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## Debt Collection Index Predicts Improvement

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As the United States continues to weather the plodding recession, the facets of nearly every industry are showing the effects of the strain. During the past two quarters, the economy has slowed to hover around 6% and there are few shelters from falling revenues and surging layoffs. Between February and March, national unemployment leapt up 4.9%, highlighting the mounting deterioration in the labor markets as bankruptcy filings continued to escalate. For the accounts receivable management (ARM) sector, the impacts of the economy at-large are reflected in the Kaulkin Ginsberg Index (KGI), which slid down 5.5 points from February to March to 1160.0. This represents a decline of 0.5% tacked to the 3.1% drop seen the month prior, while the year-over-year declines have amounted to 6.8%.

The KGI's slip was primarily attributable to the rise in bankruptcies and job losses, as well as the fact that outstanding consumer credit declined by roughly \$13 billion between February and March to an estimated total of \$2.55 trillion. A would-be larger drop in the index was moderated by stabilizing values for the market capitalization of ARM companies, which increased more than 28%, and charge-off rates that held steady at 2.04%.

Though there was little to be optimistic about in the March figures, the KGI may foretell good news just beyond the horizon. April's KGI is showing a preliminary increase of 23.5 points to 1183.5, though it would still represent an overall decline of 8.3% from April 2008. Kaulkin Ginsberg believes that the deceleration in decline from March may be a precursor to improved collectability towards the latter part of the year.

A similar trending was seen by the National Association for Business Economics (NABE) between March and April. In all, the credit markets have apparently eased since January, though almost half of the NABE's industry survey respondents reported that tighter conditions adversely affected their businesses and a resounding 78% reported that credit conditions had adversely affected their customers.

"Key indicators—industry demand, employment, capital spending and profitability—are still declining, but the breadth of the decline is narrowing," said Sara Johnson, IHS Global Insight. "This suggests that the economy is at an inflection point but has not yet reached a turning point."

Labor market deterioration is widespread as the NABE's industry survey saw 33% of firms planning to reduce employment over the next six months while only 16% planned to add workers and half expecting staffing levels to remain the same. Overall, the respondents were glum about the U.S. economy for the remainder of 2009, with over half expecting real gross domestic product to slide down at least 2% this year and only a handful (7%) expecting any positive growth.

*Matthew Carr, NACM staff writer*