

Credit Management Index

Ludo Theunissen

*Credit Expo
14th October 2015*



Economic Climate

Indices & Indicators

National Bank(s) – employment – export statistics – bank loans -

Characteristics:

Based on real figures or surveys

Most : past – recent – can be measured

Very interesting But what about future ? → Surveys

Confidence of entrepreneurs

Consumers ? influenced

Specific group : credit managers.



Economic Climate

Credit managers ?

Why could they do better.

Reversing the question

Basic question : find elements that influence or determine the economic situation

→ find elements that are influenced by the economic situation ...

and by the expectations.

Which elements ?

Industrial activity : turnover of companies, exports

Credit markets : how easy is it to get credit – bank loans .

In a crisis situation this is influenced

Economic Climate

Credit managers ?

How do companies solve the financing problem ?

Find other sources of financing !

Not many Suppliers

→ crisis will influence payment behaviour in B2B.

Confirmed by research

However : Not straightforward – more complex

Economic Climate

Credit managers ?

Close to the customer / market

→ ask them what is happening in the market.

Let's measure DSO ?

Possibility to calculate ?
yearly basis – not all companies.

Using DSO is attractive but measuring real DSO ?

Companies collecting payment experience : certain reliability

Significance ? Only one element – lagging !

Credit Managers' Index CMI

National Association of Credit Managers NACM - USA – 2003

Survey with large group of Credit professionals on experience
last month /quarter

evolution of customer behaviour

Evolution of markets

→ more than just DSO .

Combination of favorable and unfavorable indicators

What is asked is not an absolute measure of what has
happened !

We do not ask for DSO. But direction of change.

CMI

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 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.
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.

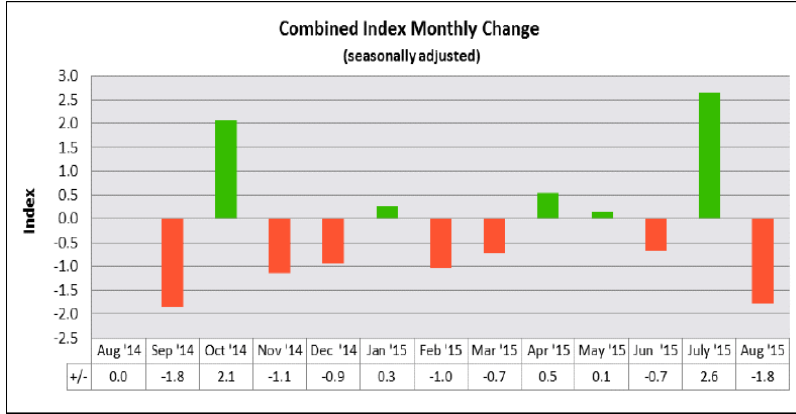
CMI

- USA : monthly - separate manufacturing & service

Combined Manufacturing and Service Sectors (seasonally adjusted)	Aug '14	Sep '14	Oct '14	Nov '14	Dec '14	Jan '15	Feb '15	Mar '15	Apr '15	May '15	Jun '15	Jul '15	Aug '15
Sales	64.8	60.9	65.7	62.7	61.4	61.5	58.9	58.4	59.1	57.1	56.6	65.1	57.9
New credit applications	60.9	59.0	59.4	58.1	59.2	58.3	58.0	56.6	58.6	58.5	60.5	60.8	57.7
Dollar collections	62.7	59.9	61.5	60.3	56.6	60.1	57.4	57.6	58.8	57.5	56.8	61.9	58.3
Amount of credit extended	66.7	64.0	63.8	63.7	64.6	62.2	60.5	60.6	62.6	62.0	64.5	66.4	63.0
Index of favorable factors	63.8	60.9	62.6	61.2	60.5	60.5	58.7	58.3	59.8	58.8	59.6	63.5	59.2
Rejections of credit applications	51.9	52.5	53.6	51.7	51.5	51.9	51.4	52.6	52.3	51.9	50.8	51.8	51.3
Accounts placed for collection	52.1	50.7	52.7	51.8	51.1	50.1	50.8	49.8	49.8	51.1	47.8	50.3	51.2
Disputes	50.6	49.2	50.4	50.8	48.5	49.5	48.8	49.0	47.2	48.0	48.2	49.9	49.5
Dollar amount beyond terms	50.3	47.2	53.6	52.3	48.7	50.6	48.4	45.5	48.8	50.7	46.8	49.1	49.3
Dollar amount of customer deductions	49.9	49.8	50.8	49.7	48.5	50.2	51.8	48.7	47.4	47.8	49.5	49.3	49.9
Filings for bankruptcies	57.5	55.8	58.1	56.8	58.5	56.9	55.0	55.1	54.6	56.0	52.5	55.6	54.4
Index of unfavorable factors	52.1	50.9	53.2	52.2	51.1	51.5	51.0	50.1	50.0	50.9	49.2	51.0	50.9
NACM Combined CMI	56.7	54.9	57.0	55.8	54.9	55.1	54.1	53.4	53.9	54.1	53.4	56.0	54.2

