



Report for October 2024

Issued November 1, 2024

National Association of Credit Management

Credit Managers' Index Combined Sectors

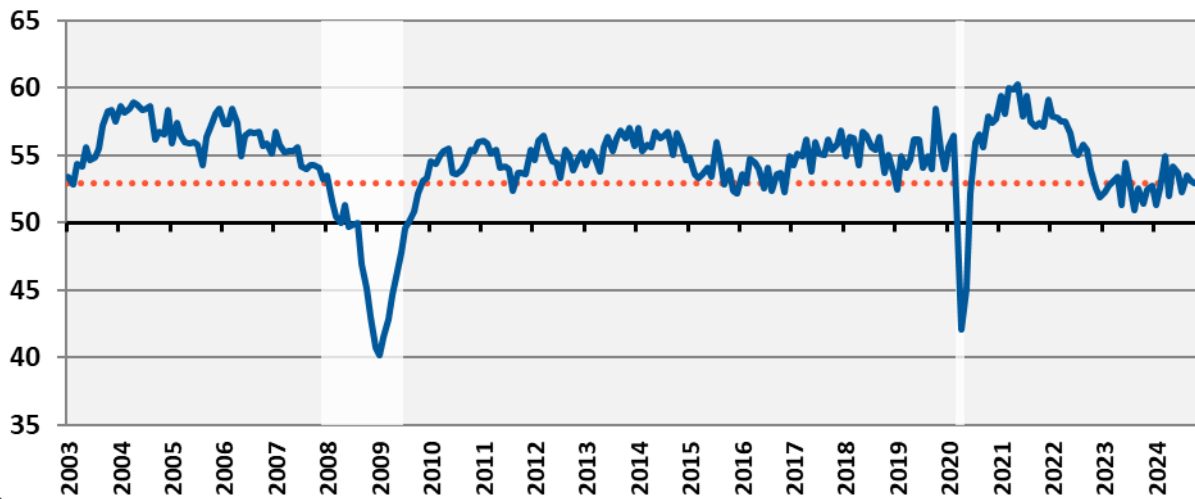
The National Association of Credit Management's seasonally adjusted combined Credit Managers' Index (CMI) for October 2024 deteriorated 0.2 points to 52.9. "The Credit Managers' Index is holding in a tight band around 53 points, indicating on net that the economy is in expansion but not strongly so. There remains considerable risk on the B2B segment of the economy," said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"The Fed's decision to lower the Fed Funds target interest rate is more signal than impact at this point but any relief on the cost of capital is welcome. I expect that the Fed will continue to lower the target rate range in each of the two remaining FOMC meetings this year but in smaller, 25-basis-point increments. Recent survey forecasts and market implied rates suggest a total change in the Fed Funds target of about 2%, including the 50-basis-point cut from September, by December 2025."

"The employment report for September was not all that strong relative to historical, non-recession times, but the preliminary number of jobs added was notably bigger than in the previous three months. The revisions in the next two reports are important in thinking about what the Fed will do as we close out the year as we've seen final jobs-added numbers that were 50,000 to 100,000 off from the preliminary readings in some months over the past year. Also, the devastation wrought by the recent hurricanes is driving strong demand in the last quarter of the year as people affected by the storms replace items washed away or damaged by the floods. The fourth quarter GDP and holiday sales numbers will look robust as a result, so some caution is warranted when comparing against last year's numbers."

