



## Report for November 2023

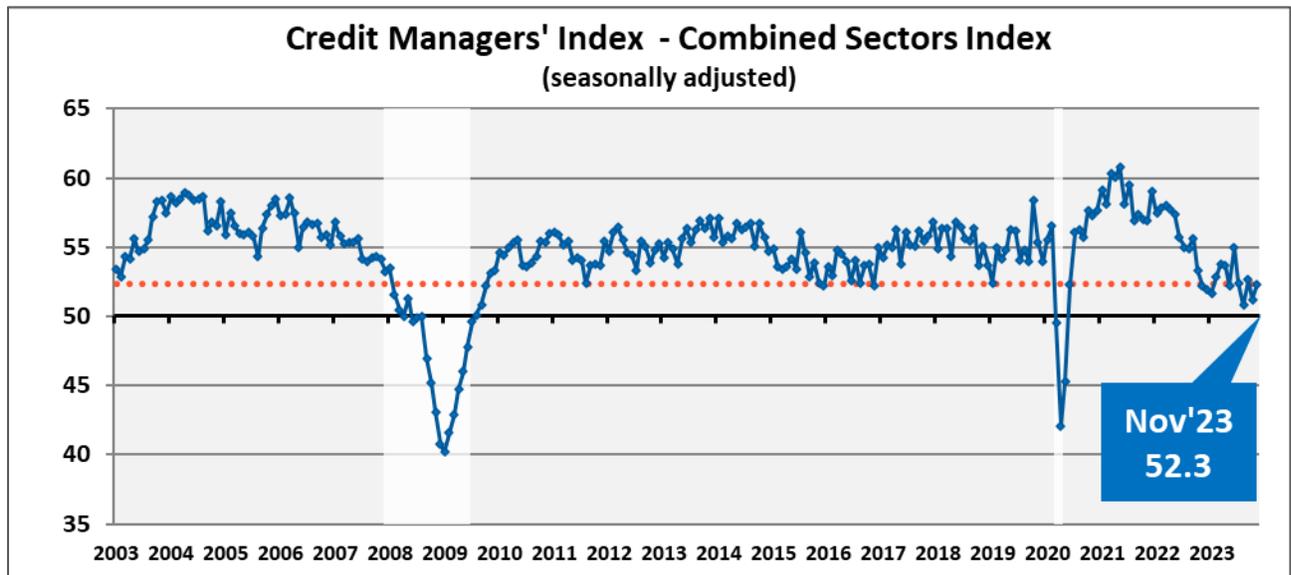
Issued November 30, 2023

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 November 2023 gained 1.1 points to 52.3. "The CMI is remaining in a narrow range around non-recession lows with no noticeable trend," said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"In October the bond markets took over the Fed's job, when market interest rates, especially the Treasury rates used in setting loan rates for businesses and consumers, rose sharply," Cutts said. "That gave the Federal Reserve's Open Market Committee room to pause while still leaving the door open to further rate increases in the future if they feel the need. While the impacts of the Fed's aggressive effort to stamp out inflation have been slowly making their way into the economy, we have not yet seen much indication that a recession is immediately around the corner. However, in a marked change from recent prior months of the CMI survey, credit managers are sounding the alarm on account performance, ranging from more accounts delinquent, poor application quality, and more bankruptcies."



