



Report for September 2024

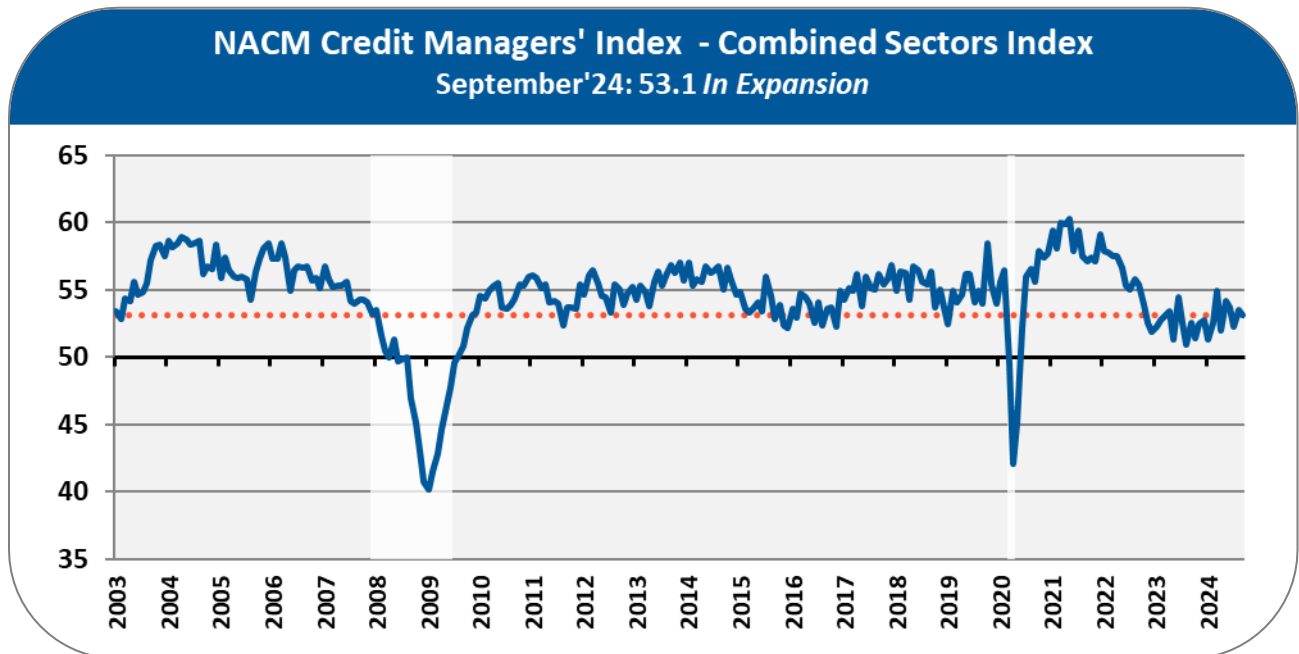
Issued October 1, 2024

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 September 2024 deteriorated 0.4 to 53.1. "The CMI continues to indicate that the economy is in expansion but like many other economic indicators, it is on a weakening trend," said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"Hopefully this is indicative of the soft landing the Fed has been aiming for," Cutts said. "The recent rate cut by the Fed, and likely regular subsequent rate cuts over the next year, should start to provide some relief for borrowers and those seeking new credit. But the outlook is clouded by the impending dock worker strikes at major ports from Maine to Texas, which will have a material effect on the economy, with estimated costs of \$1 billion per day in lost economic activity. The widespread devastation from Hurricane Helene will have long-lasting impacts on manufacturing and transportation throughout the southern states. Estimates of damage are only now starting to be tallied, but I think this storm will ultimately rank among the most damaging in U.S. history."



