



## Report for December 2021

Issued December 30, 2021

National Association of Credit Management

### Combined Sectors

December's combined score for the National Association of Credit Management's Credit Managers' Index is up to the highest reading seen since May—reaching 58.9 with a 1.5-point gain from last month. This month's improvement comes despite the second year of economic challenges brought on by the pandemic.

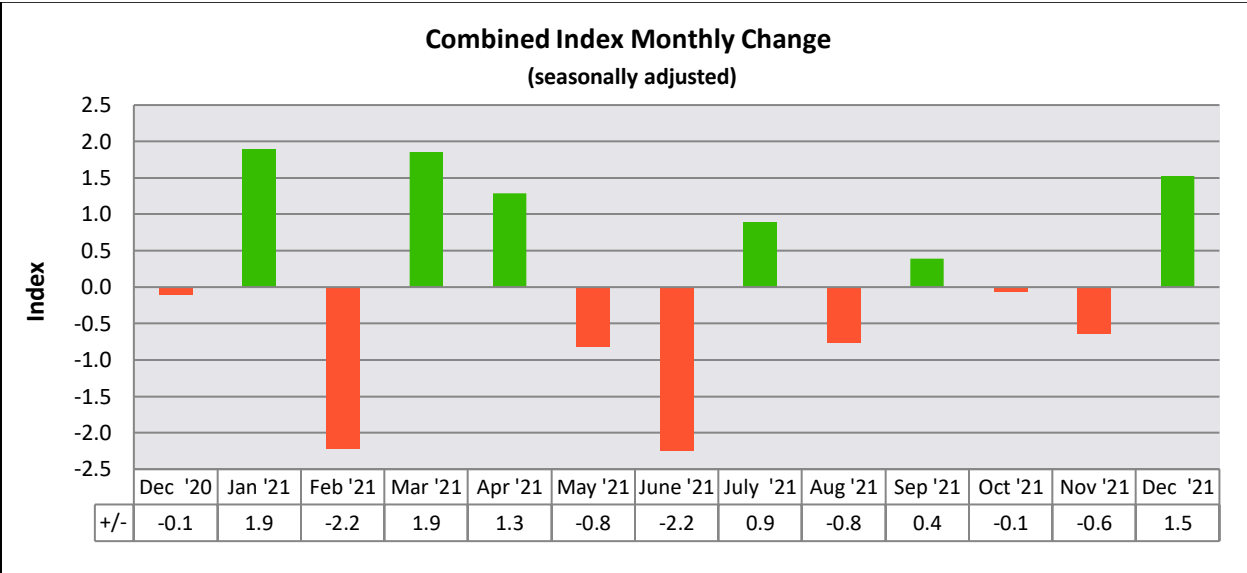
“Every time the signals suggest a strong rebound there is a setback, and every time it seems the issues are too overwhelming to recover from there is a surge of consumer activity that pushes growth again,” said NACM Economist Chris Kuehl, Ph.D. “This month's iteration of the Credit Managers' Index is another in a long line of trend reversals. The end of the year was expected to be something of a disappointment but it turns out the year ended in far better condition than expected.”

The combined index of favorable factors improved with a 2.7-point gain, reaching the highest reading for the year since last January. The dollar collections category improved the most with a 4-point jump. New credit applications followed with a 2.2-point gain. Amount of credit extended reached its highest reading all year with a 2.7-point gain and sales numbers jumped 1.5 points

Unfavorable factors improved as well, but not as dramatically with a 0.8-point gain. Dollar amount beyond terms improved the most with a 5.9-point jump, escaping contraction territory. However, disputes fell deeper into the contraction zone with a 0.9-point drop. Rejections of applications fell 1.4 points while accounts placed for collection improved by 0.3 points. Dollar amount of customer deductions improved 0.9 pints but remains in the contraction zone. Bankruptcy filings slipped by one-tenth of a point.

“The data from the unfavorables was not as impressive but the trend is in the right direction,” Kuehl noted. “The bottom line is that the unfavorables are still showing distress in some circles even as the overall data has been improving.”

