



Report for June 2023

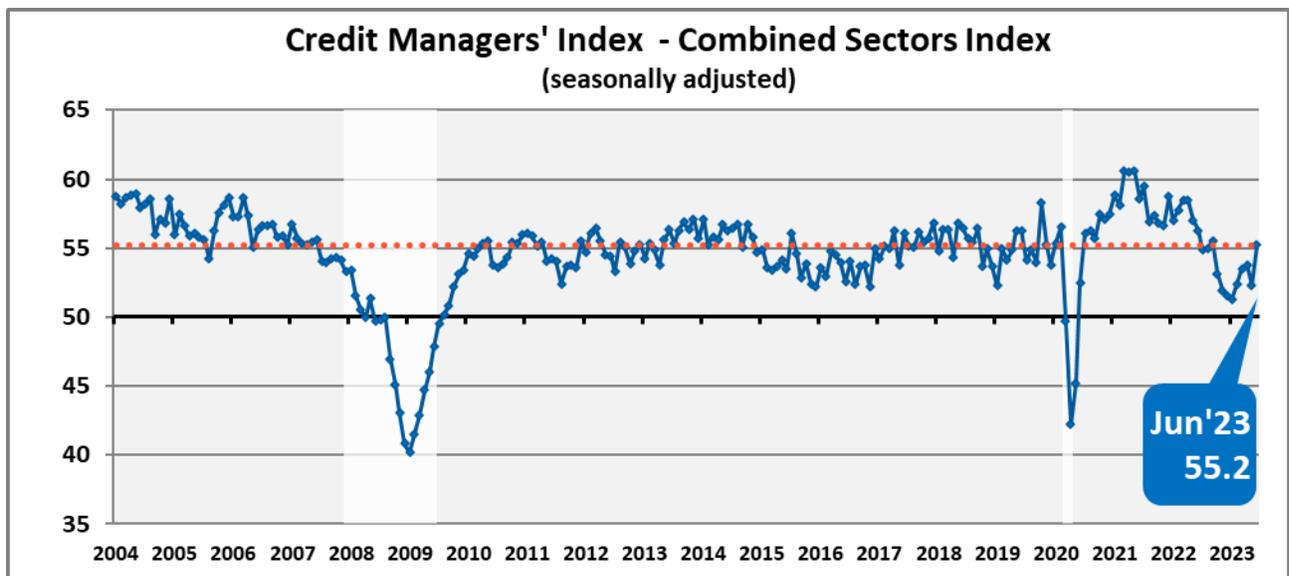
Issued June 30, 2023

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 June 2023 came in at 55.2 points, rising 2.9 points from May and reaching its highest level since September of last year. "The main driver for the improvement came from favorable factors, led by a huge gain in sales and dollar collections," said NACM Economist Amy Crews Cutts, Ph.D., CBE®. "These two factors have shown significant volatility in recent months, first dragging down the overall CMI earlier this year and now rallying to the highest levels in almost a year. Several respondents noted that they are seeing increased business activity like demand for services or new orders, but also financial stress with more customers seeking payment extensions or new terms."

The banking crisis that erupted in March caused credit managers to take on a more cautious posture temporarily, "but as it became apparent that the banking crisis was contained, everyone took a deep breath and got back to business," she said. "The CMI has been dancing around, signaling that recession was all but imminent at the start of the year, then reversing course and indicating steady improvement in conditions, then a dip in May, and now back to solidly out of the recession zone. Economists seem convinced that a recession will start this year, but they have to keep moving out their start date because the economy is not slowing down despite all the reasons we think it should. The CMI is indicating maybe they should push their forecasted recession start date later still."



