



## Report for March 2024

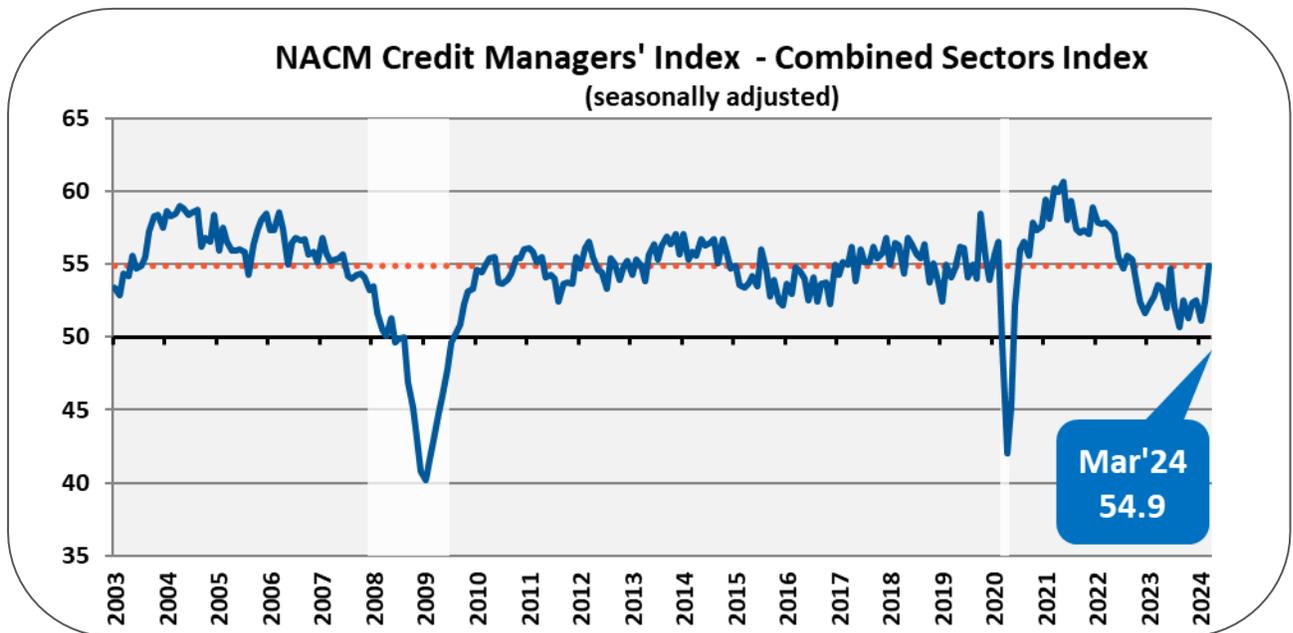
Issued March 29, 2024

### 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 March 2024 improved 2.5 points to 54.9—its highest reading since June 2023. “The CMI seems to be picking up some steam, with a second month of improvement and a breakout of the tight band in which it had been for eight months,” said NACM Economist Amy Crews Cutts, Ph.D., CBE.

“All but one factor index improved, which is a sign of balanced improvement. More importantly, we had two unfavorable factors rise above 50 points this month. Despite all this positive news, members continue to indicate a rising number of their accounts are being placed for collections. There is considerable stress in the business sector but I sense some optimism among CMI Survey respondents that has been missing for quite a while.”



