



Report for January 2024

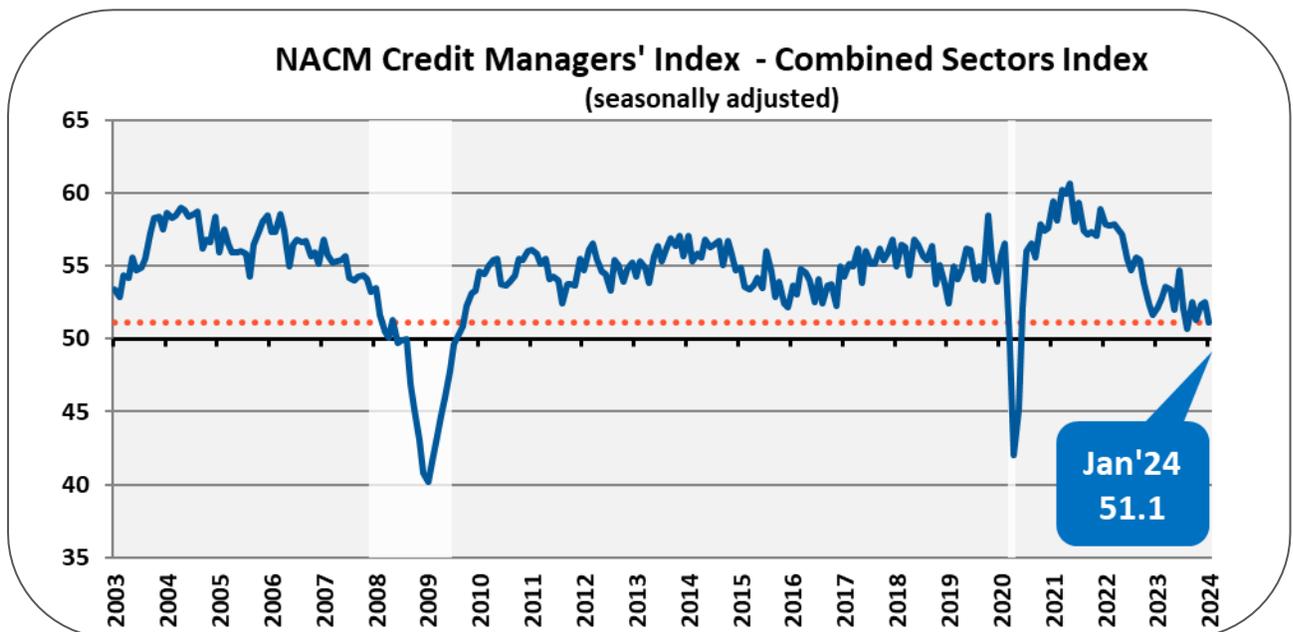
Issued January 31, 2024

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 January 2024 deteriorated 1.4 points to 51.1. "The CMI continues to show considerable weakness but without a deliberate trend other than bouncing around just above the contraction threshold," said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"Business bankruptcies accelerated in the fourth quarter of 2023, with total annual bankruptcies rising over 40% versus 2022. While overall consumer inflation is down, it only means prices are still rising but at a slower pace. Meanwhile, the Producer Price Index declined 3.2% versus a year ago in December. Attacks on ships in the Red Sea, the drought affecting shipping in the Panama Canal and other geopolitical events are increasing the costs and shipping times over water. CMI respondents are noting these pressures in their survey responses."



The CMI is centered on a value of 50, with values greater indicating expansion and values lower indicating economic contraction. For this month's report, the seasonal adjustment factors have been re-estimated, which affects prior published values of the CMI indexes.

