



## Report for February 2024

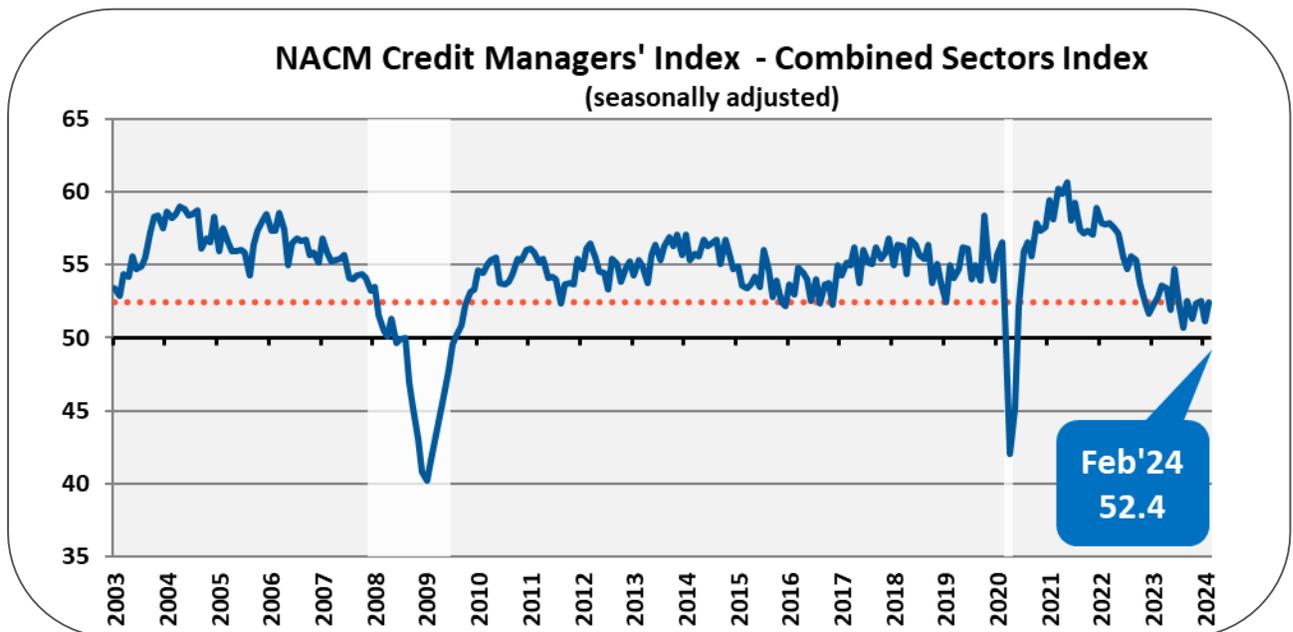
Issued February 29, 2024

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 February 2024 improved 1.3 points to 52.4. "The CMI improved this month, but the index remains stubbornly in a tight band just above the contraction line with no obvious trend," said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"The big driver this month is the dramatic drop in the dollar amount beyond terms index, which went from being deep in contraction to just above the neutral line, meaning the dollar amount owed on accounts beyond terms was essentially unchanged from last month but at a level that is substantially higher than a year ago. I've been watching this factor for a while as it is a strong leading indicator of business stress. This indicator has been trending negatively since July 2021 and went into contraction in July of last year. Respondents have regularly noted that they are having trouble getting paid on time, a growing concern among credit managers."