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>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>	<b>Mar '24</b>
Sales	56.5	58.4	53.4	61.0	54.7	49.4	58.3	52.6	55.9	53.6	52.7	57.6	62.1
New credit applications	58.5	58.2	57.3	58.0	56.5	56.5	56.5	56.6	58.4	60.4	55.1	59.5	61.2
Dollar collections	59.7	61.0	56.7	61.0	56.3	52.5	58.6	56.5	59.4	58.7	56.1	59.0	61.2
Amount of credit extended	58.0	58.4	56.0	60.5	56.7	55.2	61.5	58.7	58.3	58.1	57.9	56.1	64.2
<b>Index of favorable factors</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>	<b>62.2</b>
Rejections of credit applications	50.8	47.8	48.8	53.3	50.5	50.0	49.2	49.7	48.8	49.1	50.7	47.9	51.5
Accounts placed for collection	46.7	46.7	45.7	48.1	47.7	44.9	47.0	45.4	44.6	45.8	44.6	42.9	45.7
Disputes	50.5	49.5	48.4	51.0	49.9	49.5	47.4	48.4	49.9	49.4	48.6	48.2	49.6
Dollar amount beyond terms	52.6	53.2	50.8	51.1	45.8	48.6	49.6	45.5	48.9	48.2	43.6	50.6	54.1
Dollar amount of customer deductions	50.6	49.6	52.8	50.8	50.7	50.6	47.4	48.8	51.2	50.5	50.1	49.5	49.9
Filings for bankruptcies	51.7	51.4	49.5	52.4	52.0	49.8	50.0	50.5	47.7	51.1	51.7	52.6	49.4
<b>Index of unfavorable factors</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>50.0</b>
<b>NACM Combined CMI</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>	<b>54.9</b>

## CMI Combined Sectors Factor Indexes

### Key Findings:

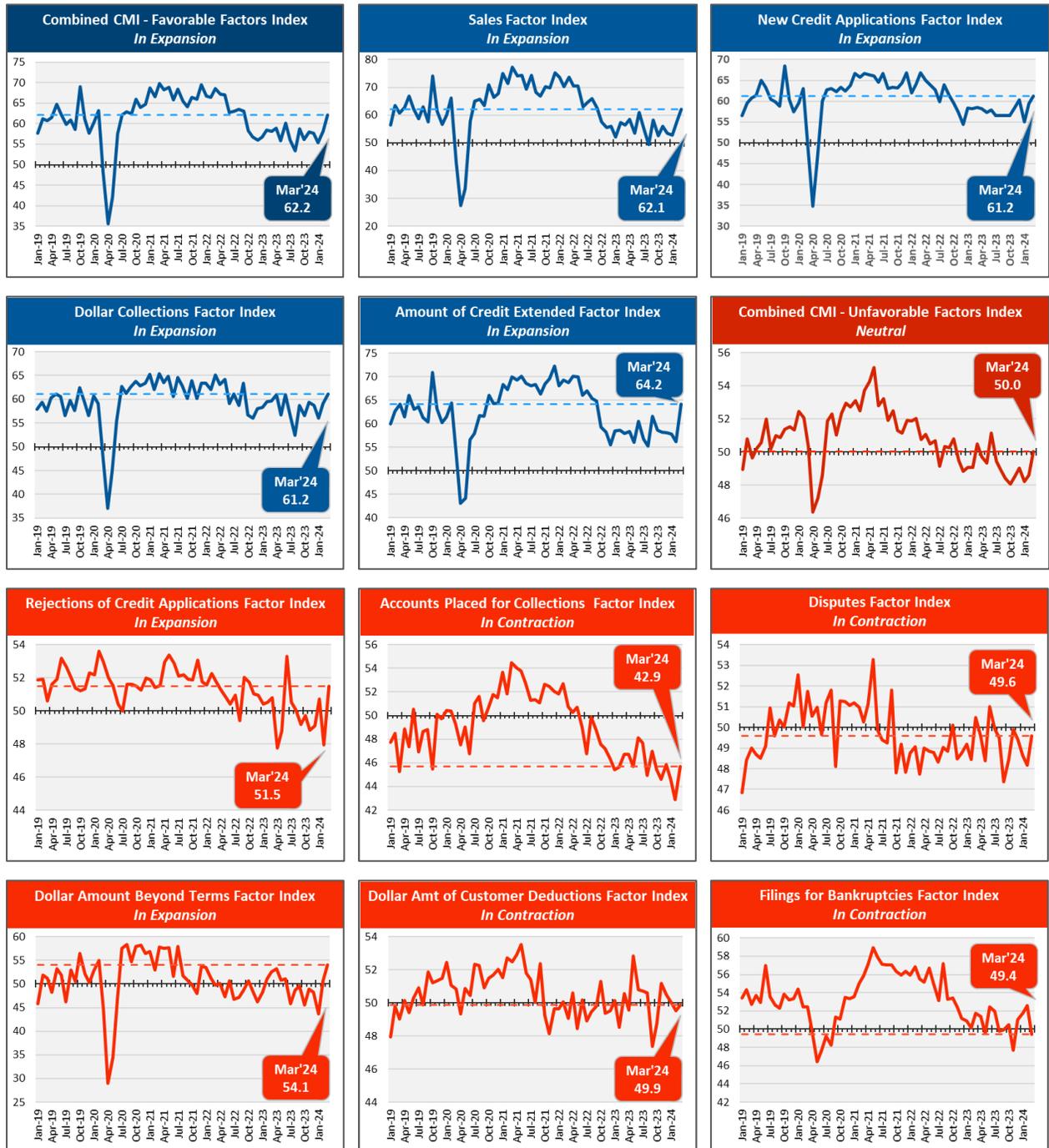
- The index for unfavorable factors improved by 1.4 to 50.0, ending its contraction streak after eight months.
- The biggest gains were in the indexes for rejection of credit applications (up 3.6 points to 51.5) and the index for dollar amount beyond terms (up 3.5 points to 54.1).
- The index for accounts placed for collection improved by 2.8 points to 45.7 but marked its 22<sup>nd</sup> month in contraction.
- The index for favorable factors remains solidly in expansion and improved 4.1 points to 62.2, led by an 8.1-point rise in the amount of credit extended index to 64.2 points and a 4.5-point advancement in the sales factor index to 62.1 points.