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)	Jun '22	Jul '22	Aug '22	Sep '22	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23
Sales	65.8	65.5	63.0	63.6	55.5	54.5	54.8	49.8	56.5	56.5	59.3	54.4	62.7
New credit applications	63.5	60.0	62.6	61.2	58.7	56.7	55.5	56.3	57.9	58.8	58.8	57.8	58.6
Dollar collections	60.5	60.3	58.0	63.4	54.9	56.2	57.8	57.3	59.8	59.7	61.8	56.7	62.2
Amount of credit extended	67.0	67.2	64.8	65.9	58.7	57.1	55.4	56.8	57.9	58.1	58.9	56.8	60.4
Index of favorable factors	64.2	63.2	62.1	63.5	56.9	56.1	55.9	55.1	58.0	58.3	59.7	56.5	61.0
Rejections of credit applications	50.4	51.0	49.5	52.1	52.0	51.1	51.0	50.5	50.4	50.6	47.9	48.7	53.4
Accounts placed for collection	49.6	47.3	49.5	49.3	47.6	46.5	46.2	45.0	45.3	46.4	46.5	45.7	48.3
Disputes	49.1	48.4	49.2	48.4	50.3	48.4	49.0	48.8	48.1	50.4	49.5	48.6	51.1
Dollar amount beyond terms	51.0	46.6	46.1	49.0	49.0	47.6	45.7	47.4	49.6	52.8	54.1	51.6	52.3
Dollar amount of customer deductions	50.4	49.2	49.4	49.4	51.3	49.3	49.3	50.2	48.5	50.4	49.6	53.1	50.9
Filings for bankruptcies	55.4	53.4	57.2	53.4	53.5	52.2	50.9	50.5	49.8	51.6	51.5	49.6	52.5
Index of unfavorable factors	51.0	49.3	50.2	50.3	50.6	49.2	48.7	48.7	48.6	50.4	49.8	49.6	51.4
NACM Combined CMI	56.3	54.9	54.9	55.6	53.2	52.0	51.6	51.3	52.4	53.5	53.8	52.3	55.2

CMI Combined Sectors Factor Indexes

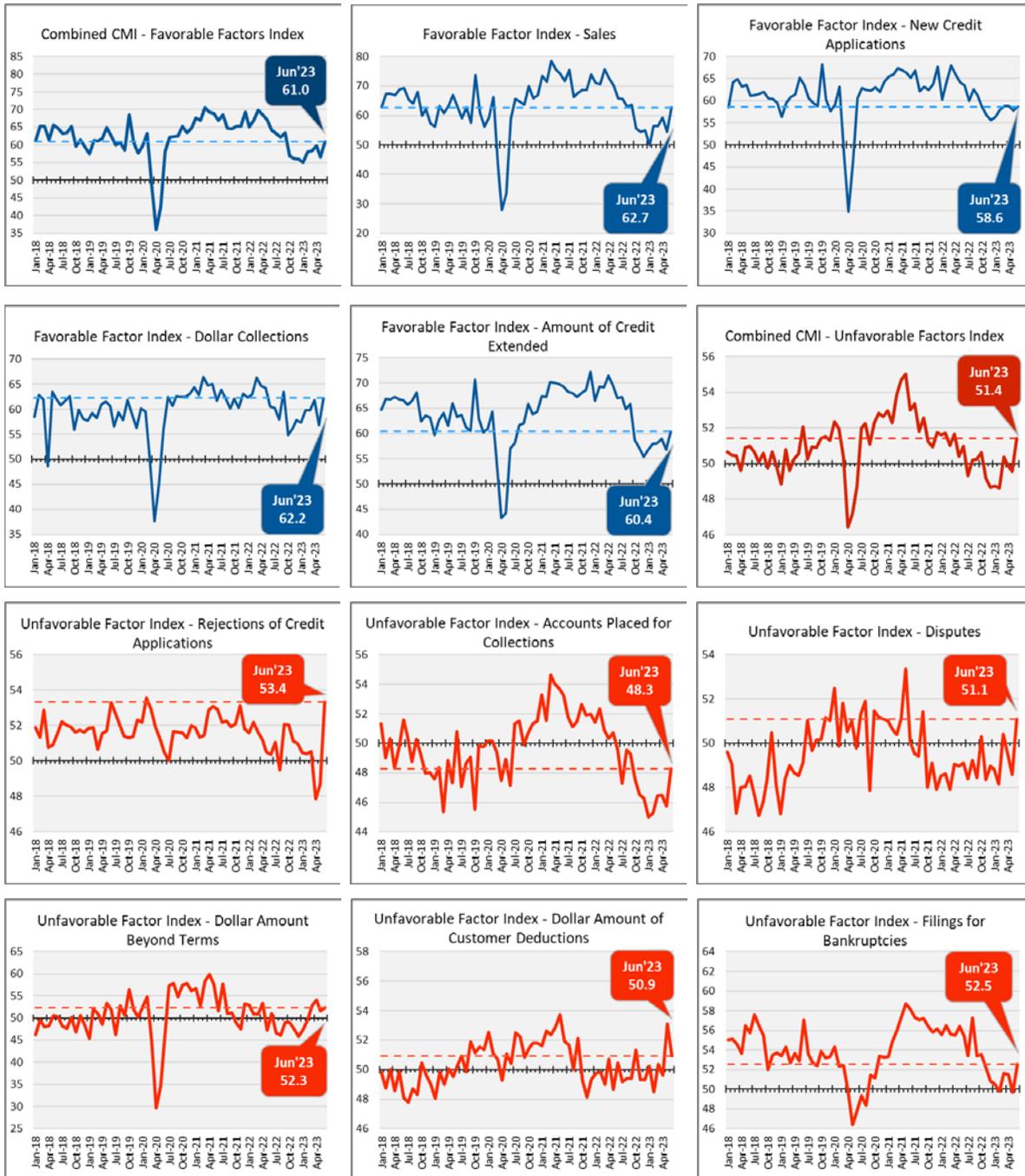
Key Findings:

- The index for favorable factors was up 4.5 points to 61.0, led by an 8.3-point improvement in the sales factor index to 62.7 points and a 5.5-point gain in the dollar collections index to 62.2. The amount of credit extended factor index improved 3.6 points to 60.4.
- Favorable factors have improved to their best reading since June of last year.
- The index for unfavorable factors improved by 1.8 points to 51.4. This index has stayed in a tight range around 50, showing neither a steady improvement nor declining trend over the past year and a half.
- All but one of the unfavorable factor indexes improved in the June survey; the index for dollar amount of customer deductions fell by 2.2 points to 50.9. In May the index was at 53.1.
- The index for the dollar amount beyond terms gained 0.7 points to 52.3, remaining in the expansion range above 50 points for the fourth month in a row.
- The factor index for filings for bankruptcies improved 2.9 points to 52.5. In prior surveys this year some respondents indicated that they expect to see more bankruptcy filings this year although none noted that expectation this month.

“The Credit Managers’ Index did a sort of head-fake in January and again in May, indicating that a recession was just about to start,” said Cutts. “But this month we got more evidence that recession, if it does start, will do so in the fourth quarter or later. The June CMI indicates no recession in the near term.”

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.

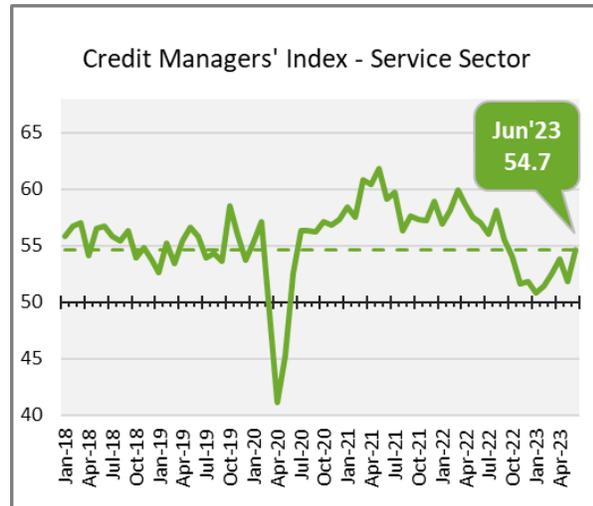
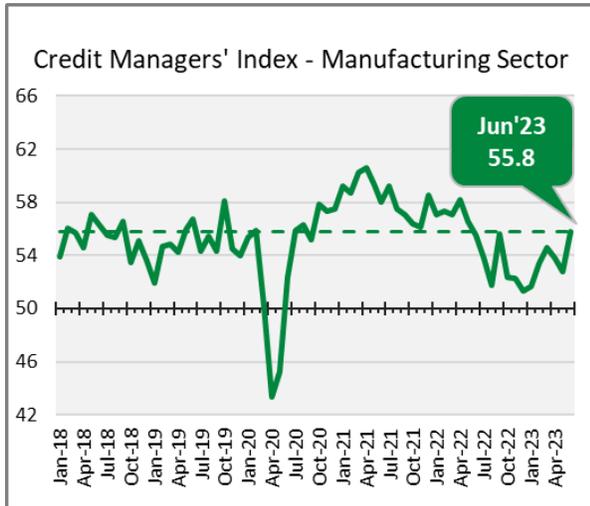


CMI Manufacturing versus CMI Service Sectors Indexes

The CMI index for manufacturing gained 3.0 points in the June survey to a level 55.8, its best reading since May 2022 when the index was at 56.5. The service sector CMI improved 2.8 points this month to come in at 54.7, its highest reading since September.