<b>Combined Manufacturing and Service Sectors (seasonally adjusted)</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>	<b>Oct '21</b>	<b>Nov '21</b>	<b>Dec '21</b>
Sales	70.2	75.9	69.9	73.9	74.7	73.2	67.7	73.3	68.6	70.4	72.7	70.3	71.8
New credit applications	64.4	67.8	65.5	63.9	65.9	64.6	63.1	69.8	64.4	65.0	64.6	65.4	67.6
Dollar collections	62.8	66.0	59.2	64.5	63.1	60.0	61.1	63.8	62.8	61.1	63.4	60.4	64.4
Amount of credit extended	65.3	69.2	66.8	68.4	69.0	69.0	67.4	61.1	68.4	67.5	70.0	69.6	72.3
<b>Index of favorable factors</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>	<b>67.7</b>	<b>66.4</b>	<b>69.1</b>
Rejections of credit applications	51.3	51.6	51.5	52.0	53.0	53.1	52.3	52.2	52.2	52.1	52.1	53.2	51.8
Accounts placed for collection	51.6	52.9	51.6	55.1	59.6	54.2	53.2	52.0	51.7	51.7	51.5	52.1	52.4
Disputes	51.2	50.9	51.0	50.6	51.3	53.7	50.4	49.4	49.5	51.3	48.5	49.0	48.1
Dollar amount beyond terms	57.0	58.9	52.0	57.0	59.4	57.1	49.5	52.4	51.6	51.9	50.9	49.1	55.0
Dollar amount of customer deductions	51.5	51.3	52.8	52.2	53.0	53.6	52.6	52.2	50.1	52.3	49.5	48.5	49.4
Filings for bankruptcies	52.5	52.3	54.5	55.7	57.1	59.3	58.3	58.2	57.4	57.3	56.8	56.0	55.9
<b>Index of unfavorable factors</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>51.5</b>	<b>51.3</b>	<b>52.1</b>
<b>NACM Combined CMI</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>	<b>58.0</b>	<b>57.4</b>	<b>58.9</b>



## Manufacturing Sector

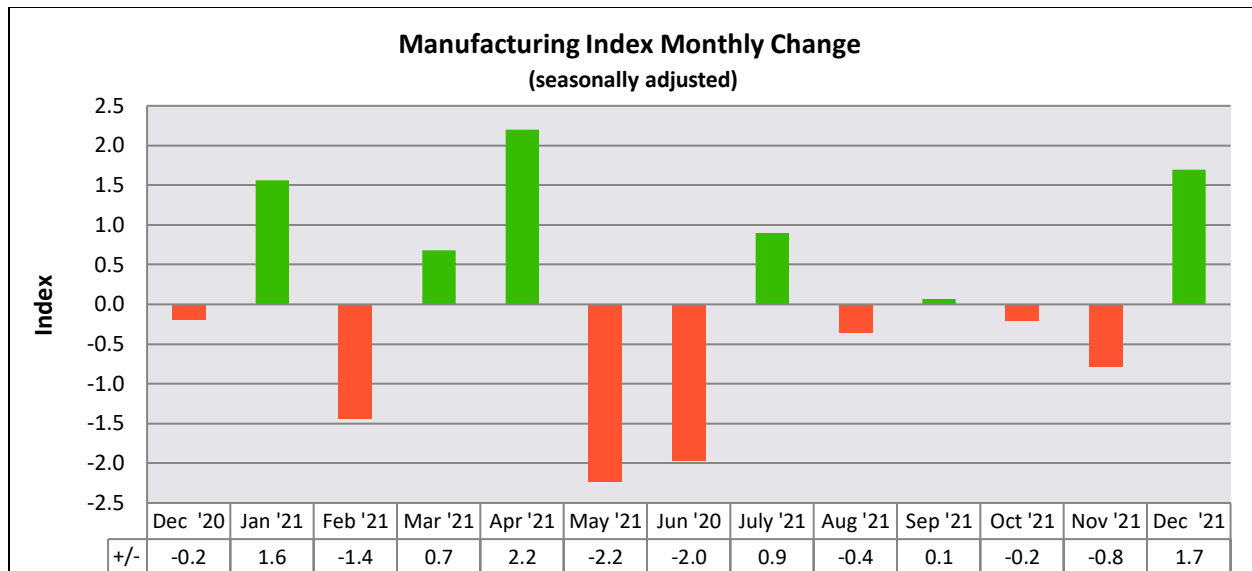
The manufacturing sector's combined score improved 1.7 points to its highest reading since May. Its favorable category gained 0.6 points to 67.2, and unfavorable factors recovered by 2.4 points to a reading of 52.8.

