



## Report for September 2023

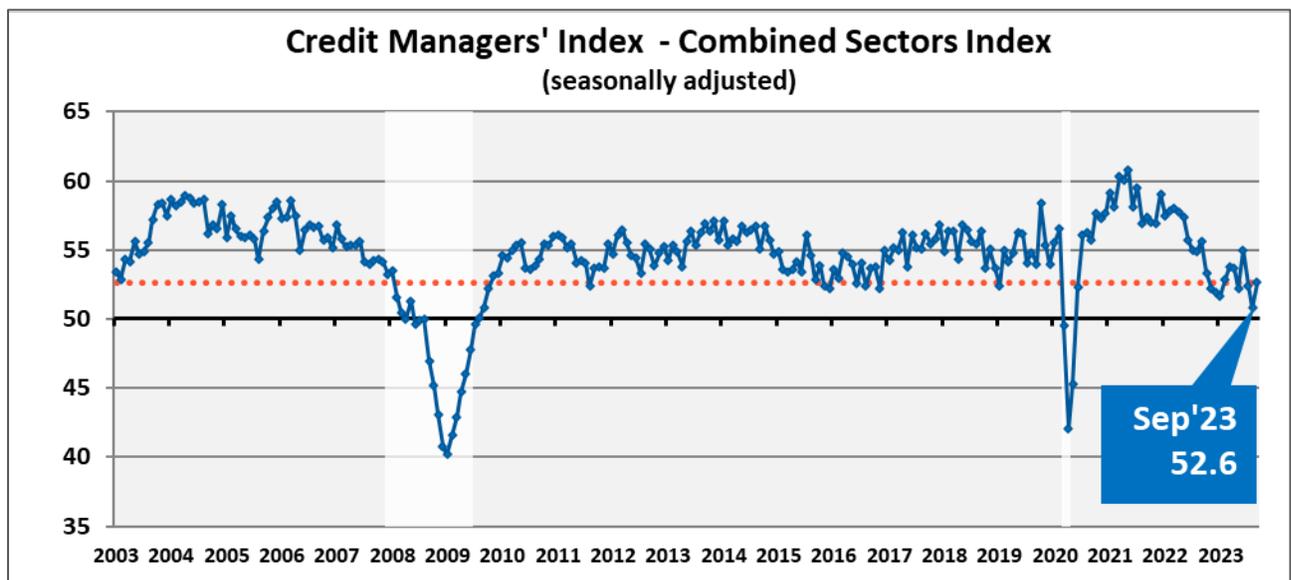
Issued September 30, 2023

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 September 2023 gained 1.8 points to 52.6. The improvement this month is welcome, but the CMI appears stuck on the precipice of a recession in business activity, said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"Over the first nine months of 2023, the CMI has been bouncing around levels suggesting business activity is about to decline, up one month and down the next," Cutts said. "If the trend was consistently in one direction, it would be more helpful in predicting which direction we are truly headed. At present, I think we are balanced in the overall risk of a recession starting in the next few months, but with the looming federal government shutdown, the effects of the writers and actors strikes, the expansion of the auto worker strikes and rising oil prices, things could certainly turn quickly to the negative."