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

Combined Manufacturing and Service Sectors (seasonally adjusted)	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	Jun '24	Jul '24	Aug '24	Sep '24
Sales	58.4	52.9	56.6	54.5	53.9	58.8	62.1	57.9	62.2	60.1	55.1	58.5	55.3
New credit applications	56.7	56.8	58.6	60.9	55.1	59.6	61.0	57.7	60.4	58.5	58.2	57.1	55.6
Dollar collections	58.7	56.8	59.6	59.0	56.2	59.2	60.8	55.3	60.0	58.5	55.3	62.0	57.5
Amount of credit extended	61.6	58.8	58.4	58.8	58.0	56.2	64.5	60.9	60.5	59.4	60.8	58.6	57.6
Index of favorable factors	58.8	56.3	58.3	58.3	55.8	58.4	62.1	57.9	60.8	59.1	57.4	59.1	56.5
Rejections of credit applications	49.1	49.7	48.8	49.2	50.9	48.0	51.5	49.4	51.0	51.0	49.9	50.5	52.1
Accounts placed for collection	46.9	45.4	44.6	45.9	44.8	42.9	45.9	44.9	45.0	46.1	46.4	45.7	48.9
Disputes	47.4	48.6	49.9	49.6	48.8	48.2	49.6	49.7	49.7	49.2	49.1	49.8	51.0
Dollar amount beyond terms	49.8	45.8	49.3	48.7	43.8	50.8	54.8	43.6	50.7	50.6	46.1	49.7	50.9
Dollar amount of customer deductions	47.4	48.9	51.1	50.4	50.0	49.7	50.1	50.7	51.9	51.5	51.1	51.8	51.3
Filings for bankruptcies	50.1	50.5	47.7	51.0	51.6	52.6	49.6	49.9	50.7	52.4	50.9	51.7	50.9
Index of unfavorable factors	48.4	48.1	48.6	49.1	48.3	48.7	50.2	48.0	49.9	50.1	48.9	49.9	50.8
NACM Combined CMI	52.6	51.4	52.5	52.8	51.3	52.6	55.0	52.0	54.2	53.7	52.3	53.5	53.1