"The supply chain issues were the major inhibition for manufacturing but inflation started to play a role by the end of the quarter," Kuehl said. "Even with supply-chain disruptions and labor shortages, the year ended on a decent note."

Sales saw a 4.6-point drop to the lowest level seen in a year. New credit applications improved by 1.5 points and dollar collections jumped 2.3 points.

Rejections of credit applications saw a 1.1-point drop, signaling those applications are coming from companies that are getting desperate and may not be good risks, Kuehl explained. Accounts placed for collection data by one points and disputes gained 2.3-points, but remains in contraction territory. Dollar amount beyond terms jumped 8.2 points, leaving the contraction zone. Dollar amount of customer saw a 3.2-point gain while bankruptcy filings improved by 1.1 points.

<b>Manufacturing Sector (seasonally adjusted)</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>	<b>Oct '21</b>	<b>Nov '21</b>	<b>Dec '21</b>
Sales	71.1	76.7	71.1	72.7	75.6	71.3	68.2	74.7	69.0	71.6	71.8	72.3	67.7
New credit applications	70.2	68.6	66.9	62.3	65.4	64.4	60.0	71.9	63.4	64.7	62.7	63.0	64.5
Dollar collections	65.9	67.1	63.8	65.5	64.7	64.4	62.5	65.5	65.0	60.4	63.5	62.7	65.0
Amount of credit extended	66.8	69.7	69.1	67.8	68.9	68.2	67.3	54.3	68.7	67.9	70.0	68.4	71.7
<b>Index of favorable factors</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>	<b>67.0</b>	<b>66.6</b>	<b>67.2</b>
Rejections of credit applications	51.3	50.9	51.1	53.8	53.8	53.3	53.4	53.7	53.1	52.4	52.0	53.3	52.2
Accounts placed for collection	51.4	54.1	52.0	56.3	65.4	54.0	53.4	51.6	53.1	54.5	53.7	53.8	54.8
Disputes	50.7	50.5	51.8	50.4	49.6	51.2	48.7	47.3	48.3	49.8	47.5	46.3	48.6
Dollar amount beyond terms	53.5	59.1	53.3	57.2	61.3	55.2	48.5	54.3	50.8	49.9	50.4	48.3	56.5
Dollar amount of customer deductions	50.6	51.0	52.0	50.8	52.8	51.1	52.4	50.6	50.0	50.6	48.2	45.0	48.2
Filings for bankruptcies	52.8	52.1	54.4	55.6	56.7	58.8	57.8	57.5	56.5	56.5	56.5	55.6	56.5
<b>Index of unfavorable factors</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>51.4</b>	<b>50.4</b>	<b>52.8</b>
<b>NACM Manufacturing CMI</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>	<b>57.6</b>	<b>56.9</b>	<b>58.6</b>



## Service Sector

The service sector's combined score improved 1.6 points to 59.2, the highest reading since May. Its favorable factors saw a 4.6-point jump to 70.9, the first time the reading as ever broken the 70s. While the index of unfavorable factors fell 0.8-points to 51.4.

"This is very often a 'make or break' moment for retail as they either came out of the holidays in the black or they didn't," Kuehl said. "The data that will be coming in the January version of the CMI will show this spread that much more clearly."

