



Report for September 2021

Issued September 30, 2021
National Association of Credit Management

Combined Sectors

NACM's Credit Managers' Index combined score rebounded slightly with a 0.4-point gain this month to 58.1, returning close to levels seen in July. The index of favorable factors did not change with a reading of 66.0 and unfavorable factors improved slightly with a 0.7-point gain to 52.8.

"While these shifts are not dramatic, the trend is once again positive and in some notable areas," said NACM Economist Chris Kuehl, Ph.D. "The rapid growth at the start of the year was unexpected and so was the decline that occurred at the end of the summer. Now there seems to be a recovery of sorts and that was not altogether expected either."

Sales numbers returned to the 70s for the eighth time in the last 13 months, with a 1.8-point jump. New credit applications also improved 0.6 points to 65.0 while dollar collections data took a 1.7-point drop to 61.1. Credit extended also took a hit, falling 0.9 points to 67.5.

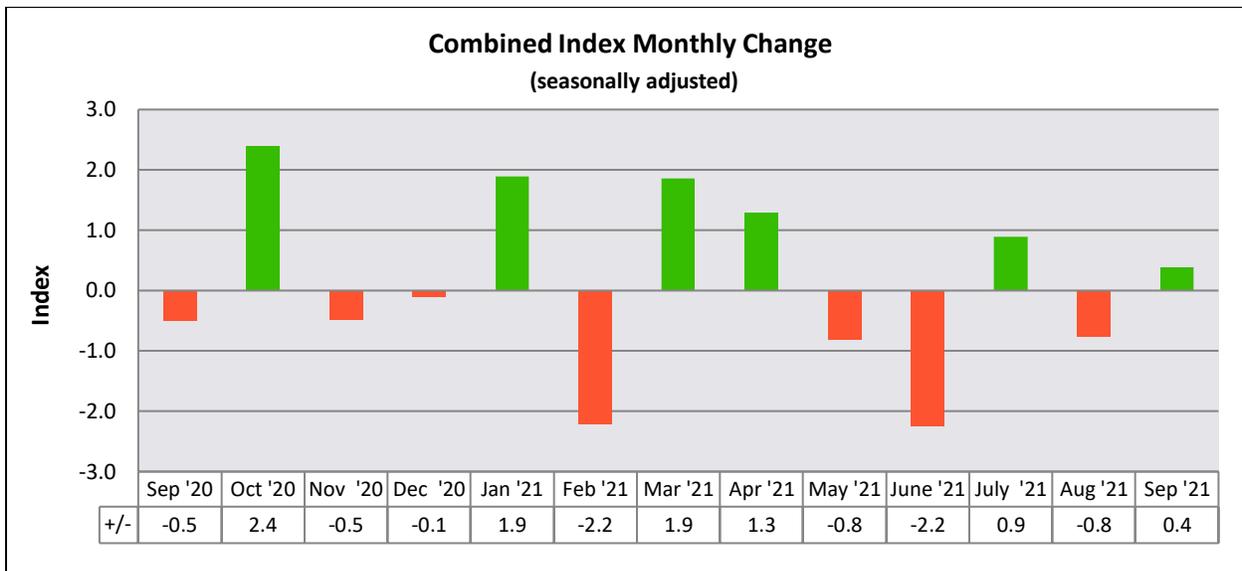
"Companies seem to be ordering more than is normal and requiring additional credit," Kuehl said. "An increase in demand could be playing a role but concerns about the stability of the supply chain is likely the biggest reason more businesses are stockpiling materials."

The rejections of credit applications held fairly stable, dropping 0.1 points to 52.1. The accounts placed for held at 51.7 while the disputed category jumped 1.8 points, leaving the contraction zone with a reading of 51.3. Dollar amount beyond terms gained 0.3 points to 51.9 and amount of customer deductions jumped 2.2 points to 52.3. The filings for bankruptcies moved slipped 0.1 point to 57.3.

"There have been some issues as far as creditors are concerned but thus far there has yet to be a surge of bankruptcy activity," Kuehl noted.