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

CMi Combined Sectors Factor Indexes

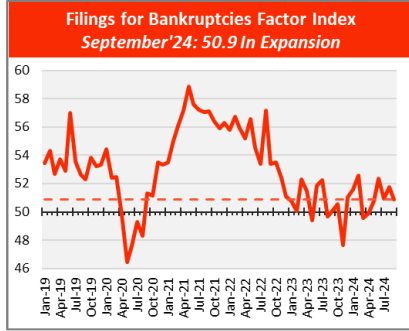
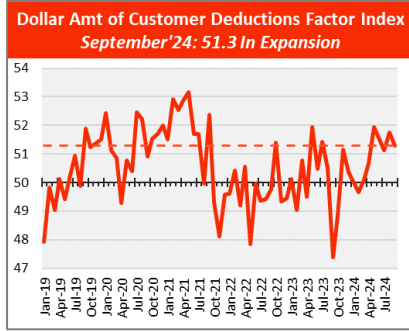
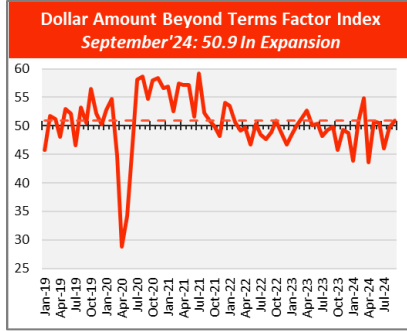
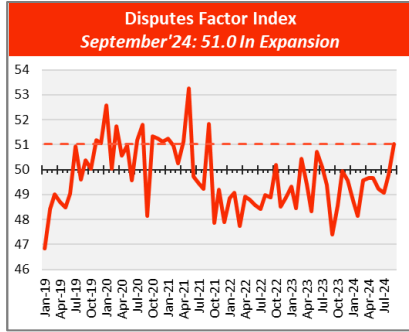
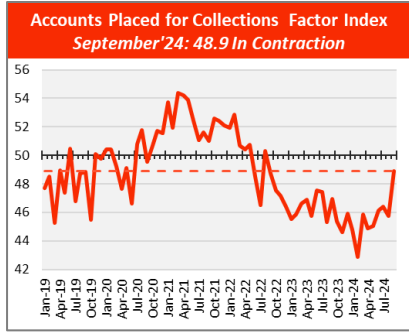
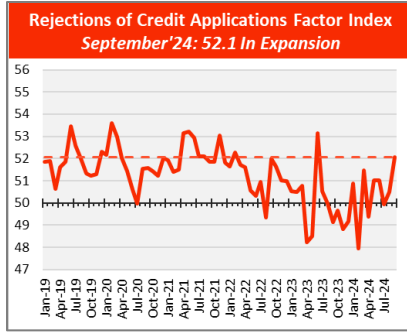
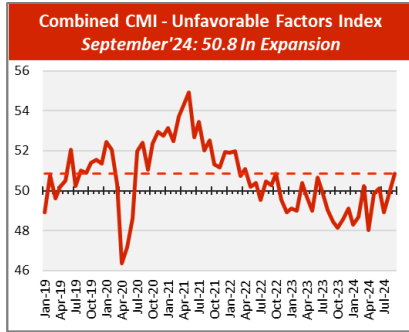
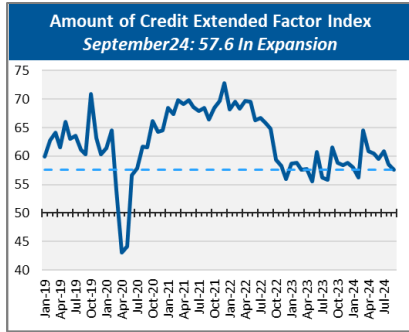
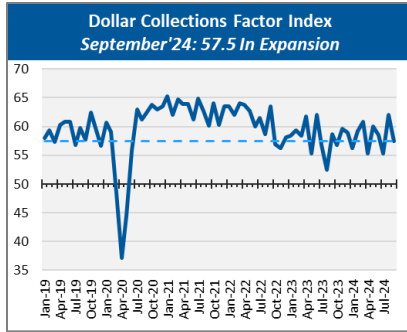
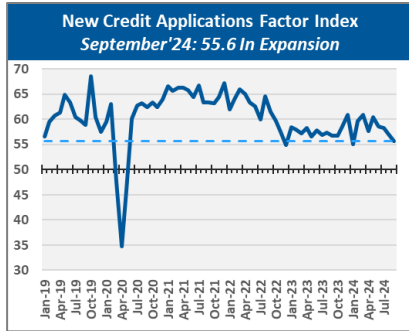
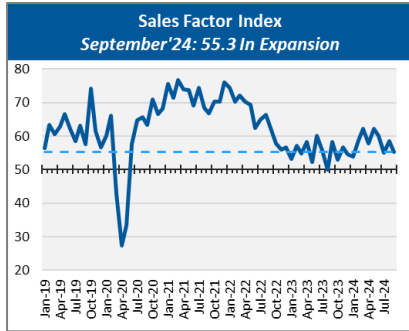
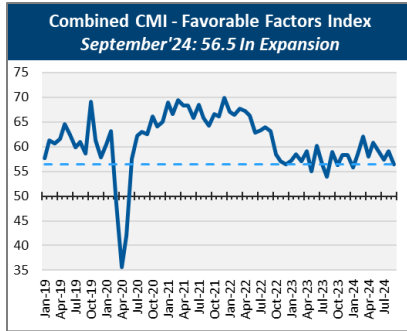
Key Findings:

- The index for unfavorable factors improved by 0.9 to 50.8, pulling it back into expansion after two months in contraction.
- The index for accounts placed for collection is at 48.9 this month, its 25th month in contraction. This means the number of accounts placed for collections has increased every month for more than two years.
- The index for the dollar collections had the largest deterioration in the September survey. The index fell 4.5 points to 57.5. This index relates to all accounts, not just those in collections. Importantly, since the index value is above 50, meaning it's in expansion, respondents are indicating that actual dollars collected is holding up.
- The index for favorable factors remains solidly in expansion even with a 2.6-point fall in September. The index sits at 56.5

“The credit ecosystem is more complicated than it might seem,” said Cutts. “There is a wide variation in payment terms and structures across both supplier companies and their customers. Several respondents have indicated several times in the past few surveys that more customers are being slow to pay, with the worst offenders being those that have a “pay when paid” contract, meaning the supplier company doesn’t get paid until their customer gets paid by their customer. Thus, a credit manager is not just managing their direct client risk, they also have third party risk to deal with.”

