

Business Credit Pro

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DECEMBER 2016

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NACM Gulf States
Houston Conference Center
10887 S. Wilcrest Drive
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Please call
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or register online
TODAY!

2016 Holiday Gala

2016 NACM Gulf States Holiday Gala

*The stars at night are big and bright
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Wednesday, December 7

Doors open and Silent Auction begins at 11:00am
\$36 per person

- Buffet Lunch • Door Prizes • Silent Auction
- Charity Auction – Silverado Hospice North Houston
- Bring a Gift, Get a Gift – \$10 limit
- Toys for Tots
- Presentation to U.S. Marines

Group Meetings

10:00am:
International Credit Executives

10:30am:
Heating & Air Conditioning
Hotel Restaurant

1:30pm:
Building Materials Group
Chemical Supply Group
Contractors Supply Group
Electrical Supply Group
Oilfield Service & Supply Group



Business Credit Pro

NACM Gulf States

10887 Wilcrest
P.O. Box 721348
Houston, TX 77272-1348
www.nacmgs.org

Phone/Fax

Business Offices	281-228-6100/6122
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Groups Calendar

National Group Meetings

Jan 18, 2017 National Oilfield Service & Supply
NACM Conference Center - Houston, TX 8:30am-5:00pm

Jan 26-27, 2017 National Wholesale Nursery Products & Supplies Group
NACM Conference Center - Houston, TX 8:30am-5:00pm

Apr 23-25, 2017 Transportation Revenue Management Group
Chicago, IL 8:30am-5:00pm

Regional Group Meetings

Jan 19-20, 2017 Texas Statewide Group Meeting
Austin, TX 8:00am-5:00pm

Sep 17-19, 2017 All South Conference
Hilton Clearwater Beach Resort - Clearwater, FL 8:00am-5:00pm

Houston - Local Group Meetings for December

Dec 7 International Credit Executives Group
NACM Conference Center - Houston, TX 10:00-11:30am

Dec 7 Heating & Air Conditioning Group
NACM Conference Center - Houston, TX 10:30-11:30am

Dec 7 Hotel Restaurant & Institutional Supply Group
NACM Conference Center - Houston, TX 10:30-11:30am

Dec 7 Contractors Supply Group
NACM Conference Center - Houston, TX 1:30-2:30pm

Dec 7 Building Materials Group
NACM Conference Center - Houston, TX 1:30-2:30pm

Dec 7 Electrical Supply Group
NACM Conference Center - Houston, TX 1:30-2:30pm

Dec 7 Chemical Supply Group
NACM Conference Center - Houston, TX 1:30-2:30pm

Dec 7 Oilfield Services & Supply Group
NACM Conference Center - Houston, TX 1:30-2:30pm



Your Business Credit Trade Association dedicated to improving the performance of today's business credit community.

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Toll Free 866-252-NACM
Main Fax 281-228-6122

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Administration
President, Kathleen Quill, CAE, CBA 1400
Executive Administration, National Groups Manager
Becky Showers, CGA 1405
Louisiana Division, Henry Albert, CGA 1560

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Credit Reports 281-228-6100
Sales 281-228-6100
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Remote Access 281-228-6142
Credit Reporting Fax 281-228-6121
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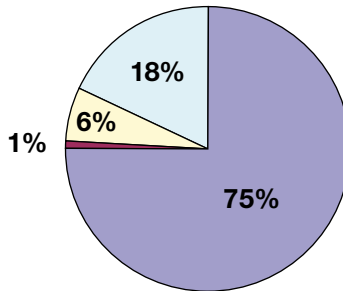
Product & Service Consultant,
Henry Albert, CGA 1560
Deidre Henry 1268
Natalie Wriston 1331

Both NACM Gulf States and NACM Business Credit Services exist for and because of you. Any questions or specific needs are not just welcome, but the reason we are here. Please call us.

Flash Poll

**NACM Gulf States:
Bridging Your Connections**

Which products and services benefit your company the most?



- A. NACM offers everything needed to get the credit and collections job done.
- B. What products and services?
- C. Offer more/different services and education.
- D. Create a network for the CFO/Controller.

Why NACM?

As an NACM member I have access to commercial credit information that is both current and comprehensive. As I was setting up a new credit department it was great to be able to learn new processes and by interacting with industry peers. Training sessions were available that I took advantage of very quickly. NACM offers so much and I would gladly recommend ANY company get involved, as you can save thousands of dollars in lost revenue. That more than pays for the membership dues!