NACM Credit Managers' Index - Combined Sectors Index

October'24: 52.9 In Expansion



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)	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	Jun '24	Jul '24	Aug '24	Sep '24	Oct '24
Sales	52.9	56.6	54.5	53.9	58.8	62.1	57.9	62.2	60.1	55.1	58.5	55.3	55.8
New credit applications	56.8	58.6	60.9	55.1	59.6	61.0	57.7	60.4	58.5	58.2	57.1	55.6	57.5
Dollar collections	56.8	59.6	59.0	56.2	59.2	60.8	55.3	60.0	58.5	55.3	62.0	57.5	58.2
Amount of credit extended	58.8	58.4	58.8	58.0	56.2	64.5	60.9	60.5	59.4	60.8	58.6	57.6	58.2
Index of favorable factors	56.3	58.3	58.3	55.8	58.4	62.1	57.9	60.8	59.1	57.4	59.1	56.5	57.4
Rejections of credit applications	49.7	48.8	49.2	50.9	48.0	51.5	49.4	51.0	51.0	49.9	50.5	52.1	50.0
Accounts placed for collection	45.4	44.6	45.9	44.8	42.9	45.9	44.9	45.0	46.1	46.4	45.7	48.9	47.0
Disputes	48.6	49.9	49.6	48.8	48.2	49.6	49.7	49.7	49.2	49.1	49.8	51.0	50.6
Dollar amount beyond terms	45.8	49.3	48.7	43.8	50.8	54.8	43.6	50.7	50.6	46.1	49.7	50.9	49.6
Dollar amount of customer deductions	48.9	51.1	50.4	50.0	49.7	50.1	50.7	51.9	51.5	51.1	51.8	51.3	52.0
Filings for bankruptcies	50.5	47.7	51.0	51.6	52.6	49.6	49.9	50.7	52.4	50.9	51.7	50.9	50.3
Index of unfavorable factors	48.1	48.6	49.1	48.3	48.7	50.2	48.0	49.9	50.1	48.9	49.9	50.8	49.9
NACM Combined CMI	51.4	52.5	52.8	51.3	52.6	55.0	52.0	54.2	53.7	52.3	53.5	53.1	52.9

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

CMI Combined Sectors Factor Indexes

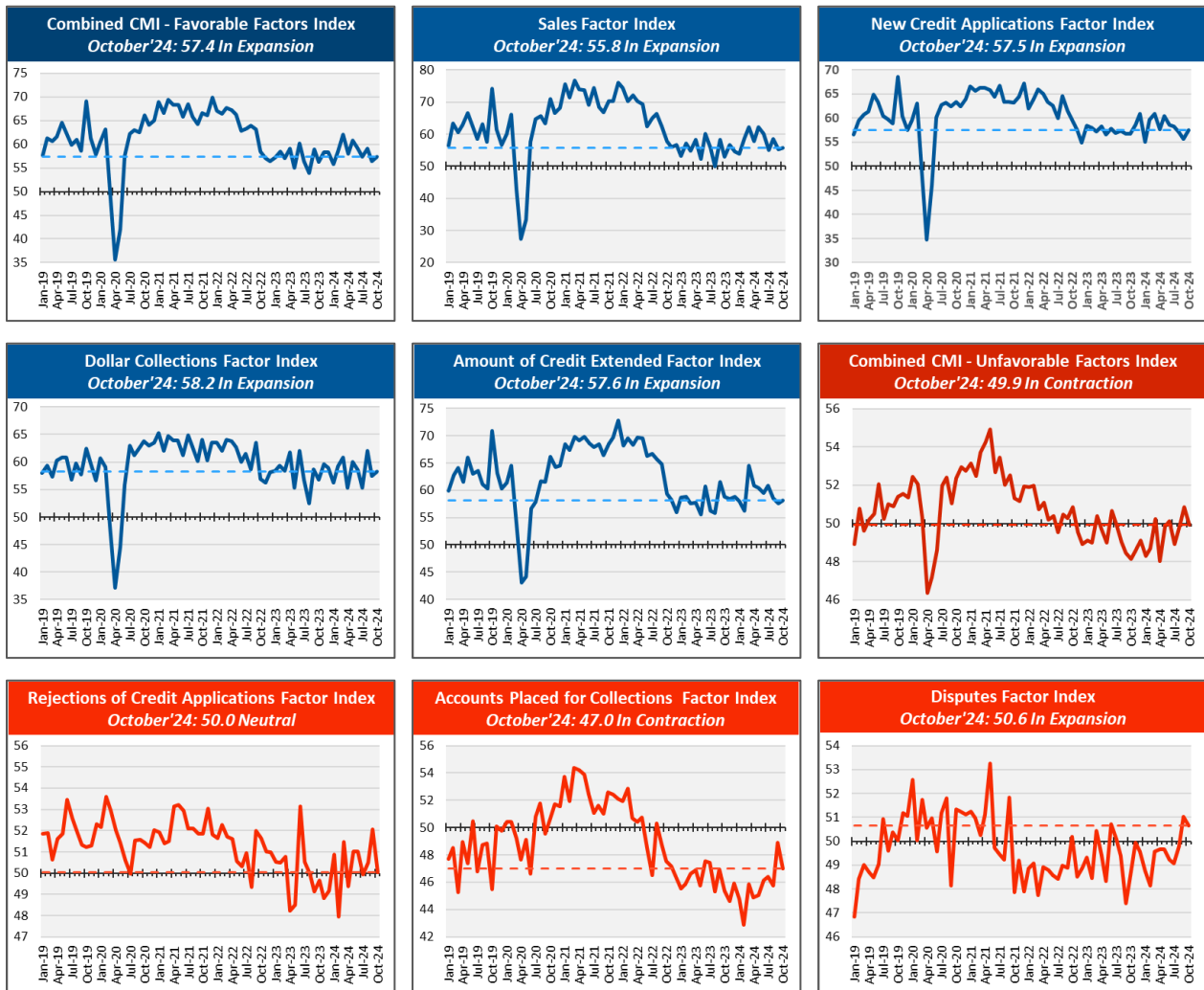
Key Findings:

