



## Report for August 2024

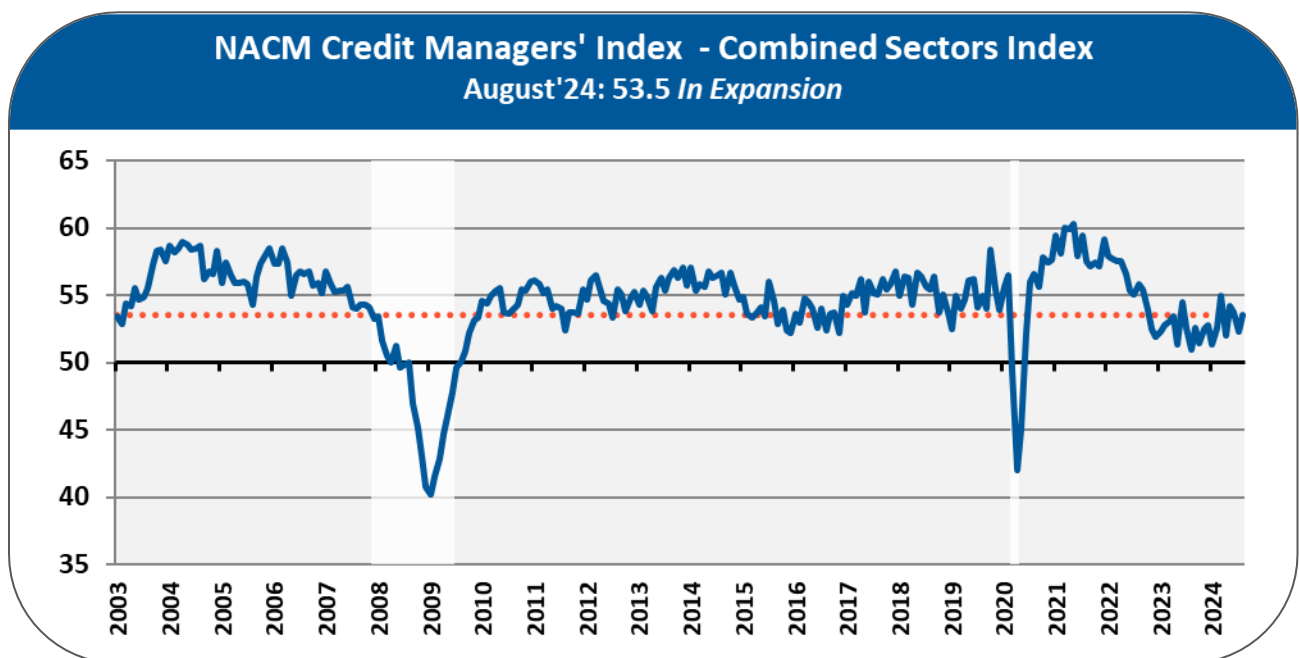
Issued September 3, 2024

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 August 2024 improved 1.2 points to 53.5. "The CMI continued on the slight upward trend that started nearly a year ago in the August survey – the combined CMI has gained 3.6 points over the past 12 months, but with many fits and starts," said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"Respondents in this month's survey indicated that it's becoming very evident in evaluating customer financial information that elevated interest costs have been having an impact on bottom lines. Customers that may have been slow in paying every month, maybe 10 days past terms, are now inching to 15- or 20-days past. The stress seems to be rising, even if not fully shown in the CMI values, and many respondents are hoping for the Fed to begin cutting rates soon."



The CMI is centered on a value of 50, with values greater indicating expansion and values lower indicating economic contraction. For this month's report the seasonal adjustment factors have been re-estimated, which affects prior published values of the CMI indexes.