**Pete Cronquist
Kelly Pipe**



Build certification roadmap points, participate in the Credit Managers' Index!
Need a reminder? **Sign up** to receive an alert email, sent when the survey opens each month.



Next chance to participate is **December 12-16**. Visit the **CMI survey page** any time during these dates to help bring awareness to the credit profession.

Economists Say 'Bah! Humbug!' to Christmas Presents

Those schooled in Scroogenomics say gifts are inefficient, but even wonks can't fight the yuletide.

Economist Sean Snaith believes deeply, along with many in his trade, that gift-giving represents an inefficient reallocation of resources.

"Anyone who has had microeconomics knows," says Mr. Snaith, who directs the University of Central Florida's Institute for Economic Competitiveness, "that an income transfer, as opposed to a gift in-kind, gets you to a higher level of utility."

Putting theory under the tree is another matter.

Mr. Snaith says his two daughters "have about a one-minute tolerance for any sort of lesson on the economy." His 10-year-old, Parker, agrees and adds that she likes getting presents whatever the theory.

"I wouldn't like to go to the mall for five hours to pick them out myself," she says.

Around Christmas, pure-minded economists like Mr. Snaith cringe at profligate spending untethered to expressed need or desire. They cite principles laid out by Adam Smith and scholarly studies on present-giving.

Liquid assets, they generally argue, are the most efficient gifts.

Economists have acted on that theory elsewhere on the calendar. Chad Moutray, chief economist for the National Association of Manufacturers, once bought his wife shares of the Dow Diamonds exchange-traded fund for Valentine's Day.

There is little romance about the fund, which mimics the Dow Jones Industrial Average. But it was an efficient gift, he says—highly liquid; low expense ratio—and his wife liked the Diamonds.

"She appreciated the joke," he says of his late wife, "and benefited from the rising stock value."

But he experienced what economists call an unanticipated externality: "My female work colleagues were less impressed. They thought that I should have given the real thing."

Economists' arguments against presents have deep roots. Some evoke Adam Smith, who espoused rational self-interest, or Milton Friedman, who praised the efficiency of spending money on oneself.

A 1993 paper, "The Deadweight Loss of Christmas," gave the notion its first real academic ballast. The author, Joel Waldfogel, then at Yale University, calculated yuletide waste by asking 86 students to estimate the cost of presents they received. Average answer: \$438.

He asked how much they would have been willing to pay for the same gifts. Average answer: \$313. Recipients valued gifts at 71.5 cents on the dollar, a significant economic inefficiency.

Gifts, Mr. Waldfogel wrote, "leave the recipient worse off than if they had made their own consumption choice with an equal amount of cash."

Since then, economists have enriched the Grinch school of economics.

A 2009 *Journal of Socio-Economics* paper measured gifts across the holiday catalog, from books (which recipients valued at 74% of the amount spent) to footwear (92%) and kitchen gadgets (77%).

"We find no evidence of significant welfare gains in any gift category," the paper concluded, calling gifts a "considerable market failure."

Sung Won Sohn, an economist at California State University, Channel Islands, got burned ignoring sober economic arguments against illiquid presents when he bought "what I thought was a very nice necklace."

(continued)

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NACM
National Trade Credit Report

The advertisement features a dark background with a vertical stream of green and white characters, resembling a digital data stream. The text is prominently displayed in white and red. At the bottom, there are logos for Bectran and NACM (National Association of Credit Management).

His wife wasn't happy, he says. "She said she never wore necklaces and she was upset because I hadn't noticed she didn't wear necklaces."

Still, he doesn't buy the economic-inefficiency Christmas critique. "I don't think we should be analyzing this as an economic subject," he says. "We're talking about fun, holiday spirit."

In his book *Scroogenomics*, economist Joel Waldfogel made a case against buying Christmas presents. Still, he gives and receives holiday gifts.

Some scholars have examined which relatives give the worst gifts, economically speaking. Two economists in 2012 surveyed German students on gifts from relatives and on perceived value.

"The efficiency loss of Christmas presents," they concluded, "is highest for gifts from grandparents."

The *Wall Street Journal's* survey of economists shows they largely don't practice what the naysayers preach: 51 of 54 respondents said they bought loved ones gifts; the other three initially said they didn't, but later admitted they did.