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.

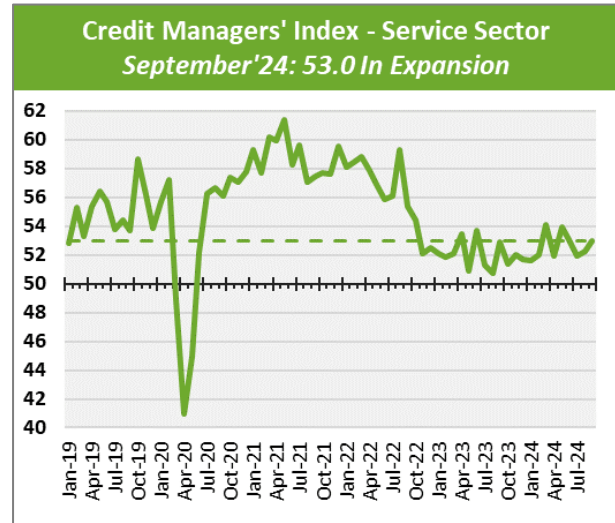
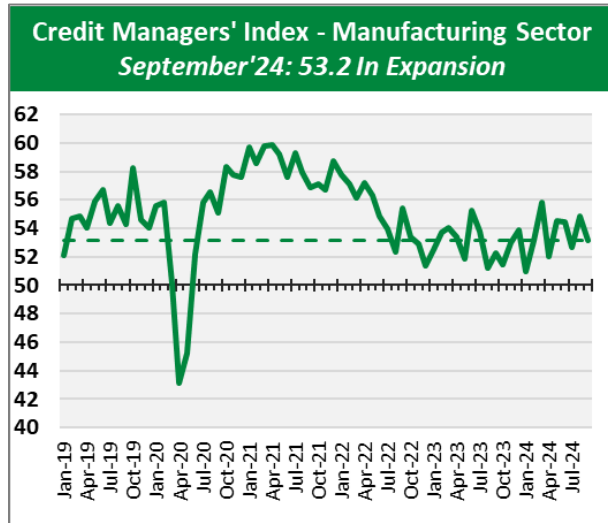


CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI deteriorated 1.6 points in the September CMI survey to a level of 53.2. The Service Sector CMI improved 0.7 points to reach a level of 53.0.

“Respondents in the Manufacturing Sector were quiet this month, with comments focused on seasonal patterns in their business,” Cutts said. “In contrast, Service Sector respondents were decidedly negative in their comments,

noting the increasing difficulty of getting paid and rising numbers of unexpected business closures. Interestingly, the sector CMI indexes are not much different in levels with both indicating steady slow expansion.”



The data in the charts are seasonally adjusted.

CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors deteriorated by 3.1 points to 55.5. The Unfavorable Factor Index lost 1.6 points this month to 53.2.

Key Findings:

- The Dollar Collections Factor Index reversed course this month, losing 7.9 points to 54.8 after gaining 11.0 points in the August survey. This was the largest factor index loss for the sector this month.
- Among unfavorable factor indexes, the Dollar Amount Beyond Terms deteriorated the most, falling 2.3 points to 52.1.
- The Accounts Placed for Collections Index improved 0.7 points to 50.4, moving back into expansion after one month in contraction. This index has been in contraction territory (below 50 points) for 10 of the past 12 months and below 51 points (in or near contraction) for 31 consecutive months.