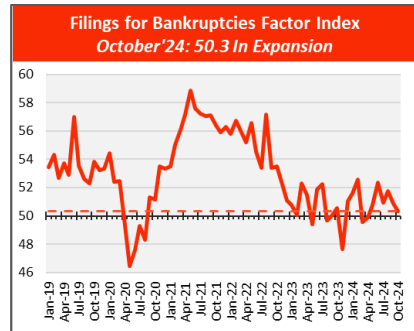
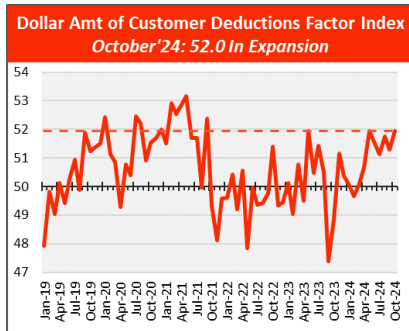
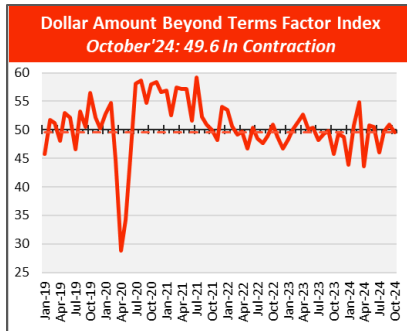
- The index for unfavorable factors fell back into contraction after one month above 50. The index sits at 49.9, down 0.9 from last month’s value.
- The index for accounts placed for collection is at 47.0 this month, its 26th month in contraction. This means the number of accounts placed for collections has increased every month for more than two years.
- The index for favorable factors remains solidly in expansion, rising 0.9 points in the October survey. The index sits at 57.4.
- The index for the new credit applications had the largest improvement in the October survey. The index rose 1.9 points to 57.5.

“The CMI continues to tell a story of overall health in the credit management space, but the respondent comments indicate they are feeling more deterioration than the numbers might indicate,” said Cutts. “For example, one respondent noted, ‘Customers are starting to slow pay a bit more than they have been and canceled orders are becoming the new norm...you can definitely feel the shift.’”

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.