Fannie Mae's chief economist, Doug Duncan, says gifts are inefficient. But "I think about it the way I think about the 30-year fixed-rate mortgage," he says—a complicated but emotionally-laden tradition most families, including his, are too busy to think much about.

Paul Ashworth, chief U.S. economist of the research consultancy Capital Economics, also agrees gift-giving can be wasteful. But he has an economic rationale for buying gifts, like for his 10-year-old son who wanted a "cool Lego set" but provided no details.

"In economics we often talk 'asymmetric information,'" he says. The good gift giver is like a clever car salesman, shopping for a spouse's car, who uses superior knowledge to get the best deal.

"My informational advantage on the universe of possible Lego gifts," he says, "means that I can identify the Star Wars Millennium Falcon as the joy-maximizing gift."

Mr. Waldfogel, now a University of Minnesota economics professor, in 2009 published "Scroogenomics: Why You Shouldn't Buy Presents for the Holidays" and continues such research. His phone rings every December with requests he explain his thesis.

Gallup predicts Americans will each spend an average of \$830 on gifts this holiday season. Mr. Waldfogel expects about 20% of that to be wasted.

But he has been shopping for presents, too, while paying attention to odds they could represent waste. He accepts presents, enjoying books and music he might not otherwise have encountered.

(continued)

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“What people should do is think: ‘Do I know what these people want? Do I have even a sporting chance of buying something they might like?’ ”

Don't know? Give cash, he says, or gift cards.

Mr. Snaith, the University of Central Florida economist, said in the *Journal* survey he avoided giving gifts, but he admits he does buy and accept presents. “It was tongue-in-cheek,” he says of his survey response.

He discusses economic theories with his daughters, but “a lot of the things he talks about I don't really need to know right now,” says his elder, 14-year-old Spencer. “Every time he talks about it I pretend I'm listening, but I'm not listening.”

Still, she concedes the allure of Dad's economic-inefficiency-of-presents argument.

“Sometimes I would rather have money,” she says. “I'm not complaining about getting gifts. But my dad, he's a guy. He's really not that great with makeup and clothes.”

*Author: Josh Zumbun at Josh.Zumbun@wsj.com
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Red Flags That Warrant Consideration for Renegotiating Terms

Every day that a B2B payment is late, the value of that receivable to the creditor declines. What's worse is that if a late payer ends up in bankruptcy, it takes the rosier-colored glasses to hope for more than pennies on the dollar.

Spotting negative warning signs and trends among customers in advance of troubled waters, such as insolvency, is critical for credit managers. If enough red flags are in play or a couple are massively troubling, it is imperative to ensure that the open terms on which the customer is buying are not too lenient. If negotiating changes to an existing non-contractually bound situation, doing so more than three months in advance is so important. Remember: changes to payment behavior within the 90-day window before a filing can mean preference claims in court by other creditors—This can, and has, resulted in trade creditors being told by a judge they must to give the money back to a bankruptcy trustee with little hope of much of it going to unsecured creditors.

The following are some warning signs for which to look:

Industry on the rocks. Looking at the colleagues/competitors of one's key customers can be beneficial in that, if many of their rivals are falling on hard times, it could be an industry-wide

(continued)

1,190.00	2,283.61	1,000.00	1,586.89
6,028.35	4,000.00	2,000.00	51,146.33
3,190.00	1,000.00	4,166.00	4,904.06
3,646.00	42,195.72	1,010.00	9,000.00
6,139.17	8,000.00	2,500.00	4,166.00
3,800.00	4,398.94	4,166.00	3,500.00
3,327.30	3,830.00	2,026.50	3,500.00
2,000.00	3,048.24	1,183.08	11,261.39
2,453.72	5,100.00	8,197.76	1,126.29
10,805.00	1,000.00	2,500.00	3,000.00
1,910.48	2,117.37	1,600.00	1,088.82
2,365.19	2,500.00	1,000.00	2,544.73

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phenomenon. For example, after years of massive success and very low bankruptcy levels, the oil and gas industry suffered a spate of Chapter 11 filings, large and small, in 2015 and 2016. As the price of oil continued to fall and a glut of supply kept worsening as more and more companies entered the subsector, times suddenly got very tough for those in oil production and the material suppliers that serviced them. Many in the industry were damaged more than was needed simply by being unprepared.

