



Report for October 2023

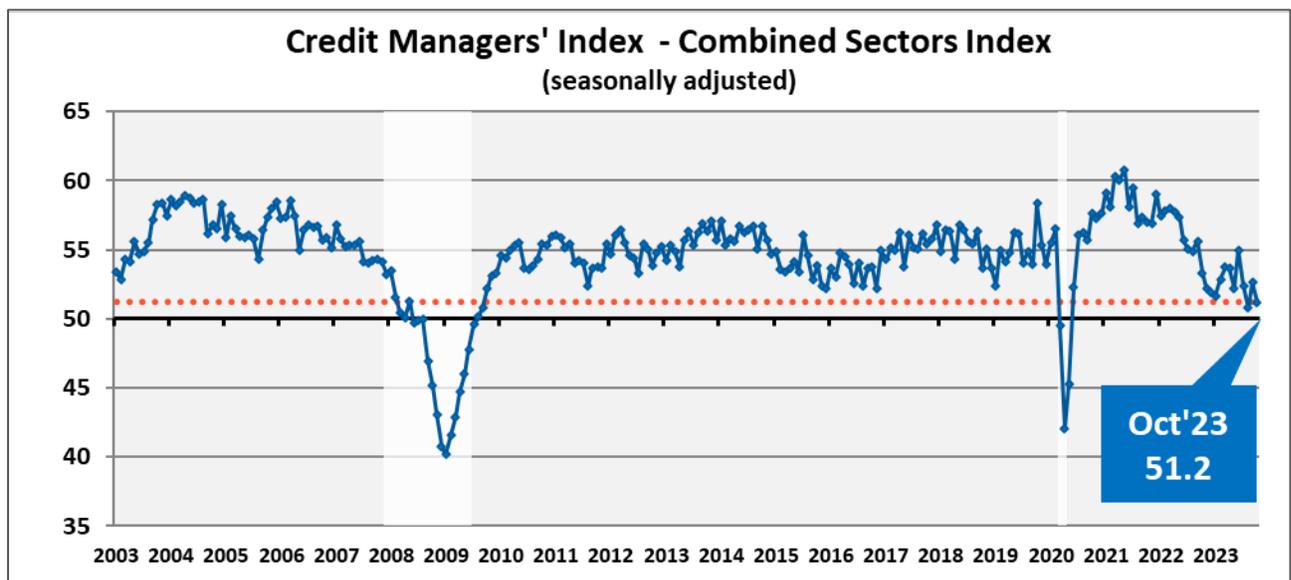
Issued October 31, 2023

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 October 2023 fell 1.4 points to 51.2. The CMI is remaining in a narrow range around non-recession lows, said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"The 4.6% advance estimate of growth in real gross domestic product (GDP) for the third quarter indicated a large inventory buildup that has not been reflected in the experiences of the CMI survey respondents for the past few months," Cutts said. "The sales factor index, while still in expansion territory, is greatly diminished from where it was in 2021. Respondents continue to note the financial stress of their customers, asking for term extensions, falling behind on payments and asking for more credit than is warranted, which leads me to think we will see some downward revisions to the private domestic investment numbers in subsequent third quarter GDP estimates."