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>Nov '22</b>	<b>Dec '22</b>	<b>Jan '23</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>
Sales	55.3	55.9	51.2	57.6	57.0	59.0	54.1	62.0	55.6	49.5	58.8	52.6	56.1
New credit applications	57.2	55.6	56.9	58.5	58.9	58.5	57.7	58.3	56.8	56.2	56.3	56.4	58.3
Dollar collections	56.2	58.3	57.7	59.7	60.0	61.4	57.1	61.6	56.2	52.6	58.0	55.9	59.4
Amount of credit extended	57.6	56.1	57.9	58.6	58.2	58.6	56.5	60.2	56.8	54.9	61.4	58.7	58.3
<b>Index of favorable factors</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>	<b>55.9</b>	<b>58.0</b>
Rejections of credit applications	51.0	50.9	50.4	50.4	50.8	47.7	48.7	53.3	50.7	50.3	49.2	49.8	48.7
Accounts placed for collection	46.7	46.4	45.2	45.5	46.6	46.7	45.9	48.2	48.2	44.9	47.5	45.6	44.6
Disputes	48.4	49.0	48.9	48.4	50.6	49.6	48.4	51.1	50.3	49.8	47.3	48.3	49.6
Dollar amount beyond terms	48.2	46.5	47.9	51.4	53.0	53.8	51.4	51.8	46.1	48.9	50.5	45.6	49.2
Dollar amount of customer deductions	49.3	49.3	50.0	48.5	50.5	49.8	52.9	51.0	51.0	50.9	47.4	48.9	51.1
Filings for bankruptcies	52.3	51.0	50.8	50.1	51.8	51.4	49.7	52.4	52.3	50.2	50.0	50.5	47.8
<b>Index of unfavorable factors</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>48.1</b>	<b>48.5</b>
<b>NACM Combined CMI</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>	<b>51.2</b>	<b>52.3</b>

## CMI Combined Sectors Factor Indexes

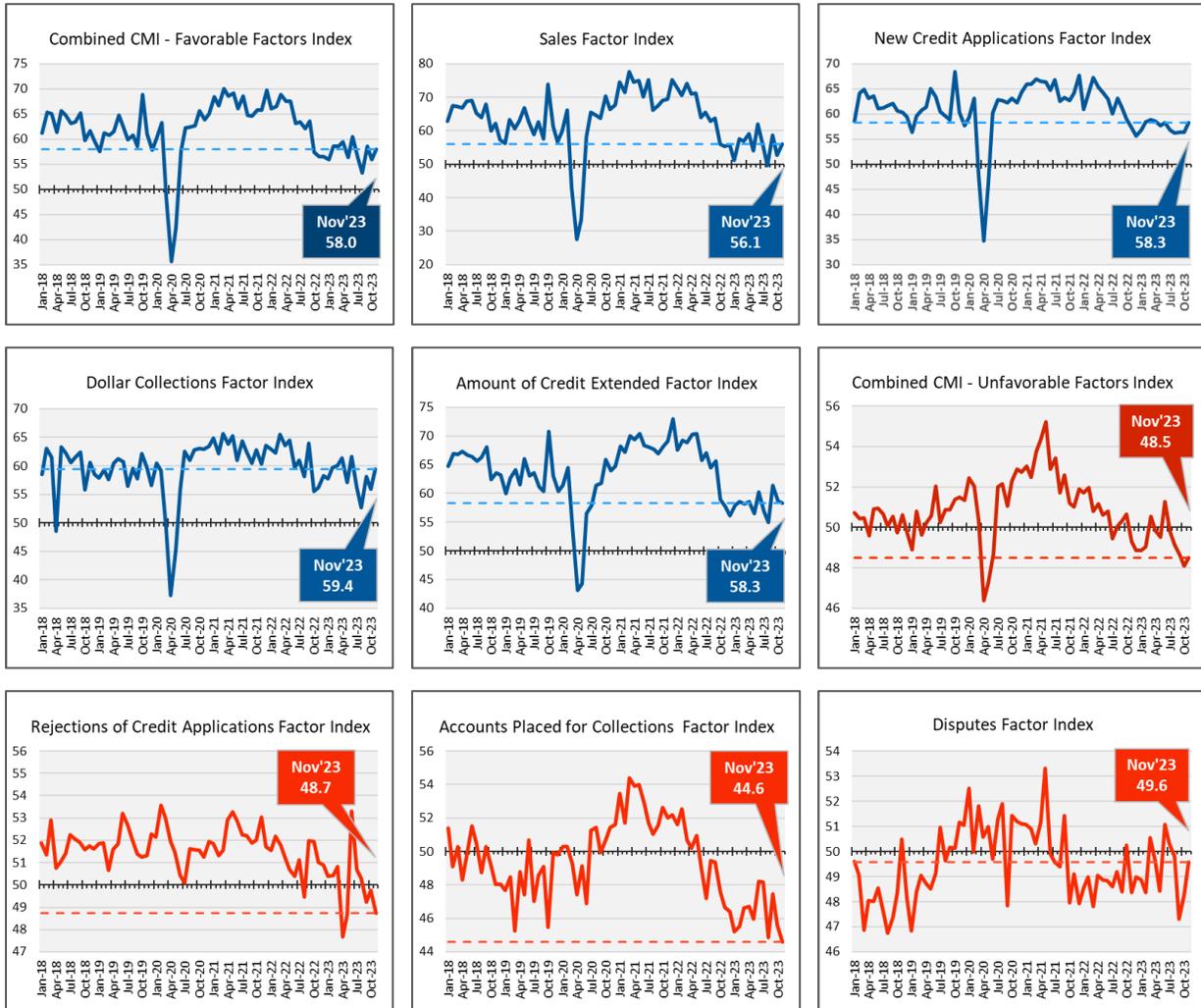
### Key Findings:

