



## Report for April 2009

Issued May 1, 2009

National Association of Credit Management

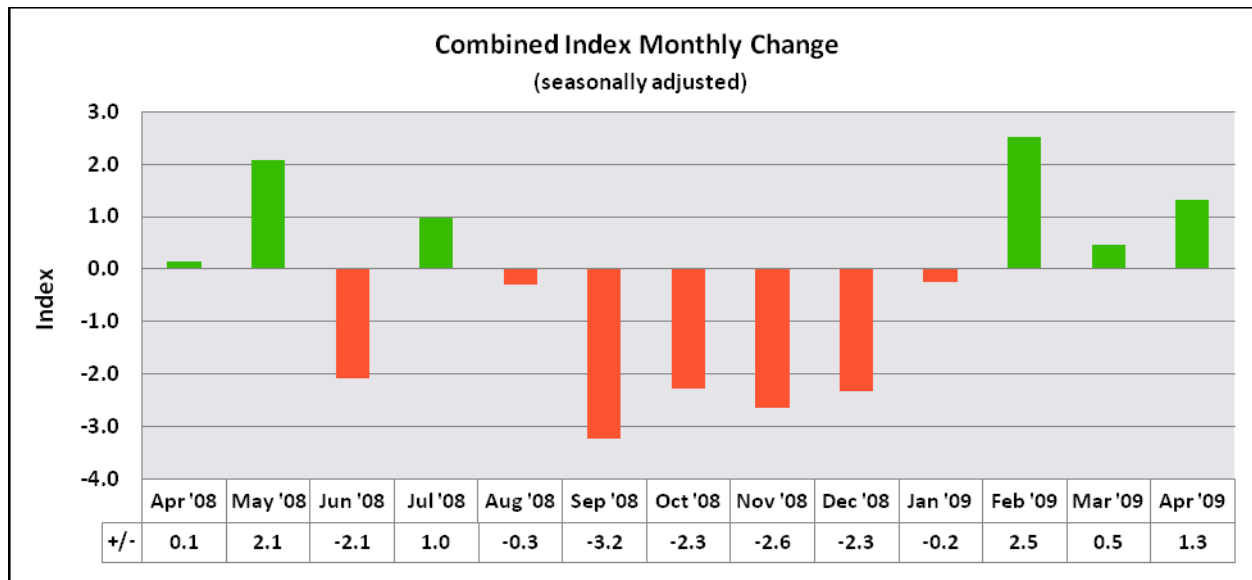
### Combined Sectors

The seasonally adjusted Credit Managers' Index (CMI) rose another 1.3% in April after rising by 2.5% in February and 0.5% in March. This marks the third month in a row for growth after six months of contraction. "There had been concern that the April numbers might have been lower, but they came closer to matching the more robust pace in February," commented NACM Economist Chris Kuehl, Ph.D. This increase matches up well with the data coming from other sources, most notably, the increase in consumer confidence seen in several national surveys. As in past reports, there are still a number of components in the combined index still below the 50 level, but more of them are trending in a positive direction. Sales have continued to rise as have new credit applications, dollar collections and the amount of credit extended. "All in all, the index of favorable factors increased quite substantially from 43.1 to 44.8, marking the highest reading since November 2008 when the real economic collapse began to manifest itself," said Kuehl. "There are no index values above 50 as of yet, so are all still in the contraction zone, but the trending is in the right direction." The unfavorable factors did not show as much positive change, but there was also some movement in the right direction—fewer bankruptcies and a reduced dollar amount of customer deductions. The other factors remained fundamentally the same as in March and some tracked a bit more negatively, especially disputes.

This marks the third month of positive data in a row from the CMI and that has tended to presage some of the positive data that is just starting to develop in other surveys. Kuehl pointed out that conditions have started to improve in select parts of the economy and faster than had been originally indicated by many economists. "The consumer is more confident than expected, the markets came off the bear market in March to score a healthy April and there have been no surprises in the banking sector for a while. It would suggest that the recession began to reach its lows in March and this is also what the CMI would suggest," he said. The CMI has consistently been a harbinger of economic conditions in the country and this latest data supports the notion that conditions have started to stabilize. It will not be a cause for real celebration until the CMI climbs back above 50. However, the tracking supports this for the not-too-distant future.