<b>Combined Manufacturing and Service Sectors (seasonally adjusted)</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>	<b>Jun '24</b>	<b>Jul '24</b>	<b>Aug '24</b>
Sales	50.1	58.4	52.9	56.6	54.5	53.9	58.8	62.1	57.9	62.2	60.1	55.1	58.5
New credit applications	57.3	56.7	56.8	58.6	60.9	55.1	59.6	61.0	57.7	60.4	58.5	58.2	57.1
Dollar collections	52.4	58.7	56.8	59.6	59.0	56.2	59.2	60.8	55.3	60.0	58.5	55.3	62.0
Amount of credit extended	55.9	61.6	58.8	58.4	58.8	58.0	56.2	64.5	60.9	60.5	59.4	60.8	58.6
<b>Index of favorable factors</b>	<b>53.9</b>	<b>58.8</b>	<b>56.3</b>	<b>58.3</b>	<b>58.3</b>	<b>55.8</b>	<b>58.4</b>	<b>62.1</b>	<b>57.9</b>	<b>60.8</b>	<b>59.1</b>	<b>57.4</b>	<b>59.1</b>
Rejections of credit applications	50.0	49.1	49.7	48.8	49.2	50.9	48.0	51.5	49.4	51.0	51.0	49.9	50.5
Accounts placed for collection	45.3	46.9	45.4	44.6	45.9	44.8	42.9	45.9	44.9	45.0	46.1	46.4	45.7
Disputes	49.4	47.4	48.6	49.9	49.6	48.8	48.2	49.6	49.7	49.7	49.2	49.1	49.8
Dollar amount beyond terms	49.2	49.8	45.8	49.3	48.7	43.8	50.8	54.8	43.6	50.7	50.6	46.1	49.7
Dollar amount of customer deductions	50.5	47.4	48.9	51.1	50.4	50.0	49.7	50.1	50.7	51.9	51.5	51.1	51.8
Filings for bankruptcies	49.7	50.1	50.5	47.7	51.0	51.6	52.6	49.6	49.9	50.7	52.4	50.9	51.7
<b>Index of unfavorable factors</b>	<b>49.0</b>	<b>48.4</b>	<b>48.1</b>	<b>48.6</b>	<b>49.1</b>	<b>48.3</b>	<b>48.7</b>	<b>50.2</b>	<b>48.0</b>	<b>49.9</b>	<b>50.1</b>	<b>48.9</b>	<b>49.9</b>
<b>NACM Combined CMI</b>	<b>51.0</b>	<b>52.6</b>	<b>51.4</b>	<b>52.5</b>	<b>52.8</b>	<b>51.3</b>	<b>52.6</b>	<b>55.0</b>	<b>52.0</b>	<b>54.2</b>	<b>53.7</b>	<b>52.3</b>	<b>53.5</b>

Note: Seasonal adjustment factors were updated for the August 2024 report which may affect previously published values.