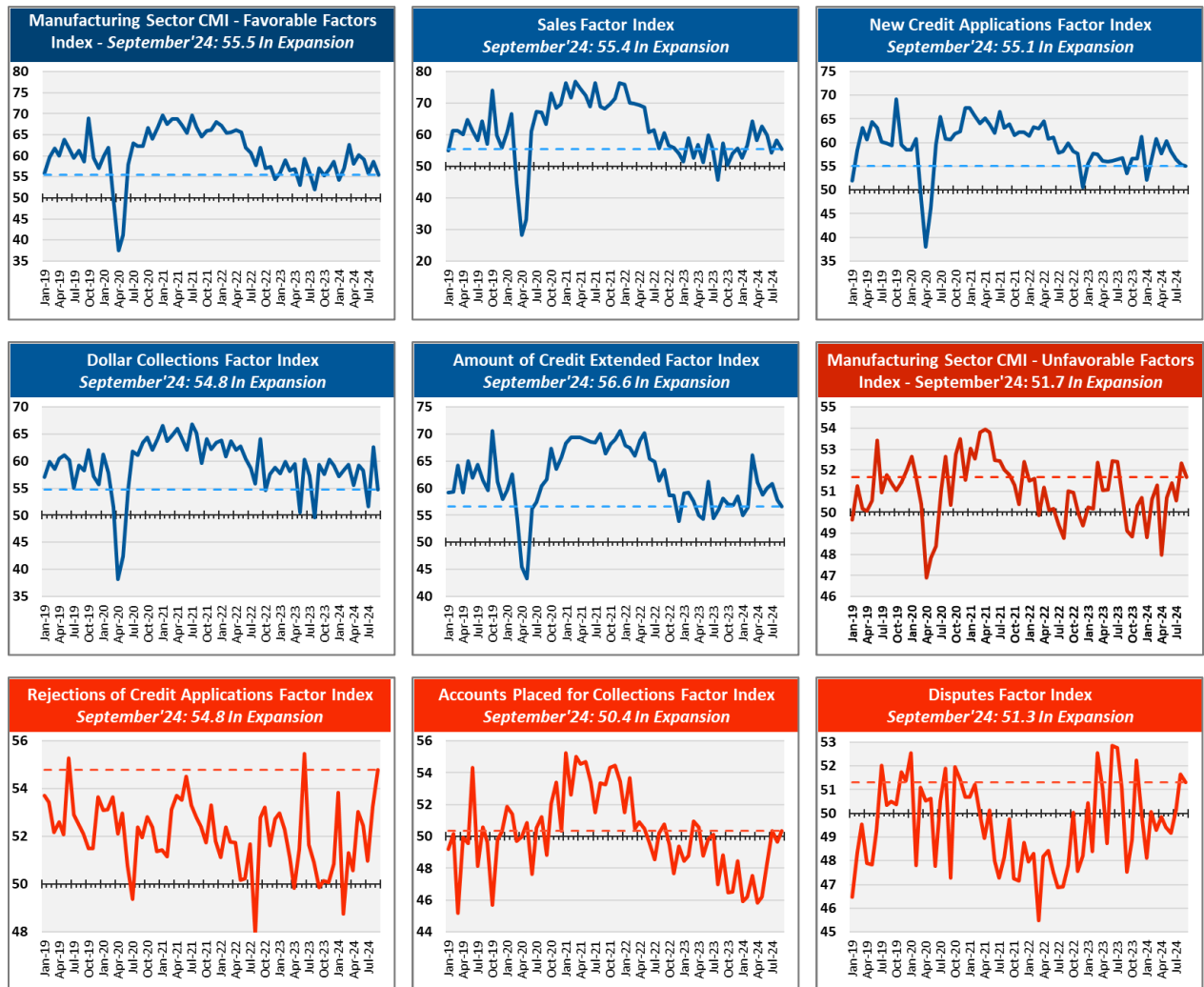
“The dockworkers strike will slow manufacturing output throughout the eastern U.S. as component parts and raw materials are delayed” Cutts said. “This will put more stress on credit departments – whether clients demand discounts for late delivery or withhold payment as a result of supply chain issues, credit managers will be the ones having to manage their dissatisfaction.”