*See page 5 of this report for information about the methodology and factors used to measure economic performance.*

<b>Combined Manufacturing and Service Sectors (seasonally adjusted)</b>	Mar '08	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec '08	Jan '09	Feb	Mar	Apr
Sales	50.8	54.0	57.7	54.2	55.7	56.5	45.3	45.6	34.4	27.2	29.5	34.1	35.2	37.4
New credit applications	53.0	54.5	55.0	50.2	53.9	52.8	49.7	49.7	45.2	44.7	42.7	44.9	44.3	47.8
Dollar collections	55.1	54.8	61.3	56.4	60.5	57.1	54.6	50.9	50.0	43.9	47.5	47.1	48.4	48.0
Amount of credit extended	55.6	56.4	61.2	58.2	59.5	60.0	54.9	51.8	46.6	43.6	43.2	43.2	44.6	46.1
<b>Index of favorable factors</b>	<b>53.6</b>	<b>54.9</b>	<b>58.8</b>	<b>54.7</b>	<b>57.4</b>	<b>56.6</b>	<b>51.1</b>	<b>49.5</b>	<b>44.0</b>	<b>39.8</b>	<b>40.7</b>	<b>42.3</b>	<b>43.1</b>	<b>44.8</b>
Rejections of credit applications	49.0	48.9	48.1	49.1	48.1	48.5	47.8	44.6	45.0	45.6	45.9	46.7	47.8	47.4
Accounts placed for collection	45.3	45.8	43.0	44.5	43.5	45.6	41.7	36.4	36.1	35.2	36.8	37.8	37.1	38.5
Disputes	49.0	46.9	50.1	47.9	46.3	46.4	45.8	42.9	43.9	44.5	43.4	44.8	44.1	47.2
Dollar amount beyond terms	43.6	42.6	43.7	42.8	47.9	43.6	42.0	41.8	38.8	31.6	30.6	42.0	42.3	40.5
Dollar amount of customer deductions	49.0	47.5	49.9	48.1	47.8	48.5	46.6	45.8	45.4	46.4	45.2	46.2	45.5	49.8
Filings for bankruptcies	48.6	49.2	51.2	49.0	47.2	48.2	46.5	42.6	40.5	39.7	35.4	38.4	40.5	40.2
<b>Index of unfavorable factors</b>	<b>47.4</b>	<b>46.8</b>	<b>47.6</b>	<b>46.9</b>	<b>46.8</b>	<b>46.8</b>	<b>45.0</b>	<b>42.3</b>	<b>41.6</b>	<b>40.5</b>	<b>39.5</b>	<b>42.6</b>	<b>42.9</b>	<b>43.9</b>
<b>NACM Combined CMI</b>	<b>49.9</b>	<b>50.0</b>	<b>52.1</b>	<b>50.0</b>	<b>51.0</b>	<b>50.7</b>	<b>47.5</b>	<b>45.2</b>	<b>42.6</b>	<b>40.2</b>	<b>40.0</b>	<b>42.5</b>	<b>43.0</b>	<b>44.3</b>