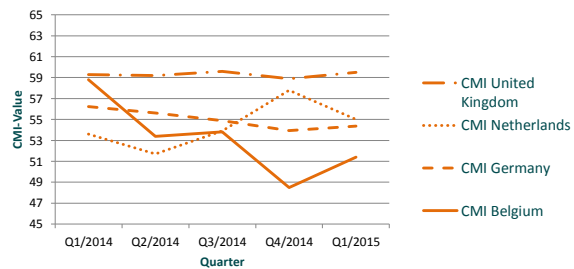
CMI

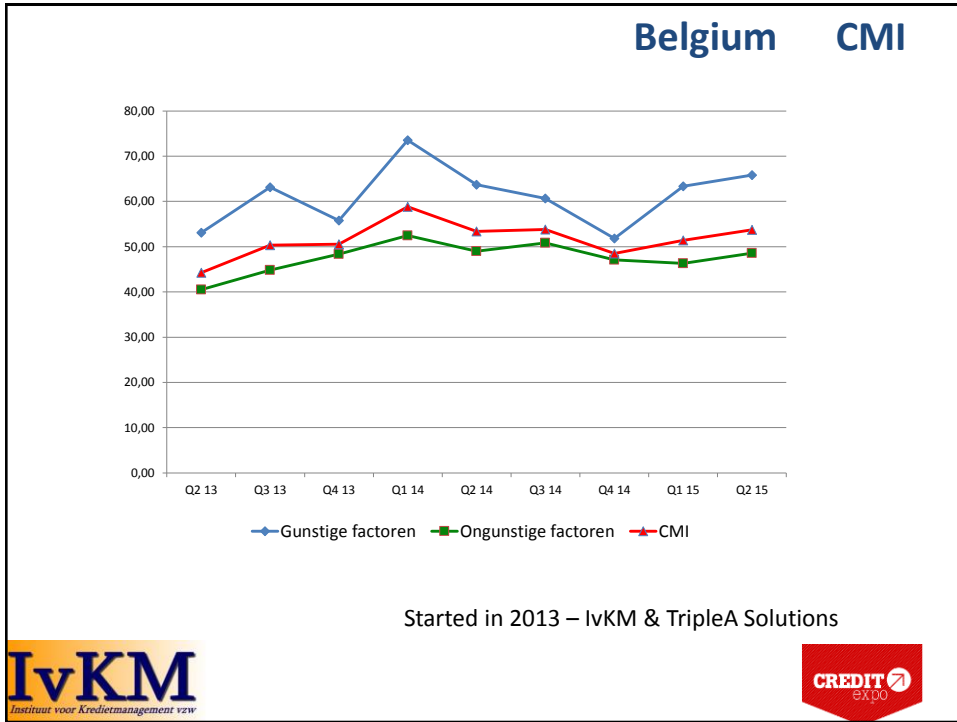
- USA : monthly - separate manufacturing & service



Europe : FECMA CMI

	Q1 / 2014	Q2 / 2014	Q3 / 2014	Q4 / 2014	Q1 / 2015
CMI United Kingdom	59,30	59,20	59,60	58,90	59,50
CMI Netherlands	53,60	51,70	53,90	57,80	55,00
CMI Germany	56,22	55,61	54,88	53,94	54,37
CMI Belgium	58,80	53,40	53,80	48,50	51,40







