



## Report for September 2021

Issued September 30, 2021  
National Association of Credit Management

### Combined Sectors

2021 has been a year of missed forecasts and predictions on the part of economists and analysts. To date, it has been a roller coaster of high estimates one month followed by low ones the next.

“The rapid growth at the start of the year was unexpected and so was the decline that occurred at the end of the summer,” said NACM Economist Chris Kuehl, Ph.D. “Now there seems to be a recovery of sorts, and that was not altogether expected either.”

NACM’s Credit Managers’ Index for September nudged upward with a 0.4-point gain as it returned close to levels seen in July. The index of favorable factors held at 66.0, while 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,” Kuehl said.

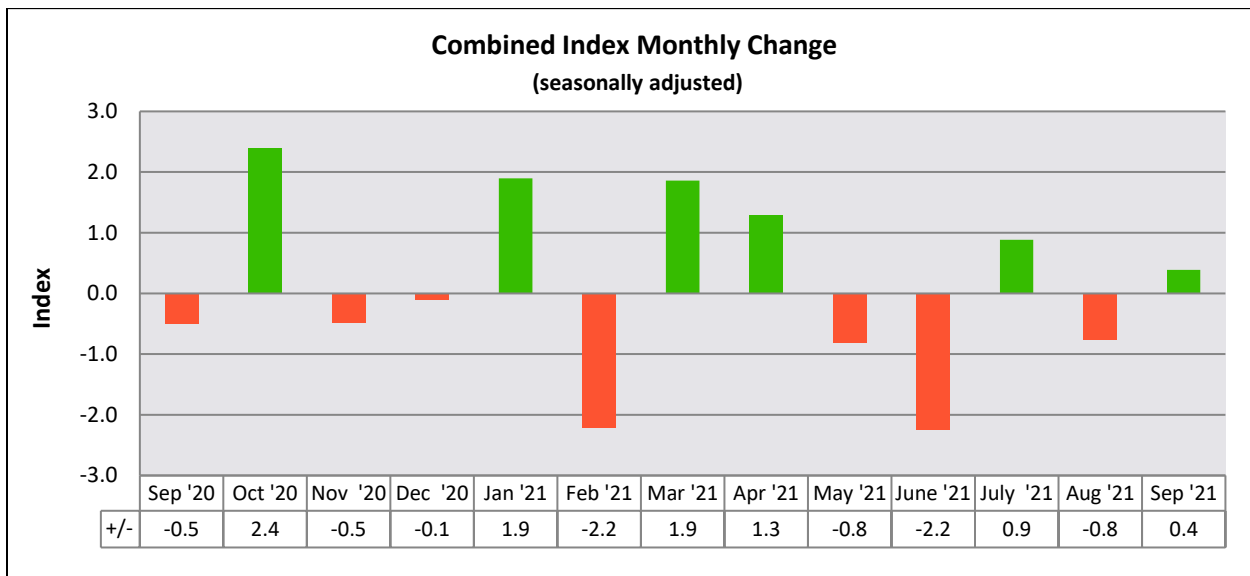
With a 1.8-point jump, sales returned to the 70s for the eighth time over the last 13 months. New credit applications improved 0.6 points to 65.0 as dollar collections data took a 1.7-point drop to 61.1. Credit extended also took a 0.9-point hit, falling to 67.5.

“Companies seem to be ordering more than is normal and requiring additional credit,” Kuehl said. “Although an increase in demand could be the reason, businesses are likely stockpiling materials due to concerns about the stability of supply chains.”

Rejections of credit applications and filings for bankruptcies held fairly stable with only 0.1-point losses. Accounts placed for collection held, while amount of customer deductions gained 2.2 points and dollar amount beyond terms, 0.3 points. Following two months of numbers in the high 40s, disputes left the contraction zone with a 1.8-point jump.

“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.

