



Report for April 2024

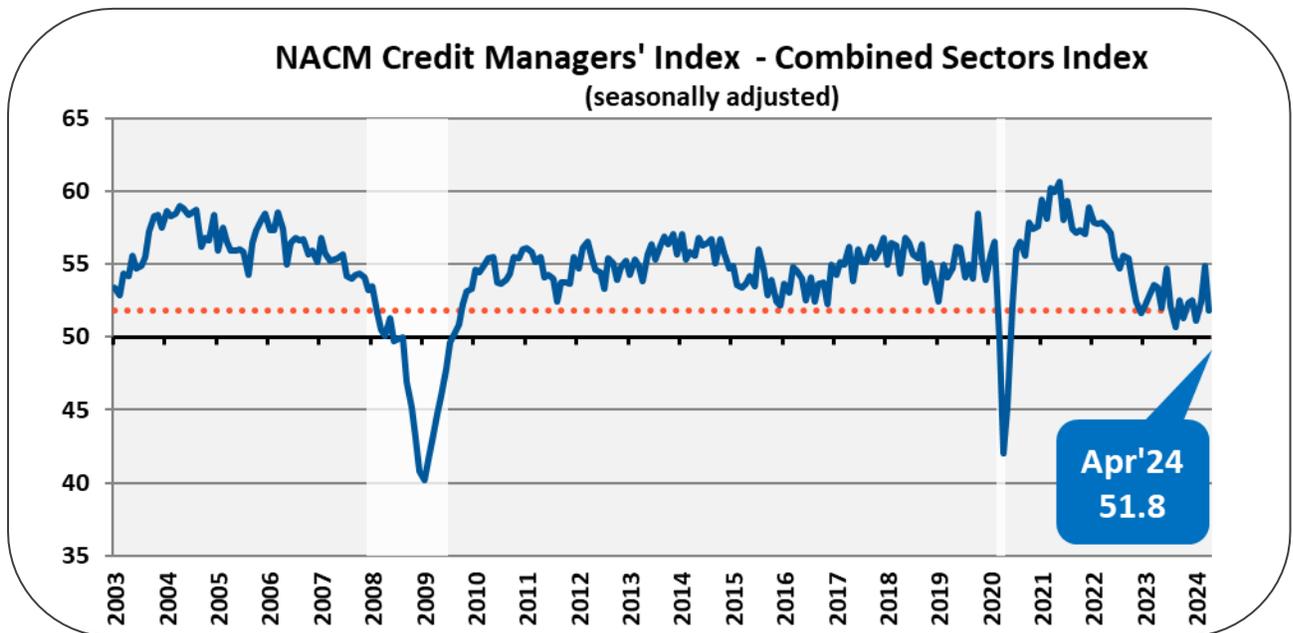
Issued April 30, 2024

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 April 2024 deteriorated 3.1 points to a seasonally adjusted 51.8. "After two months of improvements, the CMI has fallen back to near where it started the year, in expansion but weakly so," said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"Most factor indexes deteriorated this month but, alarmingly, the factor index for the dollar amount beyond terms lost over 10 points. This shift is both large and notable for being so deep into contraction territory. It is strongly indicative of weakening business conditions in the face of rising inflation and what looks now to be higher interest rates for a considerably longer time."