Combined Manufacturing and Service Sectors (seasonally adjusted)	Sep '20	Oct '20	Nov '20	Dec '20	Jan '21	Feb '21	Mar '21	Apr '21	May '21	June '21	July '21	Aug '21	Sep '21
Sales	65.5	74.2	66.5	70.2	75.9	69.9	73.9	74.7	73.2	67.7	73.3	68.6	70.4
New credit applications	63.6	65.2	63.9	64.4	67.8	65.5	63.9	65.9	64.6	63.1	69.8	64.4	65.0
Dollar collections	63.3	64.6	62.6	62.8	66.0	59.2	64.5	63.1	60.0	61.1	63.8	62.8	61.1

Amount of credit extended	60.8	68.0	64.8	65.3	69.2	66.8	68.4	69.0	69.0	67.4	61.1	68.4	67.5
Index of favorable factors	63.3	68.0	64.4	65.7	69.7	65.3	67.7	68.2	66.7	64.8	67.0	66.0	66.0
Rejections of credit applications	51.6	51.4	51.5	51.3	51.6	51.5	52.0	53.0	53.1	52.3	52.2	52.2	52.1
Accounts placed for collection	49.4	49.5	56.2	51.6	52.9	51.6	55.1	59.6	54.2	53.2	52.0	51.7	51.7
Disputes	48.7	51.0	50.6	51.2	50.9	51.0	50.6	51.3	53.7	50.4	49.4	49.5	51.3
Dollar amount beyond terms	54.6	58.0	58.1	57.0	58.9	52.0	57.0	59.4	57.1	49.5	52.4	51.6	51.9
Dollar amount of customer deductions	51.1	51.0	51.7	51.5	51.3	52.8	52.2	53.0	53.6	52.6	52.2	50.1	52.3
Filings for bankruptcies	51.3	50.7	53.0	52.5	52.3	54.5	55.7	57.1	59.3	58.3	58.2	57.4	57.3
Index of unfavorable factors	51.1	51.9	53.5	52.5	53.0	52.2	53.8	55.6	55.2	52.7	52.7	52.1	52.8
NACM Combined CMI	56.0	58.4	57.9	57.8	59.7	57.5	59.3	60.6	59.8	57.5	58.4	57.7	58.1



Manufacturing Sector

The overall index for manufacturing remained unchanged with a reading of 57.8, but there was some variability in the sub-sectors. Favorable factors slipped 0.3 points to 66.2 while unfavorable factors improved with a 0.4-gain to 52.3. “The latest numbers show that manufacturers have managed to weather these storms better than expected,” Kuehl noted.

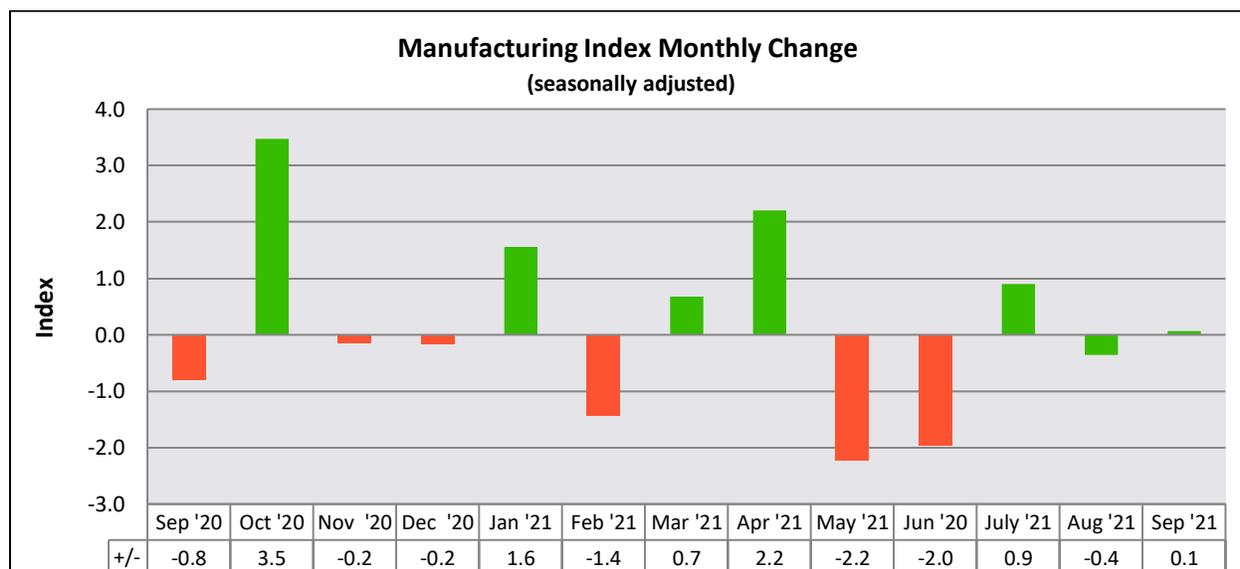
Sales data jumped 2.6 points with a reading of 71.6, reaching the 70’s for the ninth time in the last year. The new credit applications category reached 64.7 with a 1.3-point gain while dollar collections saw sharp 4.6-point drop to 60.4.