“CMI survey respondents this month were quieter than usual and those who did respond with comments were notably more optimistic than in the recent past,” said Cutts. “We are certainly far from a strong business economy, given the continued problem of more accounts being placed into collections each month. But seeing improvement in the dollar amount beyond terms index is a huge step forward.”

“The Fed has indicated three cuts in the Federal funds rate this year, likely 25 basis points each time. This will still be in the territory of restrictive monetary policy. You can think of it as if the Fed had applied both feet and braced their back against the brake pedal with the rapid pace of interest rate hikes. If they follow through with their signaled action it will be as if only one foot is left on the brake, and they no longer have their back into it. This won’t make much difference to struggling businesses in dire need of still-costly loans, but it will perhaps allow the financial market to normalize the yield curve and for capital to flow more freely.”

## CMI Combined Sectors Factor Indexes Charts

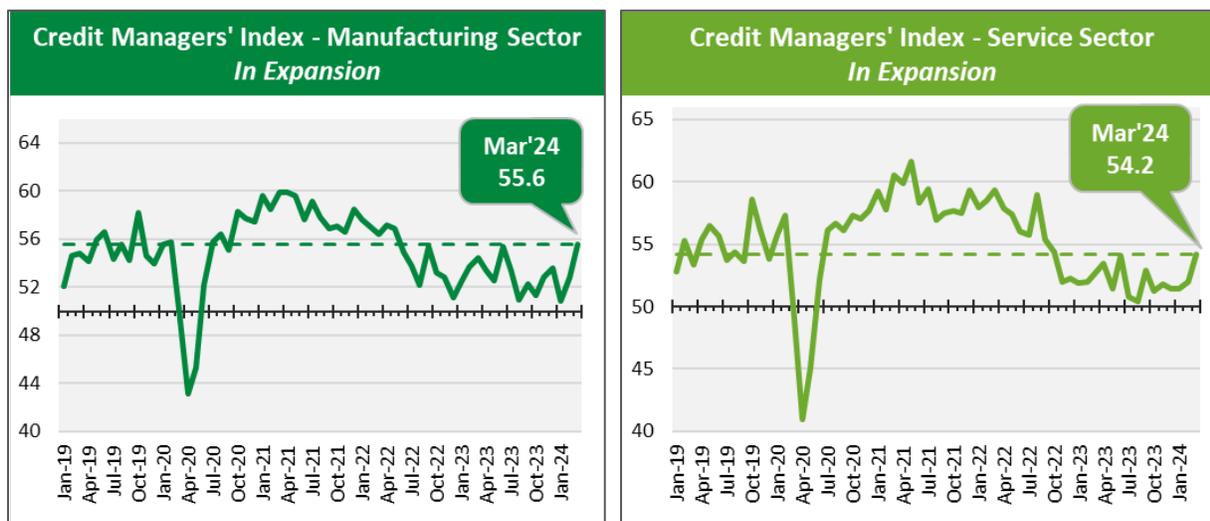
All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.



## CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI improved 2.8 points in the March CMI survey to a level of 55.6. The Service Sector CMI advanced 2.2 points and now stands at 54.2.

“The manufacturing sector seems to be strengthening faster than the service sector from an account management standpoint” Cutts said. “With the strength in sales I think this momentum is likely to continue but losing the Port of Baltimore due to the bridge disaster this week could cause some short-term disruption for those companies that rely on the port for either export or import and will undoubtedly raise costs, both monetarily and timewise, for shipping along the east coast.”



The data in the charts are seasonally adjusted.

### CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors improved 6.4 points to 62.6, its best reading in 22 months. The unfavorable factor index improved 0.4 points to a value of 50.9, its best level since July of last year.

#### Key Findings:

- All but two factor indexes improved this month. The index for filings of bankruptcies lost 3.9 points to fall into contraction territory. The index for disputes lost 0.8 points to 49.2, in contraction after a neutral reading last month.
- Among favorable factors, the improvement was led by the indexes for the amount of credit extended, which gained a whopping 10.1 points to 65.9 and sales, which gained 9.5 points to a level of 64.4. Both indexes are at their best levels since May of 2022.
- The index for the dollar amount beyond terms rose 3.2 points this month 58.6 points. This index had been in a tight range close to 50 points until three months ago when it first dipped sharply into contraction and then abruptly reversed course last month and busted out of range in the other direction. Its current level is the strongest it has been since November 2020.
- The accounts placed for collections index improved 1.4 points to 47.4, its eighth consecutive month in contraction.