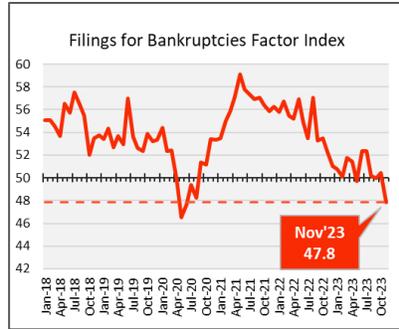
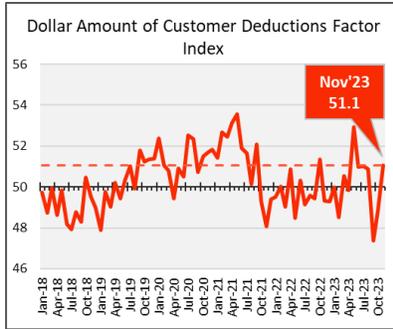
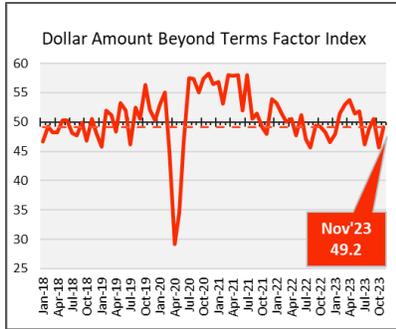
- The index for favorable factors rose 2.5 points to 58.0, led by a 3.5-point improvement in the dollar collections factor index to 59.4 points, a 3.4-point rise in the sales factor index to 58.7 and a 2.0-point advance in the new credit applications index to 55.9. The amount of credit extended factor index marked its second month of deterioration.
- The sales factor index has been the most volatile in 2023 and is down 5.9 points from its recent high of 62.0 in June.
- The index for unfavorable factors improved by 0.4 to 48.5, remaining in the tight range around 50 that it has been in the past year and a half, while recording its fifth month below 50.
- Half of the six unfavorable factor indexes deteriorated in the November survey which records credit performance for the prior month; the index for filings of bankruptcies led with a decline of 2.6 points to an index value of 47.8, its lowest level since June 2020.
- The index for accounts placed for collection deteriorated by 1.0 point to 44.6, its 18th month below 50 points the lowest level recorded for this factor index.
- The index for the rejections of credit applications declined 1.0 point in the November CMI survey to a level of 48.7, the third consecutive month of decline for this index.

“It’s almost like a switch was flipped in the comments provided by survey respondents,” said Cutts. “We went from a gradual subsiding of comments regarding supply chains to sort of random comments and then this month they all aligned on worry about account performance. The US Courts reports filings of bankruptcies and year-to-date through September their data show a 39% increase in business bankruptcies over 2022. While the level is not yet fully back to pre-pandemic it won’t be long before business failure surpasses that mark at this rate.”