Cooled relations. A tried-and-true adage in trade credit is that strong relationships are paramount. So what happens when the relationship with a longtime friendly customer inexplicably becomes strained (e.g., odd communication exchanges, refusal to respond to a call or email, avoidance at events like conferences where you'd previously spent time together, etc.)? It should send off a proverbial warning bell. Perhaps it's nothing; but discreetly performing a little due diligence on things like financials or how the customer in question is paying others (which can be ascertained at NACM Industry Credit Group meetings) can't hurt.

Changing payment type. If a customer has a long history of paying by a certain method and, without explanation, asks to switch to another, it could be innocuous. However, it is worth following up with a chat to find out why. For example, if a customer wants to start paying by credit card suddenly after a lengthy period of time using checks or ACH, it could just mean it wants the bonuses many card companies offer (e.g., cash back, airline miles, etc.). However, it also could mean the customer is facing cash crunch—if so, it is of the utmost importance to ascertain just how bad and how temporary (or permanent) the liquidity problem is.

An order that's outside or larger than the norm or a rush order from an unknown company. Check with the sales team to determine the nature of the order and whether it has resulted from a stocking order, a sales promotion or a critical new opportunity for your firm, or if it may represent an unacceptably risky transaction.

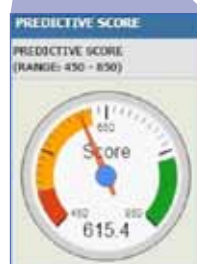
Orders for products not typically purchased by the customer. This could indicate the customer, heading toward bankruptcy, is trying to stock up on sellable merchandise to finance its early days after a bankruptcy filing. The obvious question that needs to be asked is: "Why?" By working closely with customer service and sales, this can be the frontline in a means to prevent risky sales that may never be paid.

A sudden change in top management or ownership. Whether the company is privately or publicly held, credit managers need to conduct historical research, including a review of financial information and comparison of industry standards and credit payment history. You'll then be able to better determine how to respond and whether to extend credit on a more solid footing.

Source: NACM National

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Politically Correct Christmas

'Twas the night before Christmas and Santa's a wreck ...
How to live in a world that's politically correct?
His workers no longer would answer to "Elves,"
"Vertically challenged" they were calling themselves.
And labor conditions at the North Pole
were alleged by the union to stifle the soul.

Four reindeer had vanished, without much propriety,
Released to the wilds by the Humane Society.
And equal employment had made it quite clear
that Santa had better not use just reindeer.
So Dancer and Donner, Comet and Cupid,
Were replaced with 4 pigs, and you know that looked stupid!

The runners had been removed from his sleigh;
the ruts were termed dangerous by the E.P.A.
And people had started to call for the cops
when they heard sled noises on their rooftops.
Second-hand smoke from his pipe had his workers quite
frightened.
His fur trimmed red suit was called "Unenlightened."

And to show you the strangeness of life's ebbs and flows,
Rudolf was suing over unauthorized use of his nose
And had gone on Geraldo, in front of the nation,
demanding millions in overdue compensation.

So, half of the reindeer were gone; and his wife,
Who suddenly said she'd enough of this life,
Joined a self-help group, packed, and left in a whiz,
Demanding from now on her title was Ms.

And as for the gifts, why, he'd ne'er had a notion
That making a choice could cause so much commotion.
Nothing of leather, nothing of fur,
which meant nothing for him. And nothing for her.
Nothing that might be construed to pollute.

Nothing to aim. Nothing to shoot.
Nothing that clamored or made lots of noise.
Nothing for just girls. Or just for the boys.
Nothing that claimed to be gender specific.
Nothing that's warlike or non-pacific.

No candy or sweets ... they were bad for the tooth.
Nothing that seemed to embellish a truth.
And fairy tales, while not yet forbidden,
Were like Ken and Barbie, better off hidden.
For they raised the hackles of those psychological
who claimed the only good gift was one ecological.

No baseball, no football...someone could get hurt;
besides, playing sports exposed kids to dirt.
Dolls were said to be sexist, and should be passé;
and Nintendo would rot your entire brain away.

So Santa just stood there, disheveled, perplexed;
He just could not figure out what to do next.
He tried to be merry, tried to be gay,
but you've got to be careful with that word today.
His sack was quite empty, limp to the ground;
nothing fully acceptable was to be found.

Something special was needed, a gift that he might
give to all without angering the left or the right.
A gift that would satisfy, with no indecision,
each group of people, every religion;
every ethnicity, every hue,
everyone, everywhere ... even you.
So here is that gift, its price beyond worth...
"May you and your loved ones enjoy peace on earth."