### CMI Combined Sectors Factor Indexes

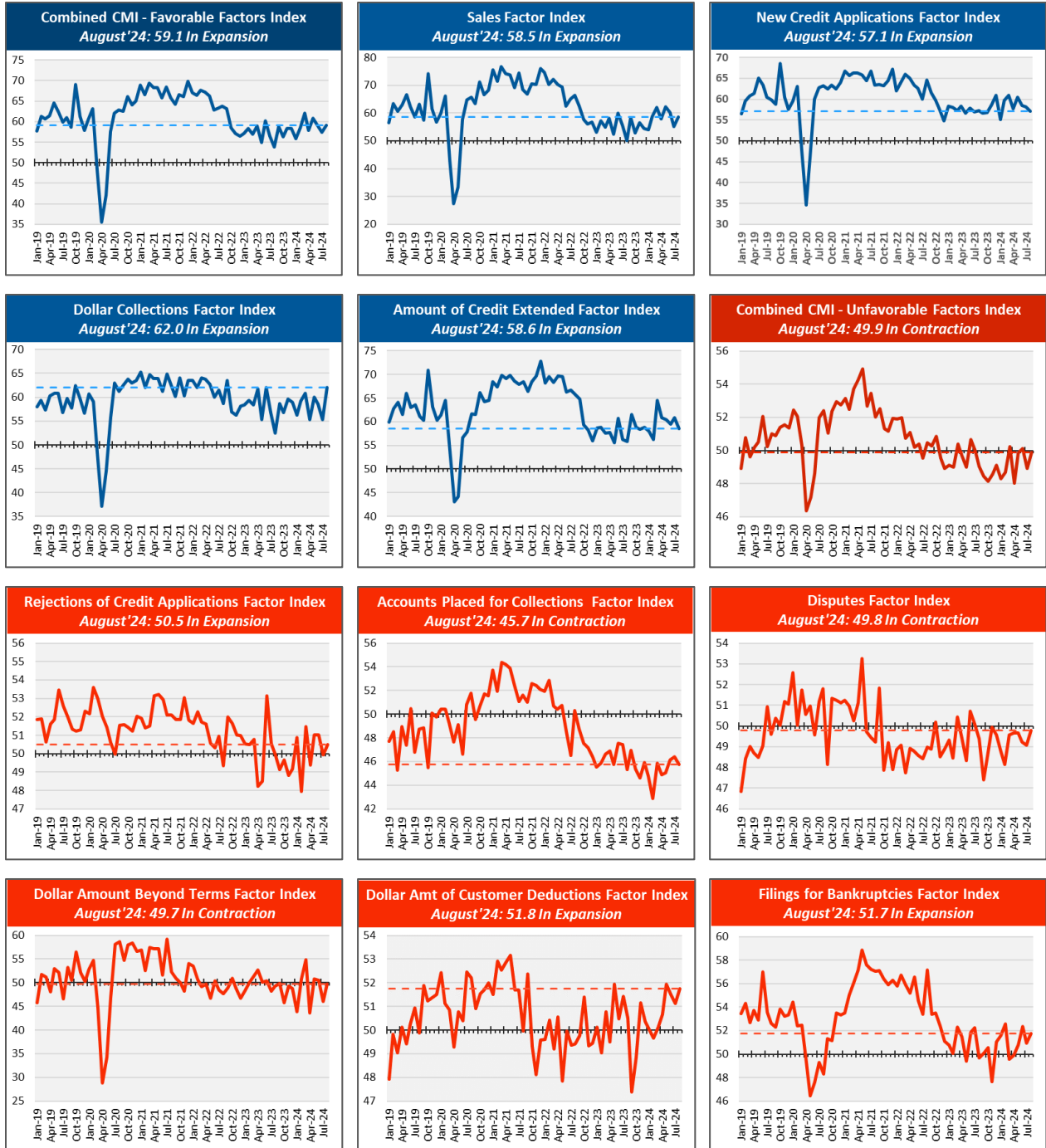
**Key Findings:**

- The index for unfavorable factors improved by 1.8 points to 52.3. This is the strongest reading for the index in the past 12 months.
- The index for accounts placed for collection is at 46.6 this month, its 24<sup>th</sup> month in contraction. This means the number of accounts placed for collections has increased every month for the past two years.
- The index for the dollar collections had the largest gain in the August survey which asks about July activity. The index improved 6.7 points to 62.0. This index relates to all accounts, not just those in collections. Importantly, respondents are indicating that actual dollars collected is holding up.
- The index for favorable factors remains solidly in expansion even with a 1.7-point gain in August after a 1.7-point deterioration in July. This index now stands at 59.1.

“Respondents continue to indicate a marked pessimism regarding conditions that started last month,” said Cutts. “Supply chains were again noted as an issue with continued weather disruptions and geopolitical issues. Several respondents noted that conditions are getting worse, with higher effort needed both on the sales side and the accounts receivables side to make things happen.”

### 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. Seasonal adjustment factors were updated for the August 2024 report which may affect previously published values.

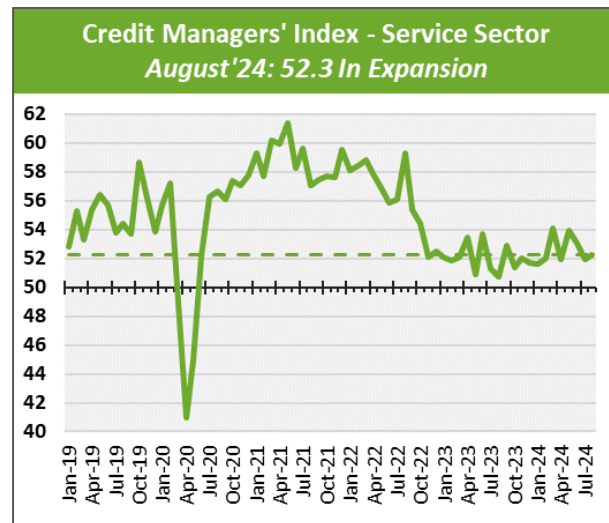
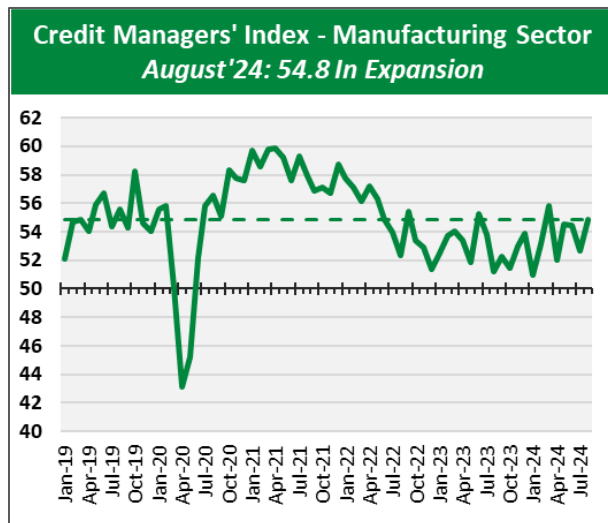


## CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI improved 2.2 points in the August CMI survey to a level of 54.8. This index has been on a gentle upward trajectory over the past year much like the Combined CMI gaining 3.6 points over its August 2023 level.

“The Manufacturing Sector CMI is running a little higher than the Services Sector index but also shows a wider range of differences month-to-month,” Cutts said. “The Manufacturing CMI has averaged a full point higher level over the past 12 months than the Services CMI but that hides the important difference that nearly all of the

Manufacturing Sector factor indexes have been in expansion over most of the past year, that is, the expansion is consistent across the various metrics, while for the Services Sector typically four or five of the six unfavorable factor indexes have been in contraction each month.”



The data in the charts are seasonally adjusted.

## CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors improved 2.8 points to 58.5. The Unfavorable Factor Index improved 1.8 points this month to 52.3.

### Key Findings:

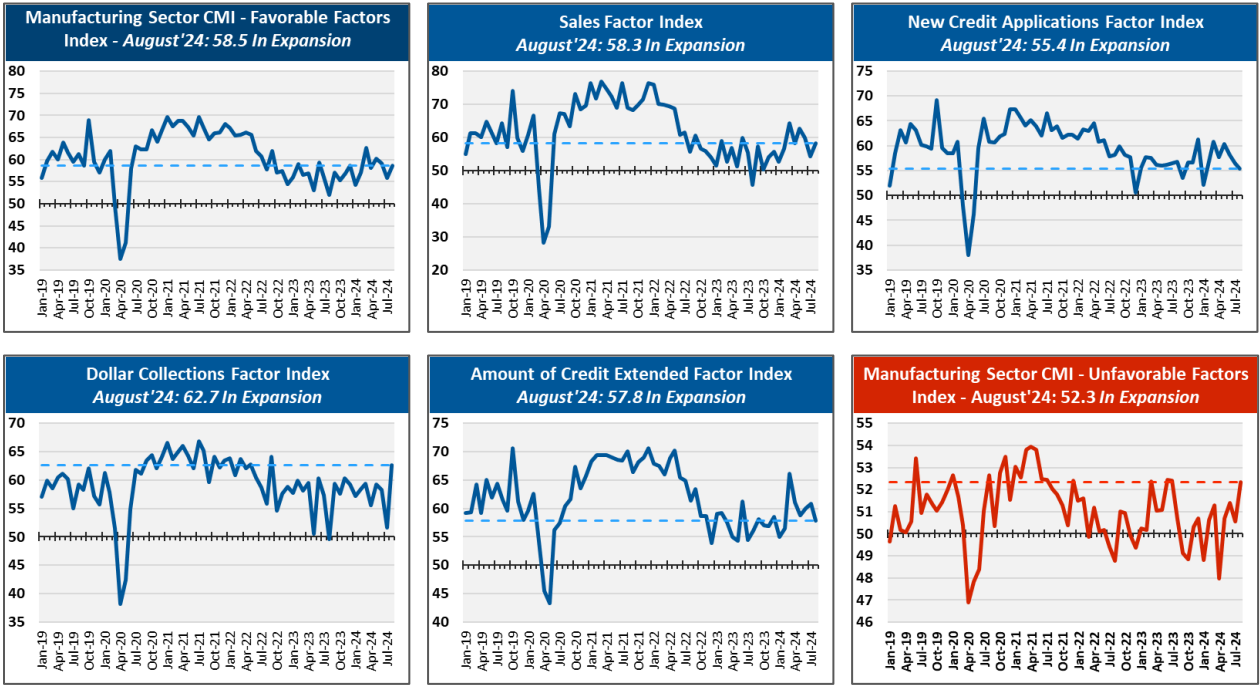
- The Dollar Collections Factor Index showed the greatest improvement, jumping 11.0 points to 62.7. Note that by the construction of the index, this is the result of many respondents indicating that collections had improved versus the prior month rather than the actual dollar amount collected which could be influenced by large accounts.
- Among favorable factors, the Sales Factor Index also improved, but the other two indexes deteriorated: New Credit Applications fell 0.9 points to 55.4 and the Amount of Credit Extended Index lost 3.1 points to 57.8.
- Among unfavorable factor indexes, the Dollar Amount Beyond Terms improved the most, adding 4.2 points to 54.4.
- The Accounts Placed for Collections Index declined 0.7 points to 49.7, moving back into contraction. This index has been in contraction territory (below 50 points) for 11 of the past 12 months and below 51 points (in or near contraction) for 30 consecutive months.