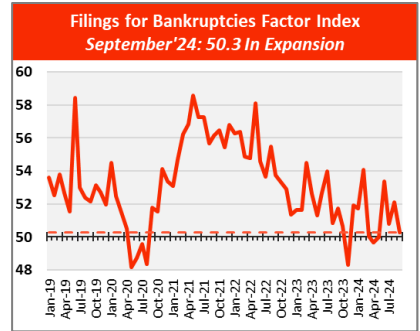
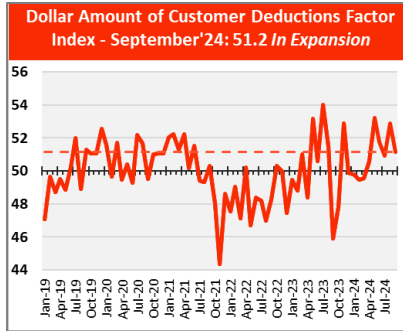
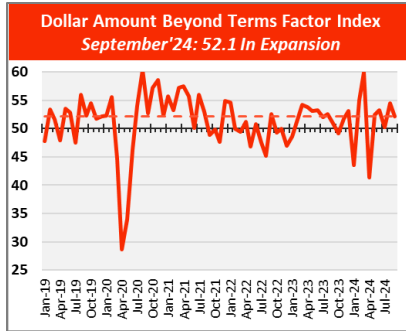
Manufacturing Sector (seasonally adjusted)	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	Jun '24	Jul '24	Aug '24	Sep '24
Sales	57.3	50.3	54.0	55.7	52.7	56.5	64.3	58.2	62.6	59.9	54.2	58.3	55.4
New credit applications	53.5	56.6	56.6	61.2	52.2	56.8	60.9	57.7	60.4	58.1	56.4	55.4	55.1
Dollar collections	59.3	57.6	60.3	59.2	57.1	58.3	59.4	55.6	59.3	58.2	51.7	62.7	54.8
Amount of credit extended	58.2	57.1	56.8	58.5	55.0	56.5	66.1	61.1	58.8	60.0	60.8	57.8	56.6
Index of favorable factors	57.1	55.4	56.9	58.6	54.3	57.0	62.7	58.1	60.3	59.1	55.8	58.5	55.5
Rejections of credit applications	49.9	50.1	50.1	50.8	53.8	48.8	51.3	50.6	53.0	52.4	51.0	53.2	54.8

Accounts placed for collection	48.8	46.5	46.5	48.4	45.9	46.2	47.6	45.8	46.2	48.3	50.4	49.7	50.4
Disputes	47.5	48.9	52.2	50.0	48.1	50.1	49.3	49.9	49.4	49.2	50.2	51.6	51.3
Dollar amount beyond terms	50.9	49.1	51.8	53.1	43.5	55.1	60.0	41.4	52.5	53.3	50.2	54.4	52.1
Dollar amount of customer deductions	45.9	47.8	52.9	49.9	49.8	49.5	49.6	50.6	53.2	51.7	50.9	52.9	51.2
Filings for bankruptcies	51.7	50.6	48.3	51.9	51.7	54.1	50.0	49.7	50.0	53.4	50.8	52.1	50.3
Index of unfavorable factors	49.1	48.8	50.3	50.7	48.8	50.6	51.3	48.0	50.7	51.4	50.6	52.3	51.7
NACM Manufacturing CMI	52.3	51.5	53.0	53.9	51.0	53.2	55.8	52.0	54.5	54.5	52.7	54.8	53.2

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 September CMI Service Sector favorable factors index marked a 2.1-point deterioration to 57.5 in the September survey. The sector’s unfavorable factors index improved by 2.6 points to 50.0 – on the line between contraction and expansion, marking the first time in 22 months that the index has not been in contraction territory (below 50 points).