(c) Harvey Ehrlich, 1992. Notice: This poem is copyright 1992 by Harvey Ehrlich (mduhan@husc.harvard.edu). It is free to distribute, without changes, as long as this notice remains intact.

Holiday Greetings!

One sure thing about the holidays every year—they bring out the best of memories and some time of reflection. Even in hard times and bad times (and we've had a few of those this year at NACM Gulf States), we remember the support, fellowship, friendship and camaraderie of our members.

Let me tell you, too, that the staff here at NACM Gulf States does what we do simply because we love it and love making a difference in YOUR life; it sure ain't for the money! We're super lucky for the leadership and involved members of NACM GS, and we invite you into that leadership circle. On our face, NACM Gulf States is a place where business people come together for the good of their businesses, but it really is so much more. It's a place to commiserate losses, celebrate wins and enjoy being with people who do what you do for a living every day. It's a place where classmates become lifelong friends. It's a place where we help each other advance professionally. It's a place where just one person can make a difference to thousands of others. Are you one of those difference makers? If not, there's no time like the present to join a committee, volunteer to teach or hop on a trip to Capitol Hill in January. Just ask in!

We look back and remember all of the good times with those we lost this year. We thank God for the gift of having had them in the first place and we appreciate how much more precious the time we still have with you is. Here's a moment of reflection on some of our dearest members and friends who we lost this year. They're rockin' it in heaven, just like they did here.

May you and yours have a safe and blessed Holiday Season.



John Herberger, Esq.



Ronnie D. Archer, CCE



Jackie Guzman

Best Regards,
Kathleen E. Quill, CAE, CBA
President & COO
NACM Gulf States



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- \$399 for a foursome (includes above plus hole sponsorship)

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NACM Gulf States At-a-Glance

DECEMBER 2016

Wed, Dec 7

HOLIDAY GALA

10:30am - HRIS Group Meeting
10:30am - Heating & Air Conditioning
1:30pm - Building Materials Group
1:30pm - Chemical Supply Group
1:30pm - Contractors Supply Group
1:30pm - Electrical Supply Group
1:30pm - Oilfield Service & Supply Group

Thurs, Dec 8

6:00pm - Financial Statement Analysis 1

Tues, Dec 13

LOUISIANA HOLIDAY LUNCHEON

JANUARY 2017

Thurs, Jan 19–Fri, Jan 20

Texas Statewide -- Austin, TX

Thurs, Jan 26–Fri, Jan 27

Wholesale Nursery -- Houston, TX

November Report

According to the November report of the Credit Managers' Index (CMI) from the National Association of Credit Management (NACM), the overall index score held close, albeit slightly lower (53.5 to 52.9), than it has been over the past few months. Interestingly, however, favorable factors improved marginally, while unfavorable factors fell nearly two points to its lowest reading this year.

When examining the specifics, some patterns are visible and show a certain amount of continuity over the last few months, noted NACM Economist Chris Kuehl, Ph.D. Sales returned to numbers reminiscent of July; new credit applications dipped 3.5 points, which is common for this time of year; and dollar collections jumped 6.5 points to a level not seen this year. "Improved business forecasts may have prompted more interest in obtaining credit," Kuehl said.

Unfavorable factor categories saw more movement, however. A dip in rejections of credit applications combined with a drop in new credit applications has raised some concerns. "There are fewer applicants, but more of them are getting rejected," Kuehl pointed out. A hard drop in the reading for dollar amount beyond terms is likely an anomaly given the rest of the reading, he noted.

A slight reduction in the number of survey responses may have impacted a few of the readings because dramatic changes in a given sector or region could have an outsized impact on the index, Kuehl cautioned. Overall, the data are consistent with what has been noted through the previous year, he said. "The challenge this time of year is that the holidays can skew data. We have already seen retail affected as consumers have been focused exclusively on discounted items—lots of traffic, but low profits as these goods don't carry the highest of margins."

"This has been an odd month and for lots of reasons—obvious and not so obvious," Kuehl explained. "Politics has affected the numbers more than it usually would, and there was a slightly smaller sample size for the CMI this month. That allows for some anomalies, which will take a while to sort out."

View the complete [CMI report for November 2016](#) for a full breakdown that includes commentary on the manufacturing and service sector results, and data tables and graphics. [CMI archives](#) may also be viewed on NACM's website.