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

<b>Combined Manufacturing and Service Sectors (seasonally adjusted)</b>	Sep '22	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23
Sales	63.7	56.0	55.3	55.9	51.2	57.6	57.0	59.0	54.1	62.0	55.6	49.5	58.8
New credit applications	61.3	59.0	57.2	55.6	56.9	58.5	58.9	58.5	57.7	58.3	56.8	56.2	56.3
Dollar collections	63.9	55.5	56.2	58.3	57.7	59.7	60.0	61.4	57.1	61.6	56.2	52.6	58.0
Amount of credit extended	65.6	59.0	57.6	56.1	57.9	58.6	58.2	58.6	56.5	60.2	56.8	54.9	61.4
<b>Index of favorable factors</b>	<b>63.6</b>	<b>57.4</b>	<b>56.6</b>	<b>56.5</b>	<b>55.9</b>	<b>58.6</b>	<b>58.5</b>	<b>59.4</b>	<b>56.4</b>	<b>60.5</b>	<b>56.4</b>	<b>53.3</b>	<b>58.6</b>
Rejections of credit applications	52.0	51.9	51.0	50.9	50.4	50.4	50.8	47.7	48.7	53.3	50.7	50.3	49.2
Accounts placed for collection	49.4	47.6	46.7	46.4	45.2	45.5	46.6	46.7	45.9	48.2	48.2	44.9	47.5
Disputes	48.4	50.3	48.4	49.0	48.9	48.4	50.6	49.6	48.4	51.1	50.3	49.8	47.3
Dollar amount beyond terms	49.4	49.3	48.2	46.5	47.9	51.4	53.0	53.8	51.4	51.8	46.1	48.9	50.5
Dollar amount of customer deductions	49.4	51.3	49.3	49.3	50.0	48.5	50.5	49.8	52.9	51.0	51.0	50.9	47.4
Filings for bankruptcies	53.3	53.5	52.3	51.0	50.8	50.1	51.8	51.4	49.7	52.4	52.3	50.2	50.0
<b>Index of unfavorable factors</b>	<b>50.3</b>	<b>50.6</b>	<b>49.3</b>	<b>48.9</b>	<b>48.9</b>	<b>49.1</b>	<b>50.5</b>	<b>49.8</b>	<b>49.5</b>	<b>51.3</b>	<b>49.8</b>	<b>49.1</b>	<b>48.7</b>
<b>NACM Combined CMI</b>	<b>55.6</b>	<b>53.3</b>	<b>52.2</b>	<b>51.9</b>	<b>51.7</b>	<b>52.9</b>	<b>53.7</b>	<b>53.7</b>	<b>52.2</b>	<b>55.0</b>	<b>52.4</b>	<b>50.8</b>	<b>52.6</b>

## CMI Combined Sectors Factor Indexes

### Key Findings:

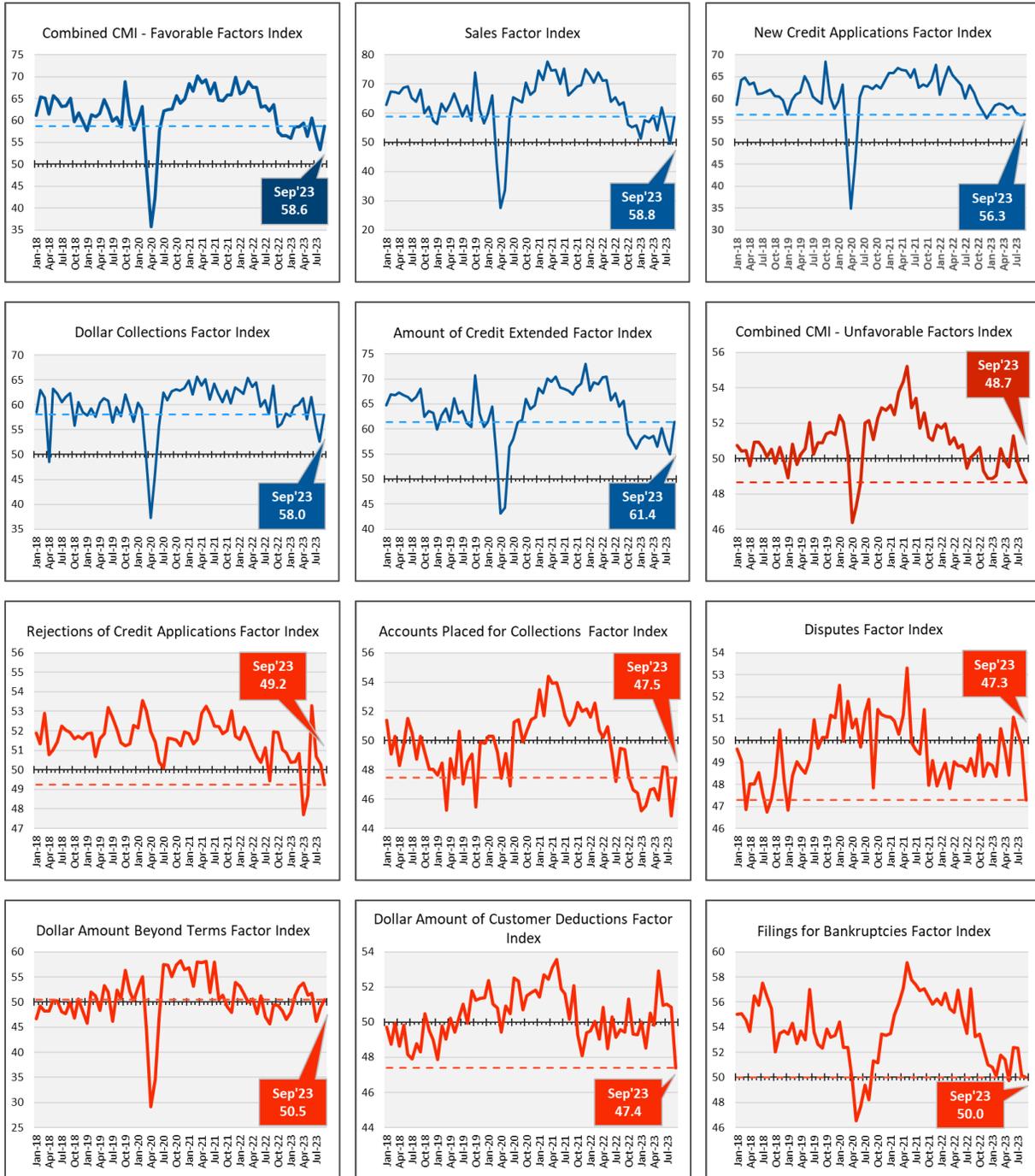
- The index for favorable factors is up 5.3 points to 58.6, led by a 9.2-point improvement in the sales factor index to 58.8 points, a 6.5-point improvement in the amount of credit extended factor index to 61.4 and a 5.4-point improvement in the dollar collections index to 58.0.
- The sales factor index has been the most volatile in 2023.
- The index for unfavorable factors deteriorated by 0.6 to 48.7, remaining in the tight range around 50 that it has been in the past year and a half, while recording its fourth consecutive decline and third month below 50.
- Four of the six unfavorable factor indexes deteriorated in the August survey; the index for the dollar amount of customer deductions led with a decline of 3.5 points to an index value of 47.4, its lowest level since May of 2009.
- The index for disputes fell 2.5 points to 47.3, its lowest level since April of 2009.
- The index for the dollar amount beyond terms improved by 1.6 points to 50.5, its second month of improvement.