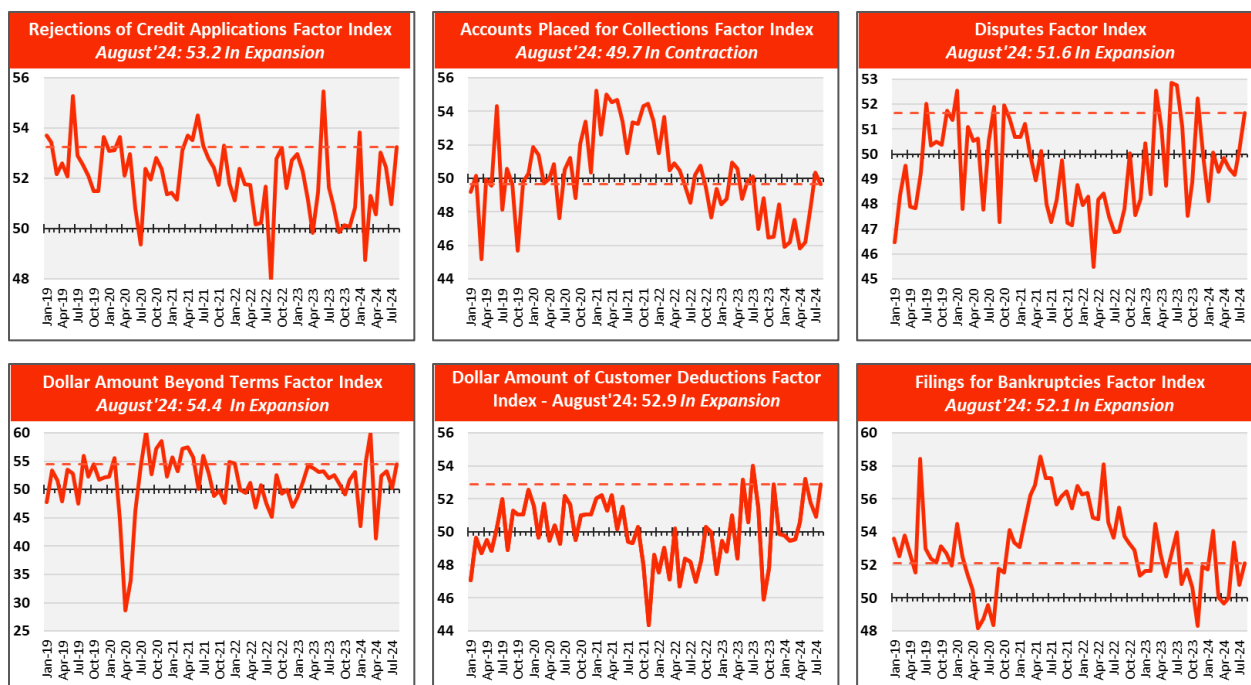
“Many respondents are indicating that sales and AR activity are slowing, with more effort required to get to the same point” Cutts said. “The index for Accounts Placed for Collections has been in contraction or near that line for the past two-and-a-half years and the index for Disputes has also been in that range for all but ten of the past 55 months. Challenges to invoicing and having to refer customers to collections, even if ultimately paid, add costs and delays to the AR process and are hard on staff. The sales data may look great, but that’s also a bit deceptive as many manufacturers are seeing smaller unit sales even if total dollar sales are up due to price increases from rising labor and materials costs.”