Combined Manufacturing and Service Sectors (seasonally adjusted)	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24
Sales	52.1	57.3	56.5	58.4	53.4	61.0	54.7	49.4	58.3	52.6	55.9	53.6	52.7
New credit applications	58.4	58.2	58.5	58.2	57.3	58.0	56.5	56.5	56.5	56.6	58.4	60.4	55.1
Dollar collections	58.3	59.5	59.7	61.0	56.7	61.0	56.3	52.5	58.6	56.5	59.4	58.7	56.1
Amount of credit extended	58.5	58.6	58.0	58.4	56.0	60.5	56.7	55.2	61.5	58.7	58.3	58.1	57.9
Index of favorable factors	56.8	58.4	58.2	59.0	55.9	60.1	56.1	53.4	58.7	56.1	58.0	57.7	55.4
Rejections of credit applications	50.4	50.5	50.8	47.8	48.8	53.3	50.5	50.0	49.2	49.7	48.8	49.1	50.7
Accounts placed for collection	45.4	45.7	46.7	46.7	45.7	48.1	47.7	44.9	47.0	45.4	44.6	45.8	44.6
Disputes	49.2	48.5	50.5	49.5	48.4	51.0	49.9	49.5	47.4	48.4	49.9	49.4	48.6
Dollar amount beyond terms	48.2	51.1	52.6	53.2	50.8	51.1	45.8	48.6	49.6	45.5	48.9	48.2	43.6
Dollar amount of customer deductions	50.2	48.5	50.6	49.6	52.8	50.8	50.7	50.6	47.4	48.8	51.2	50.5	50.1
Filings for bankruptcies	50.9	50.2	51.7	51.4	49.5	52.4	52.0	49.8	50.0	50.5	47.7	51.1	51.7
Index of unfavorable factors	49.1	49.1	50.5	49.7	49.3	51.1	49.4	48.9	48.4	48.1	48.5	49.0	48.2
NACM Combined CMI	52.2	52.8	53.6	53.4	52.0	54.7	52.1	50.7	52.5	51.3	52.3	52.5	51.1

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

CMI Combined Sectors Factor Indexes

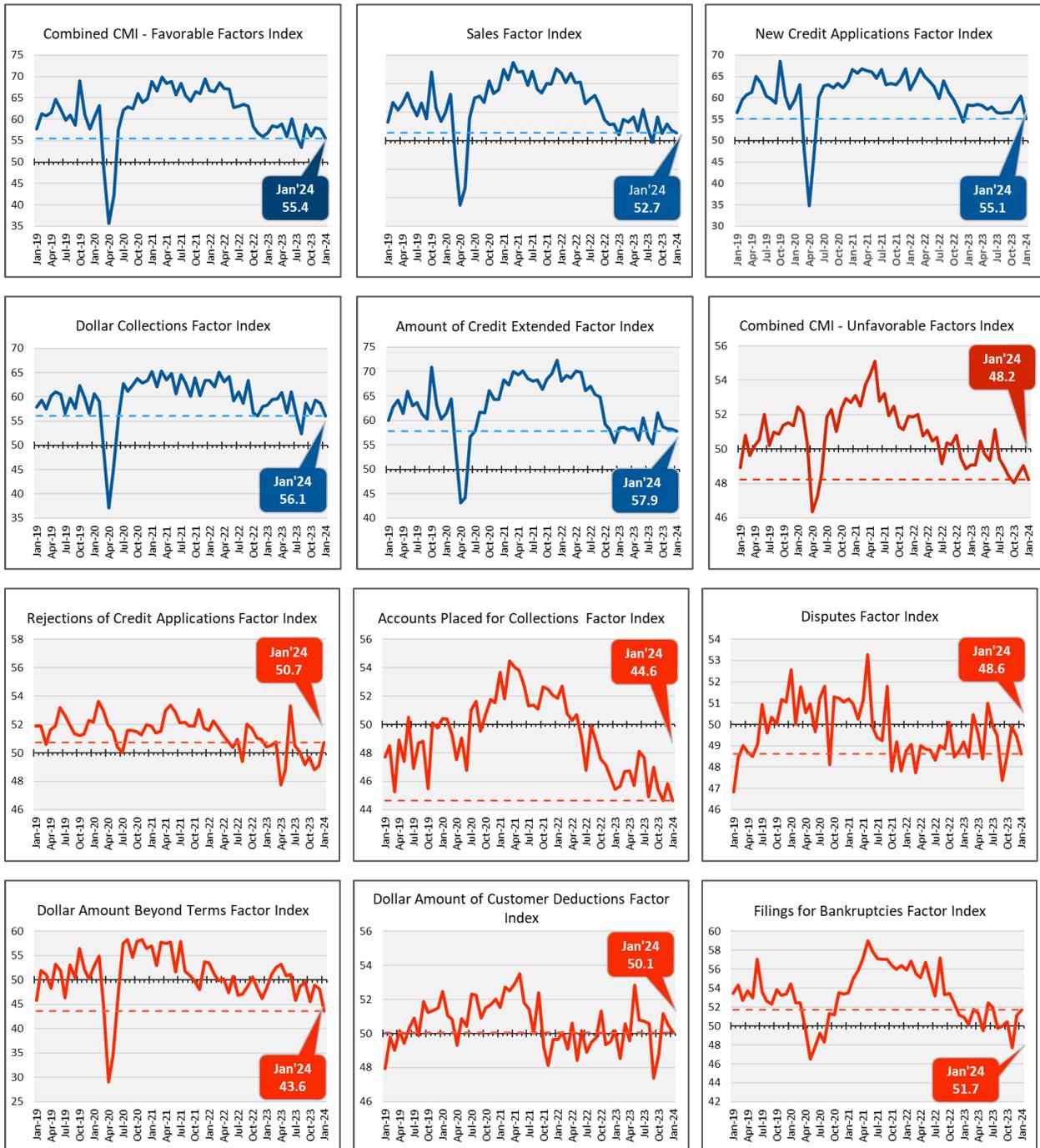
Key Findings:

- The index for favorable factors deteriorated 2.3 points to 55.4, led by a 5.3-point drop in the new credit applications factor index to 55.1 points and a 2.6-point decline in the dollar collections factor index to 56.1.
- The amount of credit extended factor index declined 0.3 to its lowest level since last August.
- The sales factor index has been the most volatile since the pandemic and is down 8.3 points from its recent high of 62.0 in June.
- The index for unfavorable factors deteriorated by 0.8 to 48.2, remaining in the tight range around 50 that it has been in the past year and a half, while recording its seventh consecutive month below 50.
- Two of the six unfavorable factor indexes improved in the January survey, which records credit performance for the prior month; the index for rejections of credit applications led with a rise of 1.6 points to an index value of 50.7, its first value in over the expansion threshold in five months.
- The index for dollar amount beyond terms had the largest degradation, falling 4.6 points to 43.6, a new low for the post-pandemic period and the seventh consecutive month in which the index was below 50 denoting increasing amounts beyond terms.

“CMI survey respondents this month noted that although this was the slow time of year for many, sales seemed slower than usual,” Cutts said. “Even for those who noted sales were up as companies tried to get 2023 budget dollars spent on paper, they are not as eager to pay up. Inventories were used up in the latter part of 2023 as noted in recent macroeconomic reports, but many companies are signaling a return to leaner, just-in-time inventory management, which is consistent with what the CMI sales index is indicating. Sales are up in dollars, but units sold is stagnant or down.”

CMI Combined Sectors Factor Indexes Charts

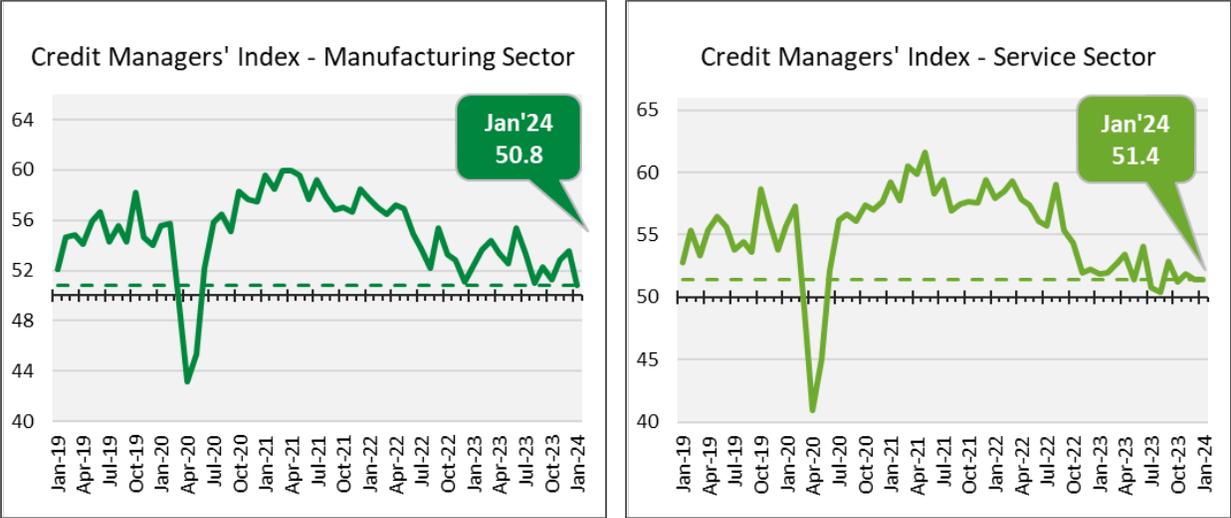
All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.



CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI deteriorated 2.7 points in the January survey to a level of 50.8—its lowest reading since May 2020. The Service Sector CMI was unchanged from its December level, standing at 51.4.

“We are seeing the effects of inflation and monetary policy in business credit markets,” Cutts said. “The service sector CMI fell sharply over the summer of 2022 and has remained tightly around 51 points since then—a level technically in expansion, but barely so. However, the manufacturing sector CMI has shown more volatility though a smoother general decline since the start of 2022. The manufacturing sector is more sensitive to the Fed’s interest rate moves due to higher investment in structures and machines that would be funded by capital markets and banks, however higher capital market rates do find their way into the B2B credit market eventually.”



The data in the charts are seasonally adjusted.

CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors deteriorated 4.1 points to 53.9. The unfavorable factor index declined 1.8 points this month to 48.8, falling back into contraction after two expansionary months.

Key Findings:

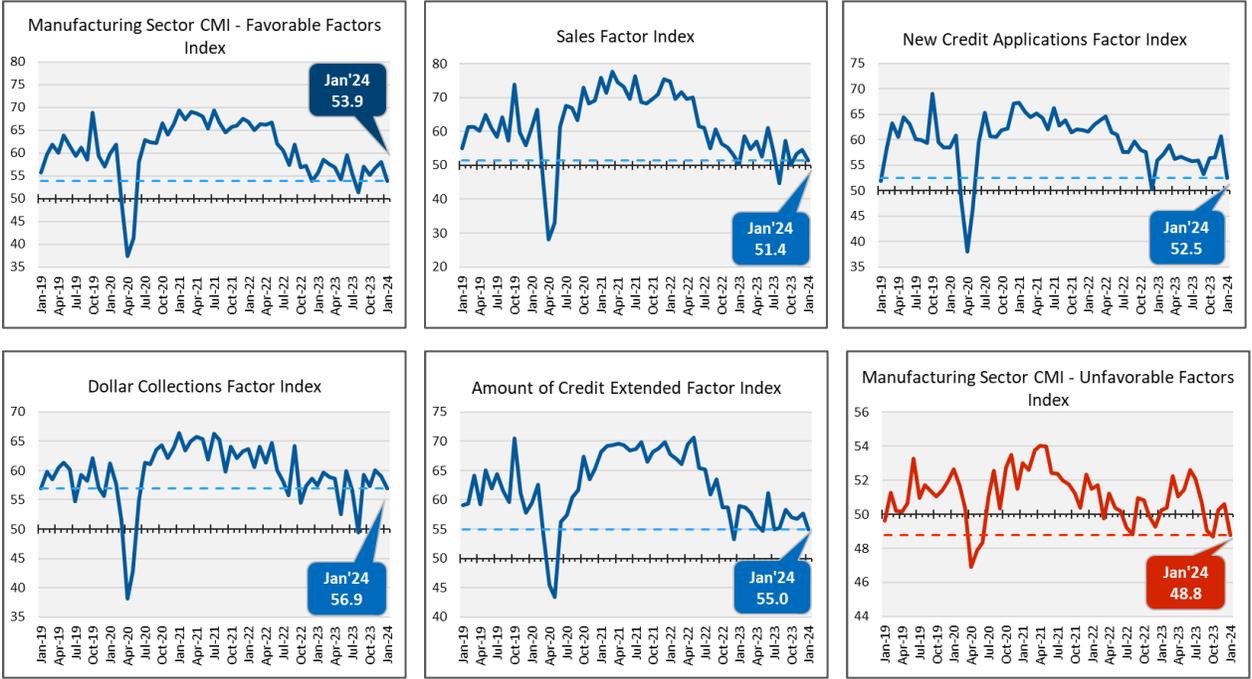
- Only one factor index improved this month. The rejections of credit applications index rose by 2.9 points to 53.8 points.
- Among favorable factors, the decline was led by the index for new credit applications, which dropped to 52.5 in the January survey from 60.7 in December, a decline of 8.2 points.
- The deterioration in the unfavorable factors index was led by the index for dollar amount beyond terms, which plummeted 8.8 points to 43.8, its lowest reading since May 2020.
- The accounts placed for collections index declined 2.5 points to 45.8, its sixth consecutive month in contraction.