“Several respondents noted that while back-to-school activity was helping boost government sales, private sector accounts were fairing less well,” said Cutts. “When supply chains were broken due to the pandemic, we saw disputes rise because no one wanted to pay full price when it took months to get the products or services. But now supply

chains are functioning again and order backlogs are catching up, yet we are seeing a rise in disputes collection referrals. This is indicative of stress on businesses.”

## CMI Combined Sectors Factor Indexes Charts

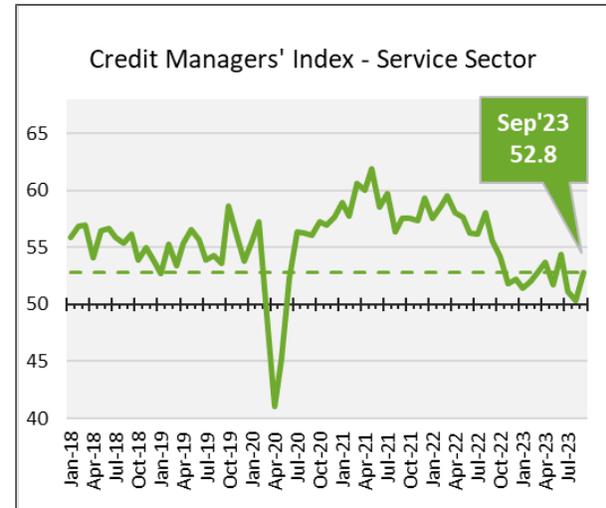
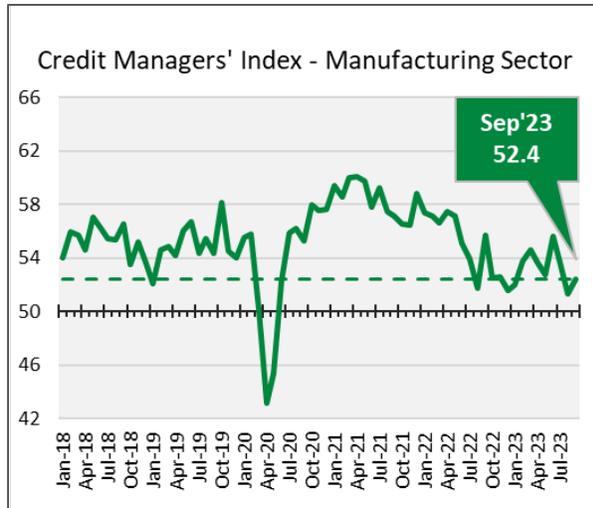
All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.



## CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI improved 1.1 points in the September CMI survey to a level of 52.4. The Service Sector CMI gained 2.5 points this month to come in at 52.8.

“Neither the manufacturing nor the service sector CMIs are giving indications regarding where business activity is headed,” Cutts said. “We’ve seen aggressive increases in interest rates by the Federal Reserve in efforts to slow inflation, which coincides with these indexes declining. But like other economic indicators, especially the number of jobs added each month, we seem to have slowed to a level that’s near contraction but refusing to tip over the edge. Maybe we will get lucky and get the soft landing desired by the Fed, the sort of zone we’re in now.”



*The data in the charts are seasonally adjusted.*

## CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors improved 5.4 points to 56.9, marking a 5.7-point drop from a year ago net of the improvement. The unfavorable factor index fell this month by 1.7 points to 49.5. This index value is 1.7 points weaker than a year ago but the overall trend for the unfavorable factor index remains sideways, neither consistently improving nor deteriorating.

### Key Findings:

- Three of the favorable factor indexes improved this month, with the remaining factor index—new credit applications—declining 3.1 points in September.
- The index for sales improved 12.6 points to 58.0, more than making up for the decline in the August report.
- Five of the six unfavorable factors deteriorated in the September survey. The index for the accounts placed for collection improved 2.4 points to 49.4 but remains 2.2 points below the level a year ago.
- The index for the dollar amount of customer deductions dropped 5.9 points to 46.6, its lowest level since February 2012.

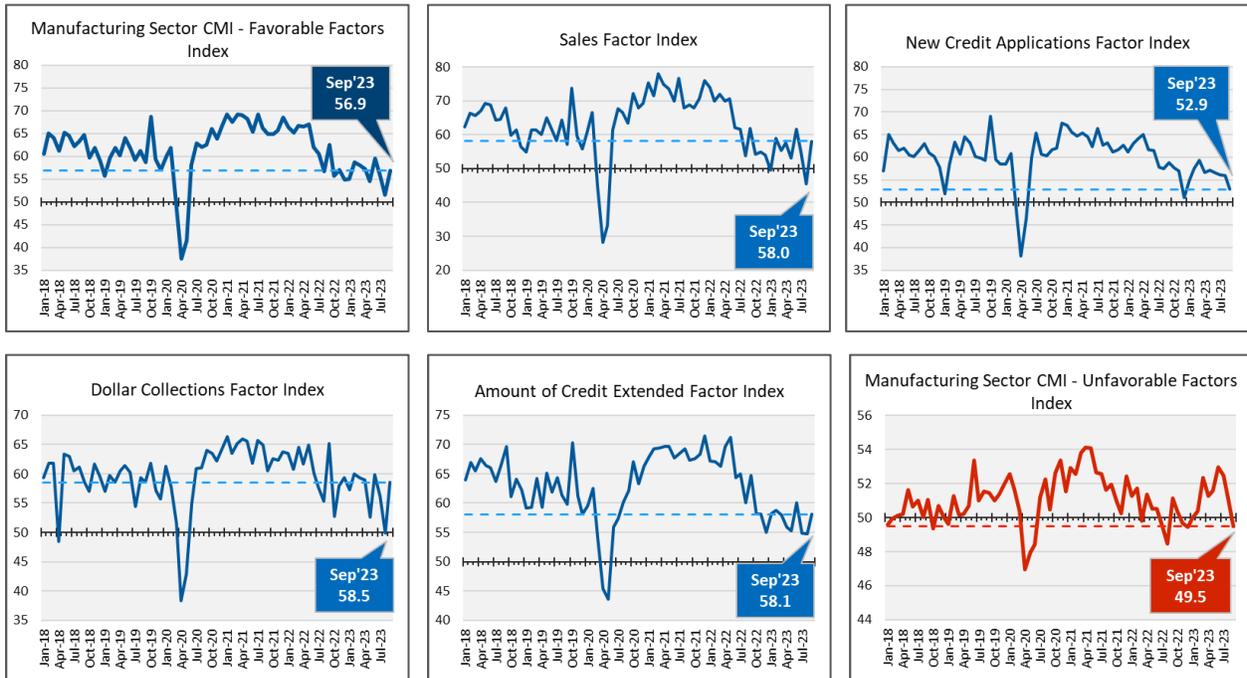
“Respondents in this month’s CMI survey representing companies in the manufacturing sector noted that they are seeing increases in fees for continuing to do business,” Cutts said. “This is in addition to price increases for the products they’re buying from these suppliers. Business fees are one way to increase revenue and cover fixed costs of operations but they can annoy customers, especially those with long-standing relationships. There is no easy