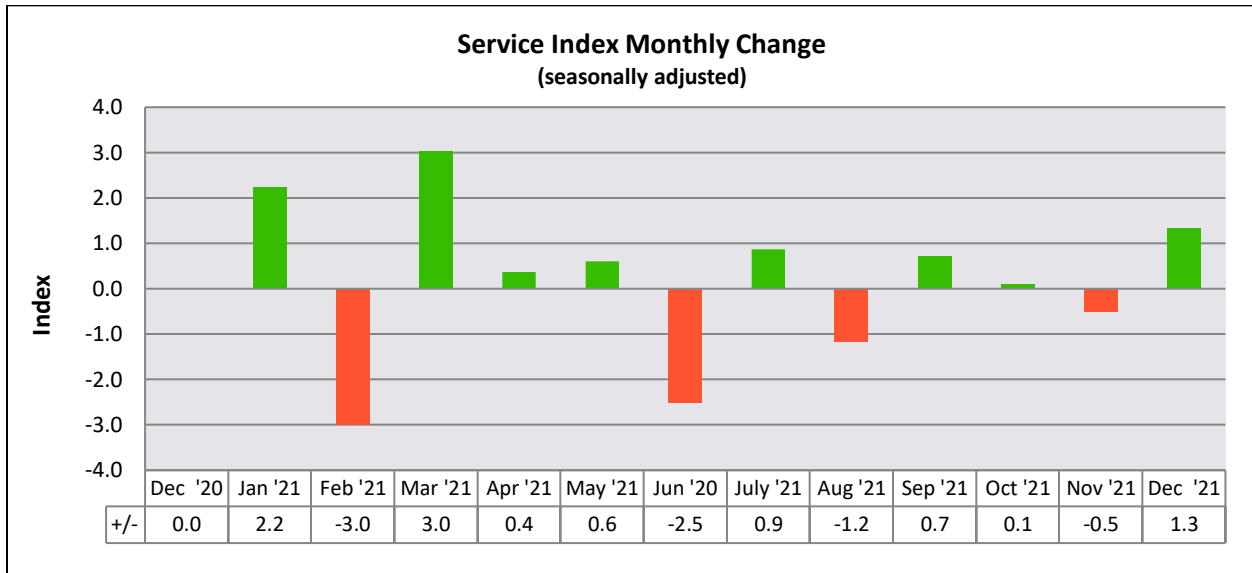
Sales jumped 7.6 points, exceeding the 75.2 reading notched in May. New credit applications data jumped by 2.8 points to a reading of 70.7, the first time this category has crested above 70. Dollar collections saw a 5.8-point improvement and amount of credit extended saw a 2.1-point gain. This is the third of the four favorable categories that hit their highest mark in over a year.

Rejections of credit applications slipped 1.6 points and disputes saw a 4-point drop into contraction territory. Accounts placed for collection slipped 0.4 points while dollar amount beyond terms saw a 3.6-point gain. Dollar amount of customer deductions saw a 2.3-point drop and filings for bankruptcies slipped 1.2 points.

"Generally speaking, the service sector is more volatile than manufacturing as there is a stronger seasonal connection and this month reinforces that notion," Kuehl said. "The concern is that applications are way up but rejections are also increasing and that can be a signal of some distress."