<b>Manufacturing Sector (seasonally adjusted)</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>	<b>Jun '24</b>	<b>Jul '24</b>	<b>Aug '24</b>
Sales	45.7	57.3	50.3	54.0	55.7	52.7	56.5	64.3	58.2	62.6	59.9	54.2	58.3
New credit applications	56.8	53.5	56.6	56.6	61.2	52.2	56.8	60.9	57.7	60.4	58.1	56.4	55.4
Dollar collections	49.5	59.3	57.6	60.3	59.2	57.1	58.3	59.4	55.6	59.3	58.2	51.7	62.7
Amount of credit extended	56.1	58.2	57.1	56.8	58.5	55.0	56.5	66.1	61.1	58.8	60.0	60.8	57.8
<b>Index of favorable factors</b>	<b>52.0</b>	<b>57.1</b>	<b>55.4</b>	<b>56.9</b>	<b>58.6</b>	<b>54.3</b>	<b>57.0</b>	<b>62.7</b>	<b>58.1</b>	<b>60.3</b>	<b>59.1</b>	<b>55.8</b>	<b>58.5</b>
Rejections of credit applications	50.9	49.9	50.1	50.1	50.8	53.8	48.8	51.3	50.6	53.0	52.4	51.0	53.2
Accounts placed for collection	47.0	48.8	46.5	46.5	48.4	45.9	46.2	47.6	45.8	46.2	48.3	50.4	49.7
Disputes	51.1	47.5	48.9	52.2	50.0	48.1	50.1	49.3	49.9	49.4	49.2	50.2	51.6
Dollar amount beyond terms	52.6	50.9	49.1	51.8	53.1	43.5	55.1	60.0	41.4	52.5	53.3	50.2	54.4
Dollar amount of customer deductions	51.5	45.9	47.8	52.9	49.9	49.8	49.5	49.6	50.6	53.2	51.7	50.9	52.9
Filings for bankruptcies	50.8	51.7	50.6	48.3	51.9	51.7	54.1	50.0	49.7	50.0	53.4	50.8	52.1
<b>Index of unfavorable factors</b>	<b>50.7</b>	<b>49.1</b>	<b>48.8</b>	<b>50.3</b>	<b>50.7</b>	<b>48.8</b>	<b>50.6</b>	<b>51.3</b>	<b>48.0</b>	<b>50.7</b>	<b>51.4</b>	<b>50.6</b>	<b>52.3</b>
<b>NACM Manufacturing CMI</b>	<b>51.2</b>	<b>52.3</b>	<b>51.5</b>	<b>53.0</b>	<b>53.9</b>	<b>51.0</b>	<b>53.2</b>	<b>55.8</b>	<b>52.0</b>	<b>54.5</b>	<b>54.5</b>	<b>52.7</b>	<b>54.8</b>

### CMI Manufacturing Sector Factor Indexes Charts

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## CMI Service Sector Factor Indexes

The August CMI Service Sector Index marked a 0.6-point improvement in the Favorable Factors Index to 59.6. The sector’s Unfavorable Factors Index improved by 0.1 points to 47.4 but marked the 22<sup>nd</sup> 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 3.0-point improvement in the Dollar Amount Beyond Terms index to 44.9, marking the 16<sup>th</sup> month in which dollar amount beyond terms in the AR portfolios of CMI survey respondents increased (note that the unfavorable indexes are on an inverted scale).
- The disputes factor index for the services sector has been below 50 points for 22 consecutive months. Financial stress on firms may be leading them to dispute invoices in an effort to reduce the amount owed.
- The index for the Accounts Placed for Collections has been below the 50-point contraction threshold for 24 consecutive months.