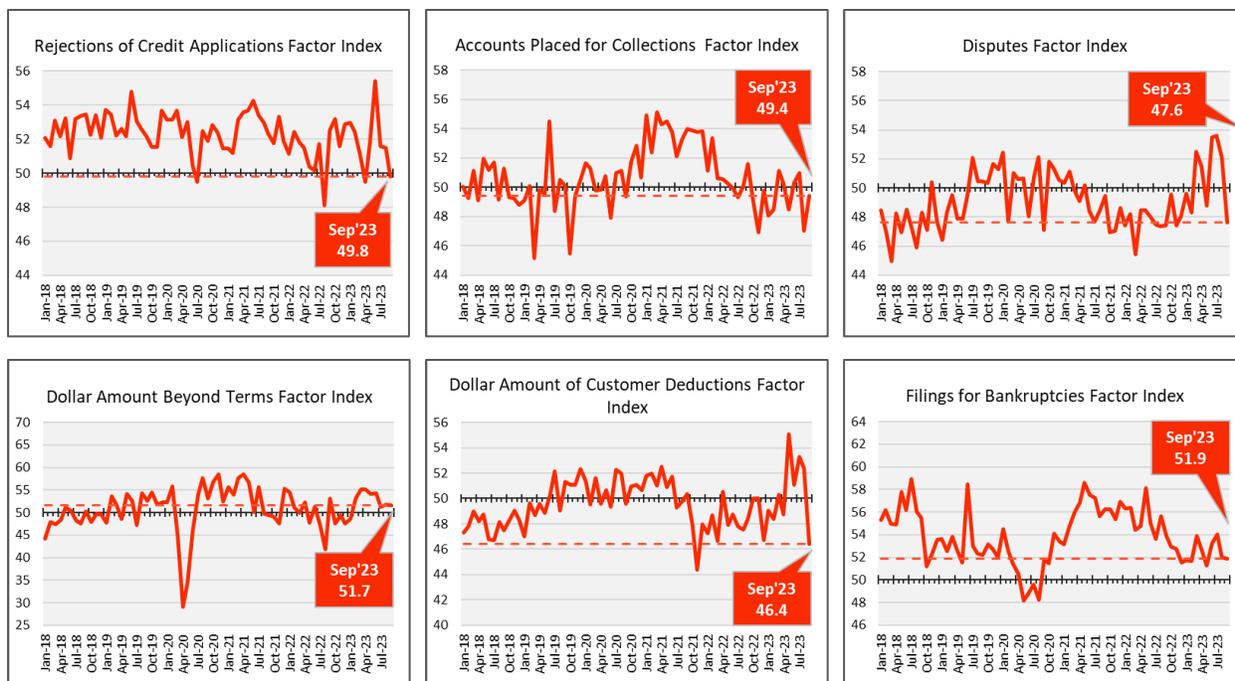
way to offset rising costs, as price increases also annoy customers. However higher fees may not get captured by measures of inflation, which look at the prices of goods and services and administrative fees are not reflected in the prices.”