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)	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24
Sales	58.4	53.4	61.0	54.7	49.4	58.3	52.6	55.9	53.6	52.7	57.6	62.1	57.6
New credit applications	58.2	57.3	58.0	56.5	56.5	56.5	56.6	58.4	60.4	55.1	59.5	61.2	57.6
Dollar collections	61.0	56.7	61.0	56.3	52.5	58.6	56.5	59.4	58.7	56.1	59.0	61.2	54.9
Amount of credit extended	58.4	56.0	60.5	56.7	55.2	61.5	58.7	58.3	58.1	57.9	56.1	64.2	60.8
Index of favorable factors	59.0	55.9	60.1	56.1	53.4	58.7	56.1	58.0	57.7	55.4	58.1	62.2	57.7
Rejections of credit applications	47.8	48.8	53.3	50.5	50.0	49.2	49.7	48.8	49.1	50.7	47.9	51.5	49.0
Accounts placed for collection	46.7	45.7	48.1	47.7	44.9	47.0	45.4	44.6	45.8	44.6	42.9	45.7	44.7
Disputes	49.5	48.4	51.0	49.9	49.5	47.4	48.4	49.9	49.4	48.6	48.2	49.6	49.7
Dollar amount beyond terms	53.2	50.8	51.1	45.8	48.6	49.6	45.5	48.9	48.2	43.6	50.6	54.1	43.9
Dollar amount of customer deductions	49.6	52.8	50.8	50.7	50.6	47.4	48.8	51.2	50.5	50.1	49.5	49.9	50.0
Filings for bankruptcies	51.4	49.5	52.4	52.0	49.8	50.0	50.5	47.7	51.1	51.7	52.6	49.4	49.8
Index of unfavorable factors	49.7	49.3	51.1	49.4	48.9	48.4	48.1	48.5	49.0	48.2	48.6	50.0	47.8
NACM Combined CMI	53.4	52.0	54.7	52.1	50.7	52.5	51.3	52.3	52.5	51.1	52.4	54.9	51.8

CMI Combined Sectors Factor Indexes

Key Findings:

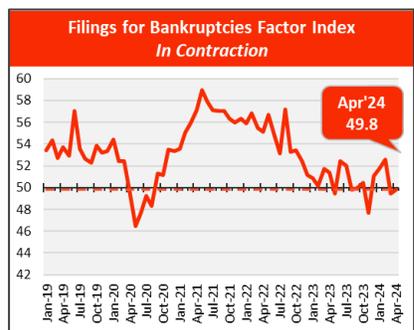
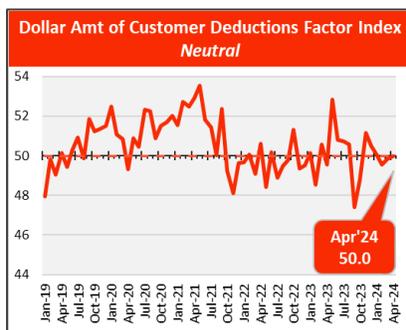
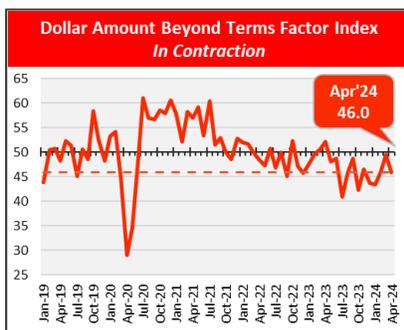
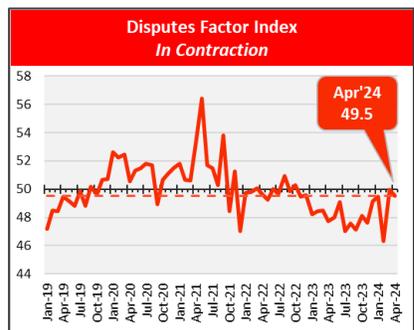
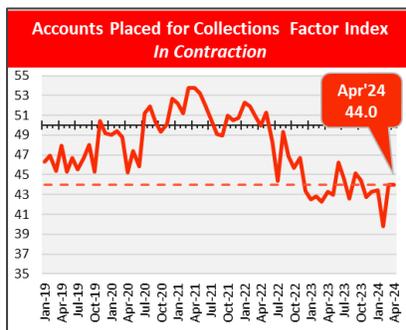
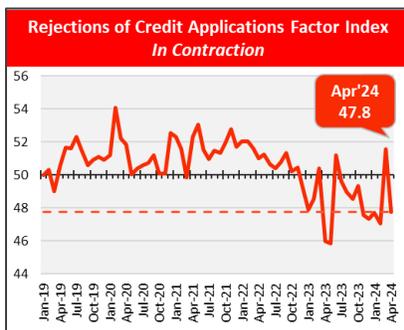
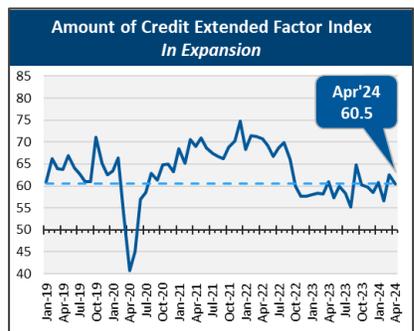
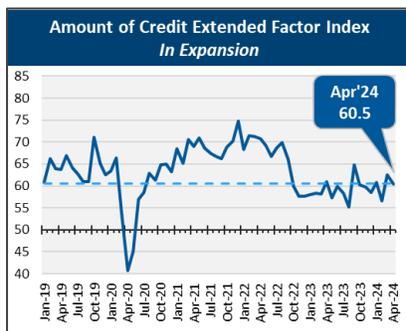
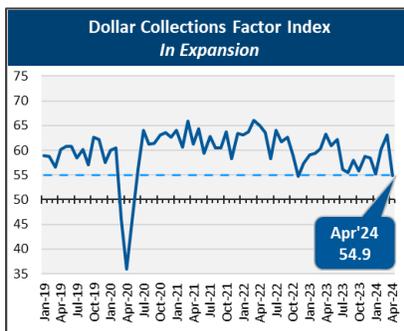
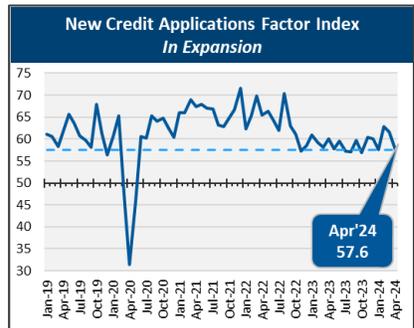
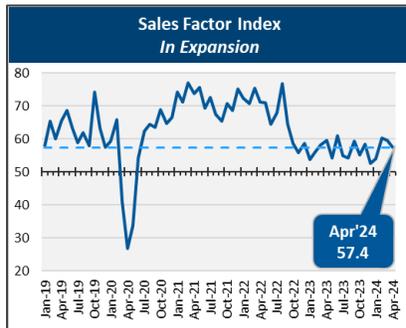
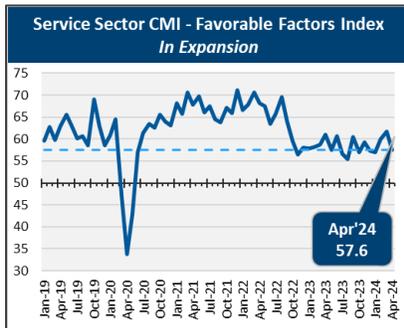
- The index for unfavorable factor deteriorated by 2.2 points to 47.8, back to contraction territory where it has been for 10 of the last 12 months.
- The index for dollar amount beyond terms is giving the loudest warning signal regarding deteriorating business conditions with a value of 43.9, which is deep into contraction territory and indicates widespread experiences of companies not getting paid on time. Adding to this, the index for accounts placed for collection is at 44.7 this month, its 23rd month in contraction.
- The index for favorable factors remains solidly in expansion, but deteriorated by 4.5 points to 57.7, led by a 6.3-point drop in the dollar collections index to 54.9 points and a 4.5-point fall in the sales factor index to 57.6 points.
- Only three factor indexes improved, but all were small changes. The biggest gain was in the index for filings for bankruptcies, which gained 0.4, but at a level of 49.8 remains in contraction.

“CMI Survey respondents indicated a rise in NSF payments and difficulty collecting payments generally,” said Cutts. “But many noted that this is the start of their busier season and I sense some optimism despite the challenge of getting payments from customers.”

“It looks for now that the Fed is unlikely to cut the target interest rate until much later in the year if at all in 2024. Higher for longer is the new mindset among economists. I think it is worth noting however that even if the Fed embarks on some rate cuts this year, they likely only to change the Fed’s stance from two feet on the brake pedal to merely one, meaning we will still be in a phase of monetary tightening for a considerable amount of time.”