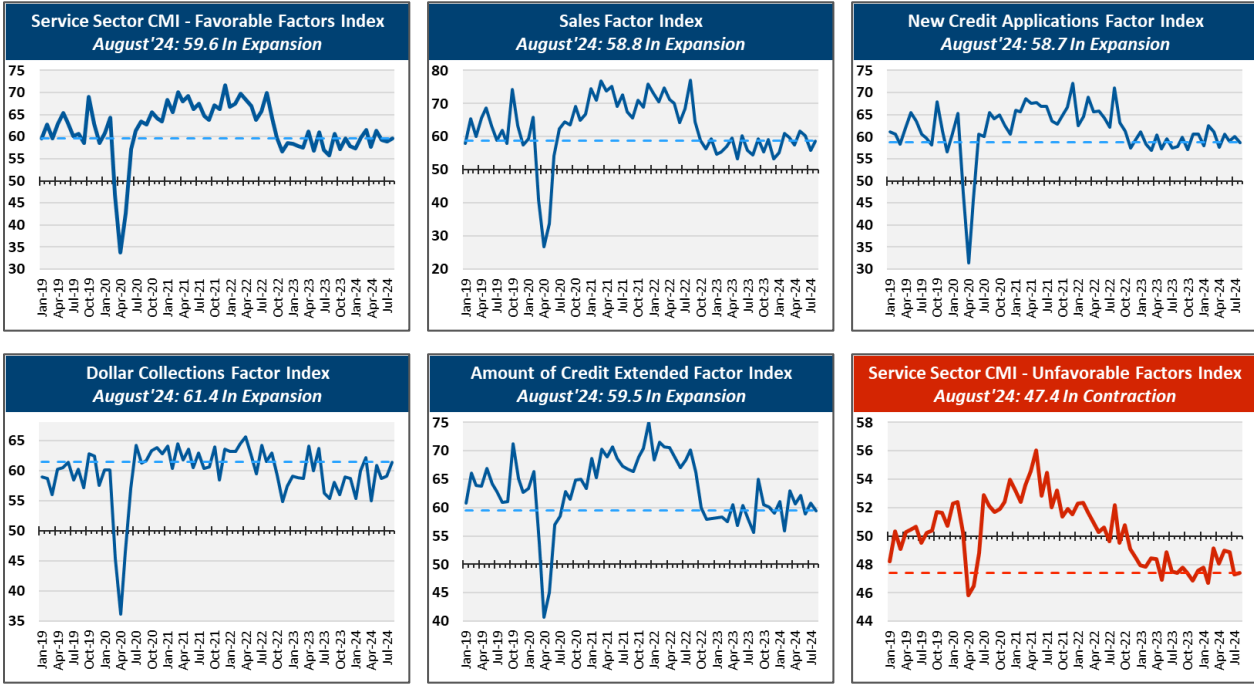
“The Service Sector CMI index overall seems to have settled in at a level just above the expansion-contraction threshold, but the signs of distress under this seemingly smooth pattern are worrying,” said Cutts. “For the factor indexes on accounts beyond terms, placed for collection, and disputes not only being well into contraction levels but to be there for so long is clearly a leading indicator of distress in firms seeking services. Moreover, rejections of credit applications have also been rising and respondent comments link this to higher incidence of fraud being identified at account opening.”