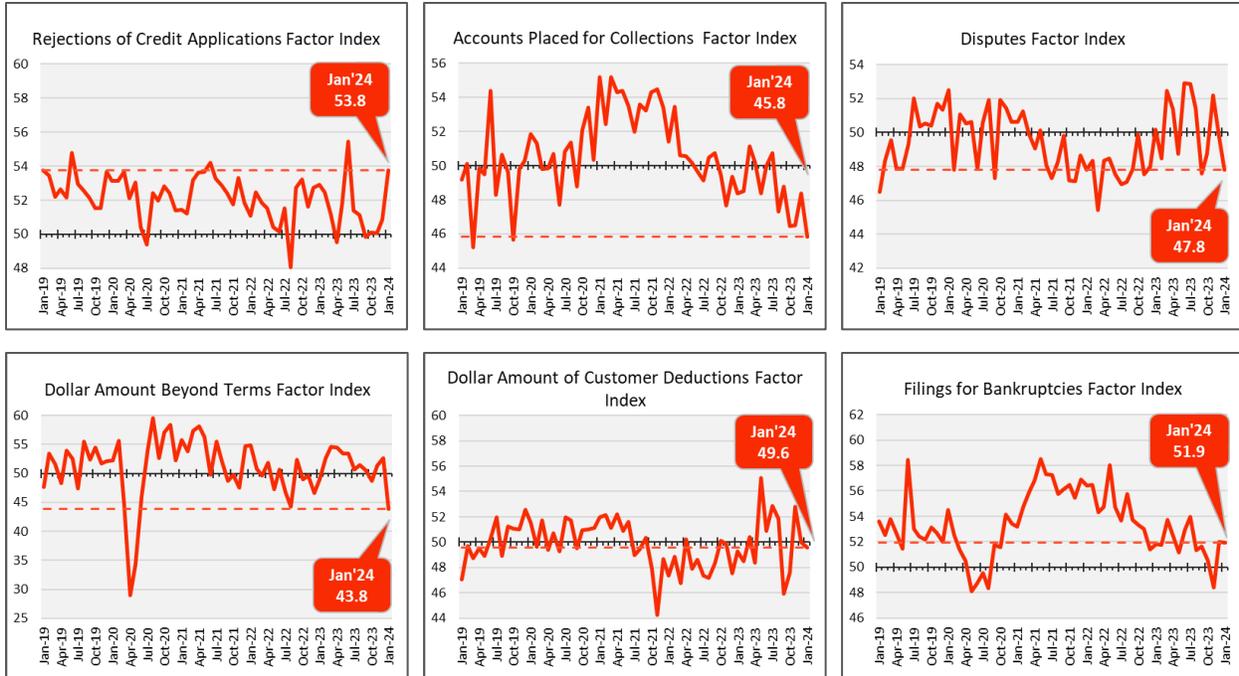
“While many respondents noted the seasonal slowdown in business, they also noted that December was the worst month for collections since the pandemic started,” Cutts said. “Taken as a whole, the rising numbers of accounts going beyond terms and accounts being referred to collections along with invoices being disputed is a troubling indication of business stress.”