CMI Combined Sectors Factor Indexes Charts

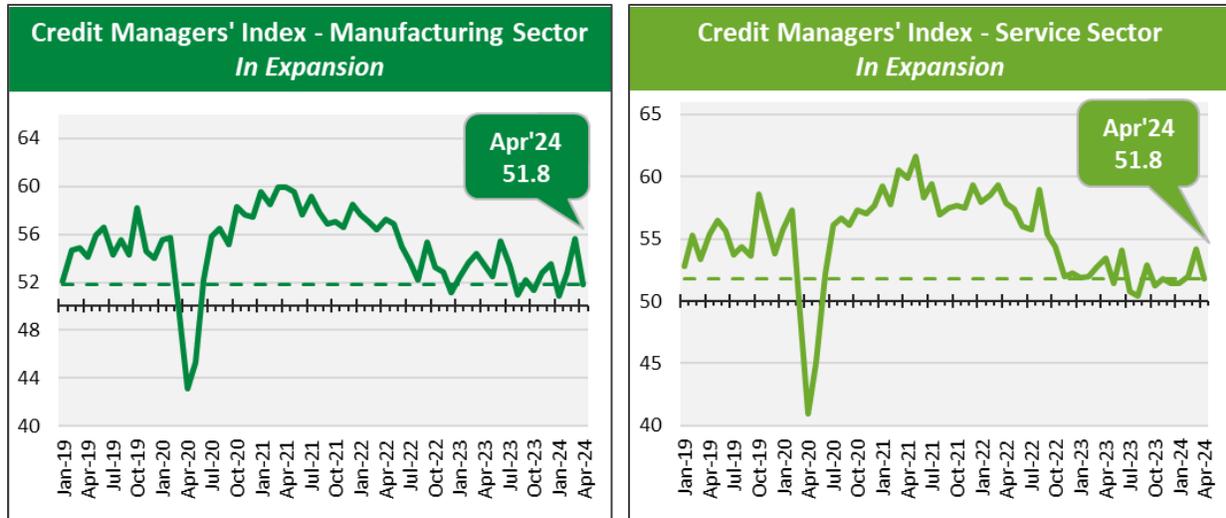
All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.



CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI deteriorated 3.8 points in the April CMI survey to a level of 51.8. The Service Sector CMI also deteriorated, by 2.3 points, and now stands also stands at 51.8. Despite the large declines in the index levels, both indexes remain in the expansion range.

“It seemed last month as though the two sector indexes might be setting out on new paths with two months of improvement. But the April CMI survey brings them both back in line with the previous trend of bouncing around a value of about 52. The manufacturing sector seems somewhat more volatile, but otherwise the trends are the same.”



The data in the charts are seasonally adjusted.

CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors declined 4.7 points to 57.9. The unfavorable factor index deteriorated 3.2 points to a value of 47.7 putting it in the contraction range again.

Key Findings:

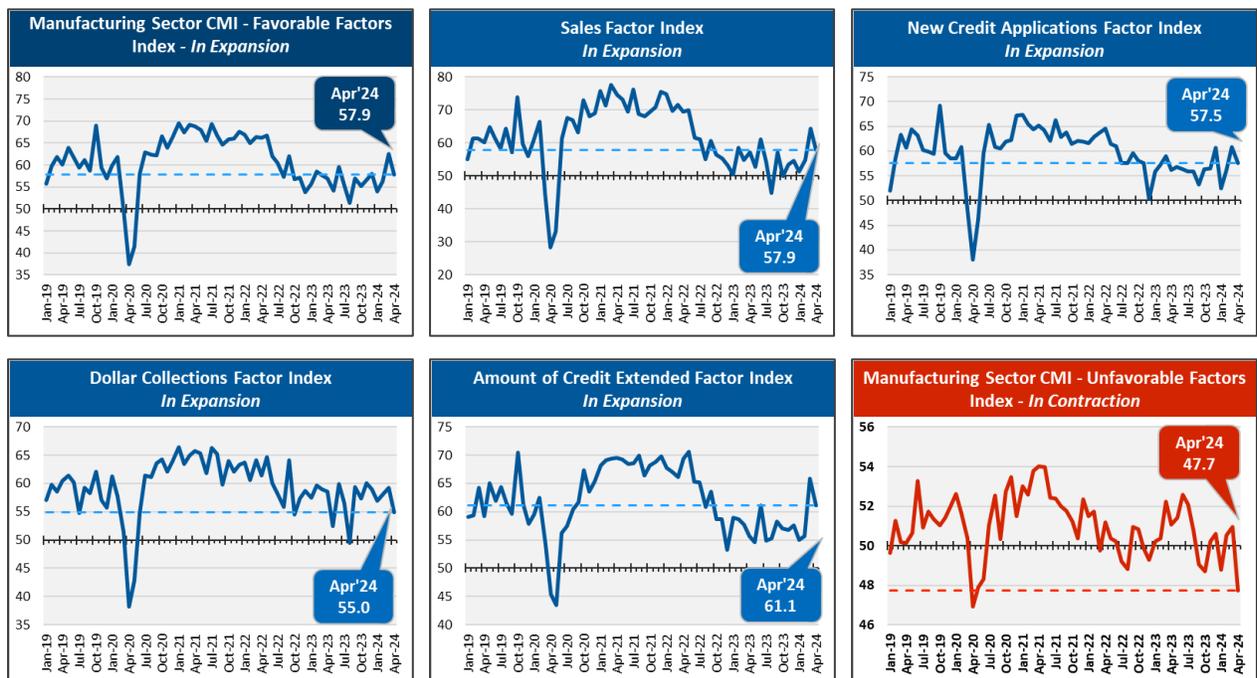
- Only one factor index improved this month, the index for disputes, which rose 0.6 points to 49.8 but remained in the contraction range. The dollar amount of customer deductions index was unchanged from the contractionary value of 49.3.
- The index for the dollar amount beyond terms deteriorated sharply, dropping 16.8 points to 41.8. Not only is this in the contraction range, but it is also the lowest level of the index since May 2020.
- The accounts placed for collections index deteriorated 1.9 points to 45.5, its ninth consecutive month in contraction.

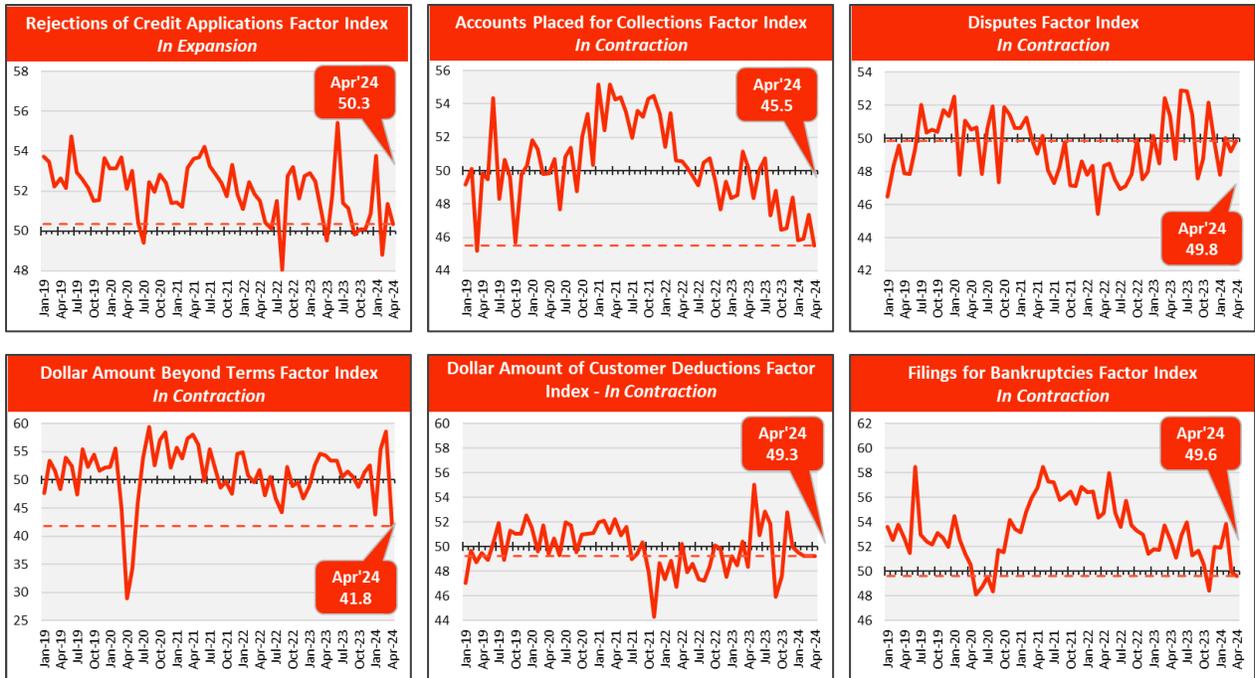
“Last month I was sensing some optimism in the manufacturing sector,” Cutts said. “But the April 2024 CMI Survey indicates that was more of an anomaly. All but one of the unfavorable factor indexes is in contraction and the one that isn’t, rejections of credit applications, is essentially unchanged. The favorable factor indexes continue to do well, but I wonder what the value of rising sales is when so many companies are reporting difficulty getting paid on time and in full.”