### 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.

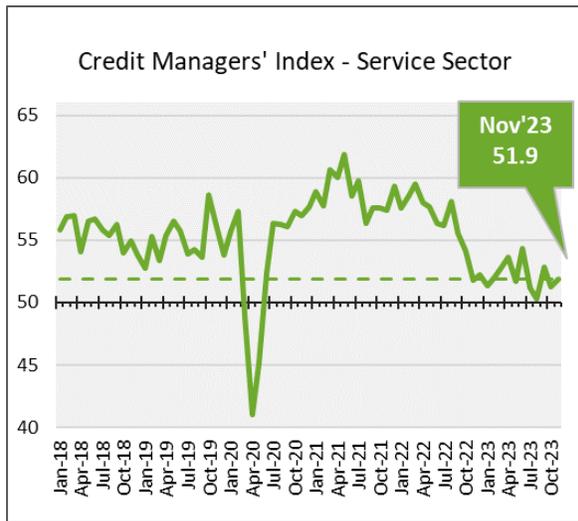
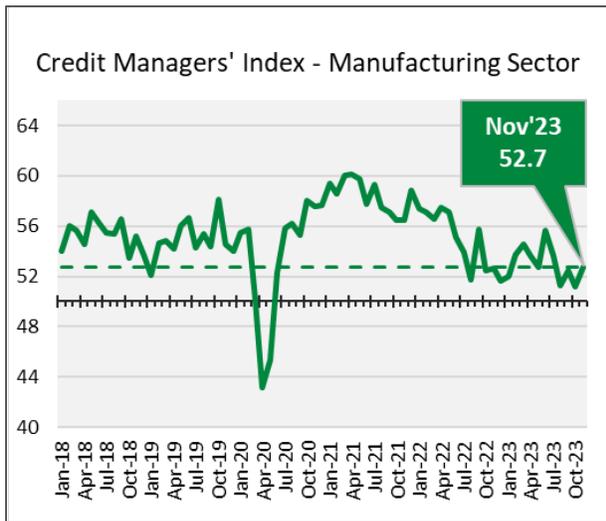




### CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI improved 1.5 points in the November CMI survey to a level of 52.7. The Service Sector CMI advanced by 0.6 points this month to also come in at 51.9.

“Both sector CMIs are telling the same story,” Cutts said. “Credit conditions have weakened materially over the past year or so but are holding more or less steady at the current state on the side of expansion. In contrast, the Institute for Supply Management® has recorded steady deterioration in their Manufacturing PMI®. Like the CMI, the PMI® is centered around 50, with values above implying expansion and those below denoting contraction. The manufacturing PMI® has been below that threshold for the past 12 months. Meanwhile, the Services PMI® has been in expansion territory but like the CMI is hovering near the contraction threshold.”



*The data in the charts are seasonally adjusted.*

### CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors improved 1.6 points to 56.5, marking a 0.5-point decline from a year ago. The unfavorable factor index improved this month by 0.7 to 50.2, climbing back above 50 after 2 months in contraction.