Manufacturing Sector (seasonally adjusted)	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24
Sales	50.4	58.6	54.8	57.1	52.6	61.1	54.4	44.8	57.2	50.0	53.3	54.6	51.4
New credit applications	55.9	57.2	59.0	56.2	56.8	56.3	55.8	55.9	53.3	56.4	56.5	60.7	52.5
Dollar collections	57.5	59.7	58.9	58.6	52.5	59.9	56.6	49.4	59.3	57.3	60.0	59.0	56.9
Amount of credit extended	59.0	58.7	57.8	55.7	54.7	61.1	54.9	55.3	58.3	57.1	56.8	57.6	55.0
Index of favorable factors	55.7	58.6	57.6	56.9	54.1	59.6	55.4	51.3	57.0	55.2	56.6	58.0	53.9
Rejections of credit applications	52.9	52.5	51.2	49.5	51.8	55.4	51.4	51.1	49.8	50.1	50.1	50.9	53.8
Accounts placed for collection	48.4	48.5	51.1	50.2	48.4	50.0	50.7	47.3	48.8	46.5	46.5	48.4	45.8
Disputes	50.2	48.5	52.4	51.4	48.8	52.9	52.9	51.4	47.6	48.7	52.2	49.7	47.8
Dollar amount beyond terms	49.0	52.6	54.6	54.4	53.4	53.5	50.6	51.5	50.5	48.7	51.4	52.6	43.8
Dollar amount of customer deductions	49.3	48.5	50.4	48.4	55.1	50.9	52.8	51.8	45.9	47.6	52.8	50.0	49.6
Filings for bankruptcies	51.8	51.7	53.8	52.5	51.1	52.9	54.0	51.3	51.7	50.6	48.4	52.0	51.9
Index of unfavorable factors	50.2	50.4	52.3	51.1	51.4	52.6	52.1	50.8	49.1	48.7	50.2	50.6	48.8
NACM Manufacturing CMI	52.4	53.7	54.4	53.4	52.5	55.4	53.4	51.0	52.2	51.3	52.8	53.5	50.8

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 January CMI Service Sector Index marked a 0.5-point deterioration in the favorable factors index to 56.9. The sector’s unfavorable factors index improved by 0.3 to 47.7 but marked the 15th consecutive month that the index has remained in contraction territory (below 50 points).

Key Findings:

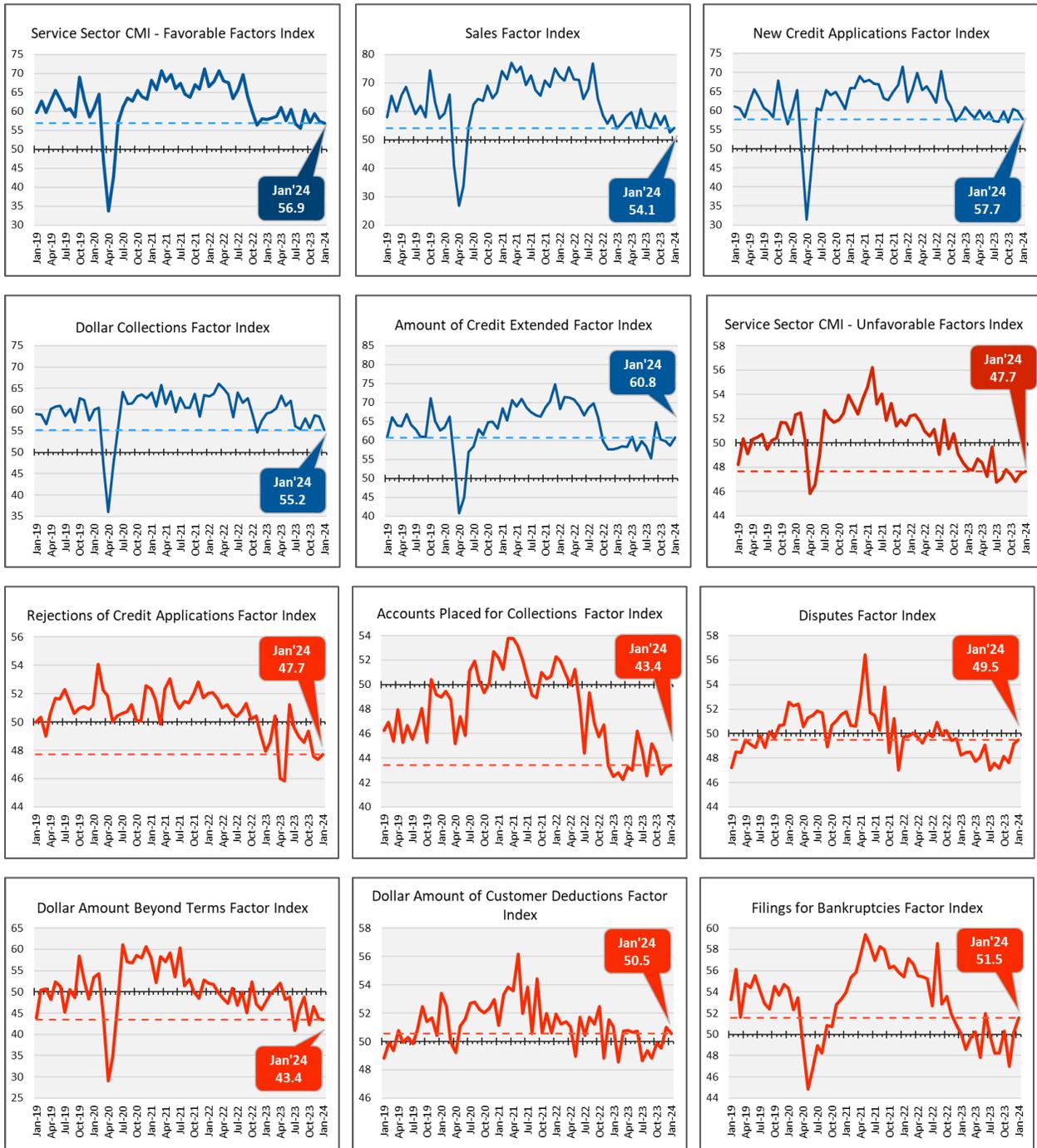
- The rise in the unfavorable factor index was led by a 1.4-point improvement in the filings for bankruptcies index to 51.5, making the second month in which the number of bankruptcy filings among CMI survey respondents fell (note that the unfavorable indexes are on an inverted scale).
- The disputes factor index for the services sector has been below 50 for 15 consecutive months. Financial stress on firms may be leading them to dispute invoices in an effort to reduce the amount owed.
- The index for the dollar amount beyond terms has been below the 50-point contraction threshold for nine consecutive months while the accounts placed for collections index has been in contraction for 20 months in a row.