Manufacturing Sector (seasonally adjusted)	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24
Sales	57.1	52.6	61.1	54.4	44.8	57.2	50.0	53.3	54.6	51.4	54.9	64.4	57.9
New credit applications	56.2	56.8	56.3	55.8	55.9	53.3	56.4	56.5	60.7	52.5	56.1	60.8	57.5
Dollar collections	58.6	52.5	59.9	56.6	49.4	59.3	57.3	60.0	59.0	56.9	58.0	59.3	55.0
Amount of credit extended	55.7	54.7	61.1	54.9	55.3	58.3	57.1	56.8	57.6	55.0	55.7	65.9	61.1
Index of favorable factors	56.9	54.1	59.6	55.4	51.3	57.0	55.2	56.6	58.0	53.9	56.2	62.6	57.9
Rejections of credit applications	49.5	51.8	55.4	51.4	51.1	49.8	50.1	50.1	50.9	53.8	48.8	51.4	50.3
Accounts placed for collection	50.2	48.4	50.0	50.7	47.3	48.8	46.5	46.5	48.4	45.8	45.9	47.4	45.5
Disputes	51.4	48.8	52.9	52.9	51.4	47.6	48.7	52.2	49.7	47.8	50.0	49.2	49.8
Dollar amount beyond terms	54.4	53.4	53.5	50.6	51.5	50.5	48.7	51.4	52.6	43.8	55.4	58.6	41.8
Dollar amount of customer deductions	48.4	55.1	50.9	52.8	51.8	45.9	47.6	52.8	50.0	49.6	49.2	49.2	49.3
Filings for bankruptcies	52.5	51.1	52.9	54.0	51.3	51.7	50.6	48.4	52.0	51.9	53.9	49.9	49.6
Index of unfavorable factors	51.1	51.4	52.6	52.1	50.8	49.1	48.7	50.2	50.6	48.8	50.5	50.9	47.7
NACM Manufacturing CMI	53.4	52.5	55.4	53.4	51.0	52.2	51.3	52.8	53.5	50.8	52.8	55.6	51.8

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 April Service Sector CMI favorable factors Index deteriorated by 4.1 point to 57.6, remaining in the economic expansion range. The sector’s unfavorable factors index fell by 1.1 points to 48.0 and marked the 18th consecutive month that the index has remained in contraction territory.