“This is the lowest reading for this indicator in well over a year and is of some concern,” Kuehl said. “Some companies may be stretching their ability to keep up on their obligations or are at least trying to guard their cash flow.”

The amount of credit extended slipped 0.8 points to 67.9. “There still seems to be a great deal of stockpiling taking place as manufacturers remain unsure regarding the reliability of their supply chains,” he added.

Rejections of credit applications dropped 0.7 points to 53.1 while accounts placed for collection saw a 1.4-point gain with a reading of 54.5. Disputes gained 1.6 points, but still remains in contraction territory. Dollar amount beyond terms fell into the contraction zone with a 0.9-point drop to 49.9 while the dollar amount of customer deductions improved 0.6 points. The filings for bankruptcies remained unchanged at 56.5.

Manufacturing Sector (seasonally adjusted)	Sep '20	Oct '20	Nov '20	Dec '20	Jan '21	Feb '21	Mar '21	Apr '21	May '21	June '21	July '21	Aug '21	Sep '21
Sales	65.1	75.3	69.9	71.1	76.7	71.1	72.7	75.6	71.3	68.2	74.7	69.0	71.6
New credit applications	60.8	62.0	62.4	70.2	68.6	66.9	62.3	65.4	64.4	60.0	71.9	63.4	64.7
Dollar collections	63.9	65.0	62.3	65.9	67.1	63.8	65.5	64.7	64.4	62.5	65.5	65.0	60.4
Amount of credit extended	60.3	69.4	62.6	66.8	69.7	69.1	67.8	68.9	68.2	67.3	54.3	68.7	67.9
Index of favorable factors	62.5	67.9	64.3	68.5	70.5	67.7	67.1	68.7	67.1	64.5	66.6	66.5	66.2
Rejections of credit applications	51.7	52.8	52.5	51.3	50.9	51.1	53.8	53.8	53.3	53.4	53.7	53.1	52.4
Accounts placed for collection	49.4	51.4	63.0	51.4	54.1	52.0	56.3	65.4	54.0	53.4	51.6	53.1	54.5
Disputes	48.1	51.6	49.8	50.7	50.5	51.8	50.4	49.6	51.2	48.7	47.3	48.3	49.8
Dollar amount beyond terms	52.3	58.4	58.9	53.5	59.1	53.3	57.2	61.3	55.2	48.5	54.3	50.8	49.9
Dollar amount of customer deductions	49.8	50.5	51.0	50.6	51.0	52.0	50.8	52.8	51.1	52.4	50.6	50.0	50.6
Filings for bankruptcies	51.6	51.2	53.7	52.8	52.1	54.4	55.6	56.7	58.8	57.8	57.5	56.5	56.5
Index of unfavorable factors	50.5	52.6	54.8	51.7	52.9	52.4	54.0	56.6	54.0	52.4	52.5	51.9	52.3
NACM Manufacturing CMI	55.3	58.8	58.6	58.4	60.0	58.5	59.2	61.4	59.2	57.2	58.1	57.8	57.8