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

Combined Manufacturing and Service Sectors (seasonally adjusted)	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23
Sales	56.0	55.3	55.9	51.2	57.6	57.0	59.0	54.1	62.0	55.6	49.5	58.8	52.6
New credit applications	59.0	57.2	55.6	56.9	58.5	58.9	58.5	57.7	58.3	56.8	56.2	56.3	56.4
Dollar collections	55.5	56.2	58.3	57.7	59.7	60.0	61.4	57.1	61.6	56.2	52.6	58.0	55.9
Amount of credit extended	59.0	57.6	56.1	57.9	58.6	58.2	58.6	56.5	60.2	56.8	54.9	61.4	58.7
Index of favorable factors	57.4	56.6	56.5	55.9	58.6	58.5	59.4	56.4	60.5	56.4	53.3	58.6	55.9
Rejections of credit applications	51.9	51.0	50.9	50.4	50.4	50.8	47.7	48.7	53.3	50.7	50.3	49.2	49.8
Accounts placed for collection	47.6	46.7	46.4	45.2	45.5	46.6	46.7	45.9	48.2	48.2	44.9	47.5	45.6
Disputes	50.3	48.4	49.0	48.9	48.4	50.6	49.6	48.4	51.1	50.3	49.8	47.3	48.3
Dollar amount beyond terms	49.3	48.2	46.5	47.9	51.4	53.0	53.8	51.4	51.8	46.1	48.9	50.5	45.6
Dollar amount of customer deductions	51.3	49.3	49.3	50.0	48.5	50.5	49.8	52.9	51.0	51.0	50.9	47.4	48.9
Filings for bankruptcies	53.5	52.3	51.0	50.8	50.1	51.8	51.4	49.7	52.4	52.3	50.2	50.0	50.5
Index of unfavorable factors	50.6	49.3	48.9	48.9	49.1	50.5	49.8	49.5	51.3	49.8	49.1	48.7	48.1
NACM Combined CMI	53.3	52.2	51.9	51.7	52.9	53.7	53.7	52.2	55.0	52.4	50.8	52.6	51.2

CMI Combined Sectors Factor Indexes

Key Findings:

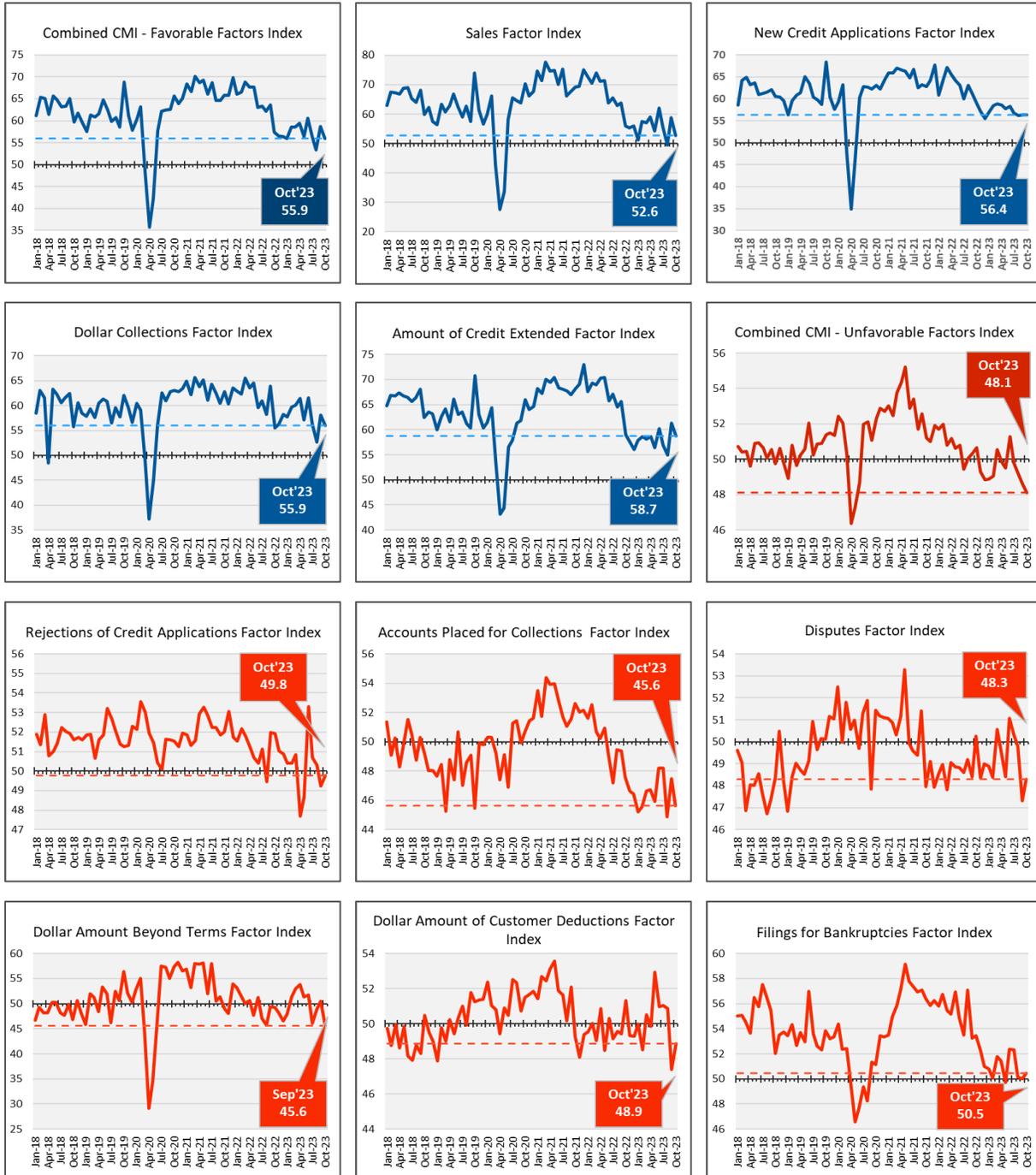
- The index for favorable factors is down 2.7 points to 55.9, led by a 6.1-point decline in the sales factor index to 52.6 points, a 2.7-point deterioration in the amount of credit extended factor index to 58.7 and a 2.1-point decrease in the dollar collections index to 55.9.
- The sales factor index has been the most volatile in 2023 and is down 9.3 points from its recent high of 62.0 in June.
- The index for unfavorable factors deteriorated by 0.6 to 48.1, remaining in the tight range around 50 that it has been in the past year and a half, while recording its fifth consecutive decline and fourth month below 50.
- Only two of the six unfavorable factor indexes deteriorated in the October survey; the index for the dollar amount beyond terms led with a decline of 4.9 points to an index value of 45.6, its lowest level since April 2020.
- The index for accounts placed for collection deteriorated by 1.8 points to 45.6, its lowest level since February and the 17th consecutive month that the index has recorded a value below 50.
- The index for the dollar amount of customer deductions showed the largest improvement, gaining 1.5 points to 48.9.