Key Findings:

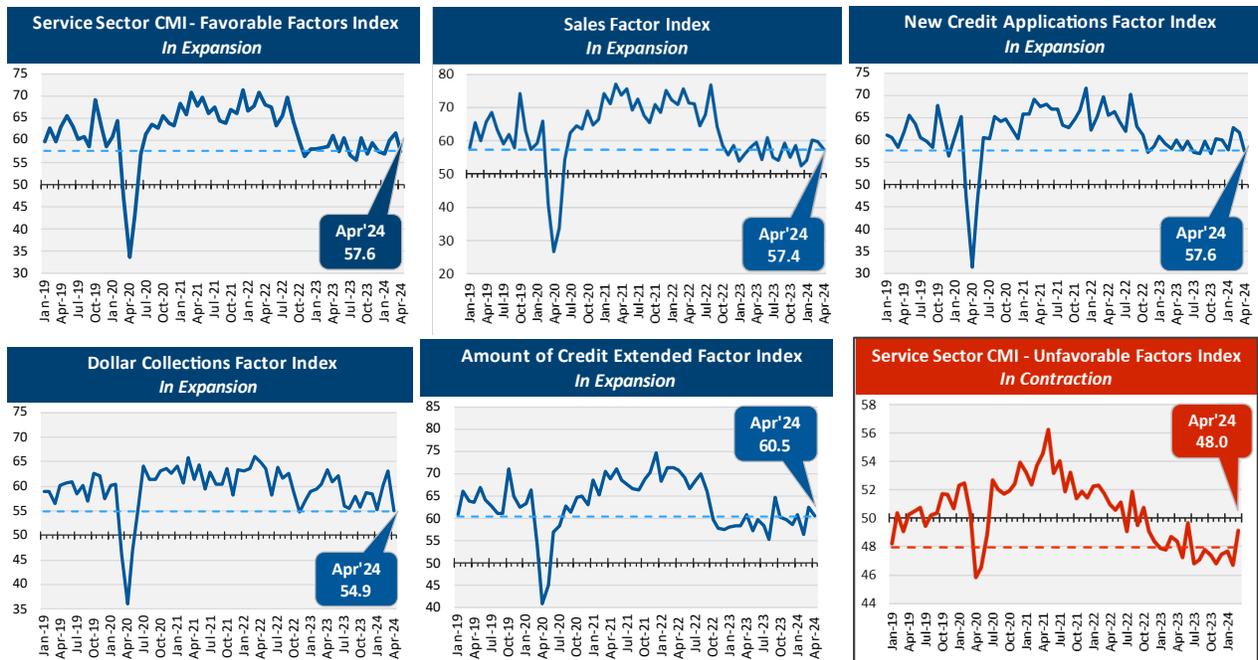
- The deterioration in the favorable factor index was led by an 8.1-point retreat in the index for dollar collections to 54.9. While still on the expansion side of the ledger, this is the lowest level recorded by the index since November 2022.
- While not as dramatic as for the manufacturing sector, the index for the dollar amount beyond terms lost 3.6 points to land at 46.0 recording its twelfth consecutive month below the 50-point contraction threshold while the accounts placed for collections index has been in contraction for 24 months in a row.
- Two factor indexes for the sector improved this month though neither by much: the dollar amount of customer deductions index (up 0.1 to 50.7 – in expansion) and the index for filings for bankruptcies (improved 0.9 points to 49.9 – in contraction).