## Key Findings:

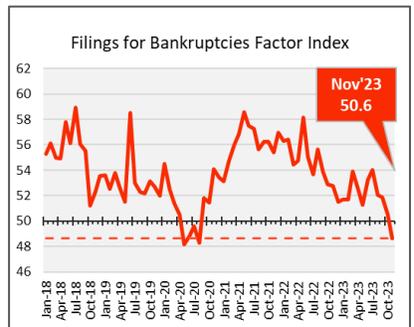
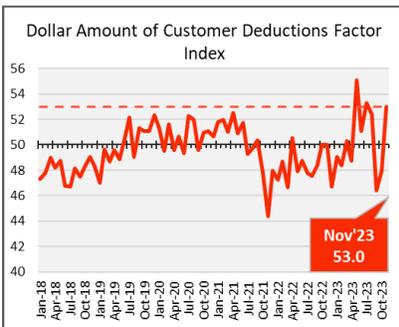
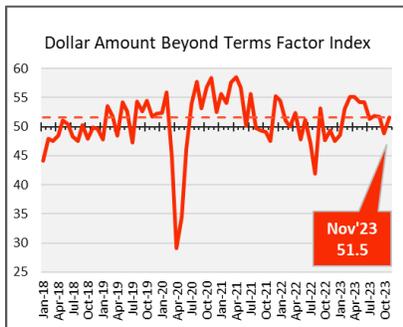
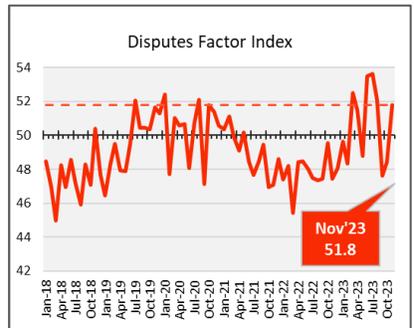
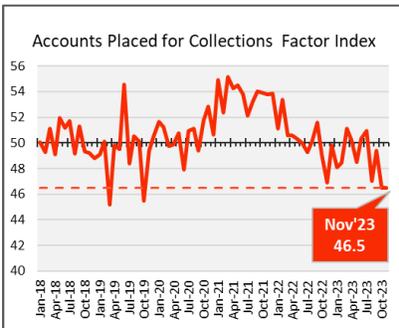
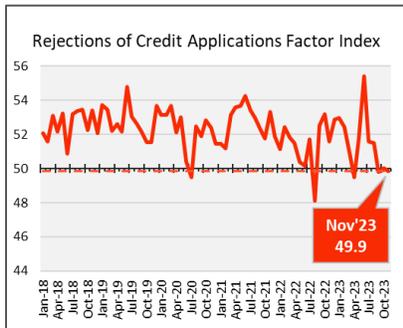
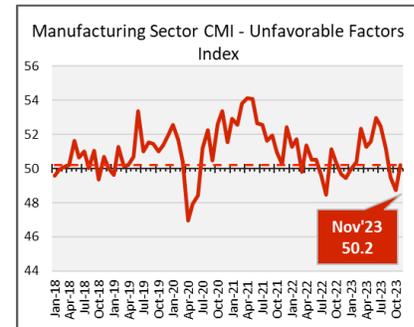
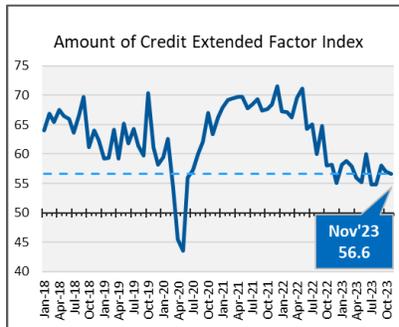
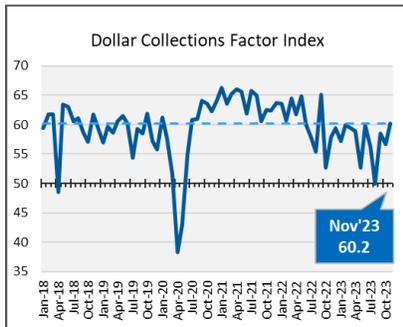
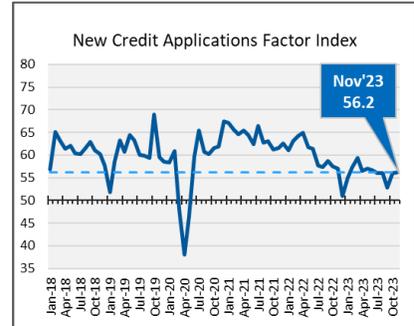
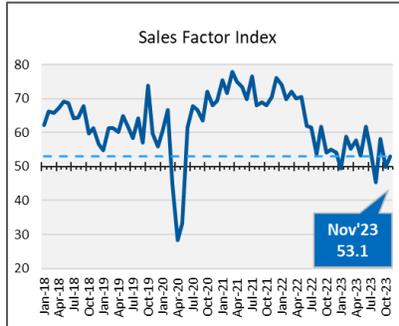
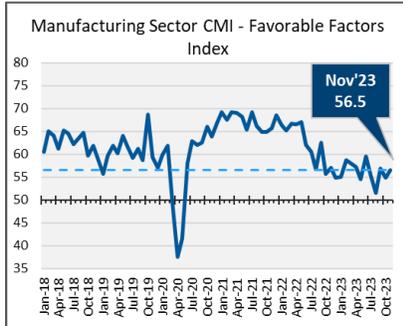
- Only one favorable factor index declined this month. The amount of credit extended index deteriorated by 0.4 points to 56.6 points.
- The index for sales gained 3.1 points to 53.1, pushing it back above 50 after one month in contraction territory. The sales index is down almost 25 points since its March 2021 peak of 77.9 points.
- Two of the unfavorable factors deteriorated in the November survey. The largest drop was recorded by the index for filings for bankruptcies which lost 1.9 points to 48.6, its lowest level since June 2020 and the first time back in contraction territory since August 2020. The index for the rejections of credit applications deteriorated by 0.1 points to 49.9.
- The largest improvement was in the dollar amount of customer deductions, which jumped 5.0 points to 53.0. The index for disputes gained 3.3 points to 51.8 points and the index for the dollar amount beyond terms improved by 2.7 points to reach expansion territory again at 51.5 points.
- The index for accounts placed for collection was unchanged from October's survey at 46.5, marking its fourth month in which credit managers saw more accounts deteriorate to collections status.