“Supply chain disruptions are no longer causing problems for our respondents,” said Cutts. “And while a few respondents have noted that recent months have been very good, the overwhelming concern cited this month is

deterioration in customer cash management. Whether they are asking for more time to pay, or just ignoring invoices until they get sent to collections, respondents noted that stress is rising in their accounts receivables portfolios.”

CMI Combined Sectors Factor Indexes Charts

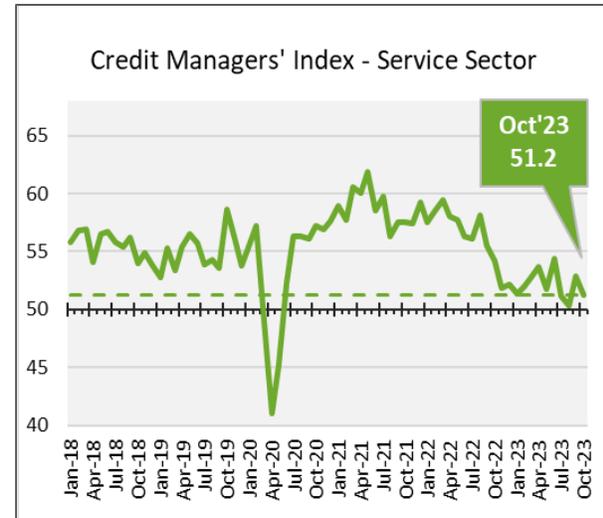
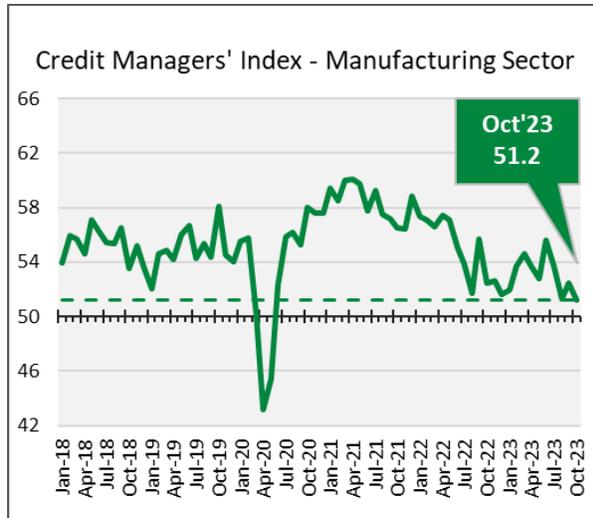
All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.