“Both the Service and Manufacturing Sector CMIs showed improvements this month,” Cutts said. “Importantly, in both sectors, the sales factor index gained over 7.5 points, more than covering the declines witnessed in May. Although the CMI sales indexes are well below their recent peak values, they have improved by more than 10

points each since hitting January’s low. Respondents indicated that they were seeing stronger sales in their comments, but they are also worried because they are seeing more customer cash flow issues or requests for extensions.”



The data in the charts are seasonally adjusted.

CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors improved 5.5 points to 60.0, its strongest level in nine months. Unfavorable factors improved this month by 1.4 points to 53.0, now firmly in expansion territory and the best reading for the index since April 2021.

Key Findings:

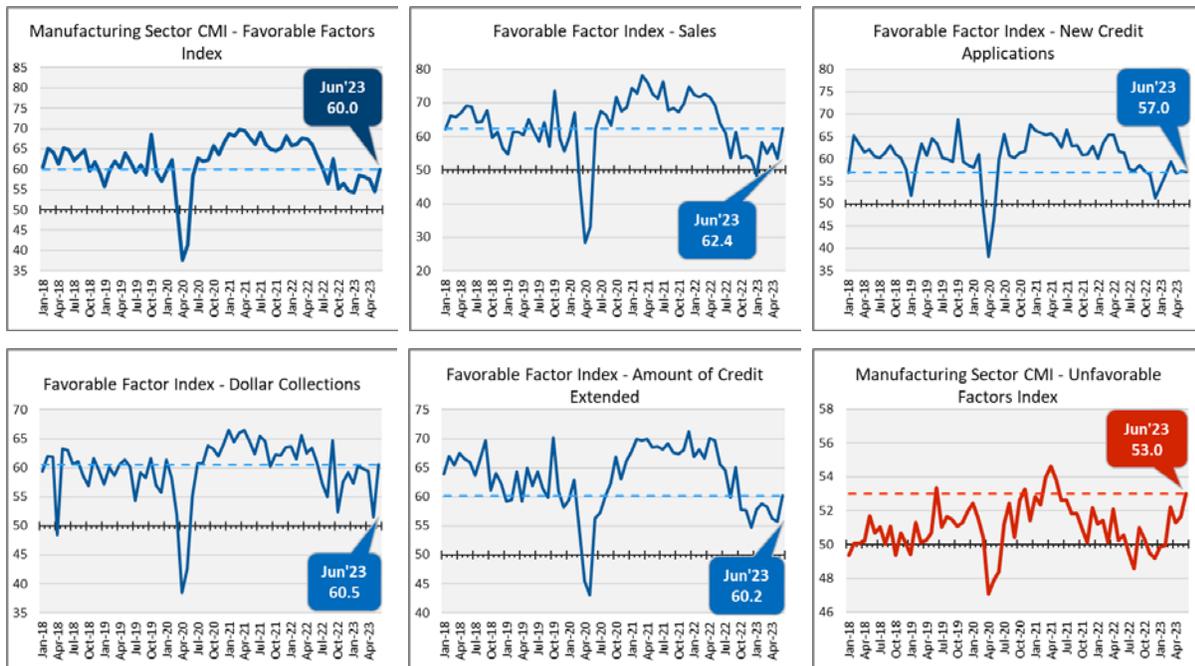
- Two favorable factor indexes rose sharply in June, both jumping up 9 full points. The Index for sales rose to 62.4, its highest level since June 2022, and the index for dollar collections to 60.5, its highest level since last September.
- The new credit applications factor index was the only favorable factor to deteriorate, with a loss of 0.2 points to 57.0.
- All but one unfavorable factor index improved in June. The dollar amount of customer deductions deteriorated by 4.3 points to 50.8, erasing nearly all the gains from the May survey.
- The factor index for disputes experienced the sharpest rise in the Manufacturing CMI unfavorable factors group. It gained 4.4 points to 53.4. This index has been bouncing across the contraction/expansion line over the past year without any consistent trend.

