.

“The sector CMIs are moving in lock step, although the services sector is showing a bit more weakness. This has been the consistent theme over the past few months.”



The data in the charts are seasonally adjusted.

CMI Manufacturing Sector Factor Indexes

Among the July CMI Manufacturing Sector Factor Indexes, favorable factors deteriorated 3.3 points to 56.2. The unfavorable factors index fell 1.0 point to a value of 50.3.

Key Findings:

- Three factor indexes improved this month: The index for the amount of credit extended (up 1.0 point to 61.3), the index for accounts placed for collections (up 2.5 points to 50.4), and the index for disputes (up 1.0 point to 50.0).
- The index for accounts placed for collections marked its first month in expansion after 11th consecutive month in contraction.
- All of the unfavorable factor indexes are at or barely above the contraction-expansion threshold, with two at exactly 50 points and the highest at 50.9 points (the index for rejections of credit applications).

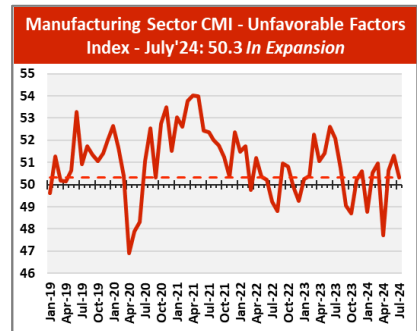
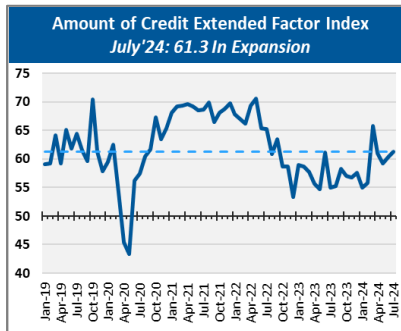
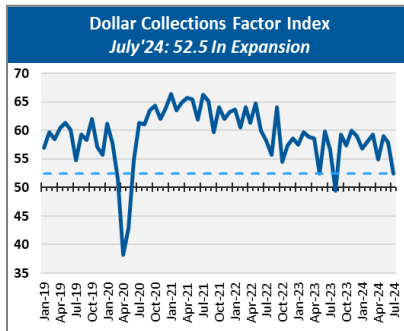
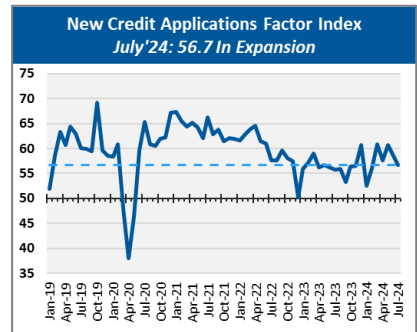
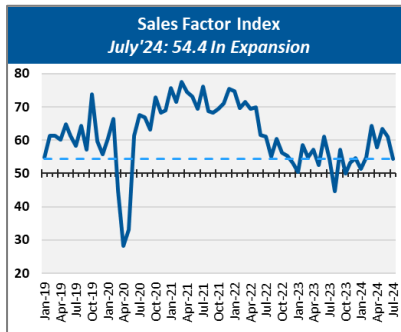
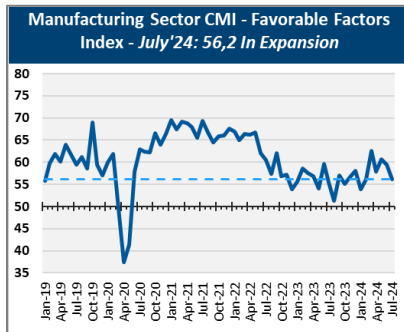
“The manufacturing CMI is showing significant signs of weakness even as it hangs on in expansion territory,” said Cutts. “Surprisingly, the accounts placed for collections rebounded back to expansion after 11 months in contraction.”

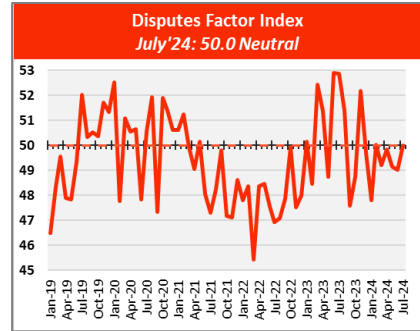
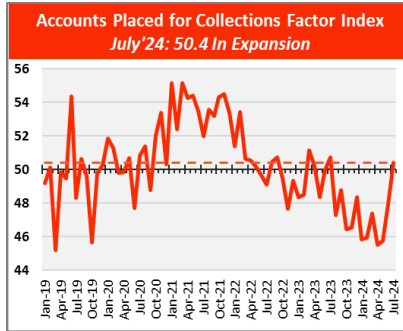
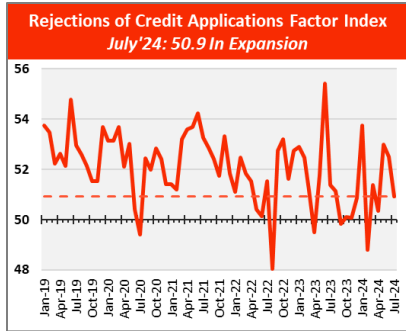
“One respondent neatly summed up what several others also indicated in part, ‘the number of Dunn and Bradstreet alerts have tripled. Meaning higher risk, collections, suits, judgements and tax liens. Accounts sent to collection agencies are equal to what was placed in 2008.’ The sea change in the tenor of comments was unexpected given how strong the second quarter economic growth figures were.”