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>	<b>Feb '23</b>	<b>Mar '23</b>	<b>Apr '23</b>	<b>May '23</b>	<b>Jun '23</b>	<b>Jul '23</b>	<b>Aug '23</b>	<b>Sep '23</b>	<b>Oct '23</b>	<b>Nov '23</b>	<b>Dec '23</b>	<b>Jan '24</b>	<b>Feb '24</b>
Sales	57.3	56.5	58.4	53.4	61.0	54.7	49.4	58.3	52.6	55.9	53.6	52.7	57.6
New credit applications	58.2	58.5	58.2	57.3	58.0	56.5	56.5	56.5	56.6	58.4	60.4	55.1	59.5
Dollar collections	59.5	59.7	61.0	56.7	61.0	56.3	52.5	58.6	56.5	59.4	58.7	56.1	59.0
Amount of credit extended	58.6	58.0	58.4	56.0	60.5	56.7	55.2	61.5	58.7	58.3	58.1	57.9	56.1
<b>Index of favorable factors</b>	<b>58.4</b>	<b>58.2</b>	<b>59.0</b>	<b>55.9</b>	<b>60.1</b>	<b>56.1</b>	<b>53.4</b>	<b>58.7</b>	<b>56.1</b>	<b>58.0</b>	<b>57.7</b>	<b>55.4</b>	<b>58.1</b>
Rejections of credit applications	50.5	50.8	47.8	48.8	53.3	50.5	50.0	49.2	49.7	48.8	49.1	50.7	47.9
Accounts placed for collection	45.7	46.7	46.7	45.7	48.1	47.7	44.9	47.0	45.4	44.6	45.8	44.6	42.9
Disputes	48.5	50.5	49.5	48.4	51.0	49.9	49.5	47.4	48.4	49.9	49.4	48.6	48.2
Dollar amount beyond terms	51.1	52.6	53.2	50.8	51.1	45.8	48.6	49.6	45.5	48.9	48.2	43.6	50.6
Dollar amount of customer deductions	48.5	50.6	49.6	52.8	50.8	50.7	50.6	47.4	48.8	51.2	50.5	50.1	49.5
Filings for bankruptcies	50.2	51.7	51.4	49.5	52.4	52.0	49.8	50.0	50.5	47.7	51.1	51.7	52.6
<b>Index of unfavorable factors</b>	<b>49.1</b>	<b>50.5</b>	<b>49.7</b>	<b>49.3</b>	<b>51.1</b>	<b>49.4</b>	<b>48.9</b>	<b>48.4</b>	<b>48.1</b>	<b>48.5</b>	<b>49.0</b>	<b>48.2</b>	<b>48.6</b>
<b>NACM Combined CMI</b>	<b>52.8</b>	<b>53.6</b>	<b>53.4</b>	<b>52.0</b>	<b>54.7</b>	<b>52.1</b>	<b>50.7</b>	<b>52.5</b>	<b>51.3</b>	<b>52.3</b>	<b>52.5</b>	<b>51.1</b>	<b>52.4</b>

## CMI Combined Sectors Factor Indexes

### Key Findings:

- The index for unfavorable factors improved by 0.4 to 48.6, recording its eighth consecutive month in contraction.
- Two of the six unfavorable factor indexes improved in the February survey, which records credit performance for the prior month; the index for the dollar amount beyond terms led with a rise of 7.0 points to 50.6, moving into expansion after seven months in contraction.
- The index for accounts placed for collection fell to a nearly 15-year low of 42.9 points and marked its 21<sup>st</sup> month in contraction.
- The index for favorable factors remains solidly in expansion and improved 2.6 points to 58.1, led by a 4.9-point rise in the sales factor index to 55.9 points and a 4.4-point advancement in the new credit applications factor index to 59.5.