Key Findings:

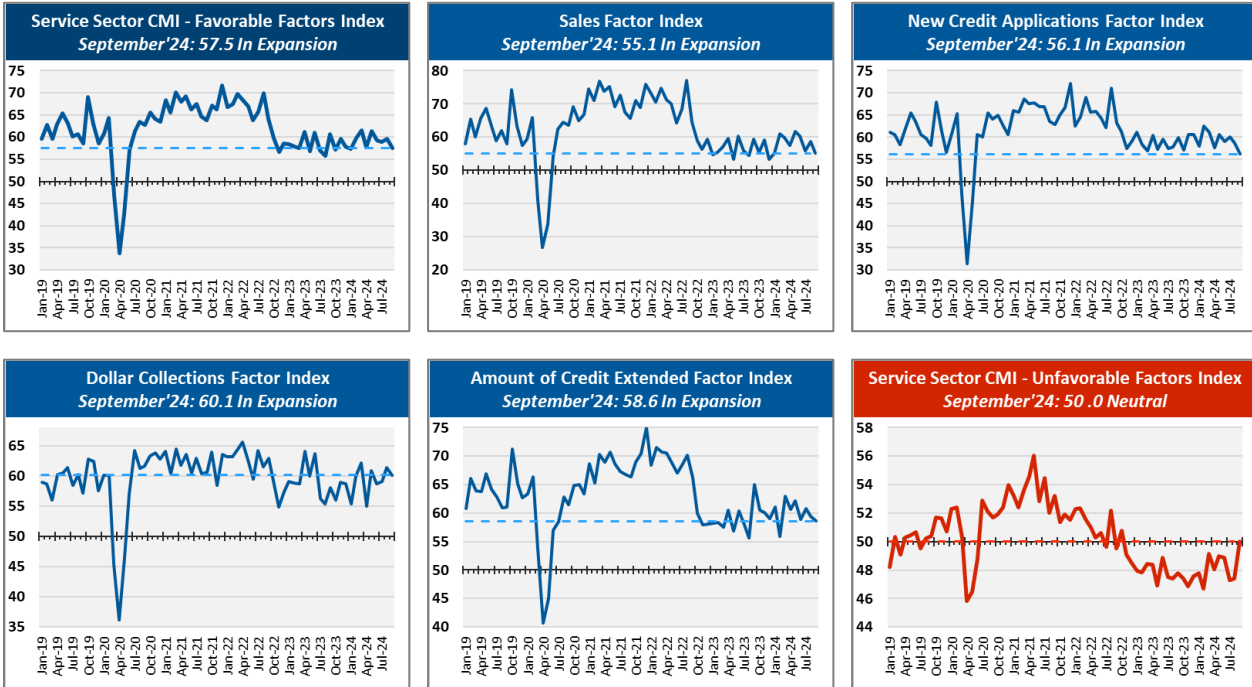
- The fall in the Unfavorable Factor Index was led by a 3.6-point deterioration in the Sales Index, bringing it to 55.1, still in expansion territory.
- The Disputes Factor Index for the services sector moved into expansion territory this month after recording values in economic contraction for 22 consecutive months. The index gained 2.8 points to sit at 50.8.
- The index for the Accounts Placed for Collections has been below the 50-point contraction threshold for 25 consecutive months. This index improved 5.6 points this month but now sits at 47.4 points.