## Manufacturing Sector

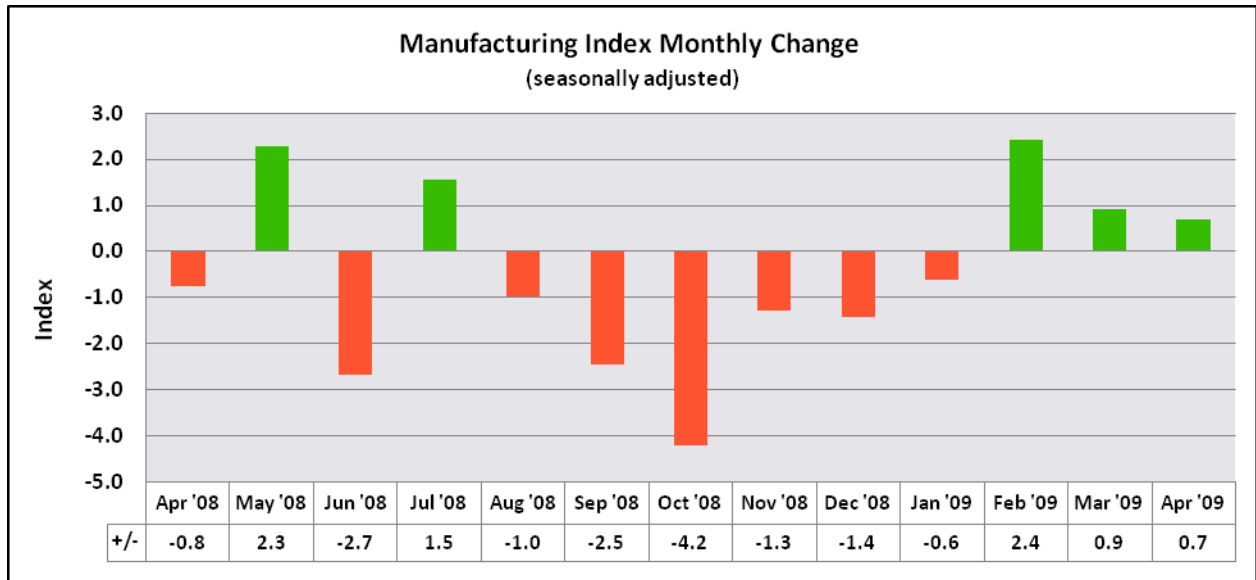
The seasonally adjusted manufacturing index showed some continued improvement, but there are evidently still problems in the sector compared to the service industries, which had been reflected in the overall CMI numbers. It is important to note that there were some impressive gains in the favorable factors such as new credit applications and amount of credit extended. The opening of the capital markets has been reflected in credit activity to an extent and this served to counteract some of the more negative news. In the end, the index of favorable factors ended up the same as in March.

As far as the non-favorable factors were concerned, there was some good news, but for the most part stayed flat. There were fewer rejections of credit and an improvement in the amounts of dollars beyond terms. There were also fewer bankruptcy filings. "This marks the third month in a row that manufacturing data improved but it is still well short of expansionary territory. The good news is that it appears that credit issues in the sector have started to flatten out, which would indicate that some improved conditions might be forthcoming—especially as the import and export numbers start to improve," said Kuehl.

The data suggest that recovery in manufacturing is some time in the future, but at least the rapid declines that had marked this sector since November have started to ease. It is encouraging at this point that manufacturing remains essentially flat.

<b>Manufacturing Sector</b> (seasonally adjusted)	Mar '08	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec '08	Jan '09	Feb	Mar	Apr
Sales	53.1	54.0	59.9	54.4	56.5	57.4	45.2	46.1	38.5	26.8	31.6	34.7	36.7	39.6
New credit applications	55.6	55.5	54.9	51.1	55.0	53.0	50.9	49.2	45.5	48.8	44.8	45.2	44.6	50.7
Dollar collections	55.6	54.6	58.8	54.4	60.8	56.2	55.6	46.3	49.6	44.5	48.2	48.3	49.5	48.0
Amount of credit extended	56.5	57.7	58.6	57.9	58.8	62.0	56.2	48.1	42.8	44.0	39.6	40.5	41.8	44.1
<b>Index of favorable factors</b>	<b>55.2</b>	<b>55.4</b>	<b>58.0</b>	<b>54.4</b>	<b>57.8</b>	<b>57.1</b>	<b>52.0</b>	<b>47.4</b>	<b>44.1</b>	<b>41.0</b>	<b>41.1</b>	<b>42.2</b>	<b>43.1</b>	<b>43.1</b>
Rejections of credit applications	49.5	48.8	49.4	49.4	48.7	48.1	49.0	46.2	45.2	47.8	46.0	46.5	48.1	47.2
Accounts placed for collection	48.3	47.1	45.9	45.8	44.8	47.4	42.3	36.0	35.3	35.0	39.1	38.1	37.7	38.6
Disputes	47.0	46.3	48.8	46.9	45.2	43.8	45.5	41.3	44.4	44.7	42.6	44.4	44.4	45.8
Dollar amount beyond terms	46.0	44.0	45.7	41.8	47.7	41.8	43.1	38.6	40.0	31.8	30.8	46.5	48.1	42.8