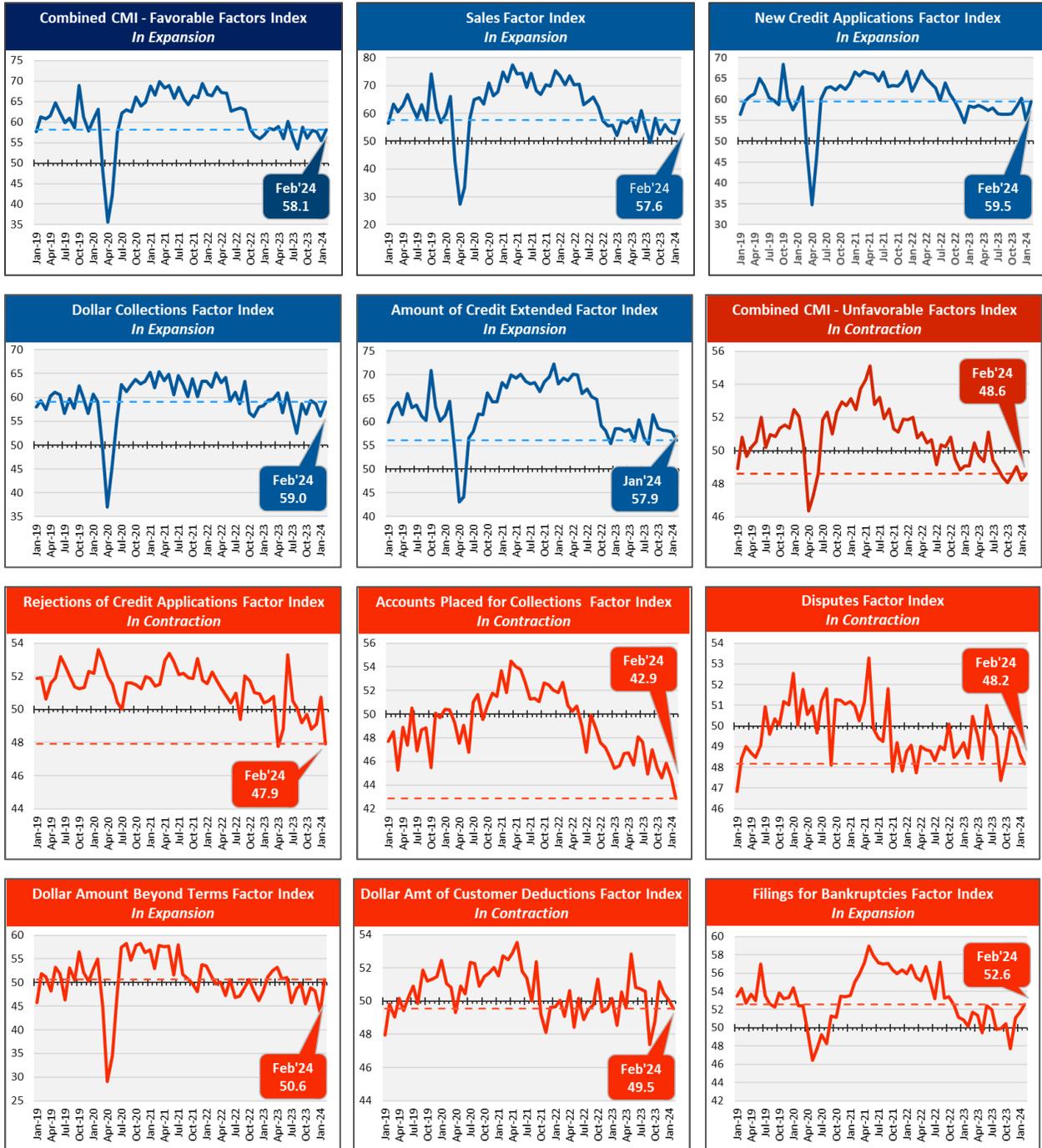
“CMI survey respondents this month noted that although this was a time of seasonal slowing, many are seeing lighter collections and difficulty recovering bad debt,” said Cutts. “This is counter to the narrative of a strong economy and likely is due in part to lingering inflation headaches. They may have tried to pass on higher costs to customers but there are limits to how hard and how fast a business can push before a price increase decreases the dollar amount of sales as units sold falls. We are all feeling it, and while slowing inflation is very welcome it means that we are stuck with high prices that are rising slower than before, not that prices have returned to their prior levels.”

“Taken together, the sudden leveling off of the dollar amount owed that is beyond terms and the long run of a rising number of accounts being referred to collections, I think credit managers are tiring of promises to pay and cries for extensions. Instead, they are moving more accounts to collections to stem losses. This to me is the strongest

indication yet of the deep stresses affecting businesses. We did not fall into formal recession in 2023 and we might not in 2024 but for many credit managers, it's as if the recession is well underway."