CMI Manufacturing versus CMI Service Sectors Indexes

The Manufacturing Sector CMI declined 1.2 points in the October CMI survey to a level of 51.2. The Service Sector CMI deteriorated by 1.6 points this month to also come in at 51.2.

“Both sector indexes are hovering at non-recession lows, but importantly staying above 50 points, the contraction threshold” Cutts said. “There is no clear trend in either index, other than being low and this has persisted for more than a year. I don’t see the economic activity reported in the recent GDP report being represented in the CMI, keeping in mind that the October CMI survey is asking respondents about activity that happened in September, so the past three months match the third quarter.”



The data in the charts are seasonally adjusted.

CMI Manufacturing Sector Factor Indexes

Among the CMI Manufacturing Sector Factor Indexes, favorable factors deteriorated 2.0 points to 54.9, marking a 4.7-point drop from the recent high in June. The unfavorable factor index fell this month by 0.7 to 48.7, its second consecutive month below 50.

Key Findings:

- Three of the favorable factor indexes declined this month, with the remaining factor index—new credit applications—improving 3.1 points in the October survey, erasing the loss noted last month.
- The index for sales dropped 8.1 points to 49.9, taking away two-thirds of the gains noted in the September report.
- Half of the unfavorable factors deteriorated in the October survey. The largest drop was recorded by the index for the accounts placed for collection which lost 2.9 points to 46.5, its lowest level since October of 2019.
- The index for the dollar amount beyond terms deteriorated by 2.8 points to 48.9, its lowest level this year.