<b>Combined Manufacturing and Service Sectors (seasonally adjusted)</b>	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
<b>Index of favorable factors</b>	<b>63.3</b>	<b>68.0</b>	<b>64.4</b>	<b>65.7</b>	<b>69.7</b>	<b>65.3</b>	<b>67.7</b>	<b>68.2</b>	<b>66.7</b>	<b>64.8</b>	<b>67.0</b>	<b>66.0</b>	<b>66.0</b>
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
<b>Index of unfavorable factors</b>	<b>51.1</b>	<b>51.9</b>	<b>53.5</b>	<b>52.5</b>	<b>53.0</b>	<b>52.2</b>	<b>53.8</b>	<b>55.6</b>	<b>55.2</b>	<b>52.7</b>	<b>52.7</b>	<b>52.1</b>	<b>52.8</b>
<b>NACM Combined CMI</b>	<b>56.0</b>	<b>58.4</b>	<b>57.9</b>	<b>57.8</b>	<b>59.7</b>	<b>57.5</b>	<b>59.3</b>	<b>60.6</b>	<b>59.8</b>	<b>57.5</b>	<b>58.4</b>	<b>57.7</b>	<b>58.1</b>



## Manufacturing Sector

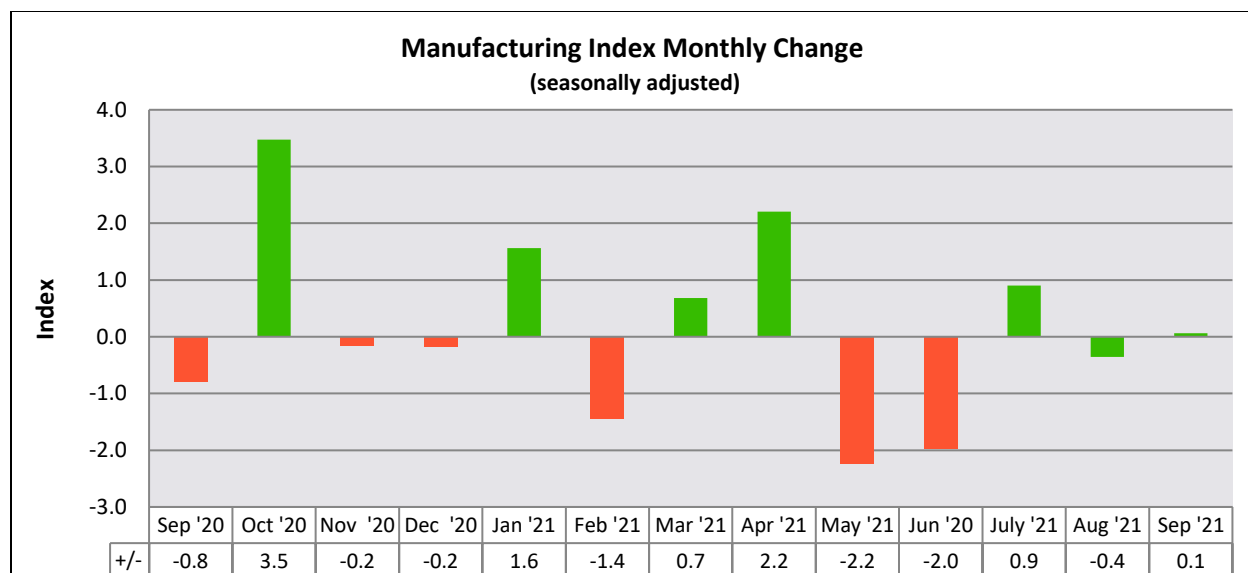
The overall index for manufacturing remained unchanged, but there was some variability in the subsectors. Favorable factors slipped 0.3 points as unfavorable factors gained 0.4 points. “The latest numbers show that manufacturers have managed to weather these storms better than expected,” Kuehl said.

Two of the sector’s favorable categories saw strong gains. Sales data jumped 2.6 points—reaching the 70s for the ninth time in the last year; and new credit applications, 1.3 points. However, dollar collections took a sharp 4.6-point drop, and amount of credit slipped 0.8 points.

“Dollar collections is the lowest it has been in well over a year, and that 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.”

Within unfavorable factors, dollar amount beyond terms fell into the contraction zone with a 0.9-point drop. Rejections of credit applications slipped 0.7 points. Despite a 1.6-point gain, the disputes category remains in contraction territory. Accounts placed for collection rose 1.4 points, and dollar amount of customer deductions improved 0.6 points. Filings for bankruptcies remained unchanged.