“The Service Sector CMI index overall seems to have settled in at a level just above the expansion-contraction threshold, but the signs of distress under this seemingly smooth pattern are alarming,” said Cutts. “For the factor indexes on accounts beyond terms, placed for collection, and disputes not only being well into contraction levels but to be there for so long is clearly a leading indicator of distress in firms seeking services. The filings for bankruptcies index is seemingly robust in counterpoint to the actual filings recorded by the U.S. Courts, which showed a sharp acceleration in filings in the fourth quarter.

Service Sector (seasonally adjusted)	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24
Sales	53.9	56.0	58.2	59.6	54.3	60.9	55.0	54.1	59.3	55.2	58.5	52.6	54.1
New credit applications	60.9	59.2	58.1	60.1	57.9	59.6	57.2	57.0	59.7	56.9	60.4	60.0	57.7
Dollar collections	59.1	59.4	60.4	63.3	60.9	62.1	56.1	55.5	58.0	55.7	58.7	58.4	55.2
Amount of credit extended	58.0	58.4	58.2	61.0	57.3	59.9	58.4	55.2	64.8	60.3	59.8	58.6	60.8
Index of favorable factors	57.9	58.2	58.7	61.0	57.6	60.6	56.7	55.5	60.5	57.0	59.3	57.4	56.9
Rejections of credit applications	47.9	48.5	50.4	46.0	45.8	51.2	49.6	48.9	48.6	49.3	47.6	47.4	47.7
Accounts placed for collection	42.5	42.8	42.2	43.3	43.0	46.2	44.6	42.6	45.2	44.4	42.7	43.3	43.4
Disputes	48.2	48.5	48.5	47.7	48.0	49.1	47.0	47.6	47.2	48.1	47.6	49.2	49.5
Dollar amount beyond terms	47.5	49.7	50.5	52.1	48.2	48.8	40.9	45.7	48.7	42.3	46.5	43.7	43.4
Dollar amount of customer deductions	51.0	48.5	50.7	50.8	50.6	50.7	48.6	49.3	48.8	49.9	49.5	51.0	50.5
Filings for bankruptcies	50.0	48.6	49.7	50.3	47.8	52.0	50.0	48.2	48.2	50.3	47.0	50.2	51.5
Index of unfavorable factors	47.9	47.8	48.7	48.4	47.3	49.7	46.8	47.1	47.8	47.4	46.8	47.4	47.7
NACM Service CMI	51.9	52.0	52.7	53.4	51.4	54.1	50.8	50.4	52.9	51.2	51.8	51.4	51.4

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 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>.