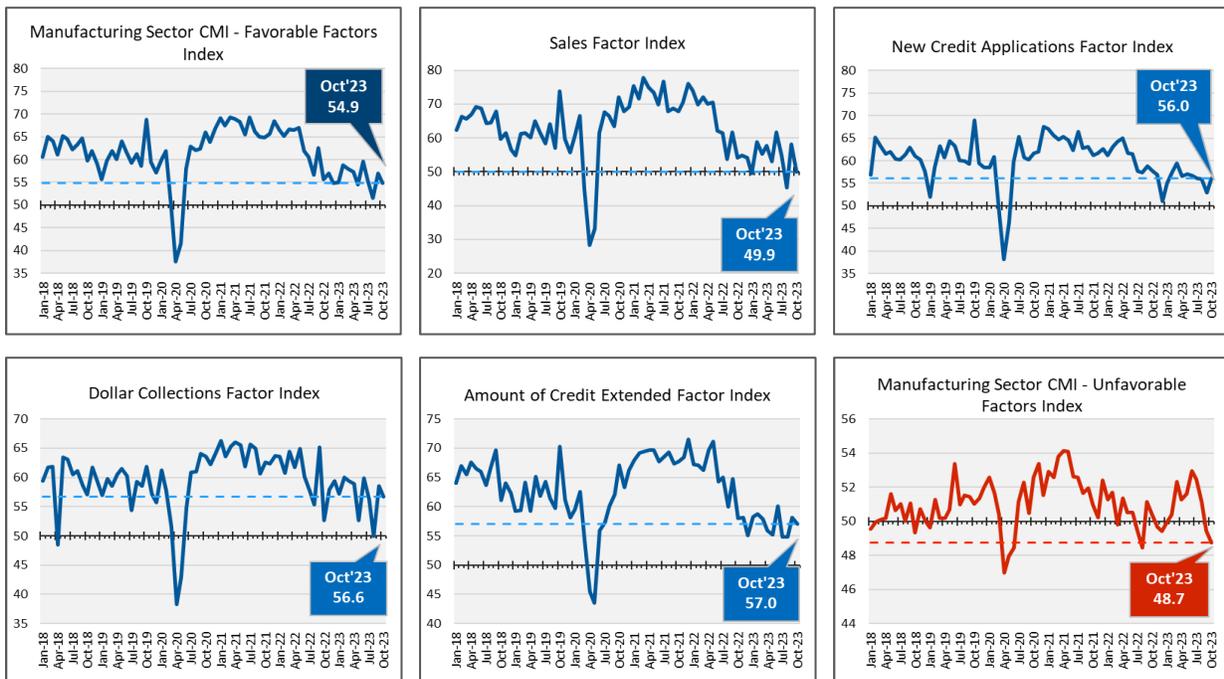
“Respondents in this month’s CMI survey representing companies in the manufacturing sector noted that they are seeing more credit card fraud in recent months,” Cutts said. “This type of fraud can come from both new and existing customers, with the former being indicative only of opportunity whereas the latter is indicative of customer financial stress. Although the filings for bankruptcies factor index is not indicating a rising trend in this

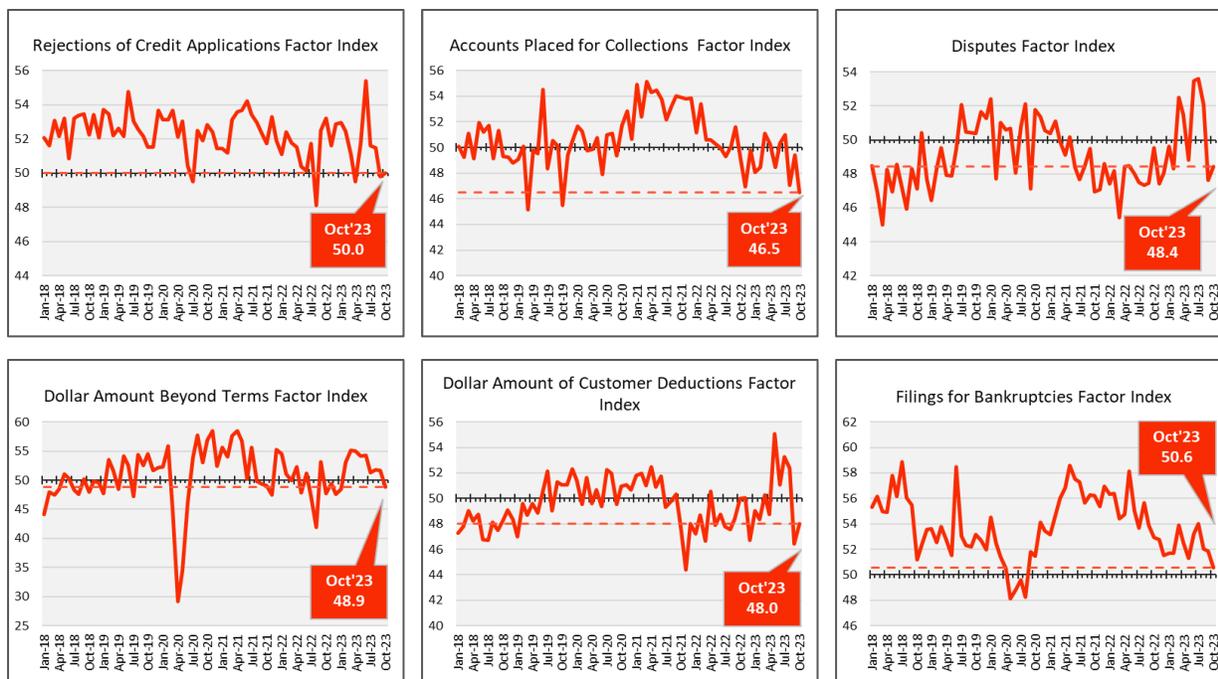
risk, the United States Courts reports a 36% rise in nonpersonal bankruptcies in the first nine months of 2023 versus the same time in 2022.”