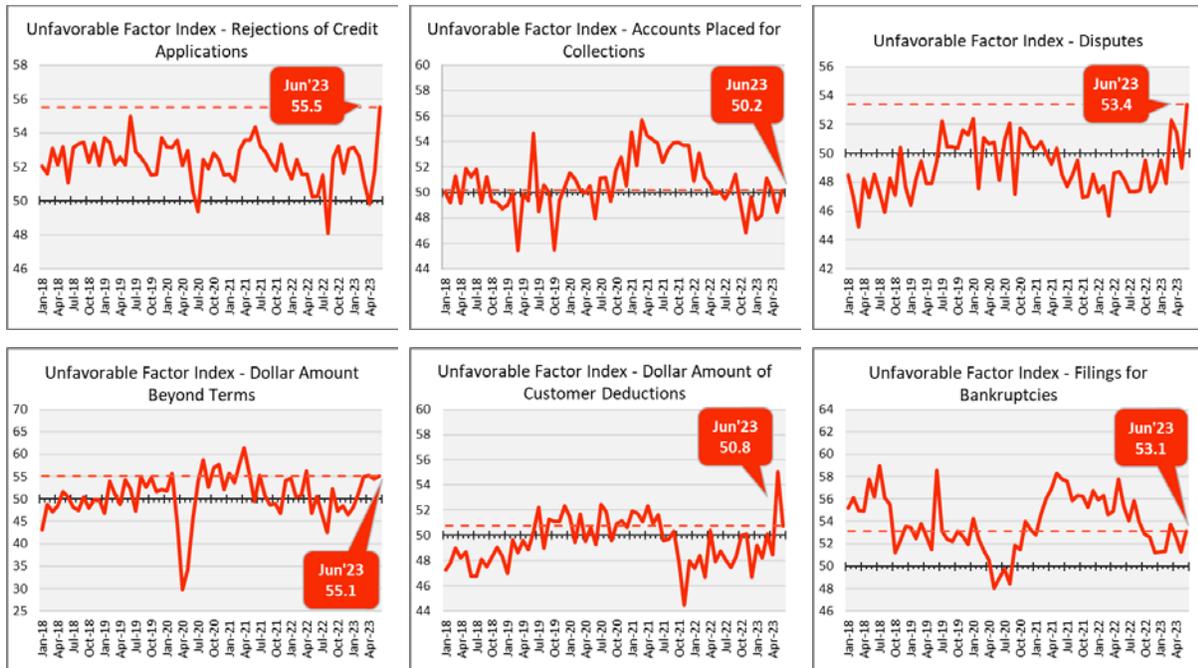
“Two themes emerged in the comments from respondents in the manufacturing sector,” Cutts said. “Either business is booming, or customers are stressed. One noted that consolidation in their line of business was helping them get more orders. I hope that the increase in business activity is the real deal, and that an improvement in credit performance will follow for those seeing distress in their portfolios now. In aggregate the performance indicators of accounts beyond terms and accounts placed for collections are well into expansion territory and dollar collections are very strong.”