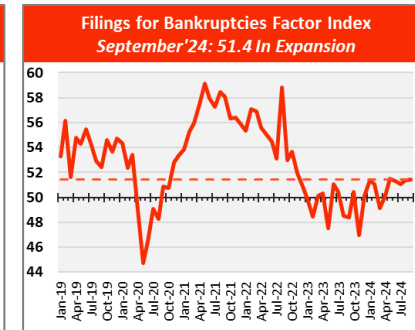
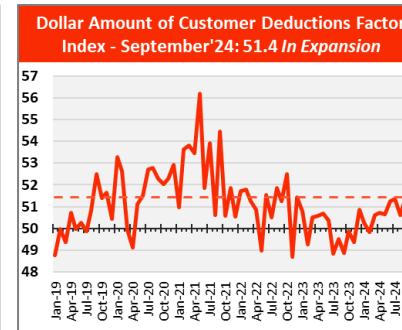
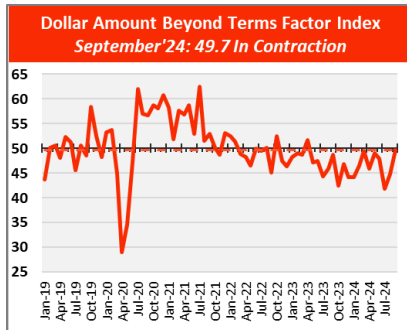
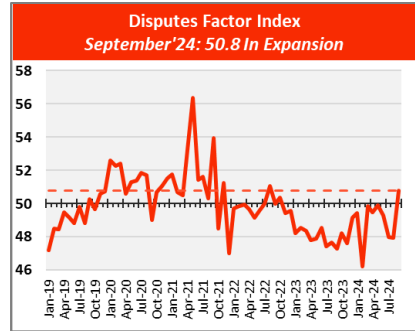
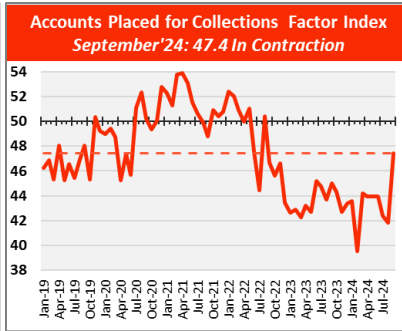
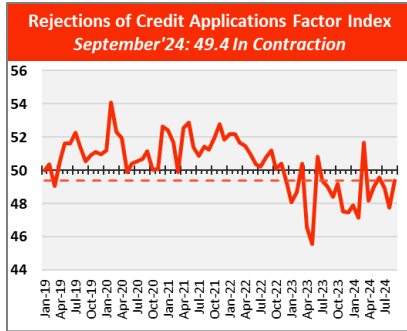
“Respondents in the Service Sector have been much more pessimistic regarding business credit trends than their manufacturing counterparts even though the sector indexes are close in levels,” said Cutts. “I think this is notable because it reflects the deep frustration of these credit managers, that they are having to work a lot harder to get paid. The survey values don’t reflect this difference in experience.”

Service Sector (seasonally adjusted)	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	Jun '24	Jul '24	Aug '24	Sep '24
Sales	59.4	55.5	59.2	53.4	55.1	61.1	59.9	57.6	61.8	60.3	55.9	58.8	55.1
New credit applications	59.9	57.1	60.6	60.6	58.0	62.5	61.1	57.6	60.5	58.9	60.1	58.7	56.1
Dollar collections	58.1	56.0	59.0	58.7	55.3	60.0	62.2	55.0	60.8	58.7	59.0	61.4	60.1
Amount of credit extended	65.0	60.5	60.1	59.1	61.1	55.9	62.9	60.7	62.1	58.9	60.9	59.5	58.6
Index of favorable factors	60.6	57.3	59.7	57.9	57.4	59.9	61.5	57.7	61.3	59.2	59.0	59.6	57.5
Rejections of credit applications	48.4	49.2	47.5	47.5	47.9	47.2	51.7	48.2	49.0	49.6	48.9	47.8	49.4
Accounts placed for collection	45.0	44.3	42.7	43.4	43.6	39.5	44.2	43.9	43.9	44.0	42.4	41.8	47.4
Disputes	47.3	48.2	47.6	49.2	49.4	46.2	49.9	49.5	49.9	49.3	48.0	48.0	50.8
Dollar amount beyond terms	48.7	42.4	46.9	44.3	44.1	46.5	49.6	45.8	49.0	47.9	41.9	44.9	49.7
Dollar amount of customer deductions	48.9	49.9	49.4	50.9	50.3	49.8	50.6	50.7	50.7	51.3	51.3	50.6	51.4
Filings for bankruptcies	48.4	50.5	47.0	50.1	51.4	51.1	49.1	50.2	51.5	51.3	51.1	51.4	51.4
Index of unfavorable factors	47.8	47.4	46.8	47.6	47.8	46.7	49.2	48.0	49.0	48.9	47.3	47.4	50.0
NACM Service CMI	52.9	51.4	52.0	51.7	51.6	52.0	54.1	51.9	53.9	53.0	52.0	52.3	53.0

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>.