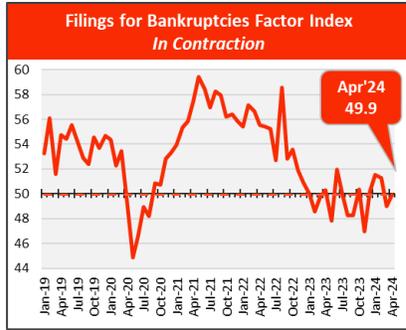
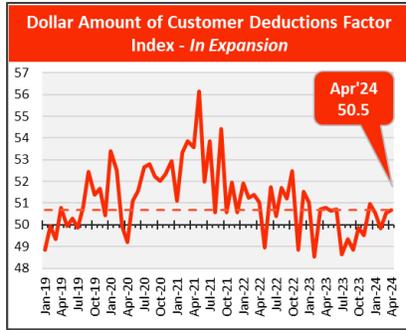
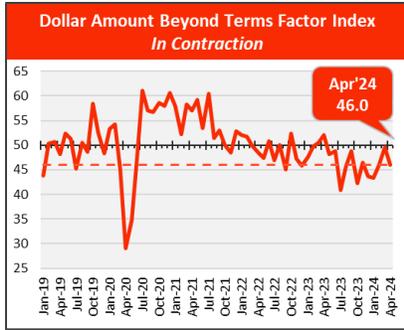
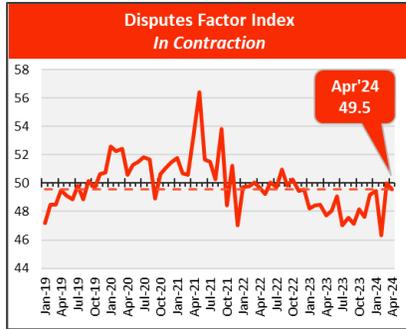
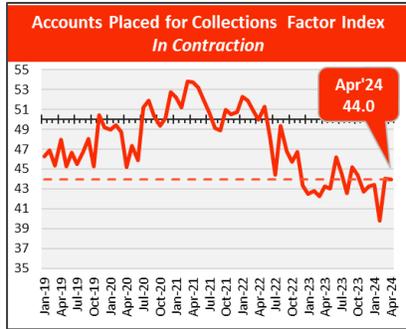
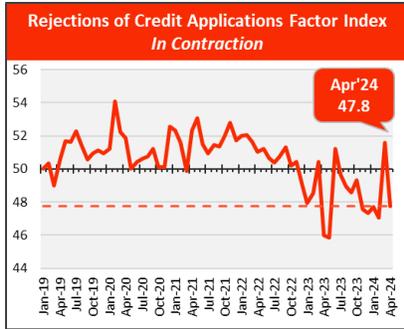
“I have been thinking a recession starting over the next twelve months is more likely than not since the Fed began raising interest rates in early 2022,” said Cutts. “My colleagues in the forecasting profession have started to ask why I am still so down and the reason is that I don’t see how the business sector can continue to record rising numbers of accounts being placed for collection and dollars going past terms month after month. The sales department only has to get a contract signed, but it’s the credit managers who have the job of making sure that the orders get paid. This environment is challenging and we’re seeing rising numbers of bankruptcies as a result.”

Service Sector (seasonally adjusted)	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24
Sales	59.6	54.3	60.9	55.0	54.1	59.3	55.2	58.5	52.6	54.1	60.3	59.7	57.4
New credit applications	60.1	57.9	59.6	57.2	57.0	59.7	56.9	60.4	60.0	57.7	62.8	61.6	57.6
Dollar collections	63.3	60.9	62.1	56.1	55.5	58.0	55.7	58.7	58.4	55.2	60.1	63.1	54.9
Amount of credit extended	61.0	57.3	59.9	58.4	55.2	64.8	60.3	59.8	58.6	60.8	56.5	62.6	60.5
Index of favorable factors	61.0	57.6	60.6	56.7	55.5	60.5	57.0	59.3	57.4	56.9	59.9	61.7	57.6
Rejections of credit applications	46.0	45.8	51.2	49.6	48.9	48.6	49.3	47.6	47.4	47.7	47.1	51.6	47.8
Accounts placed for collection	43.3	43.0	46.2	44.6	42.6	45.2	44.4	42.7	43.3	43.4	39.8	44.0	44.0
Disputes	47.7	48.0	49.1	47.0	47.6	47.2	48.1	47.6	49.2	49.5	46.3	50.0	49.5
Dollar amount beyond terms	52.1	48.2	48.8	40.9	45.7	48.7	42.3	46.5	43.7	43.4	45.8	49.5	46.0
Dollar amount of customer deductions	50.8	50.6	50.7	48.6	49.3	48.8	49.9	49.5	51.0	50.5	49.8	50.5	50.7
Filings for bankruptcies	50.3	47.8	52.0	50.0	48.2	48.2	50.3	47.0	50.2	51.5	51.3	49.0	49.9
Index of unfavorable factors	48.4	47.3	49.7	46.8	47.1	47.8	47.4	46.8	47.4	47.7	46.7	49.1	48.0
NACM Service CMI	53.4	51.4	54.1	50.8	50.4	52.9	51.2	51.8	51.4	51.4	52.0	54.2	51.8

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>.