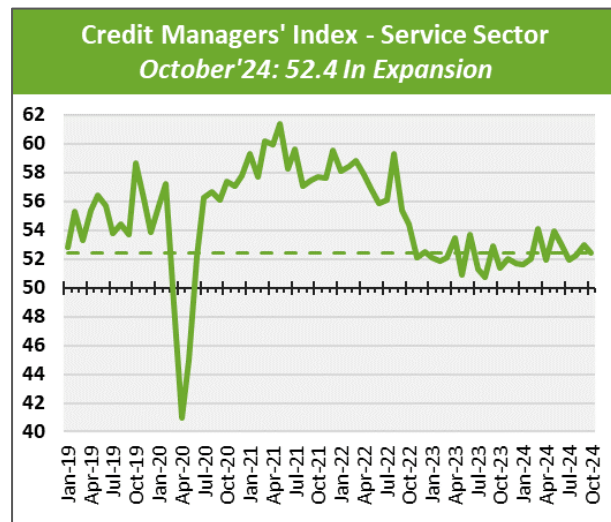
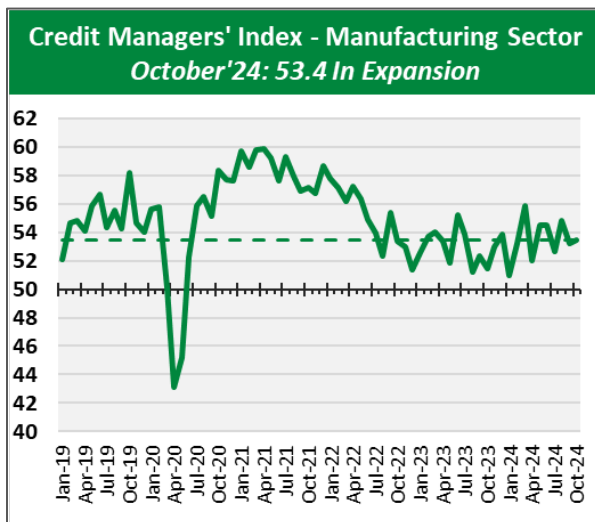




CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI improved 0.2 points in the October CMI survey to a level of 53.4. The Service Sector CMI deteriorated 0.6 points to sit at 52.4.

“Respondents in both sectors noted the impacts of the hurricanes – increased sales and requests for additional credit to accommodate larger orders matched with greater difficulty getting paid by customers in the affected areas for obvious reasons,” Cutts said. “Respondents again noted rising trend of unexpected business closures and ‘I’ll pay you when I get paid’ responses from customers. Some said they are stepping up enforcement actions earlier rather than waiting months before referring accounts beyond terms to collections or legal action.”



The data in the charts are seasonally adjusted.

CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors improved 0.1 points to 55.6. The Unfavorable Factor Index gained 0.4 points this month to 52.0.

Key Findings:

- The Dollar Collections Factor Index has been one of the most volatile recently. This month the index gained 4.2 points to 58.9 after gaining 11.0 points in the August survey and losing 7.9 points in the September survey.