Dollar amount of customer deductions	48.0	45.5	50.1	48.4	46.5	46.9	45.9	42.8	44.2	45.8	44.6	44.5	45.6	47.6
Filings for bankruptcies	50.2	48.7	53.0	48.2	49.7	47.2	45.6	42.6	38.7	40.6	36.4	39.2	40.6	39.6
<b>Index of unfavorable factors</b>	<b>48.2</b>	<b>46.7</b>	<b>48.8</b>	<b>46.8</b>	<b>47.1</b>	<b>45.9</b>	<b>45.3</b>	<b>41.3</b>	<b>41.3</b>	<b>41.0</b>	<b>39.9</b>	<b>43.2</b>	<b>44.1</b>	<b>44.1</b>
<b>NACM Manufacturing CMI</b>	<b>51.0</b>	<b>50.2</b>	<b>52.5</b>	<b>49.8</b>	<b>51.4</b>	<b>50.4</b>	<b>47.9</b>	<b>43.7</b>	<b>42.4</b>	<b>41.0</b>	<b>40.4</b>	<b>42.8</b>	<b>43.7</b>	<b>44.4</b>



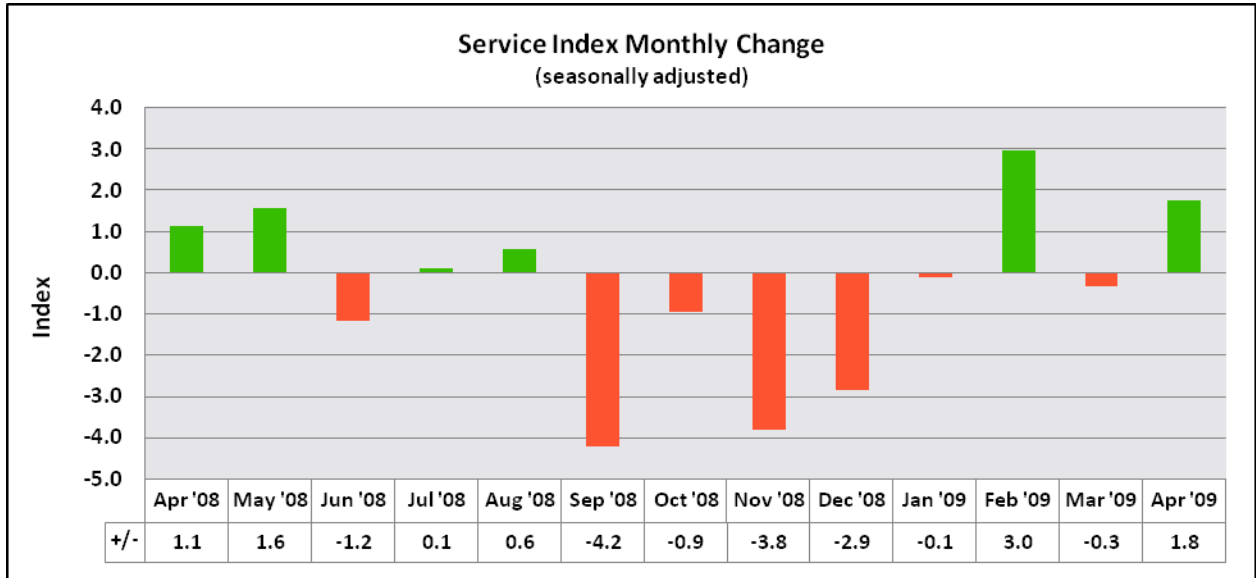
## Service Sector

The seasonally adjusted service sector index staged a rebound from the March decline, bouncing back on the strength of some of the unfavorable factors. (The March components had sunk after an initial jump in the February index.) There have been fewer disputes, less dollar amount of customer deductions and a reduction in accounts placed for collection. The improvement from 41.7 to 43.5 is not sensational but it shows more trending in the right direction and is something of a relief after the sag in March. The vast majority of the U.S. economy lies in the service sector, so performance here is especially relevant.