Belgium CMI

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Credit sales	55,6	63,6	53,8	74,1	67,9	62,0	48,1	66,0	65,0	61,9
New credit applications	55,6	62,1	50,0	72,4	62,5	60,0	50,0	58,0	67,5	64,3
Order book	48,1	63,6	63,5	74,1	60,7	60,0	57,4	66,0	65,0	54,8
Index positive factors	53,1	63,1	55,8	73,6	63,7	60,7	51,9	63,3	65,8	60,3
Credit applic. Rejected	44,4	43,9	53,8	53,4	57,1	50,0	53,7	44,0	50,0	52,4
DSO	40,7	51,5	53,8	55,2	51,8	48,0	38,9	50,0	52,5	50,0
Overdue debtors	33,3	45,5	50,0	56,9	46,4	56,0	51,9	44,0	40,0	50,0
Payment terms	44,4	43,9	44,2	51,7	46,4	52,0	44,4	38,0	47,5	47,6
Collections	33,3	30,3	44,2	36,2	37,5	36,0	35,2	40,0	35,0	38,1
Insolvencies	38,9	47,0	42,3	58,6	60,7	60,0	53,7	58,0	62,5	69,1
Dispute	48,1	51,5	50,0	55,2	42,9	54,0	51,9	50,0	52,5	35,7
Index negative Factors	40,5	44,8	48,4	52,5	49,0	50,9	47,1	46,3	48,6	49,0
CMI	44,3	50,3	50,6	58,8	53,4	53,8	48,5	51,4	53,8	52,4

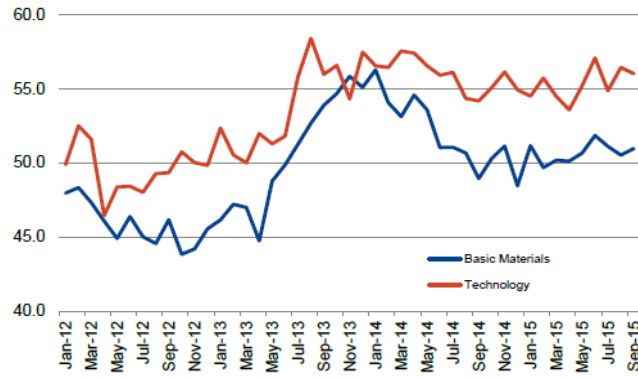
Started in 2013 – IvKM & TripleA Solutions

Other indices - PMI

Basic Materials vs. Technology

Output, sa, 50 = no change on previous month

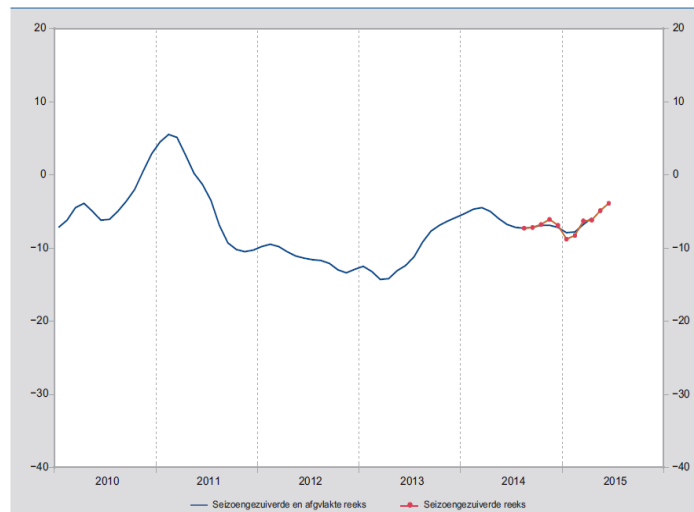


Source: Markit



Other indices - NBB

GRAFIEK 1 GEZAMENLIJKE SYNTHETISCHE CURVE
(verwerkende nijverheid, bouwrijverheid, dienstverlening aan bedrijven en handel)



Belgium CMI

CMIINDEX

MIJN PROFIEL LOGOUT ✕

HOME CMI SCORES OVER CMI
Welkom Ludo Theunissen NL | FR

Mijn Credit Managers Index

CMI TREND ↻

2014-2015		jun	jul	aug	sep	okt	nov	dec	jan	feb	mrt	Q2	Q3
Gunstige factoren													
Kredietverloopen	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Nieuwe kredieten aangevraagd door klanten	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Orderboek	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Ongunstige factoren													
Verworpen kredietaanvragen	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
DSO	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Aantal klanten met betalingsachterstand	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Toegestane betalingstermijnen	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Incasso-inspanningen	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Faillissementen	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Betwistingen	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑

↑↓ Positieve trend
 ↑↓ Gelijke trend
 ↑↓ Negatieve trend

WIJZIGEN ⚙

<http://www.cmindex.be>



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Thank you

for your attention

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