<b>Manufacturing Sector (seasonally adjusted)</b>	<b>Sep '20</b>	<b>Oct '20</b>	<b>Nov '20</b>	<b>Dec '20</b>	<b>Jan '21</b>	<b>Feb '21</b>	<b>Mar '21</b>	<b>Apr '21</b>	<b>May '21</b>	<b>June '21</b>	<b>July '21</b>	<b>Aug '21</b>	<b>Sep '21</b>
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
<b>Index of favorable factors</b>	<b>62.5</b>	<b>67.9</b>	<b>64.3</b>	<b>68.5</b>	<b>70.5</b>	<b>67.7</b>	<b>67.1</b>	<b>68.7</b>	<b>67.1</b>	<b>64.5</b>	<b>66.6</b>	<b>66.5</b>	<b>66.2</b>
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
<b>Index of unfavorable factors</b>	<b>50.5</b>	<b>52.6</b>	<b>54.8</b>	<b>51.7</b>	<b>52.9</b>	<b>52.4</b>	<b>54.0</b>	<b>56.6</b>	<b>54.0</b>	<b>52.4</b>	<b>52.5</b>	<b>51.9</b>	<b>52.3</b>
<b>NACM Manufacturing CMI</b>	<b>55.3</b>	<b>58.8</b>	<b>58.6</b>	<b>58.4</b>	<b>60.0</b>	<b>58.5</b>	<b>59.2</b>	<b>61.4</b>	<b>59.2</b>	<b>57.2</b>	<b>58.1</b>	<b>57.8</b>	<b>57.8</b>



## Service Sector

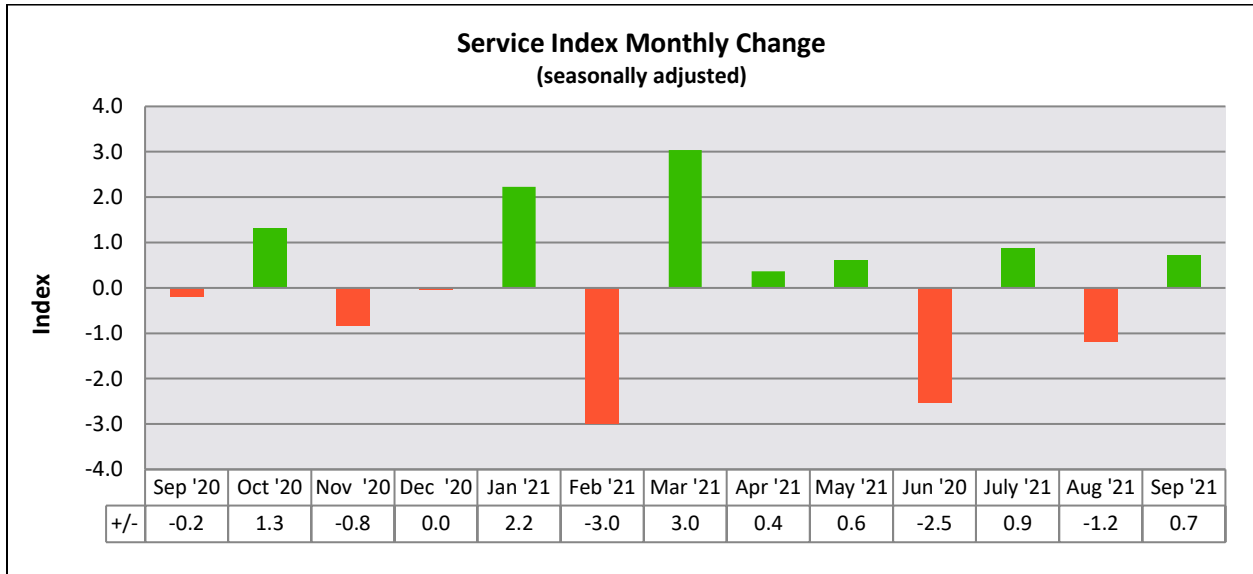
Overall, the service sector's index gained 0.7 points. The sector's favorable factors improved 0.3 points; and unfavorable factors, 1.0 point. "The service sector has been defying expectations," Kuehl said. Within the favorable categories, sales jumped 1.2 points and dollar collections rose 1.3 points. Amount of credit extended fell 1.0 points as new credit applications slipped 0.1 points.