“The return to positive trends in the service sector is important given the fact that 80% of the U.S. economy is reliant on this sector. The numbers in March were of concern, but the partial rebound in April is consistent with the other data that has been emerging. The biggest fear remains that unemployment will keep expanding and keep putting pressure on the service sector” said Kuehl.

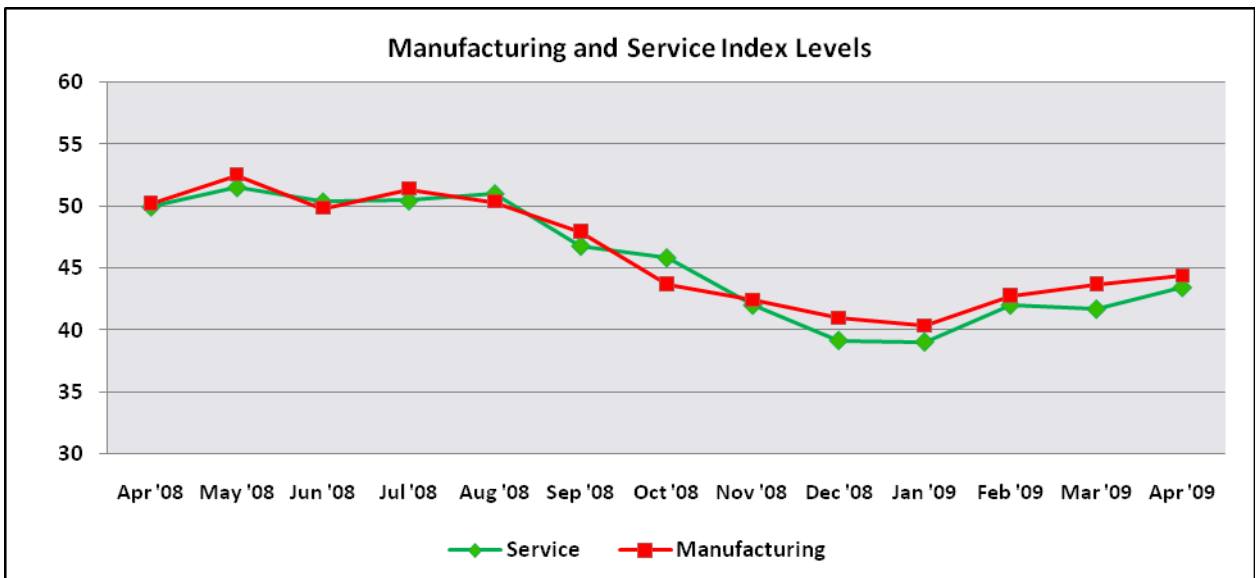
<b>Service Sector (seasonally adjusted)</b>	Mar '08	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec '08	Jan '09	Feb	Mar	Apr
Sales	48.5	53.9	55.5	54.0	54.9	55.5	45.4	45.1	30.2	27.5	27.3	33.5	33.7	35.2
New credit applications	50.4	53.4	55.1	49.3	52.7	52.6	48.4	50.2	44.8	40.5	40.5	44.6	44.0	44.9
Dollar collections	54.6	55.0	63.8	58.4	60.1	58.0	53.6	55.5	50.3	43.2	46.8	45.9	47.4	48.0
Amount of credit extended	55.1	56.3	62.2	59.8	58.3	58.0	51.5	47.2	43.7	40.3	41.4	43.9	41.8	40.6
<b>Index of favorable factors</b>	<b>52.2</b>	<b>54.7</b>	<b>59.2</b>	<b>55.4</b>	<b>56.5</b>	<b>56.0</b>	<b>49.7</b>	<b>49.5</b>	<b>42.3</b>	<b>37.9</b>	<b>39.0</b>	<b>41.9</b>	<b>41.7</b>	<b>42.2</b>
Rejections of credit applications	48.5	49.0	46.7	48.7	47.5	48.8	46.5	43.0	44.7	43.4	45.7	46.9	47.5	47.7
Accounts placed for collection	42.2	44.4	40.1	43.2	42.1	43.8	41.0	36.7	36.9	35.4	34.4	37.5	36.5	38.5
Disputes	51.0	47.4	51.3	48.9	47.4	48.9	46.1	44.5	43.3	44.3	44.1	45.2	43.9	48.6
Dollar amount beyond terms	41.1	41.1	41.6	43.7	48.0	45.4	40.9	44.9	37.6	31.4	30.3	37.4	36.6	38.3