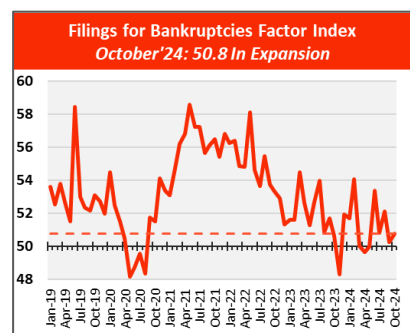
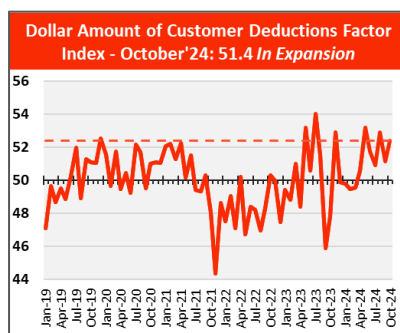
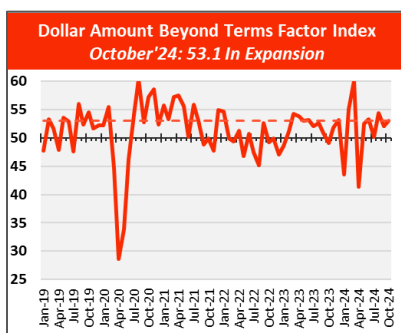
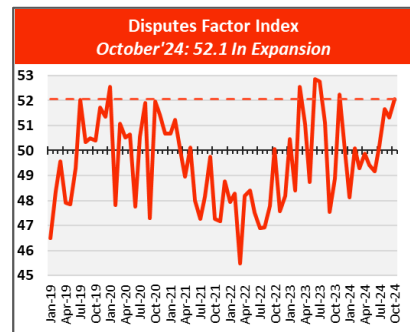
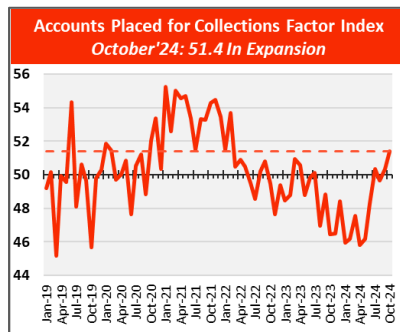
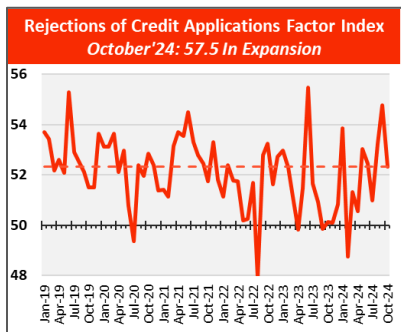
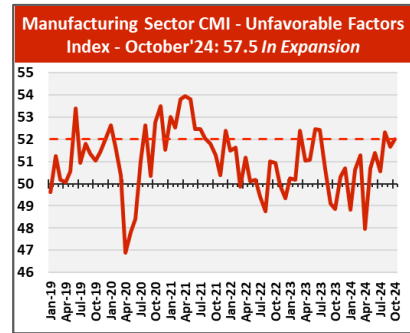
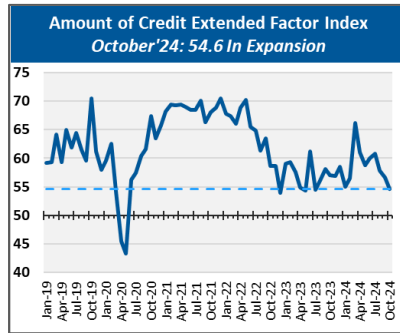
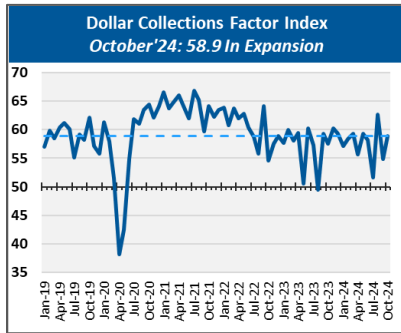
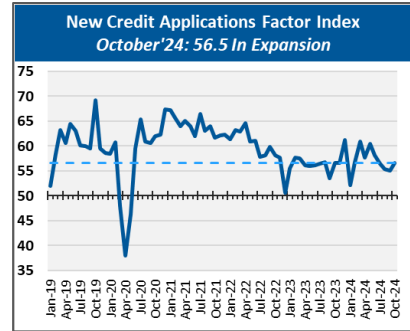
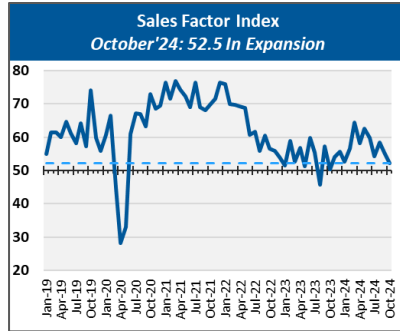
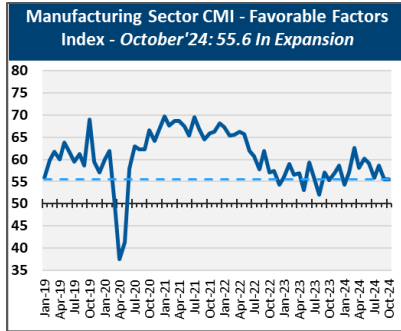
- Among unfavorable factor indexes, only the Rejections of Credit Applications deteriorated, falling 2.4 points to 52.3.
- The Accounts Placed for Collections Index improved 1.0 points to 51.4, marking its third month in expansion in the past four after spending 11 months in contraction. This index has been in contraction territory (below 50 points) for 9 of the past 12 months and below 51 points (in or near contraction) for 31 consecutive months until this month when it finally edged up above 51 points.