| Manufacturing Sector (seasonally adjusted) | Jul '23 | Aug '23 | Sep '23 | Oct '23 | Nov '23 | Dec '23 | Jan '24 | Feb '24 | Mar '24 | Apr '24 | May '24 | Jun '24 | Jul '24 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Sales | 54.4 | 44.8 | 57.2 | 50.0 | 53.3 | 54.6 | 51.4 | 54.9 | 64.4 | 57.9 | 63.4 | 61.1 | 54.4 |
| New credit applications | 55.8 | 55.9 | 53.3 | 56.4 | 56.5 | 60.7 | 52.5 | 56.1 | 60.8 | 57.5 | 60.7 | 58.6 | 56.7 |
| Dollar collections | 56.6 | 49.4 | 59.3 | 57.3 | 60.0 | 59.0 | 56.9 | 58.0 | 59.3 | 55.0 | 59.0 | 57.9 | 52.5 |
| Amount of credit extended | 54.9 | 55.3 | 58.3 | 57.1 | 56.8 | 57.6 | 55.0 | 55.7 | 65.9 | 61.1 | 59.3 | 60.3 | 61.3 |
| Index of favorable factors | 55.4 | 51.3 | 57.0 | 55.2 | 56.6 | 58.0 | 53.9 | 56.2 | 62.6 | 57.9 | 60.6 | 59.5 | 56.2 |
| Rejections of credit applications | 51.4 | 51.1 | 49.8 | 50.1 | 50.1 | 50.9 | 53.8 | 48.8 | 51.4 | 50.3 | 53.0 | 52.5 | 50.9 |
| Accounts placed for collection | 50.7 | 47.3 | 48.8 | 46.5 | 46.5 | 48.4 | 45.8 | 45.9 | 47.4 | 45.5 | 45.7 | 47.9 | 50.4 |
| Disputes | 52.9 | 51.4 | 47.6 | 48.7 | 52.2 | 49.7 | 47.8 | 50.0 | 49.2 | 49.8 | 49.1 | 49.0 | 50.0 |
| Dollar amount beyond terms | 50.6 | 51.5 | 50.5 | 48.7 | 51.4 | 52.6 | 43.8 | 55.4 | 58.6 | 41.8 | 52.4 | 53.5 | 50.0 |
| Dollar amount of customer deductions | 52.8 | 51.8 | 45.9 | 47.6 | 52.8 | 50.0 | 49.6 | 49.2 | 49.2 | 49.3 | 54.0 | 51.6 | 50.4 |
| Filings for bankruptcies | 54.0 | 51.3 | 51.7 | 50.6 | 48.4 | 52.0 | 51.9 | 53.9 | 49.9 | 49.6 | 49.6 | 53.3 | 50.2 |
| Index of unfavorable factors | 52.1 | 50.8 | 49.1 | 48.7 | 50.2 | 50.6 | 48.8 | 50.5 | 50.9 | 47.7 | 50.6 | 51.3 | 50.3 |
| NACM Manufacturing CMI | 53.4 | 51.0 | 52.2 | 51.3 | 52.8 | 53.5 | 50.8 | 52.8 | 55.6 | 51.8 | 54.6 | 54.6 | 52.7 |

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 July Service Sector CMI favorable factors Index deteriorated by 0.4 points to 58.9, remaining in the economic expansion range. The sector’s unfavorable factors index fell by 1.9 points to 47.3 and marked the 21st consecutive month that the index has remained in contraction territory.

Key Findings:

- The decline in the favorable factor index was led by a 5.2-point retreat in the index for sales even as the other three favorable factor indexes improved.
- The index for the dollar amount beyond terms fell 7.4 points to land at 41.3 recording its 15th consecutive month below the 50-point contraction threshold while the accounts placed for collections index has been in contraction for 26 months in a row. The collected weight of these two indexes have put the unfavorable factors index in contraction for 21 months.