"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.

Within unfavorable categories, dollar amount of customer deductions saw the biggest gain with a 3.7-point jump followed by disputes (2.1 points) and dollar amount beyond terms category (1.3 points). Accounts placed for collection dropped 1.4 points into the contraction zone. Rejections of credit applications fell 0.4 points and filings for bankruptcies slipped by 0.3 points.

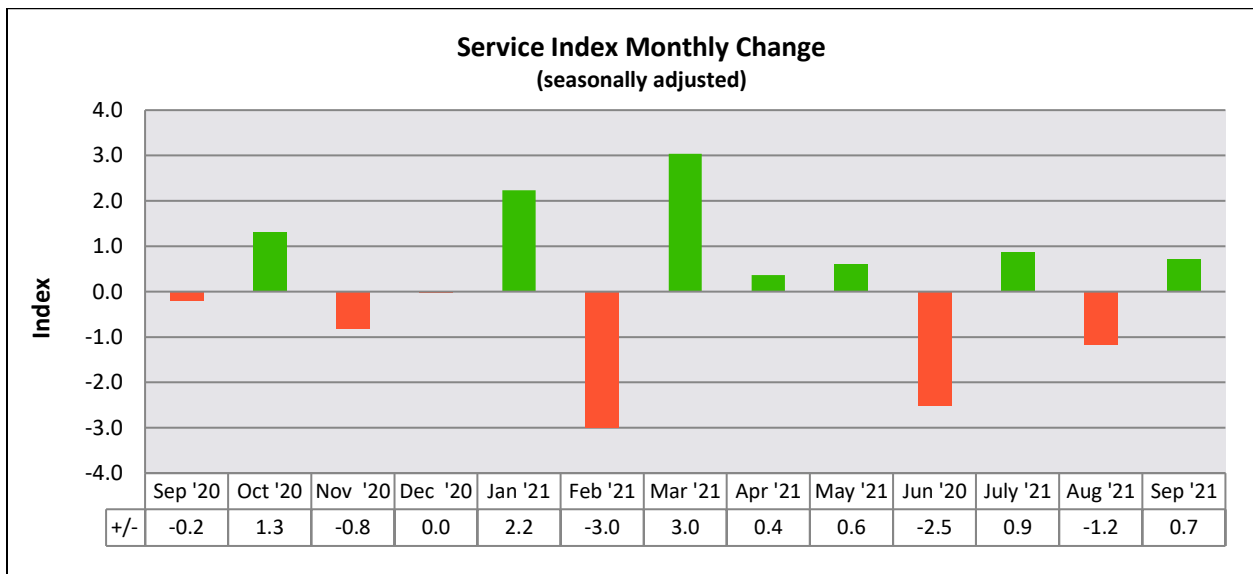
<b>Service Sector</b> (seasonally adjusted)	Sep '20	Oct '20	Nov '20	Dec '20	Jan '21	Feb '21	Mar '21	Apr '21	May '21	June '21	July '21	Aug '21	Sep '21
Sales	65.9	73.1	63.1	69.3	75.1	68.6	75.1	73.7	75.2	67.1	71.9	68.1	69.3
New credit applications	66.4	68.4	65.4	58.7	66.9	64.1	65.6	66.4	64.9	66.1	67.6	65.3	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
<b>Index of favorable factors</b>	<b>64.1</b>	<b>68.1</b>	<b>64.6</b>	<b>62.9</b>	<b>68.9</b>	<b>62.9</b>	<b>68.3</b>	<b>67.7</b>	<b>66.4</b>	<b>65.1</b>	<b>67.4</b>	<b>65.5</b>	<b>65.8</b>
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 of 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.

<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 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.

View CMI archives at <https://www.nacm.org/cmi/cmi-archive.html>.

Source: National Association of Credit Management

Contacts: [Diana Mota](#), 410-423-1837

Website: [www.nacm.org](http://www.nacm.org)

Twitter: [NACM\\_National](#)