Manufacturing Sector (seasonally adjusted)	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23
Sales	54.2	54.9	54.1	49.5	58.9	55.2	57.6	53.1	61.7	54.9	45.4	58.0	49.9
New credit applications	57.6	57.0	51.1	55.0	57.5	59.4	56.6	57.1	56.7	56.0	56.0	52.9	56.0
Dollar collections	52.7	57.9	59.4	57.2	60.0	59.4	58.9	52.7	59.9	56.2	49.9	58.5	56.6
Amount of credit extended	58.1	58.2	55.0	58.2	58.8	57.9	55.9	55.2	60.0	54.8	54.8	58.1	57.0
Index of favorable factors	55.6	57.0	54.9	55.0	58.8	58.0	57.3	54.5	59.6	55.5	51.5	56.9	54.9
Rejections of credit applications	53.2	51.6	52.9	53.0	52.4	51.1	49.5	51.7	55.4	51.6	51.5	49.8	50.0
Accounts placed for collection	49.0	46.9	49.8	48.1	48.5	51.1	50.2	48.5	50.3	51.0	47.0	49.4	46.5
Disputes	49.6	47.4	48.0	49.6	48.3	52.5	51.5	48.8	53.5	53.6	52.1	47.6	48.4
Dollar amount beyond terms	47.7	49.4	47.6	48.5	53.0	55.1	55.1	54.2	54.2	51.3	51.8	51.7	48.9
Dollar amount of customer deductions	50.0	50.0	46.7	49.1	48.4	50.3	48.8	55.1	51.1	53.3	52.4	46.4	48.0
Filings for bankruptcies	52.9	52.8	51.5	51.7	51.7	53.9	52.5	51.3	53.2	54.0	52.0	51.9	50.6
Index of unfavorable factors	50.4	49.7	49.4	50.0	50.4	52.3	51.3	51.6	53.0	52.4	51.1	49.5	48.7
NACM Manufacturing CMI	52.5	52.6	51.6	52.0	53.7	54.6	53.7	52.8	55.6	53.7	51.3	52.4	51.2

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 3.5-point deterioration in the favorable factors index to 56.9, erasing two-thirds of last month’s improvement. The sector’s unfavorable factors index deteriorated 0.4 points to 47.5, however the index has remained in contraction (below a level of 50) for 12 consecutive months.

Key Findings:

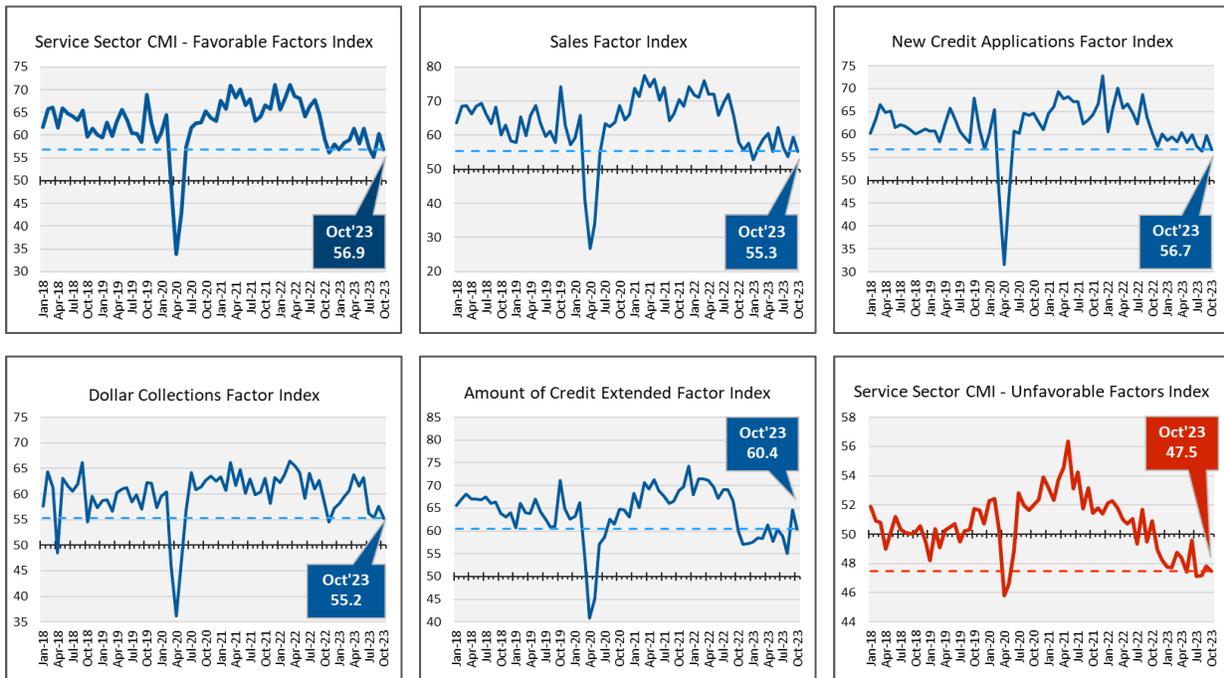
- Six of 10 factor indexes for the Service Sector CMI deteriorated in October and all but one of the factor indexes are lower than they were a year ago. All four of the favorable factor indexes fell.
- The index for the amount of credit extended is the only index above its level a year ago, but witnessed the largest decline among favorable factors in the October survey, subtracting 4.3 points to 60.4.
- The sales factor index declined 4.2 points to 55.3. 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.
- Five of the six of the unfavorable factor indexes for the sector are now at levels on the contraction side for the third consecutive month. The filings for bankruptcies index pulled just above the threshold to 50.3 after spending two months on the contraction side.
- The dollar amount beyond terms factor index experienced the steepest deterioration of all of the services sector factor indicators, losing 7.1 points to land at 42.3, deep into contraction territory.