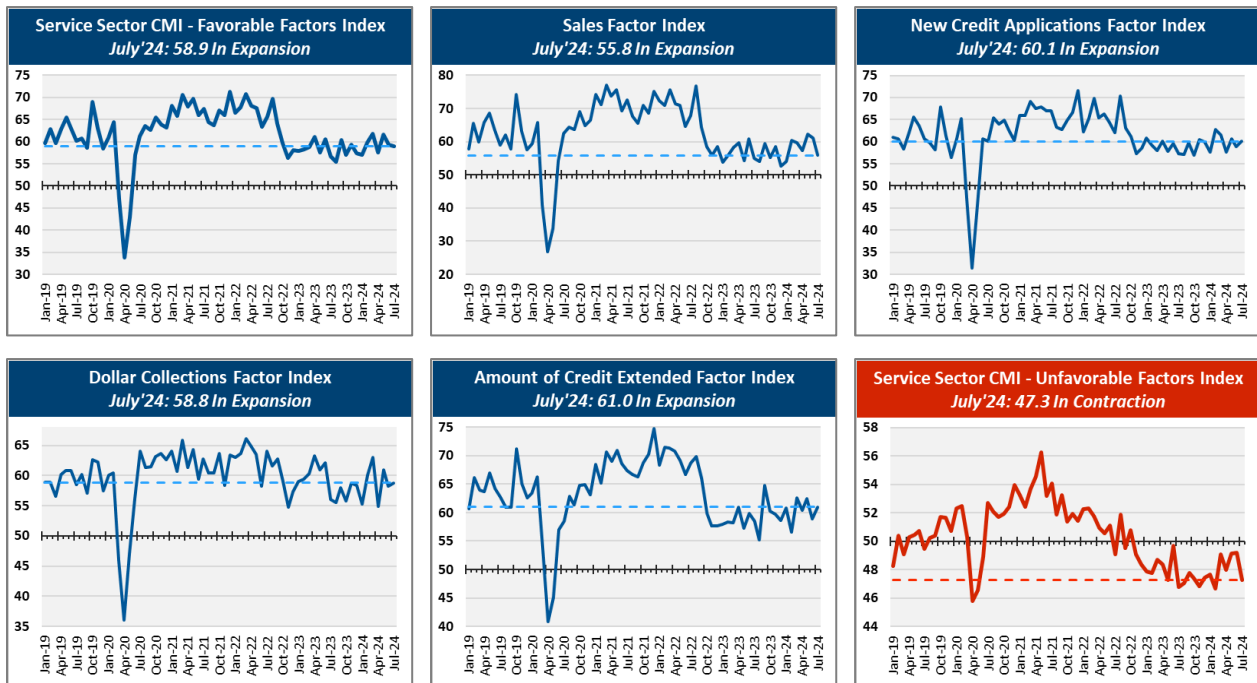
“Respondents from the services sector were also quite negative in their comments this month,” said Cutts. “One noted that customers are attempting more payment delays and that bankruptcies in the middle of the country are inching up noticeably. Bad weather was also noted as affecting customer payments from companies located in Texas.”

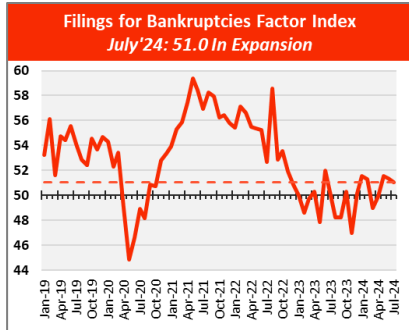
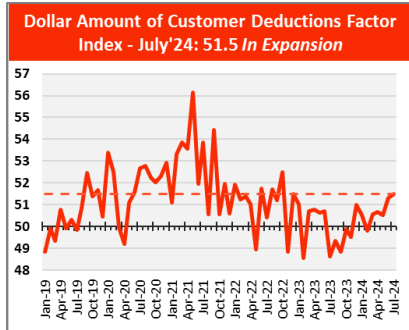
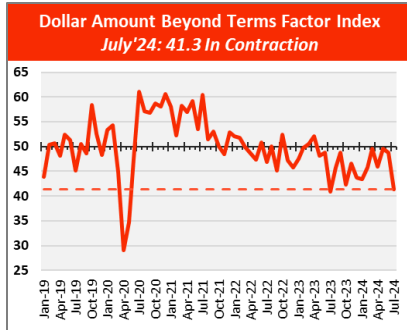
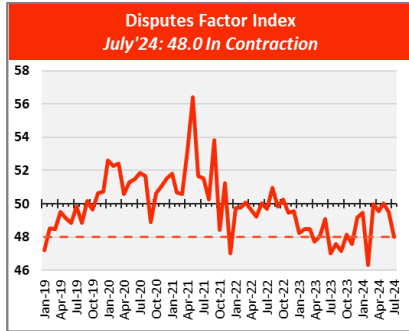
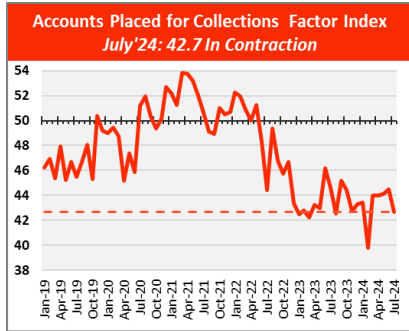
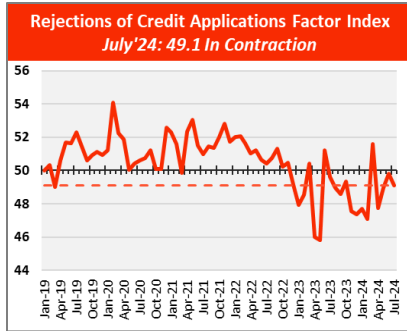
“Another respondent noted that ‘this year has been a rollercoaster, but the drop in sales from May to June was dramatic.’ They continued with ‘Sales are also down month over month vs 2023 and down palpably YTD for same period 2023. Delinquencies have ticked up to their highest level since January.’ The CMI is showing some of this change but had more factors improve this month than last, so the change in respondent sentiment is especially alarming.”