<b>Manufacturing Sector (seasonally adjusted)</b>	Sep '22	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23
Sales	61.8	54.2	54.9	54.1	49.5	58.9	55.2	57.6	53.1	61.7	54.9	45.4	58.0
New credit applications	58.7	57.6	57.0	51.1	55.0	57.5	59.4	56.6	57.1	56.7	56.0	56.0	52.9
Dollar collections	65.1	52.7	57.9	59.4	57.2	60.0	59.4	58.9	52.7	59.9	56.2	49.9	58.5
Amount of credit extended	64.8	58.1	58.2	55.0	58.2	58.8	57.9	55.9	55.2	60.0	54.8	54.8	58.1
<b>Index of favorable factors</b>	<b>62.6</b>	<b>55.6</b>	<b>57.0</b>	<b>54.9</b>	<b>55.0</b>	<b>58.8</b>	<b>58.0</b>	<b>57.3</b>	<b>54.5</b>	<b>59.6</b>	<b>55.5</b>	<b>51.5</b>	<b>56.9</b>
Rejections of credit applications	52.5	53.2	51.6	52.9	53.0	52.4	51.1	49.5	51.7	55.4	51.6	51.5	49.8
Accounts placed for collection	51.6	49.0	46.9	49.8	48.1	48.5	51.1	50.2	48.5	50.3	51.0	47.0	49.4
Disputes	47.4	49.6	47.4	48.0	49.6	48.3	52.5	51.5	48.8	53.5	53.6	52.1	47.6
Dollar amount beyond terms	53.1	47.7	49.4	47.6	48.5	53.0	55.1	55.1	54.2	54.2	51.3	51.8	51.7
Dollar amount of customer deductions	48.4	50.0	50.0	46.7	49.1	48.4	50.3	48.8	55.1	51.1	53.3	52.4	46.4
Filings for bankruptcies	53.9	52.9	52.8	51.5	51.7	51.7	53.9	52.5	51.3	53.2	54.0	52.0	51.9
<b>Index of unfavorable factors</b>	<b>51.1</b>	<b>50.4</b>	<b>49.7</b>	<b>49.4</b>	<b>50.0</b>	<b>50.4</b>	<b>52.3</b>	<b>51.3</b>	<b>51.6</b>	<b>53.0</b>	<b>52.4</b>	<b>51.1</b>	<b>49.5</b>
<b>NACM Manufacturing CMI</b>	<b>55.7</b>	<b>52.5</b>	<b>52.6</b>	<b>51.6</b>	<b>52.0</b>	<b>53.7</b>	<b>54.6</b>	<b>53.7</b>	<b>52.8</b>	<b>55.6</b>	<b>53.7</b>	<b>51.3</b>	<b>52.4</b>

### 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 August CMI Service Sector Index marked a 5.3-point improvement in the favorable factors index to 60.4, its best level in three months. The sector’s unfavorable factors index improved 0.7 points to 47.8, however the index has remained in contraction (below a level of 50) since October of last year.