## CMI Combined Sectors Factor Indexes Charts

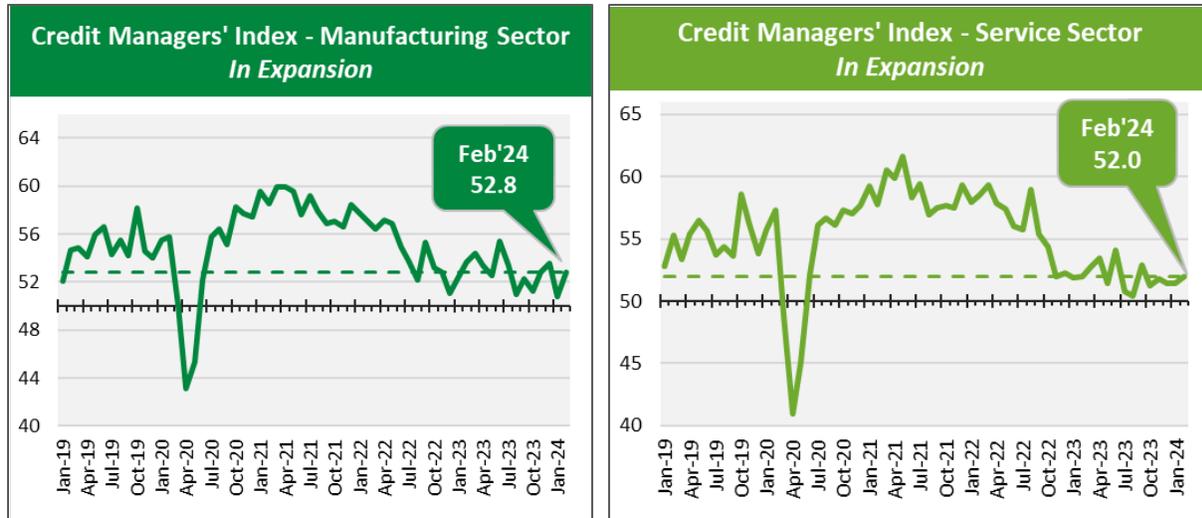
All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.



## CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI improved 2.0 points in the February CMI survey to a level of 52.8. The Service Sector CMI advanced 0.6 and now stands at 52.0

“We’ve been seeing a steady drumbeat of contraction in unfavorable factors in both the manufacturing and services sectors,” Cutts said. “Favorable factors have remained in expansion, but the trend in the factor indexes has been downward for two years – that is, the pace of business improvement as represented by the index is slowing. The manufacturing sector CMI would have been in contraction this month but for the huge recovery in the dollar amount beyond terms. We did not see a similar jump in the service sector index.”



The data in the charts are seasonally adjusted.

## CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors improved 2.3 points to 56.2. The unfavorable factor index improved 1.8 points to move back into expansion this month, marking a value of 50.5, after being in contraction last month.

### Key Findings:

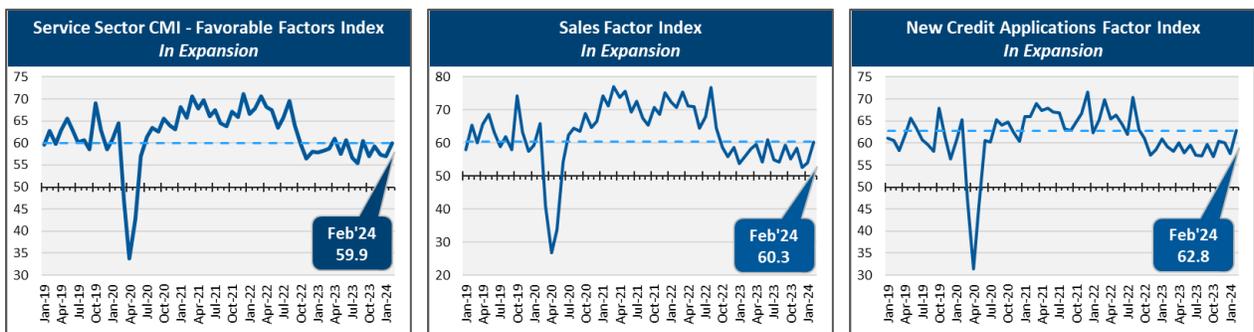
- All but two factor indexes improved this month. The rejections of credit applications index fell by 5.0 points to reach 48.8 points and marking its first month in contraction since last September. The dollar amount of customer deductions lost 0.3 points to record its second consecutive month in contraction with a value of 49.2.
- Among favorable factors, the improvement was led by the indexes for sales and for new credit applications which both gained 3.6 points to sit well into expansion territory.
- The index for the dollar amount beyond terms rose a whopping 11.6 points to hit 55.4 points. In last month’s survey this index was in contraction, and it has been recording values that had been staying close to the expansion-contraction threshold until the past two months when it busted out of that range in both directions.
- The accounts placed for collections index improved 0.1 points to 45.9, its seventh consecutive month in contraction.