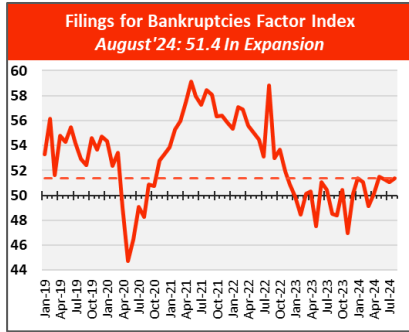
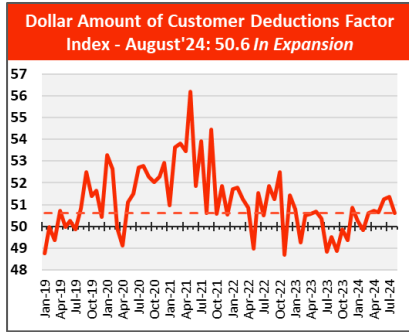
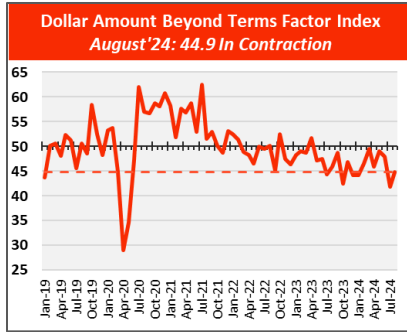
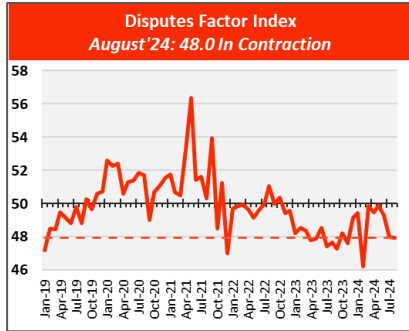
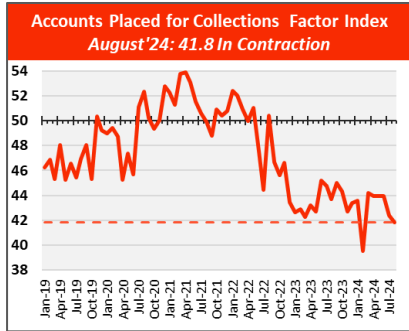
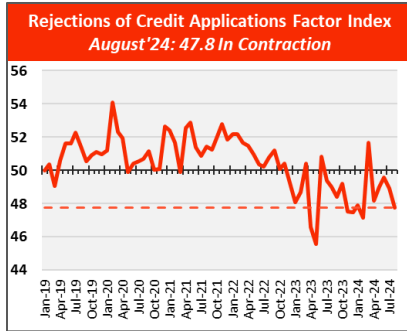
Service Sector (seasonally adjusted)	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	Jun '24	Jul '24	Aug '24
Sales	54.4	59.4	55.5	59.2	53.4	55.1	61.1	59.9	57.6	61.8	60.3	55.9	58.8
New credit applications	57.8	59.9	57.1	60.6	60.6	58.0	62.5	61.1	57.6	60.5	58.9	60.1	58.7
Dollar collections	55.4	58.1	56.0	59.0	58.7	55.3	60.0	62.2	55.0	60.8	58.7	59.0	61.4

Amount of credit extended	55.6	65.0	60.5	60.1	59.1	61.1	55.9	62.9	60.7	62.1	58.9	60.9	59.5
<b>Index of favorable factors</b>	<b>55.8</b>	<b>60.6</b>	<b>57.3</b>	<b>59.7</b>	<b>57.9</b>	<b>57.4</b>	<b>59.9</b>	<b>61.5</b>	<b>57.7</b>	<b>61.3</b>	<b>59.2</b>	<b>59.0</b>	<b>59.6</b>
Rejections of credit applications	49.0	48.4	49.2	47.5	47.5	47.9	47.2	51.7	48.2	49.0	49.6	48.9	47.8
Accounts placed for collection	43.7	45.0	44.3	42.7	43.4	43.6	39.5	44.2	43.9	43.9	44.0	42.4	41.8
Disputes	47.6	47.3	48.2	47.6	49.2	49.4	46.2	49.9	49.5	49.9	49.3	48.0	48.0
Dollar amount beyond terms	45.9	48.7	42.4	46.9	44.3	44.1	46.5	49.6	45.8	49.0	47.9	41.9	44.9
Dollar amount of customer deductions	49.5	48.9	49.9	49.4	50.9	50.3	49.8	50.6	50.7	50.7	51.3	51.3	50.6
Filings for bankruptcies	48.5	48.4	50.5	47.0	50.1	51.4	51.1	49.1	50.2	51.5	51.3	51.1	51.4
<b>Index of unfavorable factors</b>	<b>47.4</b>	<b>47.8</b>	<b>47.4</b>	<b>46.8</b>	<b>47.6</b>	<b>47.8</b>	<b>46.7</b>	<b>49.2</b>	<b>48.0</b>	<b>49.0</b>	<b>48.9</b>	<b>47.3</b>	<b>47.4</b>
<b>NACM Service CMI</b>	<b>50.8</b>	<b>52.9</b>	<b>51.4</b>	<b>52.0</b>	<b>51.7</b>	<b>51.6</b>	<b>52.0</b>	<b>54.1</b>	<b>51.9</b>	<b>53.9</b>	<b>53.0</b>	<b>52.0</b>	<b>52.3</b>

### 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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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>.