### Key Findings:

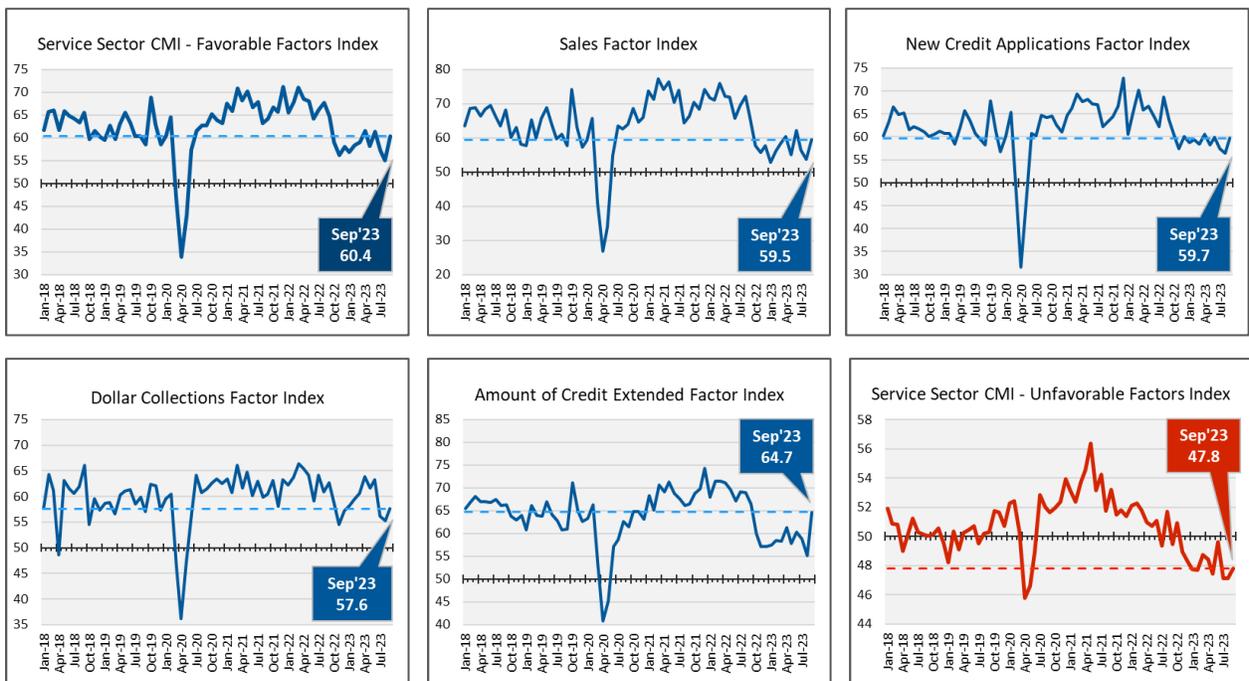
- Eight of 10 factor indexes for the Service Sector CMI improved in September and all but one of factor indexes are lower than they were a year ago.
- The index for the amount of credit extended gained the most in the September survey, adding 9.6 points to 64.7, a level that is still 1.8 points lower than a year ago.
- The sales factor index gained 5.8 points to 59.5. This level is 6.2 points lower than a year ago. The sales factor index is the most volatile among the sector’s factor indexes.
- All of the unfavorable factor indexes for the sector are now at levels on the contraction side for the second consecutive month.
- The dollar amount beyond terms factor index was one of two showing improvements in September’s survey and it gained 3.4 points to 49.4, while the accounts placed for collections index gained 2.8 points to 45.5.

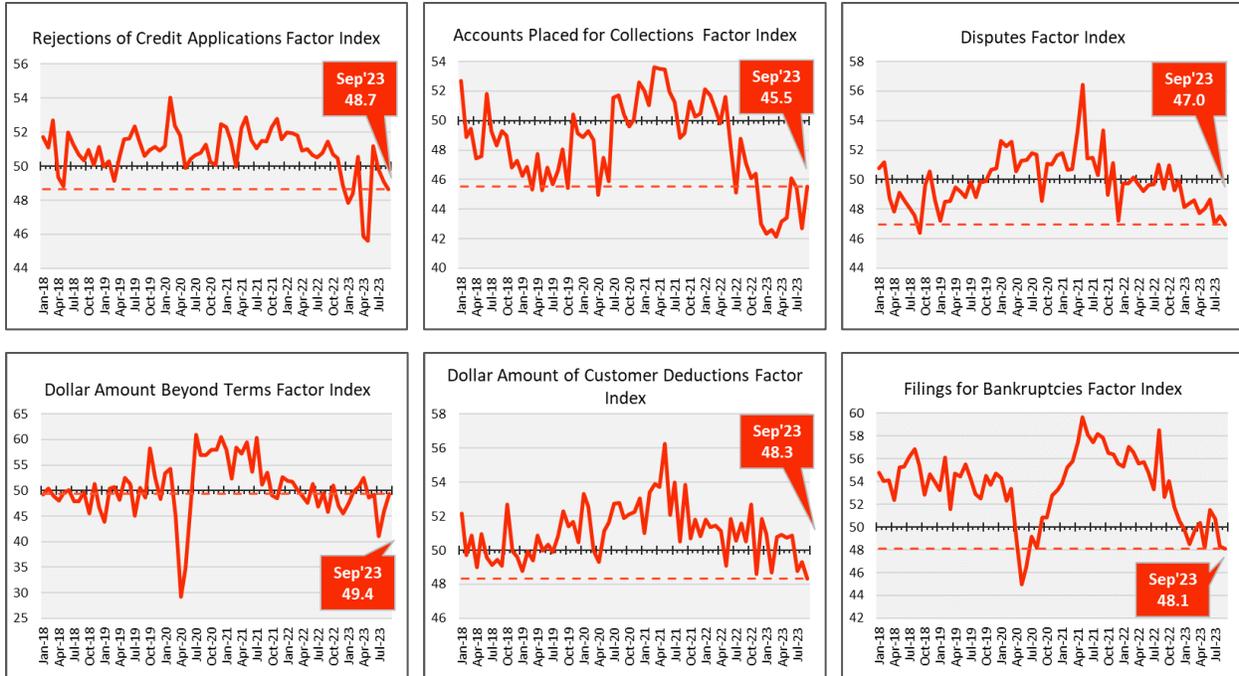
“The Service Sector CMI index notched a gain this month but while favorable factors are still indicating expansion and improved strongly, all of the unfavorable factor indexes are pointing just as strongly to contraction even with this month’s modest improvements,” said Cutts. “Respondents commented in seeming opposition to one another, noting both worse and better payments, worse and better sales. While some of this could be due to the particular lines of business these respondents are in, the sentiments are not much different than what the sector factor indexes are telling us. The sales index is down year over year but recorded a big improvement this month and dollar collections continue to be strong at the same time referrals to collection are rising.”