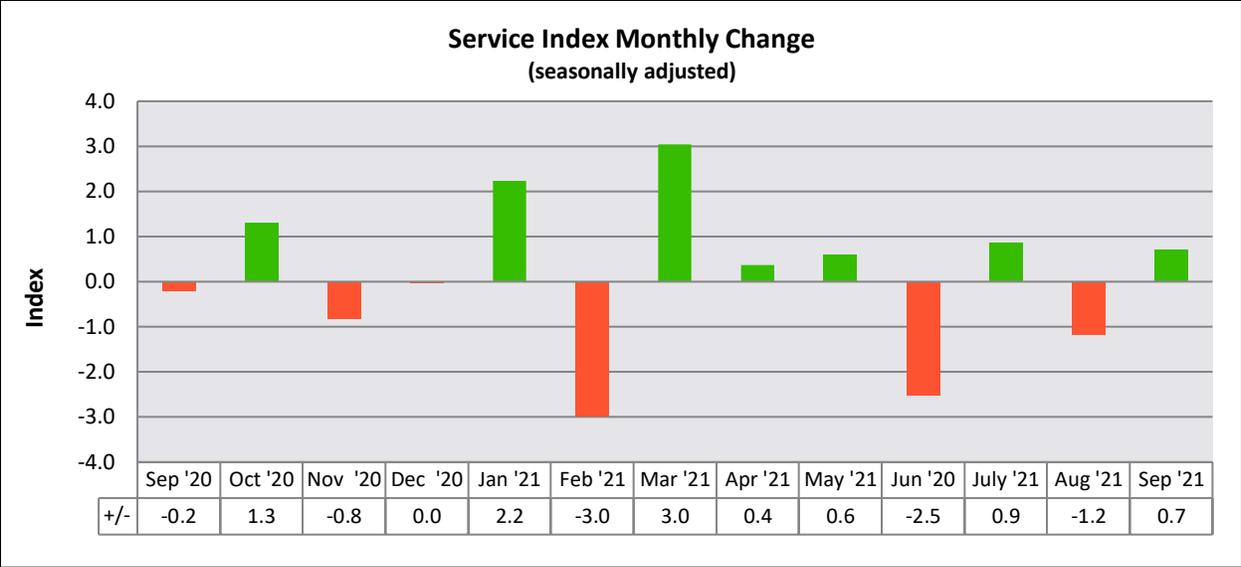
Service Sector

The overall index saw a 0.7-point gain to a reading of 57.6. Favorable factors improved 0.3 points and unfavorable factors 1.0 point. “The service sector has been defying expectations to a degree,” Kuehl said. The sales category jumped 1.2 points while new credit applications fell 0.1 point. The dollar collections numbers saw a 1.3-point gain to a reading of 61.8 while amount of credit extended slipped 1.0 point.

“These remain very high numbers suggesting that quite a bit of credit is still being requested by those in the service sector (and many of those assessed by this index are in retail),” Kuehl noted.