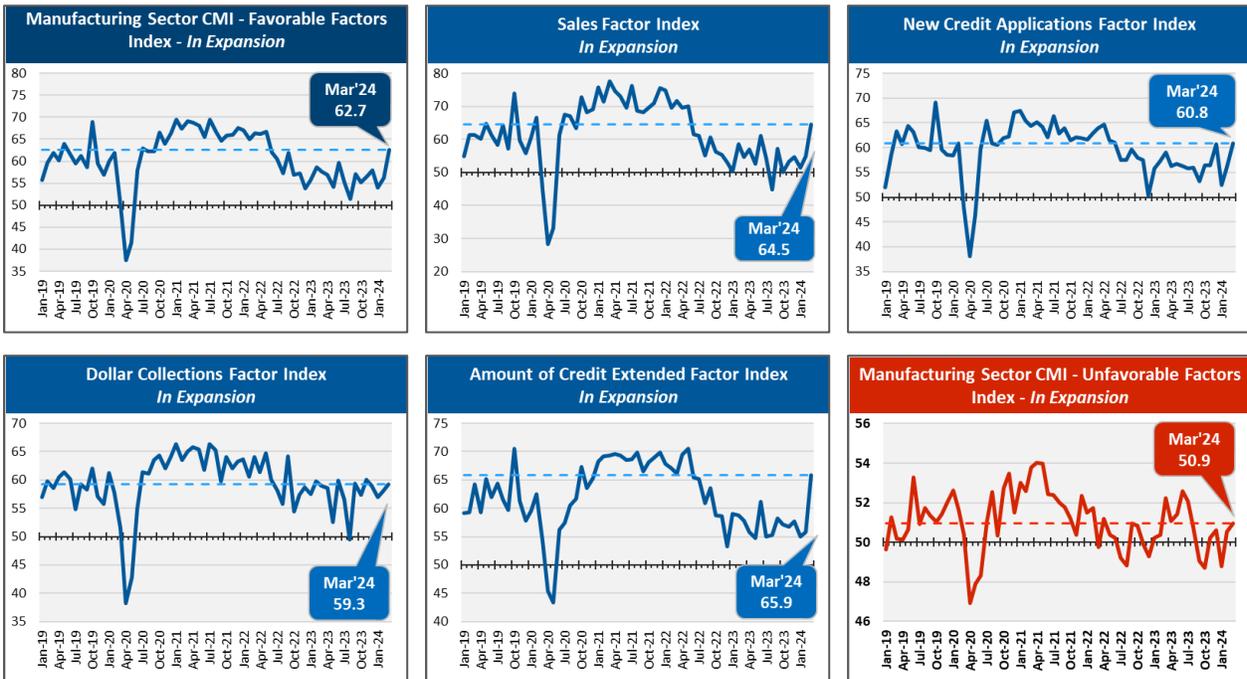
“The improvement this month in the manufacturing sector CMI is showing signs of turnaround,” Cutts said. “The broad improvement in the indexes for favorable factors into very strong expansion levels is good leading indicator of the sector’s strength. Seeing improvement in the unfavorable factors, especially the dollar amount

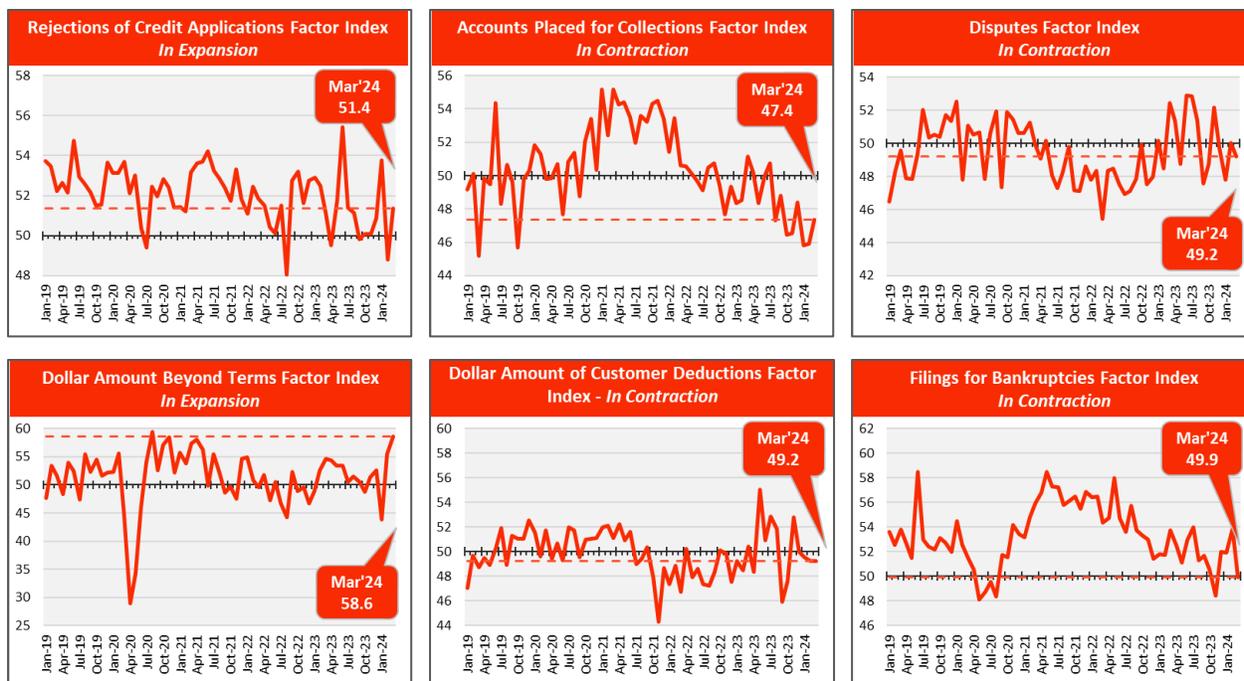
beyond terms which is now deep in expansion territory, is indicative of better health in the sector overall. However, I do still worry about the persistence increasing numbers of accounts being placed for collections.”