“It has to be a big relief for manufacturers that the port strike was short lived – whether because it would have broken their supply chain for components or delayed shipments to international customers” Cutts said. “Nonetheless there is much work to do to in the negotiations between the longshoremen and the port authorities. The issues are complex, but essentially revolve around the need to modernize port operations, including the use of technology and robotics to improve throughput, versus maintaining the livelihoods of the port workers.”

Manufacturing Sector (seasonally adjusted)	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	Jun '24	Jul '24	Aug '24	Sep '24	Oct '24
Sales	50.3	54.0	55.7	52.7	56.5	64.3	58.2	62.6	59.9	54.2	58.3	55.4	52.2
New credit applications	56.6	56.6	61.2	52.2	56.8	60.9	57.7	60.4	58.1	56.4	55.4	55.1	56.5
Dollar collections	57.6	60.3	59.2	57.1	58.3	59.4	55.6	59.3	58.2	51.7	62.7	54.8	58.9
Amount of credit extended	57.1	56.8	58.5	55.0	56.5	66.1	61.1	58.8	60.0	60.8	57.8	56.6	54.6
Index of favorable factors	55.4	56.9	58.6	54.3	57.0	62.7	58.1	60.3	59.1	55.8	58.5	55.5	55.6
Rejections of credit applications	50.1	50.1	50.8	53.8	48.8	51.3	50.6	53.0	52.4	51.0	53.2	54.8	52.3
Accounts placed for collection	46.5	46.5	48.4	45.9	46.2	47.6	45.8	46.2	48.3	50.4	49.7	50.4	51.4
Disputes	48.9	52.2	50.0	48.1	50.1	49.3	49.9	49.4	49.2	50.2	51.6	51.3	52.1
Dollar amount beyond terms	49.1	51.8	53.1	43.5	55.1	60.0	41.4	52.5	53.3	50.2	54.4	52.1	53.1
Dollar amount of customer deductions	47.8	52.9	49.9	49.8	49.5	49.6	50.6	53.2	51.7	50.9	52.9	51.2	52.4
Filings for bankruptcies	50.6	48.3	51.9	51.7	54.1	50.0	49.7	50.0	53.4	50.8	52.1	50.3	50.8
Index of unfavorable factors	48.8	50.3	50.7	48.8	50.6	51.3	48.0	50.7	51.4	50.6	52.3	51.7	52.0
NACM Manufacturing CMI	51.5	53.0	53.9	51.0	53.2	55.8	52.0	54.5	54.5	52.7	54.8	53.2	53.4

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 October CMI Service Sector favorable factors index marked a 1.8-point improvement to 59.3 in the October survey. The sector’s unfavorable factors index deteriorated by 2.2 points to 47.8 – falling back into contraction territory. With the exception of the September survey, the unfavorable factors index has been in contraction for 23 of the past 24 months.

Key Findings:

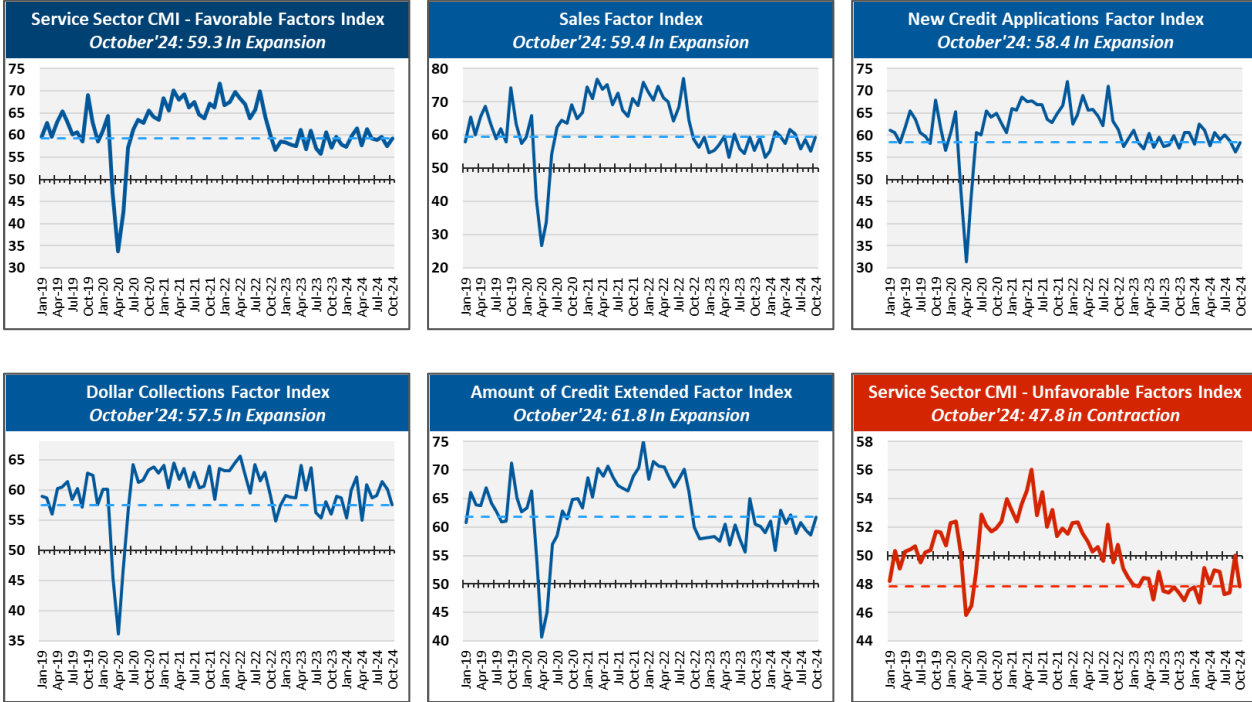
- The rise in the Favorable Factor Index was led by a 4.3-point improvement in the Sales Index, bringing it to 59.4, well into expansion territory.
- The deterioration in the Unfavorable Factors Index was led by a 4.7-point drop in the Accounts Placed for Collections index to 42.7. This month marks the 26th consecutive month in which more accounts were placed into collections than in the month prior.
- The Disputes Factor Index for the services sector fell back into contraction territory this month after one month of expansion, marking its 23rd month in contraction of out the last 24. The index lost 1.5 points to sit at 49.2.