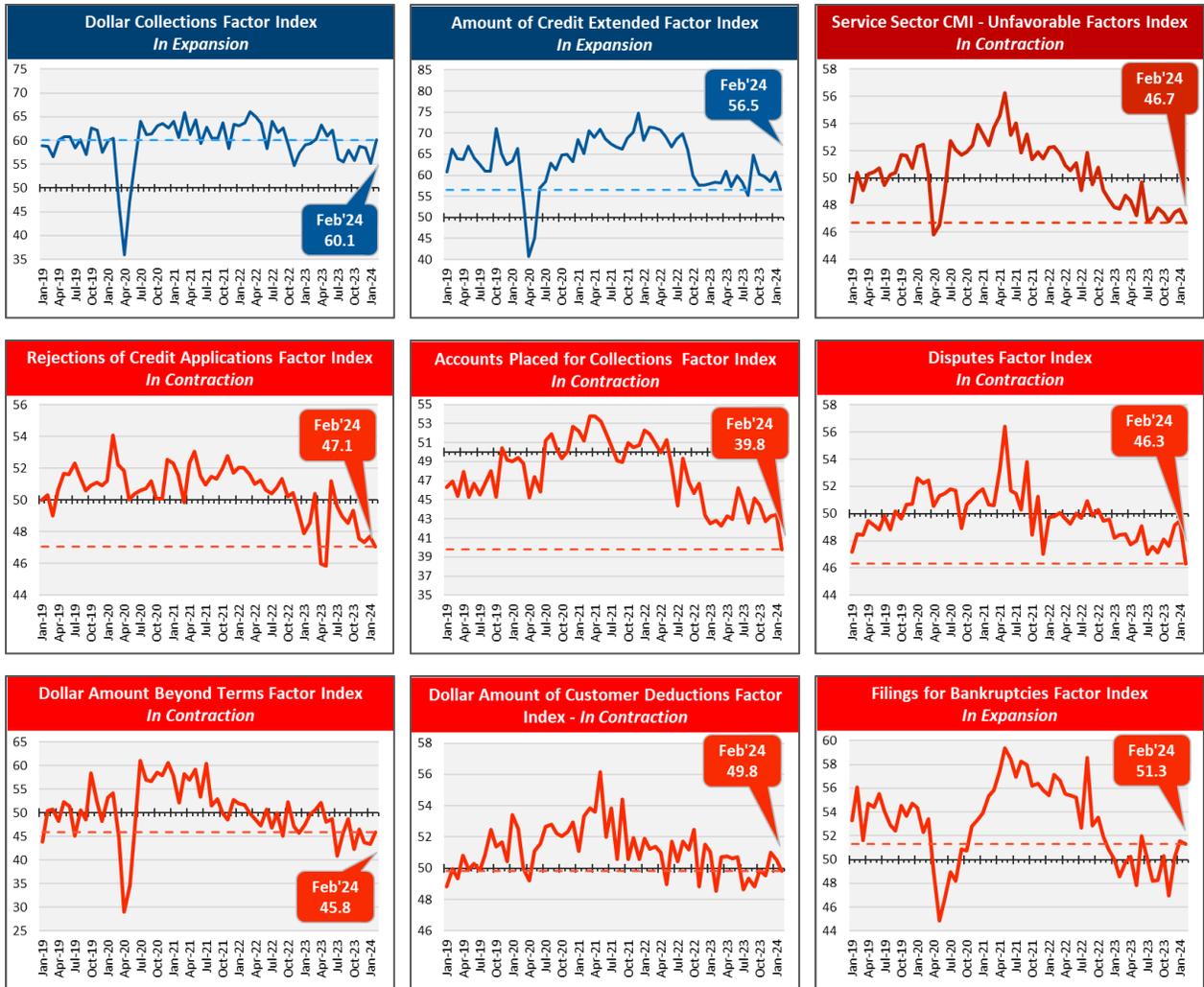
“Several respondents cited weather as affecting their sales, but most of the comments highlighted difficulty in getting paid,” Cutts said. “The improvement in the dollar amount owed that is now beyond terms to a level essentially unchanged from last month does not make up for the fact that an ever-growing number of accounts are being referred to collections. That more applications for business credit are being rejected is proof that the Fed’s policy is working on business demand by limiting access to credit. Consumers on the other hand seem to have paid little attention to the higher rates.”