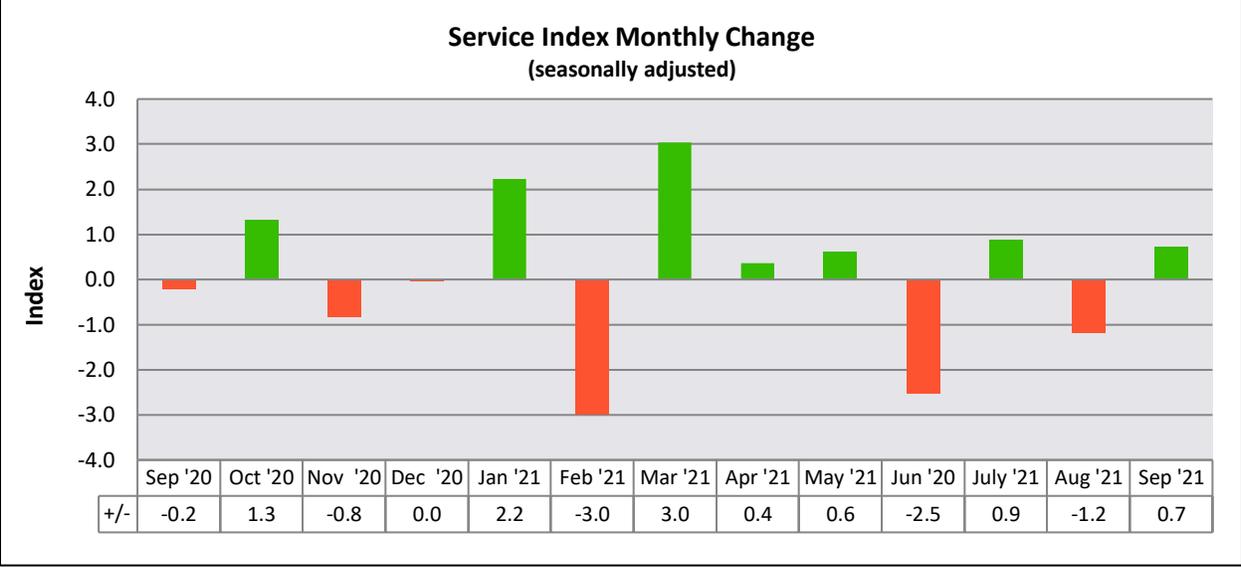
Rejections of credit applications fell 0.4 points to a 51.4 reading and accounts placed for collection dropped 1.4 points into the contraction zone. The disputes category jumped by 2.1 points to 52 and dollar amount beyond terms category jumped by 1.3 points. The dollar amount of customer saw the largest improvement with a 3.7-point gain. The filings for bankruptcies slipped slightly by 0.3 points.

Service Sector (seasonally adjusted)	Sep '20	Oct '20	Nov '20	Dec '20	Jan '21	Feb '21	Mar '21	Apr '21	May '21	June '21	July '21	Aug '21	Sep '21
Sales	65.9	73.1	63.1	69.3	75.1	68.6	75.1	73.7	75.2	67.1	71.9	68.1	69.3
New credit applications	66.4	68.4	65.4	58.7	66.9	64.1	65.6	66.4	64.9	66.1	67.6	65.3	65.2
Dollar collections	62.6	64.3	62.9	59.7	64.9	54.6	63.4	61.6	55.7	59.8	62.2	60.5	61.8
Amount of credit extended	61.3	66.6	67.0	63.9	68.7	64.4	69.0	69.1	69.8	67.5	68.0	68.1	67.1
Index of favorable factors	64.1	68.1	64.6	62.9	68.9	62.9	68.3	67.7	66.4	65.1	67.4	65.5	65.8
Rejections of credit applications	51.5	50.0	50.4	51.2	52.2	51.8	50.2	52.2	52.9	51.1	50.7	51.4	51.8
Accounts placed for collection	49.4	47.7	49.4	51.8	51.8	51.2	54.0	53.7	54.3	53.0	52.3	50.3	48.9
Disputes	49.3	50.5	51.4	51.7	51.3	50.2	50.9	53.0	56.2	52.1	51.5	50.7	52.8
Dollar amount beyond terms	57.0	57.7	57.4	60.6	58.8	50.8	56.7	57.5	58.9	50.5	50.5	52.5	53.8
Dollar amount of customer deductions	52.4	51.5	52.4	52.4	51.5	53.5	53.5	53.1	56.1	52.7	53.7	50.3	54.0
Filings for bankruptcies	50.9	50.3	52.4	52.2	52.6	54.6	55.8	57.6	59.9	58.7	58.9	58.4	58.1
Index of unfavorable factors	51.8	51.3	52.2	53.3	53.0	52.0	53.5	54.5	56.4	53.0	53.0	52.3	53.2
NACM Service CMI	56.7	58.0	57.2	57.1	59.4	56.4	59.4	59.8	60.4	57.9	58.7	57.6	58.3



September 2021 versus September 2020

“The data this month is surprisingly good given all the renewed concern regarding the virus and the impact on the overall economy,” Kuehl said. “For the most part both manufacturing and service sectors have been weathering the storms pretty well.”



Methodology Appendix

CMI data has been collected and tabulated monthly since February 2002. The index, published since February 2003, is based on a survey of approximately 1,000 trade credit managers in the second 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 means 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 factors, 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.

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