“Respondents in this month’s CMI survey representing companies in the manufacturing sector stated that orders are slowing and payments slowing even more, not at all in line with the news reports indicating a strong economy,” Cutts said. “Energy prices have declined which is helpful for production and delivery costs but commodity prices for industrial metals like steel, copper, and zinc are up. Depending on what sector your company serves, cost pressures may be adding stress as account management is already becoming harder. Once accounts are referred to collections it seems the ability to collect remains strong. But having to wait to get paid is problem enough.”

<b>Manufacturing Sector (seasonally adjusted)</b>	<b>Nov '22</b>	<b>Dec '22</b>	<b>Jan '23</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>
Sales	54.9	54.1	49.5	58.9	55.2	57.6	53.1	61.7	54.9	45.4	58.0	49.9	53.1
New credit applications	57.0	51.1	55.0	57.5	59.4	56.6	57.1	56.7	56.0	56.0	52.9	56.0	56.2
Dollar collections	57.9	59.4	57.2	60.0	59.4	58.9	52.7	59.9	56.2	49.9	58.5	56.6	60.2
Amount of credit extended	58.2	55.0	58.2	58.8	57.9	55.9	55.2	60.0	54.8	54.8	58.1	57.0	56.6
<b>Index of favorable factors</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>	<b>54.9</b>	<b>56.5</b>
Rejections of credit applications	51.6	52.9	53.0	52.4	51.1	49.5	51.7	55.4	51.6	51.5	49.8	50.0	49.9
Accounts placed for collection	46.9	49.8	48.1	48.5	51.1	50.2	48.5	50.3	51.0	47.0	49.4	46.5	46.5
Disputes	47.4	48.0	49.6	48.3	52.5	51.5	48.8	53.5	53.6	52.1	47.6	48.4	51.8
Dollar amount beyond terms	49.4	47.6	48.5	53.0	55.1	55.1	54.2	54.2	51.3	51.8	51.7	48.9	51.5
Dollar amount of customer deductions	50.0	46.7	49.1	48.4	50.3	48.8	55.1	51.1	53.3	52.4	46.4	48.0	53.0
Filings for bankruptcies	52.8	51.5	51.7	51.7	53.9	52.5	51.3	53.2	54.0	52.0	51.9	50.6	48.6
<b>Index of unfavorable factors</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>48.7</b>	<b>50.2</b>
<b>NACM Manufacturing CMI</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>	<b>51.2</b>	<b>52.7</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 October CMI Service Sector Index marked a 2.6-point improvement in the favorable factors index to 59.6. The sector's unfavorable factors index deteriorated for the third month with a 0.7-point decline to 46.8, and marking the 13 consecutive months that the index has remained in contraction territory (below 50 points).

### Key Findings:

- Six of 10 factor indexes for the Service Sector CMI deteriorated in November. However, 5 factor indexes are above levels from a year ago.
- The rise in the unfavorable factor index was led by a 3.8-point improvement in the new credit applications index to 60.5, a 3.7-point increase in the sales factor index to 59.1, and a 3.5-point improvement in the dollar collections index.
- The sales factor index is the most volatile among the sector's factor indexes but has remained above the 50-point threshold since May 2020, meaning that on net more respondents are indicating rising sales than declining sales. However, this value is in dollar terms. Thus, with higher prices we would expect to see rising sales even if the number of services provided has declined somewhat. Given the high value of the index, near 60, whatever price increases have occurred in the sector they have not yet strongly affected demand.
- Five of the six of the unfavorable factor indexes deteriorated in the November survey, and all are now at levels on the contraction side. The index for accounts placed for collections has been below 50 for 18 months and the index for disputes has been there for 13 months followed by the dollar amount beyond terms which has been in contraction for seven straight months.