<b>Manufacturing Sector (seasonally adjusted)</b>	<b>Feb '23</b>	<b>Mar '23</b>	<b>Apr '23</b>	<b>May '23</b>	<b>Jun '23</b>	<b>Jul '23</b>	<b>Aug '23</b>	<b>Sep '23</b>	<b>Oct '23</b>	<b>Nov '23</b>	<b>Dec '23</b>	<b>Jan '24</b>	<b>Feb '24</b>
Sales	58.6	54.8	57.1	52.6	61.1	54.4	44.8	57.2	50.0	53.3	54.6	51.4	54.9
New credit applications	57.2	59.0	56.2	56.8	56.3	55.8	55.9	53.3	56.4	56.5	60.7	52.5	56.1
Dollar collections	59.7	58.9	58.6	52.5	59.9	56.6	49.4	59.3	57.3	60.0	59.0	56.9	58.0
Amount of credit extended	58.7	57.8	55.7	54.7	61.1	54.9	55.3	58.3	57.1	56.8	57.6	55.0	55.7
<b>Index of favorable factors</b>	<b>58.6</b>	<b>57.6</b>	<b>56.9</b>	<b>54.1</b>	<b>59.6</b>	<b>55.4</b>	<b>51.3</b>	<b>57.0</b>	<b>55.2</b>	<b>56.6</b>	<b>58.0</b>	<b>53.9</b>	<b>56.2</b>
Rejections of credit applications	52.5	51.2	49.5	51.8	55.4	51.4	51.1	49.8	50.1	50.1	50.9	53.8	48.8
Accounts placed for collection	48.5	51.1	50.2	48.4	50.0	50.7	47.3	48.8	46.5	46.5	48.4	45.8	45.9
Disputes	48.5	52.4	51.4	48.8	52.9	52.9	51.4	47.6	48.7	52.2	49.7	47.8	50.0
Dollar amount beyond terms	52.6	54.6	54.4	53.4	53.5	50.6	51.5	50.5	48.7	51.4	52.6	43.8	55.4
Dollar amount of customer deductions	48.5	50.4	48.4	55.1	50.9	52.8	51.8	45.9	47.6	52.8	50.0	49.6	49.2
Filings for bankruptcies	51.7	53.8	52.5	51.1	52.9	54.0	51.3	51.7	50.6	48.4	52.0	51.9	53.9
<b>Index of unfavorable factors</b>	<b>50.4</b>	<b>52.3</b>	<b>51.1</b>	<b>51.4</b>	<b>52.6</b>	<b>52.1</b>	<b>50.8</b>	<b>49.1</b>	<b>48.7</b>	<b>50.2</b>	<b>50.6</b>	<b>48.8</b>	<b>50.5</b>
<b>NACM Manufacturing CMI</b>	<b>53.7</b>	<b>54.4</b>	<b>53.4</b>	<b>52.5</b>	<b>55.4</b>	<b>53.4</b>	<b>51.0</b>	<b>52.2</b>	<b>51.3</b>	<b>52.8</b>	<b>53.5</b>	<b>50.8</b>	<b>52.8</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 February CMI Service Sector Index marked a 3.0-point improvement in the favorable factors index to 59.9. The sector’s unfavorable factors index deteriorated by 1.0 point to 46.7 but marked the 16th consecutive month that the index has remained in contraction territory.