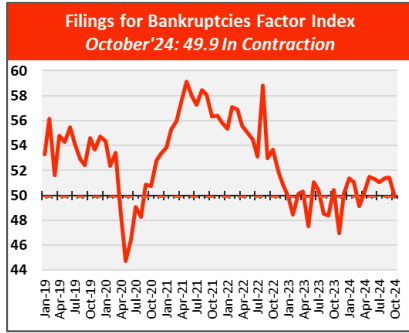
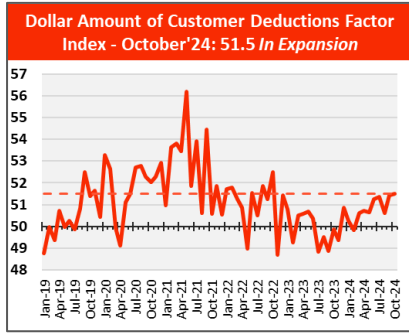
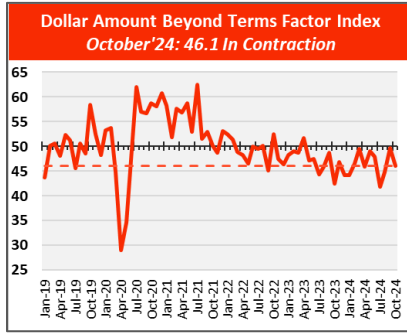
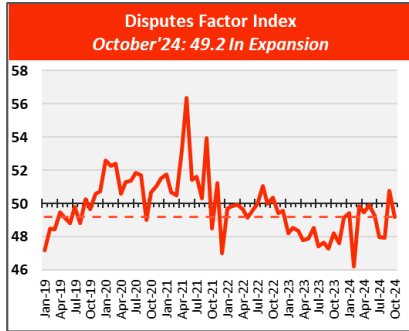
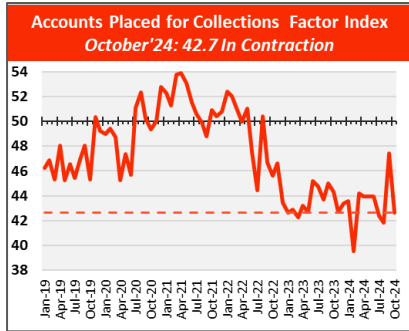
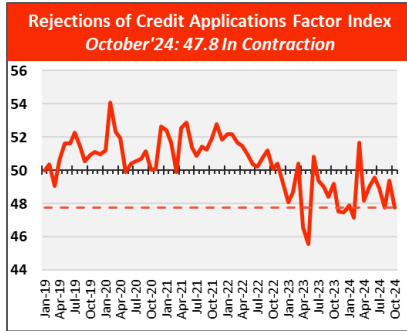
“The recent hurricanes came at quarter end, complicating collections and account management as noted by our respondents,” said Cutts. “Nonetheless, credit managers were busy trying to accommodate new extensions to credit and new accounts to facilitate the cleanup and rebuilding efforts. It may take some time before accounts with companies in the affected areas get back on track.”

Service Sector (seasonally adjusted)	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	Jun '24	Jul '24	Aug '24	Sep '24	Oct '24
Sales	55.5	59.2	53.4	55.1	61.1	59.9	57.6	61.8	60.3	55.9	58.8	55.1	59.4
New credit applications	57.1	60.6	60.6	58.0	62.5	61.1	57.6	60.5	58.9	60.1	58.7	56.1	58.4
Dollar collections	56.0	59.0	58.7	55.3	60.0	62.2	55.0	60.8	58.7	59.0	61.4	60.1	57.5
Amount of credit extended	60.5	60.1	59.1	61.1	55.9	62.9	60.7	62.1	58.9	60.9	59.5	58.6	61.8
Index of favorable factors	57.3	59.7	57.9	57.4	59.9	61.5	57.7	61.3	59.2	59.0	59.6	57.5	59.3
Rejections of credit applications	49.2	47.5	47.5	47.9	47.2	51.7	48.2	49.0	49.6	48.9	47.8	49.4	47.8
Accounts placed for collection	44.3	42.7	43.4	43.6	39.5	44.2	43.9	43.9	44.0	42.4	41.8	47.4	42.7
Disputes	48.2	47.6	49.2	49.4	46.2	49.9	49.5	49.9	49.3	48.0	48.0	50.8	49.2
Dollar amount beyond terms	42.4	46.9	44.3	44.1	46.5	49.6	45.8	49.0	47.9	41.9	44.9	49.7	46.1
Dollar amount of customer deductions	49.9	49.4	50.9	50.3	49.8	50.6	50.7	50.7	51.3	51.3	50.6	51.4	51.5
Filings for bankruptcies	50.5	47.0	50.1	51.4	51.1	49.1	50.2	51.5	51.3	51.1	51.4	51.4	49.9
Index of unfavorable factors	47.4	46.8	47.6	47.8	46.7	49.2	48.0	49.0	48.9	47.3	47.4	50.0	47.8
NACM Service CMI	51.4	52.0	51.7	51.6	52.0	54.1	51.9	53.9	53.0	52.0	52.3	53.0	52.4

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

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>.