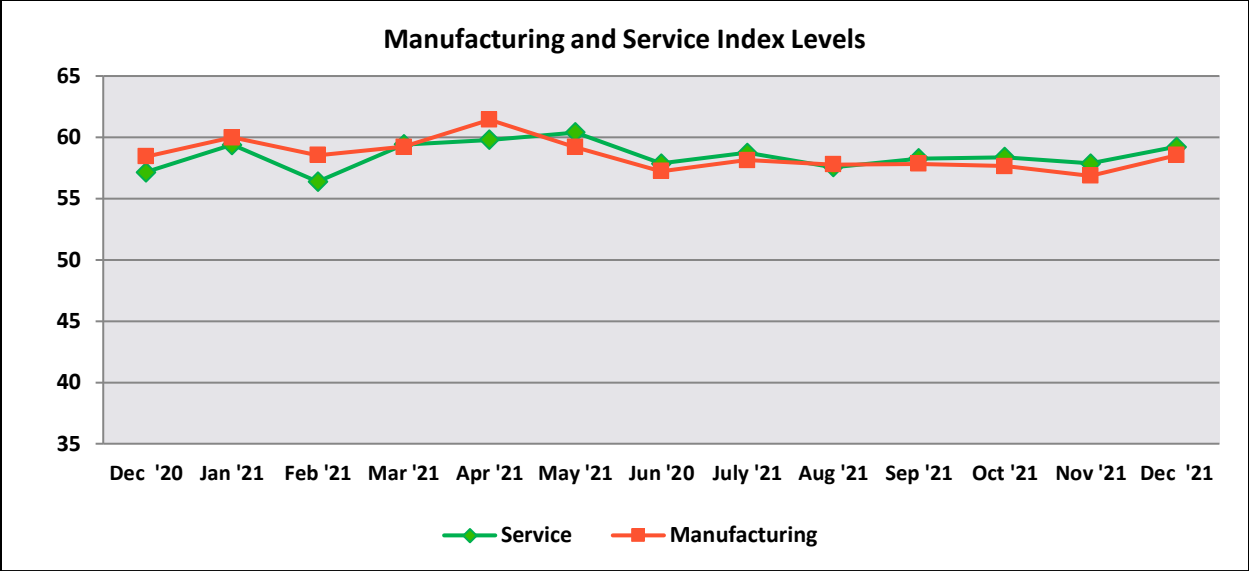
<b>Service Sector</b> (seasonally adjusted)	Dec '20	Jan '21	Feb '21	Mar '21	Apr '21	May '21	June '21	July '21	Aug '21	Sep '21	Oct '21	Nov '21	Dec '21
Sales	69.3	75.1	68.6	75.1	73.7	75.2	67.1	71.9	68.1	69.3	73.6	68.4	76.0
New credit applications	58.7	66.9	64.1	65.6	66.4	64.9	66.1	67.6	65.3	65.2	66.6	67.9	70.7
Dollar collections	59.7	64.9	54.6	63.4	61.6	55.7	59.8	62.2	60.5	61.8	63.3	58.1	63.9
Amount of credit extended	63.9	68.7	64.4	69.0	69.1	69.8	67.5	68.0	68.1	67.1	70.0	70.9	73.0

<b>Index of favorable factors</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>	<b>68.4</b>	<b>66.3</b>	<b>70.9</b>
Rejections of credit applications	51.2	52.2	51.8	50.2	52.2	52.9	51.1	50.7	51.4	51.8	52.1	53.1	51.5
Accounts placed for collection	51.8	51.8	51.2	54.0	53.7	54.3	53.0	52.3	50.3	48.9	49.3	50.4	50.0
Disputes	51.7	51.3	50.2	50.9	53.0	56.2	52.1	51.5	50.7	52.8	49.4	51.6	47.6
Dollar amount beyond terms	60.6	58.8	50.8	56.7	57.5	58.9	50.5	50.5	52.5	53.8	51.4	49.9	53.5
Dollar amount of customer deductions	52.4	51.5	53.5	53.5	53.1	56.1	52.7	53.7	50.3	54.0	50.8	52.0	50.7
Filings for bankruptcies	52.2	52.6	54.6	55.8	57.6	59.9	58.7	58.9	58.4	58.1	57.2	56.5	55.3
<b>Index of unfavorable factors</b>	<b>53.3</b>	<b>53.0</b>	<b>52.0</b>	<b>53.5</b>	<b>54.5</b>	<b>56.4</b>	<b>53.0</b>	<b>53.0</b>	<b>52.3</b>	<b>53.2</b>	<b>51.7</b>	<b>52.2</b>	<b>51.4</b>
<b>NACM Service CMI</b>	<b>57.1</b>	<b>59.4</b>	<b>56.4</b>	<b>59.4</b>	<b>59.8</b>	<b>60.4</b>	<b>57.9</b>	<b>58.7</b>	<b>57.6</b>	<b>58.3</b>	<b>58.4</b>	<b>57.9</b>	<b>59.2</b>



## December 2021 versus December 2020

This month there has been a very sharp difference between the *haves* and the *have nots*. The strength noted in the favorable categories was impressive—hitting highs not seen all year. At the same time there was considerable weakness seen in the unfavorables as some companies have tumbled into distress in the last month or two.



**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>.

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Contacts: [Diana Mota](mailto:Diana.Mota@nacm.org), 410-423-1837

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

Twitter: [NACM\\_National](https://twitter.com/NACM_National)