### Key Findings:

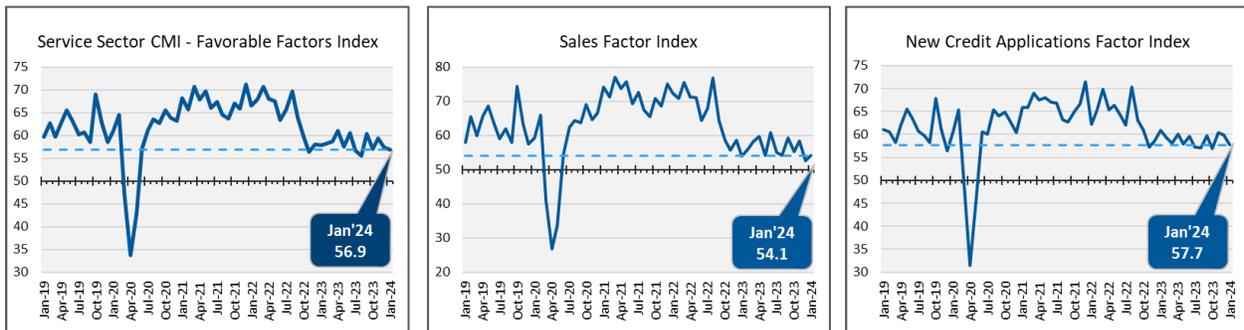
- The decline in the unfavorable factor index was led by a 3.6-point deterioration in the accounts placed for collections index to 39.8, tying the value posted in March 2009 (note that the unfavorable indexes are on an inverted scale).
- The index for the dollar amount beyond terms has been below the 50-point contraction threshold for ten consecutive months while the accounts placed for collections index has been in contraction for 21 months in a row.
- The rise in the favorable factor index was led by a 6.2-point improvement in the sales factor index to 60.3, but the new credit applications index and dollar collections index also posted strong gains.

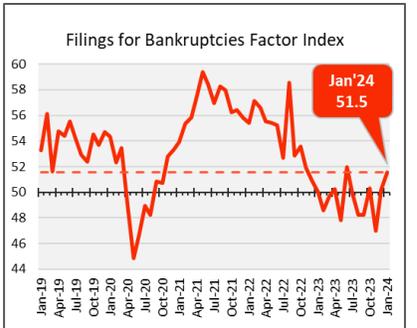
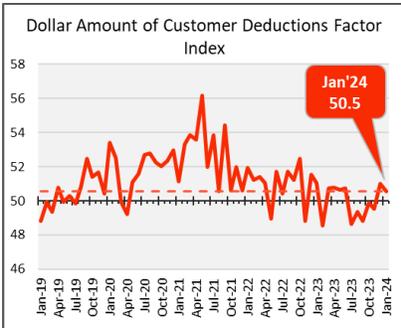
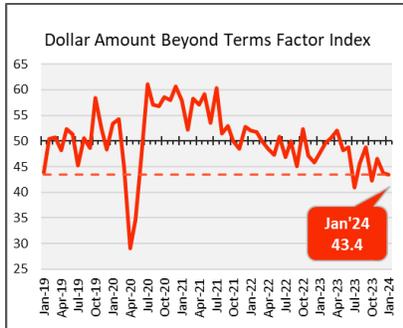
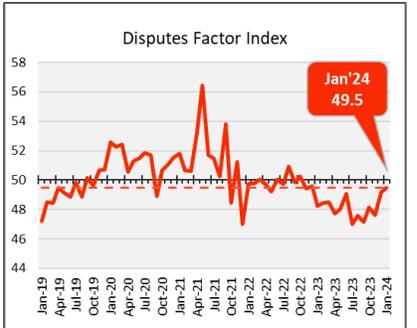
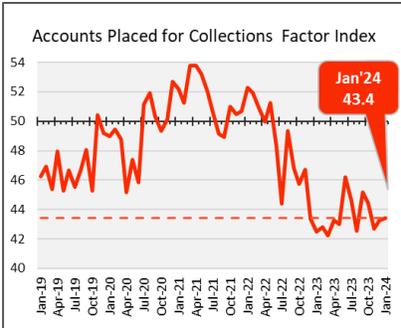
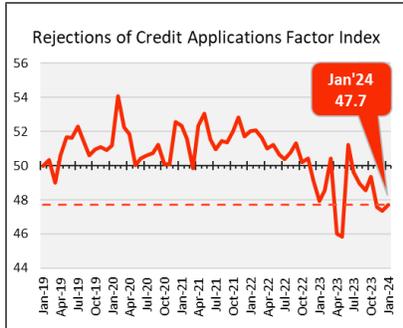
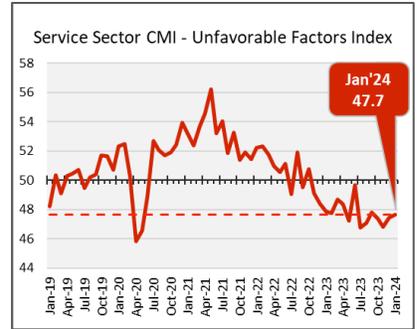
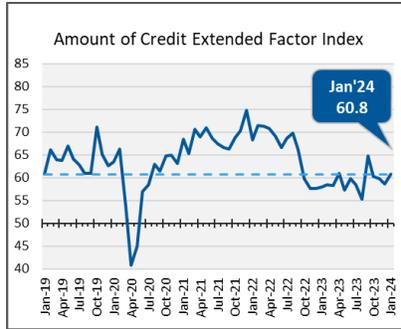
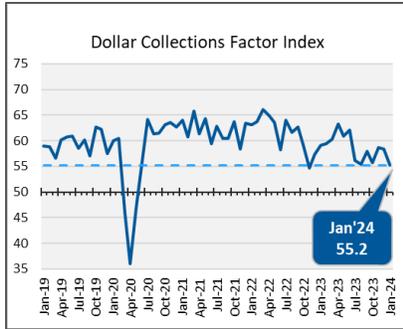
“The level of the service sector CMI, still firmly planted in the expansion zone, belies the trends we’re seeing in accounts that are beyond terms,” said Cutts. “The factor index for the dollar amount beyond terms has been in contraction for ten straight months, meaning that each month more accounts and higher amounts are marked as past due. The number of accounts placed for collection is also rising month over month and has been for nearly two years. It doesn’t matter if the sales team is busy signing contracts if the customers don’t pay for the goods or services ordered. I think this is now becoming a critical issue for businesses.”