<b>Manufacturing Sector (seasonally adjusted)</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>	<b>Mar '24</b>
Sales	54.8	57.1	52.6	61.1	54.4	44.8	57.2	50.0	53.3	54.6	51.4	54.9	64.4
New credit applications	59.0	56.2	56.8	56.3	55.8	55.9	53.3	56.4	56.5	60.7	52.5	56.1	60.8
Dollar collections	58.9	58.6	52.5	59.9	56.6	49.4	59.3	57.3	60.0	59.0	56.9	58.0	59.3
Amount of credit extended	57.8	55.7	54.7	61.1	54.9	55.3	58.3	57.1	56.8	57.6	55.0	55.7	65.9
<b>Index of favorable factors</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>	<b>62.6</b>
Rejections of credit applications	51.2	49.5	51.8	55.4	51.4	51.1	49.8	50.1	50.1	50.9	53.8	48.8	51.4
Accounts placed for collection	51.1	50.2	48.4	50.0	50.7	47.3	48.8	46.5	46.5	48.4	45.8	45.9	47.4
Disputes	52.4	51.4	48.8	52.9	52.9	51.4	47.6	48.7	52.2	49.7	47.8	50.0	49.2
Dollar amount beyond terms	54.6	54.4	53.4	53.5	50.6	51.5	50.5	48.7	51.4	52.6	43.8	55.4	58.6
Dollar amount of customer deductions	50.4	48.4	55.1	50.9	52.8	51.8	45.9	47.6	52.8	50.0	49.6	49.2	49.2
Filings for bankruptcies	53.8	52.5	51.1	52.9	54.0	51.3	51.7	50.6	48.4	52.0	51.9	53.9	49.9
<b>Index of unfavorable factors</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>50.9</b>
<b>NACM Manufacturing CMI</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>	<b>55.6</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 March CMI Service Sector Index marked a 1.8-point improvement in the favorable factors index to 61.7. The sector’s unfavorable factors index improved by 2.4 points to 49.1 but marked the 17<sup>th</sup> consecutive month that the index has remained in contraction territory.

### Key Findings:

- The improvement in the unfavorable factor index was led by a 4.5-point advancement in the rejections of credit applications index to 51.6, its first month in expansion after eight consecutive months in contraction (note that the unfavorable indexes are on an inverted scale).
- The index for the dollar amount beyond terms gained 3.7 points to 49.5, but the index has been below the 50-point contraction threshold for eleven consecutive months while the accounts placed for collections index has been in contraction for 22 months in a row.
- The rise in the favorable factor index was led by a 6.0-point improvement the index for the amount of credit extended to 62.6.
- Three factor indexes for the sector fell this month: the sales factor index (down 0.6 points to 60.3 – in expansion), the new credit applications index (down 1.2 points to 61.6 – in expansion), and the index for filings for bankruptcies (down 2.3 points to 49.0 – in contraction).