Service Sector (seasonally adjusted)	Sep '22	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23
Sales	65.7	57.8	55.7	57.7	52.9	56.3	58.7	60.4	55.2	62.2	56.4	53.7	59.5
New credit applications	63.8	60.3	57.4	60.1	58.7	59.5	58.5	60.5	58.3	60.0	57.5	56.4	59.7
Dollar collections	62.7	58.3	54.5	57.1	58.2	59.5	60.7	63.8	61.6	63.3	56.2	55.3	57.6
Amount of credit extended	66.5	59.9	57.0	57.2	57.5	58.4	58.4	61.3	57.7	60.4	58.9	55.1	64.7
<b>Index of favorable factors</b>	<b>64.7</b>	<b>59.1</b>	<b>56.2</b>	<b>58.0</b>	<b>56.8</b>	<b>58.4</b>	<b>59.1</b>	<b>61.5</b>	<b>58.2</b>	<b>61.5</b>	<b>57.2</b>	<b>55.1</b>	<b>60.4</b>
Rejections of credit applications	51.4	50.7	50.5	48.9	47.8	48.4	50.6	45.9	45.6	51.2	49.8	49.1	48.7
Accounts placed for collection	47.1	46.1	46.4	43.0	42.3	42.6	42.1	43.2	43.4	46.1	45.4	42.7	45.5
Disputes	49.4	51.0	49.3	49.9	48.1	48.4	48.6	47.7	48.0	48.7	47.0	47.5	47.0
Dollar amount beyond terms	45.8	51.0	47.0	45.5	47.4	49.8	50.8	52.5	48.6	49.3	41.0	46.0	49.4
Dollar amount of customer deductions	50.5	52.7	48.6	51.8	51.0	48.7	50.8	50.9	50.7	50.9	48.8	49.3	48.3
Filings for bankruptcies	52.7	54.0	51.8	50.5	49.8	48.5	49.7	50.3	48.2	51.5	50.7	48.3	48.1
<b>Index of unfavorable factors</b>	<b>49.5</b>	<b>50.9</b>	<b>48.9</b>	<b>48.3</b>	<b>47.7</b>	<b>47.7</b>	<b>48.8</b>	<b>48.4</b>	<b>47.4</b>	<b>49.6</b>	<b>47.1</b>	<b>47.2</b>	<b>47.8</b>
<b>NACM Service CMI</b>	<b>55.6</b>	<b>54.2</b>	<b>51.8</b>	<b>52.2</b>	<b>51.4</b>	<b>52.0</b>	<b>52.9</b>	<b>53.7</b>	<b>51.7</b>	<b>54.3</b>	<b>51.2</b>	<b>50.3</b>	<b>52.8</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>.