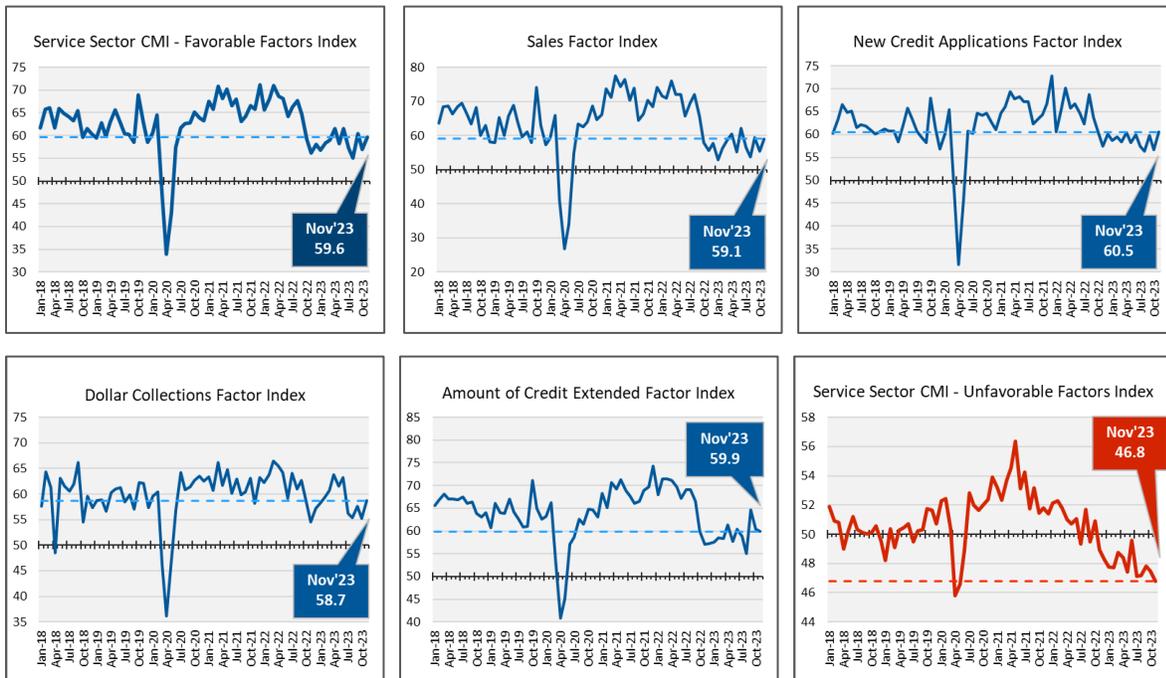
"The Service Sector CMI index is managing to stay in expansion but there is a troubling narrative emerging in the unfavorable factors indexes," said Cutts. "Not only are all of the factors in contraction, some are deeply so and have been for a long while. More accounts are beyond terms, more and more are being referred to collections, disputes over invoices are increasing—these are all signs that businesses are stressed. For service providers of course, this means that their customer stress becomes their stress too. The only bright spot is that dollar collections are still strong once the hammer is brought down on customers."