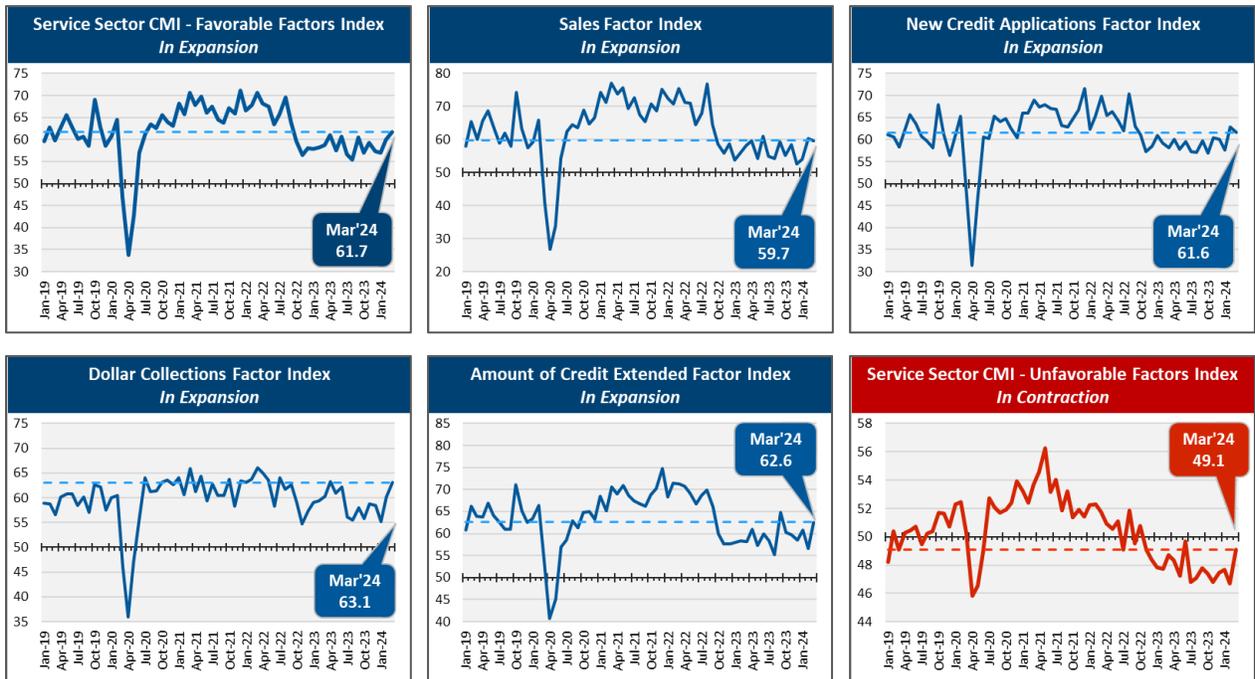
“This is the second month of improvement in the service sector CMI,” said Cutts. “The trends for the sector are similar to that in manufacturing, with really broad strength in favorable factors that remain deep in expansion. However, not only is the index for accounts being placed in collections still deep in contraction, but this sector is also reporting a still rising incidence of the dollar amount beyond terms. One respondent called out this point specifically in a comment, that they were showing improvement in the dollar amount beyond terms at their firm but that was only due to a large customer making up a past due payment while a larger number of smaller customers were falling behind. Rising sales and extensions of credit are all fine and well