Dollar amount of customer deductions	50.0	49.5	49.6	47.8	49.0	50.0	47.3	48.8	46.6	47.0	45.7	48.0	45.4	52.0
Filings for bankruptcies	47.0	49.7	49.4	49.8	44.6	49.2	47.3	42.6	42.2	38.8	34.4	37.7	40.4	40.8
<b>Index of unfavorable factors</b>	<b>46.6</b>	<b>46.9</b>	<b>46.5</b>	<b>47.0</b>	<b>46.4</b>	<b>47.7</b>	<b>44.9</b>	<b>43.4</b>	<b>41.9</b>	<b>40.1</b>	<b>39.1</b>	<b>42.1</b>	<b>41.7</b>	<b>44.3</b>
<b>NACM Service CMI</b>	<b>48.8</b>	<b>50.0</b>	<b>51.5</b>	<b>50.4</b>	<b>50.5</b>	<b>51.0</b>	<b>46.8</b>	<b>45.9</b>	<b>42.0</b>	<b>39.2</b>	<b>39.1</b>	<b>42.0</b>	<b>41.7</b>	<b>43.5</b>



### April 2009 vs. April 2008

On a seasonally adjusted basis, the year-over-year numbers are showing some steady improvement as both manufacturing and service indices have climbed up since the low point in January of this year. “The decrease in activity from a year ago is still substantial and nobody is asserting that imminent recovery is at hand, but the trends are positive in both sectors for the first time since February,” said Kuehl.



## Methodology Appendix

CMI data has been collected and tabulated monthly since February 2002. The index, published since January 2003, is based on a survey of approximately 800 trade credit managers during the last 10 days of the month, with about equal representation between the manufacturing and service sectors. The survey asks respondents to comment on whether they are seeing improvement, deterioration or no change for various favorable or unfavorable factors. There is representation from all states, except some of the less populated such as Vermont and Idaho.

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 those from the Purchasing Managers, the Supply Chain Managers and others.

### 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 items, the calculation is:

$$\frac{\text{Number of "higher" responses} + \frac{1}{2} \times \text{number of "same" responses}}{\text{Total number of responses}}$$

For the negative factors, the calculation is:

$$\frac{\text{Number of "lower" responses} + \frac{1}{2} \times \text{number of "same" responses}}{\text{Total number of responses}}$$

<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 this month, 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: As these rise, the numbers reflected in the index do the inverse, reflecting worsening conditions.*



## About the National Association of Credit Management

The National Association of Credit Management (NACM), headquartered in Columbia, Maryland, supports approximately 19,000 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 and education, delivering products and services, which improve the management of business credit and accounts receivable. NACM's collective voice has influenced legislative results concerning commercial business and trade credit to our nation's policy makers for more than 100 years, and continues to play an active part in legislative issues pertaining to business credit and corporate bankruptcy.

This report and the CMI archives may be viewed at <http://web.nacm.org/cmi/cmi.asp>.

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