| Service Sector (seasonally adjusted) | Jul '23 | Aug '23 | Sep '23 | Oct '23 | Nov '23 | Dec '23 | Jan '24 | Feb '24 | Mar '24 | Apr '24 | May '24 | Jun '24 | Jul '24 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales | 55.0 | 54.1 | 59.3 | 55.2 | 58.5 | 52.6 | 54.1 | 60.3 | 59.7 | 57.4 | 62.3 | 61.0 | 55.8 |
| New credit applications | 57.2 | 57.0 | 59.7 | 56.9 | 60.4 | 60.0 | 57.7 | 62.8 | 61.6 | 57.6 | 60.6 | 58.9 | 60.1 |
| Dollar collections | 56.1 | 55.5 | 58.0 | 55.7 | 58.7 | 58.4 | 55.2 | 60.1 | 63.1 | 54.9 | 60.9 | 58.2 | 58.8 |
| Amount of credit extended | 58.4 | 55.2 | 64.8 | 60.3 | 59.8 | 58.6 | 60.8 | 56.5 | 62.6 | 60.5 | 62.4 | 58.9 | 61.0 |
| Index of favorable factors | 56.7 | 55.5 | 60.5 | 57.0 | 59.3 | 57.4 | 56.9 | 59.9 | 61.7 | 57.6 | 61.6 | 59.3 | 58.9 |
| Rejections of credit applications | 49.6 | 48.9 | 48.6 | 49.3 | 47.6 | 47.4 | 47.7 | 47.1 | 51.6 | 47.8 | 49.0 | 49.8 | 49.1 |
| Accounts placed for collection | 44.6 | 42.6 | 45.2 | 44.4 | 42.7 | 43.3 | 43.4 | 39.8 | 44.0 | 44.0 | 44.1 | 44.5 | 42.7 |
| Disputes | 47.0 | 47.6 | 47.2 | 48.1 | 47.6 | 49.2 | 49.5 | 46.3 | 50.0 | 49.5 | 50.0 | 49.5 | 48.0 |
| Dollar amount beyond terms | 40.9 | 45.7 | 48.7 | 42.3 | 46.5 | 43.7 | 43.4 | 45.8 | 49.5 | 46.0 | 49.6 | 48.8 | 41.3 |
| Dollar amount of customer deductions | 48.6 | 49.3 | 48.8 | 49.9 | 49.5 | 51.0 | 50.5 | 49.8 | 50.5 | 50.7 | 50.5 | 51.3 | 51.5 |
| Filings for bankruptcies | 50.0 | 48.2 | 48.2 | 50.3 | 47.0 | 50.2 | 51.5 | 51.3 | 49.0 | 49.9 | 51.5 | 51.4 | 51.0 |
| Index of unfavorable factors | 46.8 | 47.1 | 47.8 | 47.4 | 46.8 | 47.4 | 47.7 | 46.7 | 49.1 | 48.0 | 49.1 | 49.2 | 47.3 |
| NACM Service CMI | 50.8 | 50.4 | 52.9 | 51.2 | 51.8 | 51.4 | 51.4 | 52.0 | 54.2 | 51.8 | 54.1 | 53.2 | 51.9 |

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>.

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Website: 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.

| 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>.