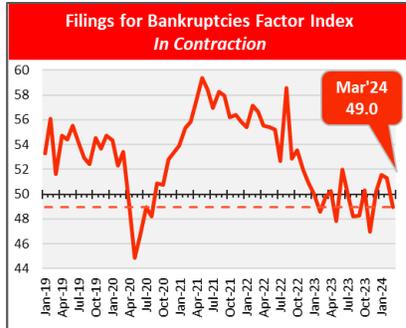
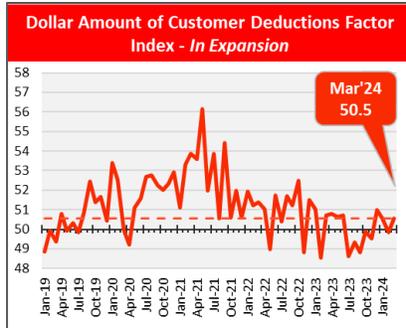
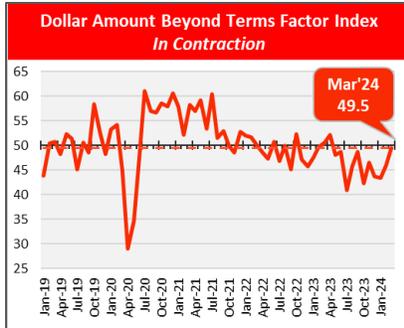
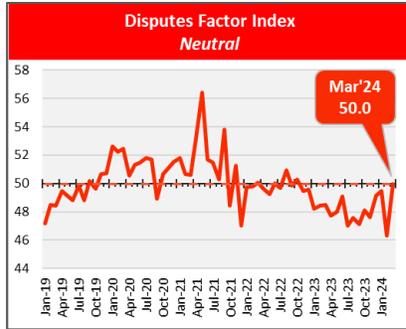
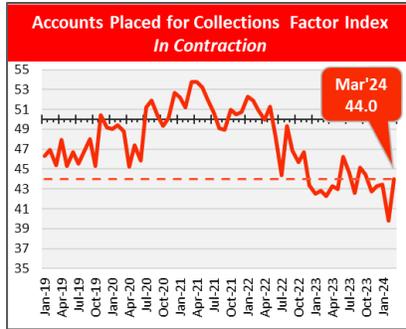
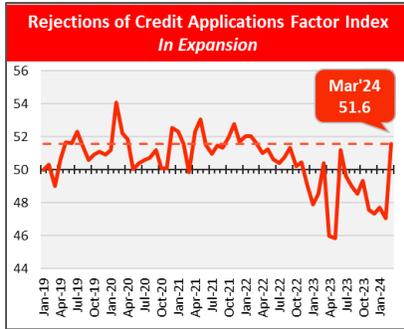
unless customers don't make good on their end of the contract. Given the change in tone among those respondents that added comments I am hopeful that we will see continued improvement in the unfavorable factors in coming months."

Service Sector (seasonally adjusted)	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24
Sales	58.2	59.6	54.3	60.9	55.0	54.1	59.3	55.2	58.5	52.6	54.1	60.3	59.7
New credit applications	58.1	60.1	57.9	59.6	57.2	57.0	59.7	56.9	60.4	60.0	57.7	62.8	61.6
Dollar collections	60.4	63.3	60.9	62.1	56.1	55.5	58.0	55.7	58.7	58.4	55.2	60.1	63.1
Amount of credit extended	58.2	61.0	57.3	59.9	58.4	55.2	64.8	60.3	59.8	58.6	60.8	56.5	62.6
<b>Index of favorable factors</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>	<b>61.7</b>
Rejections of credit applications	50.4	46.0	45.8	51.2	49.6	48.9	48.6	49.3	47.6	47.4	47.7	47.1	51.6
Accounts placed for collection	42.2	43.3	43.0	46.2	44.6	42.6	45.2	44.4	42.7	43.3	43.4	39.8	44.0
Disputes	48.5	47.7	48.0	49.1	47.0	47.6	47.2	48.1	47.6	49.2	49.5	46.3	50.0
Dollar amount beyond terms	50.5	52.1	48.2	48.8	40.9	45.7	48.7	42.3	46.5	43.7	43.4	45.8	49.5
Dollar amount of customer deductions	50.7	50.8	50.6	50.7	48.6	49.3	48.8	49.9	49.5	51.0	50.5	49.8	50.5
Filings for bankruptcies	49.7	50.3	47.8	52.0	50.0	48.2	48.2	50.3	47.0	50.2	51.5	51.3	49.0
<b>Index of unfavorable factors</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>49.1</b>
<b>NACM Service CMI</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>	<b>54.2</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

Contacts: Annacaroline Caruso, 410-423-1837

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>.