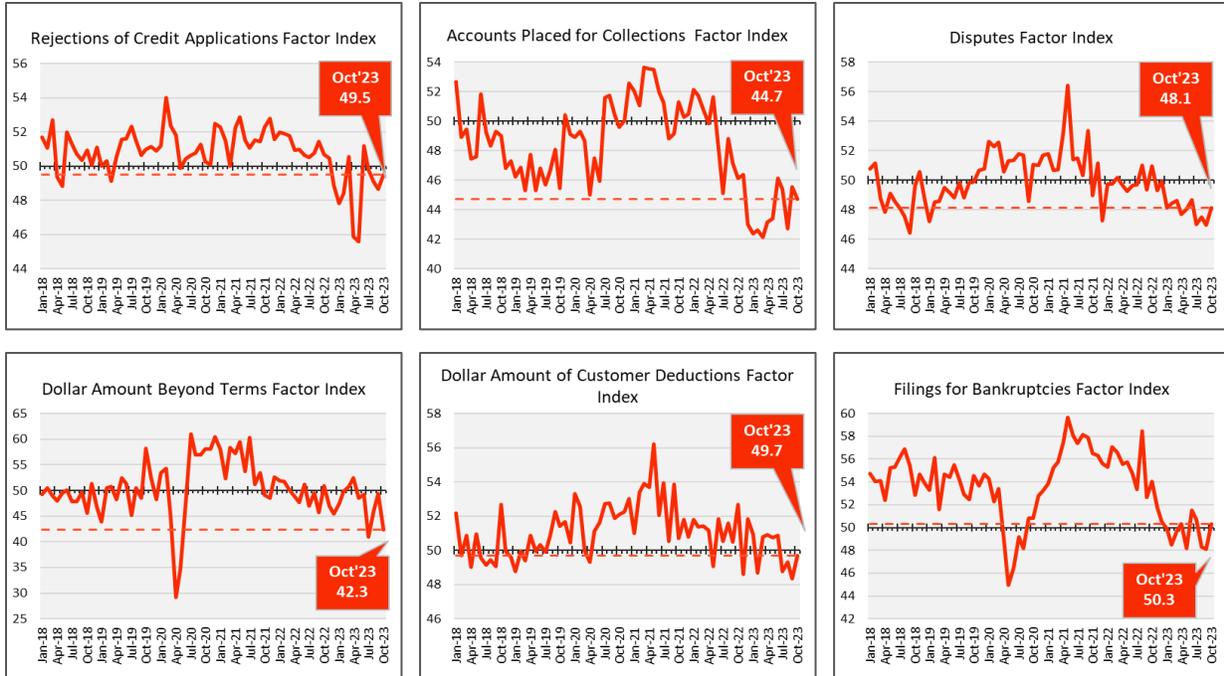
“The Service Sector CMI index is managing to stay in expansion but the steep decline in some factor indexes is worrying,” said Cutts. “The dollar amount beyond terms and the accounts placed for collections indexes are showing a lot of weakness, with both being at levels in the low 40s. Importantly, the dollar collections index is still robust at a level in the mid-50s. This indicates to me that once credit managers get serious with delinquent customers, they are getting paid, but this doesn’t seem consistent with booming business and it increases costs in the credit department as they are having to do a lot of work to get those collections.”

Service Sector (seasonally adjusted)	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23
Sales	57.8	55.7	57.7	52.9	56.3	58.7	60.4	55.2	62.2	56.4	53.7	59.5	55.3
New credit applications	60.3	57.4	60.1	58.7	59.5	58.5	60.5	58.3	60.0	57.5	56.4	59.7	56.7
Dollar collections	58.3	54.5	57.1	58.2	59.5	60.7	63.8	61.6	63.3	56.2	55.3	57.6	55.2
Amount of credit extended	59.9	57.0	57.2	57.5	58.4	58.4	61.3	57.7	60.4	58.9	55.1	64.7	60.4
Index of favorable factors	59.1	56.2	58.0	56.8	58.4	59.1	61.5	58.2	61.5	57.2	55.1	60.4	56.9
Rejections of credit applications	50.7	50.5	48.9	47.8	48.4	50.6	45.9	45.6	51.2	49.8	49.1	48.7	49.5
Accounts placed for collection	46.1	46.4	43.0	42.3	42.6	42.1	43.2	43.4	46.1	45.4	42.7	45.5	44.7
Disputes	51.0	49.3	49.9	48.1	48.4	48.6	47.7	48.0	48.7	47.0	47.5	47.0	48.1
Dollar amount beyond terms	51.0	47.0	45.5	47.4	49.8	50.8	52.5	48.6	49.3	41.0	46.0	49.4	42.3
Dollar amount of customer deductions	52.7	48.6	51.8	51.0	48.7	50.8	50.9	50.7	50.9	48.8	49.3	48.3	49.7
Filings for bankruptcies	54.0	51.8	50.5	49.8	48.5	49.7	50.3	48.2	51.5	50.7	48.3	48.1	50.3
Index of unfavorable factors	50.9	48.9	48.3	47.7	47.7	48.8	48.4	47.4	49.6	47.1	47.2	47.8	47.5
NACM Service CMI	54.2	51.8	52.2	51.4	52.0	52.9	53.7	51.7	54.3	51.2	50.3	52.8	51.2

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>.