Service Sector (seasonally adjusted)	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24
Sales	56.0	58.2	59.6	54.3	60.9	55.0	54.1	59.3	55.2	58.5	52.6	54.1	60.3
New credit applications	59.2	58.1	60.1	57.9	59.6	57.2	57.0	59.7	56.9	60.4	60.0	57.7	62.8
Dollar collections	59.4	60.4	63.3	60.9	62.1	56.1	55.5	58.0	55.7	58.7	58.4	55.2	60.1
Amount of credit extended	58.4	58.2	61.0	57.3	59.9	58.4	55.2	64.8	60.3	59.8	58.6	60.8	56.5
<b>Index of favorable factors</b>	<b>58.2</b>	<b>58.7</b>	<b>61.0</b>	<b>57.6</b>	<b>60.6</b>	<b>56.7</b>	<b>55.5</b>	<b>60.5</b>	<b>57.0</b>	<b>59.3</b>	<b>57.4</b>	<b>56.9</b>	<b>59.9</b>
Rejections of credit applications	48.5	50.4	46.0	45.8	51.2	49.6	48.9	48.6	49.3	47.6	47.4	47.7	47.1
Accounts placed for collection	42.8	42.2	43.3	43.0	46.2	44.6	42.6	45.2	44.4	42.7	43.3	43.4	39.8
Disputes	48.5	48.5	47.7	48.0	49.1	47.0	47.6	47.2	48.1	47.6	49.2	49.5	46.3
Dollar amount beyond terms	49.7	50.5	52.1	48.2	48.8	40.9	45.7	48.7	42.3	46.5	43.7	43.4	45.8
Dollar amount of customer deductions	48.5	50.7	50.8	50.6	50.7	48.6	49.3	48.8	49.9	49.5	51.0	50.5	49.8
Filings for bankruptcies	48.6	49.7	50.3	47.8	52.0	50.0	48.2	48.2	50.3	47.0	50.2	51.5	51.3
<b>Index of unfavorable factors</b>	<b>47.8</b>	<b>48.7</b>	<b>48.4</b>	<b>47.3</b>	<b>49.7</b>	<b>46.8</b>	<b>47.1</b>	<b>47.8</b>	<b>47.4</b>	<b>46.8</b>	<b>47.4</b>	<b>47.7</b>	<b>46.7</b>
<b>NACM Service CMI</b>	<b>52.0</b>	<b>52.7</b>	<b>53.4</b>	<b>51.4</b>	<b>54.1</b>	<b>50.8</b>	<b>50.4</b>	<b>52.9</b>	<b>51.2</b>	<b>51.8</b>	<b>51.4</b>	<b>51.4</b>	<b>52.0</b>

### 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

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Website: [www.nacm.org](http://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.

<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>.