Manufacturing Sector (seasonally adjusted)	Jun '22	Jul '22	Aug '22	Sep '22	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23
Sales	63.8	61.1	53.5	61.4	53.6	54.2	53.1	48.4	58.2	54.9	57.8	53.4	62.4
New credit applications	61.4	57.8	57.4	58.6	57.3	56.4	51.3	54.0	56.6	59.3	56.8	57.2	57.0
Dollar collections	60.9	57.3	55.0	64.7	52.4	57.6	59.2	57.3	60.4	59.8	59.4	51.6	60.5
Amount of credit extended	65.6	64.6	59.9	65.1	57.8	57.7	54.7	57.8	58.8	58.3	56.2	55.8	60.2
Index of favorable factors	62.9	60.2	56.5	62.4	55.3	56.5	54.6	54.4	58.5	58.1	57.6	54.5	60.0
Rejections of credit applications	50.3	51.5	48.1	52.5	53.2	51.7	53.0	53.2	52.6	51.0	49.8	51.8	55.5
Accounts placed for collection	50.1	49.5	50.2	51.4	49.0	46.8	49.6	47.8	48.2	51.1	50.2	48.4	50.2
Disputes	48.2	47.4	47.3	47.5	49.5	47.4	48.0	49.5	47.9	52.3	51.5	49.0	53.4
Dollar amount beyond terms	50.6	46.5	42.6	52.2	47.3	48.5	46.5	48.2	51.3	54.9	55.2	54.4	55.1
Dollar amount of customer deductions	48.7	48.1	47.5	48.3	50.0	50.1	46.7	49.2	48.2	50.1	48.5	55.0	50.8
Filings for bankruptcies	55.4	54.0	55.9	54.0	52.9	52.6	51.2	51.3	51.4	53.7	52.7	51.3	53.1
Index of unfavorable factors	50.5	49.5	48.6	51.0	50.3	49.5	49.2	49.9	49.9	52.2	51.3	51.7	53.0
NACM Manufacturing CMI	55.5	53.8	51.7	55.6	52.3	52.3	51.3	51.7	53.4	54.6	53.8	52.8	55.8

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 May CMI service sector index marked a 3.5-point improvement in the favorable factors index to 61.9, matching April's level, and gained 2.4 points in the unfavorable factors index to 49.8, its best reading since last October.

Key Findings:

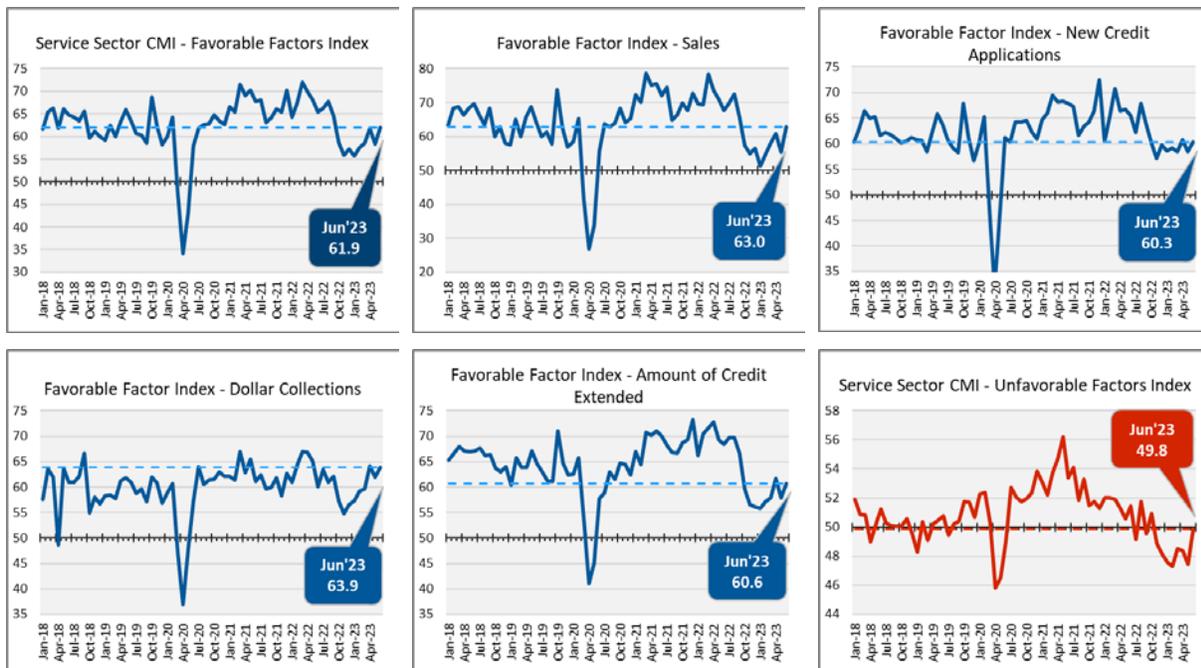
- As with the manufacturing sector, favorable factor indexes led the improvement in the overall index, with the sales factor index taking the largest gain. In June the sales factor index jumped 7.9 points to 63.0, a very strong level but still 4.7 points below its value a year ago and 9.6 points lower than its 12-month high set last August.
- All favorable factor indexes are at levels higher than 60 points indicating that most respondents are seeing improvement or stability in these key performance indicators.
- Only one factor index fell among the unfavorable group, the dollar amount of customer deductions. The index fell 0.1 points, virtually unchanged, to 51.1 points.
- The index for rejections of credit applications showed the strongest improvement in June, rising 5.6 points to 51.2, its highest level since last September. This index has stayed in a tight range around 50 points over the past year, with no discernable trend except for the brief dip caused by the banking crisis in March which showed up in the April and May survey responses.