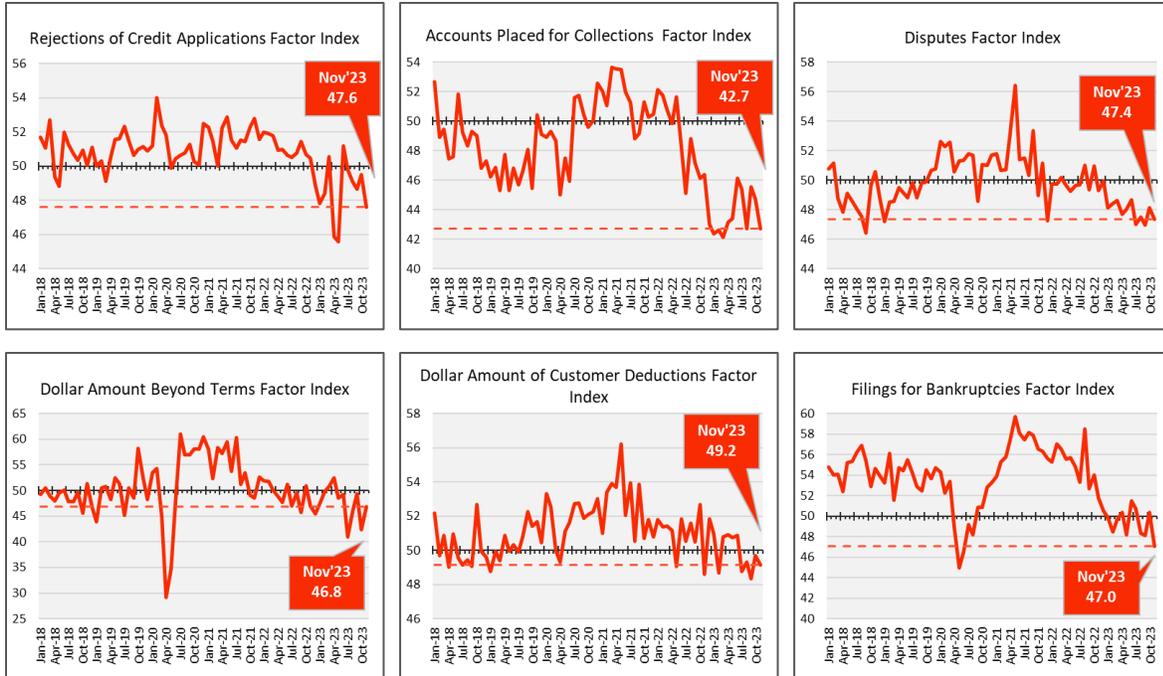
"Service sector respondents to the CMI survey noted that more bankruptcies and business closures. As the cost of money increases, we are likely to see more accounts stretching their terms and being less responsive as they work to conserve cash. Unfortunately for credit managers it means their work is getting harder and harder."

Service Sector (seasonally adjusted)	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23
Sales	55.7	57.7	52.9	56.3	58.7	60.4	55.2	62.2	56.4	53.7	59.5	55.3	59.1
New credit applications	57.4	60.1	58.7	59.5	58.5	60.5	58.3	60.0	57.5	56.4	59.7	56.7	60.5
Dollar collections	54.5	57.1	58.2	59.5	60.7	63.8	61.6	63.3	56.2	55.3	57.6	55.2	58.7
Amount of credit extended	57.0	57.2	57.5	58.4	58.4	61.3	57.7	60.4	58.9	55.1	64.7	60.4	59.9
<b>Index of favorable factors</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>	<b>56.9</b>	<b>59.6</b>
Rejections of credit applications	50.5	48.9	47.8	48.4	50.6	45.9	45.6	51.2	49.8	49.1	48.7	49.5	47.6
Accounts placed for collection	46.4	43.0	42.3	42.6	42.1	43.2	43.4	46.1	45.4	42.7	45.5	44.7	42.7
Disputes	49.3	49.9	48.1	48.4	48.6	47.7	48.0	48.7	47.0	47.5	47.0	48.1	47.4
Dollar amount beyond terms	47.0	45.5	47.4	49.8	50.8	52.5	48.6	49.3	41.0	46.0	49.4	42.3	46.8
Dollar amount of customer deductions	48.6	51.8	51.0	48.7	50.8	50.9	50.7	50.9	48.8	49.3	48.3	49.7	49.2
Filings for bankruptcies	51.8	50.5	49.8	48.5	49.7	50.3	48.2	51.5	50.7	48.3	48.1	50.3	47.0
<b>Index of unfavorable factors</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>47.5</b>	<b>46.8</b>
<b>NACM Service CMI</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>	<b>51.2</b>	<b>51.9</b>

## CMI Service Sector Factor Indexes Charts

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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>.