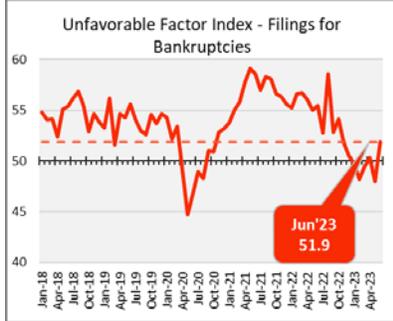
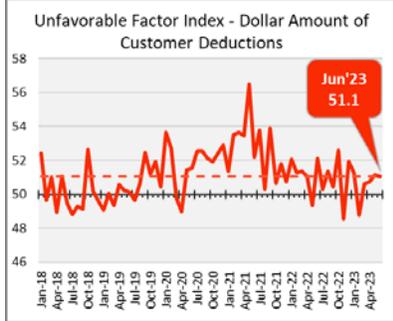
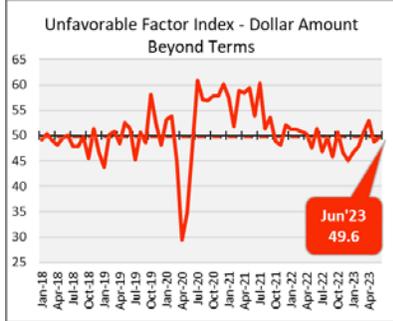
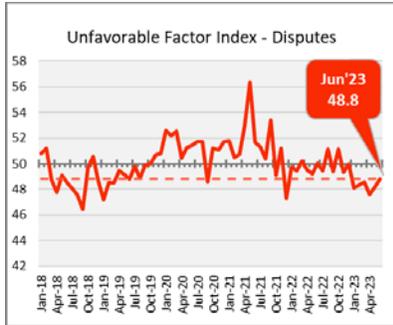
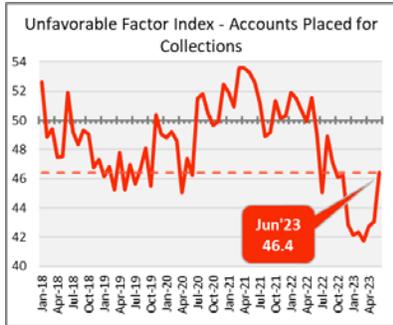
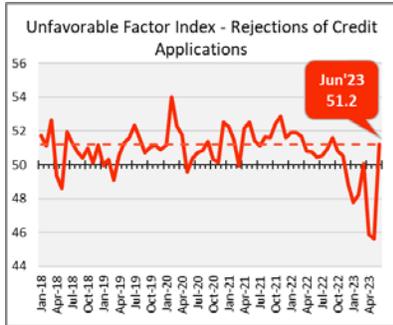
“The service sector CMI index improved markedly this month, led by increased sales,” said Cutts. “The factor index for accounts placed for collections remains at a troubling level, however, well into contraction territory and dollar amount beyond terms are also sitting on the contraction side. This is the opposite experience from respondents in the manufacturing sector. Dollar collections remain strong, so apparently once credit managers get stern, they get paid, but nonetheless, it is not a fun way to run a business and indicates weakness in that side of the economy.”

Service Sector (seasonally adjusted)	Jun '22	Jul '22	Aug '22	Sep '22	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23
Sales	67.7	70.0	72.5	65.7	57.4	54.9	56.5	51.3	54.7	58.1	60.9	55.4	63.0
New credit applications	65.6	62.2	67.8	63.8	60.1	57.1	59.8	58.6	59.2	58.4	60.8	58.5	60.3
Dollar collections	60.1	63.4	61.0	62.1	57.3	54.8	56.5	57.2	59.2	59.6	64.2	61.9	63.9
Amount of credit extended	68.4	69.8	69.7	66.6	59.7	56.6	56.1	55.8	57.1	57.9	61.6	57.8	60.6
Index of favorable factors	65.4	66.3	67.8	64.6	58.6	55.8	57.2	55.7	57.5	58.5	61.9	58.4	61.9
Rejections of credit applications	50.5	50.5	50.9	51.6	50.8	50.5	48.9	47.8	48.2	50.1	45.9	45.6	51.2
Accounts placed for collection	49.0	45.0	48.9	47.1	46.1	46.2	42.8	42.1	42.3	41.7	42.8	43.0	46.4
Disputes	50.0	49.4	51.1	49.4	51.1	49.3	50.0	48.1	48.4	48.6	47.6	48.1	48.8
Dollar amount beyond terms	51.4	46.8	49.6	45.8	50.7	46.7	45.0	46.6	47.9	50.6	52.9	48.8	49.6
Dollar amount of customer deductions	52.1	50.3	51.4	50.5	52.6	48.5	51.9	51.3	48.8	50.6	50.8	51.2	51.1
Filings for bankruptcies	55.5	52.8	58.6	52.9	54.1	51.8	50.5	49.8	48.2	49.4	50.4	48.0	51.9
Index of unfavorable factors	51.4	49.1	51.7	49.5	50.9	48.9	48.2	47.6	47.3	48.5	48.4	47.5	49.8
NACM Service CMI	57.0	56.0	58.2	55.6	54.0	51.6	51.8	50.9	51.4	52.5	53.8	51.8	54.7

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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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 means 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.

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