



AFP® Corporate Cash Indicators

AFP Corporate Cash Indicators® January 2022

U.S. organizations continued to build cash and short-term investment holdings during the fourth quarter of 2021 as well as during the past year. The quarter-over-quarter index reading decreased 4 points to +17, and the year-over-year indicator increased by just 4 points to +25, signaling that organizations, though building cash reserves, were doing so at a similar pace to the previous quarter and year.

Organizations that increased cash balances during Q4 2021 did so primarily due to improved business performance, though some did accumulate cash as a defensive measure to safeguard against upcoming uncertainty. Organizations that decreased cash holdings during the last quarter explained their actions were due to various reasons: investment to grow their business, deterioration in their business's performance due to the pandemic, debt repayment and a few said share repurchase played a role in them having to deploy cash.

At the beginning of the fourth quarter in 2021, financial professionals signaled they were looking to build cash, as reported in the October 2021 CCI report, with a forward-looking indicator of +18. They did do as they planned and built cash at a very similar pace as anticipated. Though they plan to build cash reserves during Q1 2022, they anticipate doing so at a more gradual pace than they planned in the beginning of the last quarter. The forward-looking indicator measuring expectations for changes in cash holdings in the first quarter of this year, decreased 16 points from a reading of +18 to +2. A significant share of companies attributes the expected increase in cash holdings during this quarter to improved business performance. Those practitioners whose organizations are expecting to decrease cash and short-term investments during the current quarter indicate they are deploying cash to grow their business, and few explain their actions are due to cyclical/seasonal use of cash.

The CCI measure for short-term investment aggressiveness signaled a slightly more aggressive investment posture during the last quarter of 2021, increasing 12 points from last quarter's reading of -10 to +2. These results are based on 95 responses from senior treasury and finance professionals this quarter. The CCI is underwritten by Allspring Global Investments.

As business leaders plan for early 2022, they are going to have to face the various challenges plaguing the economy; a tight job market coupled with low unemployment rates, soaring inflation and a very polarized Washington. In addition, the sudden surge and extensive spread of the Omicron variant is restraining organizations from moving forward as planned. Financial professionals are likely to hold onto some cash to protect their organizations against any future tumult. However, with Americans resigning from their jobs in droves, hiring managers are struggling to recruit employees to fill open positions. To fill vacant or new positions, and retain existing staff, business leaders may need to prioritize investing in their employees via increased compensation, benefits and career growth opportunities.

In spite of mounting uncertainty, it is reassuring to see muted signs of optimism among treasury and finance professionals. Respondents not only report improvement in their companies' performance, but some are also revealing that they are in a position to invest in their organizations. Though the pandemic has not loosened its grip on the world, organizations are learning to operate in the "new normal."

Over the past quarter, did your organization's cash and short-term investment holdings increase, decrease or remain the same?

January 2021	April 2021	July 2021	October 2021	January 2022
+39	+6	+43	+21	+17

Index: "Increase" percentage minus "decrease" percentage. The higher the index reading, the greater net percentage of organizations that have increased cash and short-term investment holdings over the past quarter.

Over the past year, did your organization's cash and short-term investment holdings increase, decrease or remain the same?

January 2021	April 2021	July 2021	October 2021	January 2022
+29	+21	+45	+21	+25

Index: "Increase" percentage minus "decrease" percentage. The higher the index reading, the greater net percentage of organizations that have increased cash and short-term investment holdings over the past year.

During the current quarter, do you expect your organization will increase, decrease or maintain its current cash and short-term investment holdings?

January 2021	April 2021	July 2021	October 2021	January 2022
-16	+1	+8	+18	+2

Index: "Increase" percentage minus "decrease" percentage. The higher the index reading, the greater net percentage of organizations expected to increase cash and short-term investment holdings during the current quarter.

Over the past quarter, did your organization's investment selection for its cash and short-term investments become more aggressive, more conservative, or remained unchanged?

January 2021	April 2021	July 2021	October 2021	January 2022
-5	-5	+3	-10	+2

Index: "More aggressive" percentage minus "more conservative" percentage. The higher the index reading, the greater net percentage of organizations that have become more aggressive with their investment selection for their cash and short-term investments over the past quarter.

Demographics

Revenue

Less than \$50 million	27%
\$50-99.9 million	7%
\$100-249.9 million	12%
\$250-499.9 million	9%
\$500-999.9 million	15%
\$1-4.9 billion	25%
\$5-9.9 billion	1%
\$10-20 billion	4%
Over \$20 billion	1%

Industry Categories

Agricultural, Forestry, Fishing & Hunting	--
Banking/Financial Services	13%
Administrative Support/Business Services Consulting	2%
Construction	3%
E-Commerce	1%
Education	2%
Energy	2%
Government	4%
Health Care and Social Assistance	9%
Hospitality/Travel Food Services	5%
Insurance	3%
Manufacturing	18%
Mining	--
Non-profit (including education)	7%
Petroleum	1%
Professional/Scientific/Technical Services	--
Real Estate/Rental/Leasing	4%
Retail Trade	3%
Wholesale Distribution	6%
Software/Technology	3%
Telecommunications/Media	4%
Transportation and Warehousing	2%
Utilities	1 %

About the Index Values

Note: Rounding may lead to minor differences in the final index value

- 47 percent of organizations held larger cash and short-term investment balances at the end of Q4 2021 than they did at the end of Q3 2021, while 30 percent reduced cash holdings in the past three months. The +17 difference was down 4 points from the previous quarter's reading and 22 points lower compared to a year ago.
- 48 percent of organizations held greater cash and short-term investment balances at the end of Q4 2021 than they had one year earlier, while 23 percent held smaller cash balances relative to a year ago. The difference of +25 is 4 points higher than the previous quarter's reading and 4 points lower than the January 2021 reading.
- 30 percent of organizations anticipate expanding cash and short-term investment balances during Q1 2022 while 28 percent plan to reduce these balances. The net index reading of +2 decreased 16 points from last quarter's reading and increased 18 points from a year ago.
- 9 percent of organizations were more conservative with their short-term investments in Q4 2021, and 11 percent were more aggressive. The +2 reading is 12 points higher than last quarter's reading and 7 points higher than a year ago.

About the AFP Corporate Cash Indicators®

The AFP Corporate Cash Indicators® (www.AFPonline.org/CCI), are produced by the Research Department of the Association for Financial Professionals as forward-looking measures of corporate cash and short-term investment holdings and of expected business conditions. On the opening days of each quarter, AFP asks select members about the size and make up of their short-term investment holdings. AFP has scheduled the release of the next edition of the AFP Corporate Cash Indicators® for April 25, 2022. For information about publishing the AFP CCI® on your site, contact pr@afponline.org.

Survey Methodology

The AFP Corporate Cash Indicators® are derived from a quarterly survey sent to a select group of financial professionals consisting of four questions about how companies manage their cash and short-term investment portfolios. The survey goes to people whose day-to-day job is manage their companies' cash and short-term investment portfolios and are fully aware of their organizations' cash strategies. Companies' decisions to grow/shrink the size of their cash and short-term investment portfolios reflect their business outlook and direction, making these decisions leading indicators of economic activity.

The first three questions are:

- *Over the past quarter, did your organization's cash and short-term investment holdings increase, decrease or remain the same?*
- *Over the past year, did your organization's short-term holdings increase, decrease or remain the same?*
- *During the current quarter, do you expect your organization will increase, decrease or maintain its current cash and short-term investment holdings?*

To arrive at the index values for each of the first three questions, subtract the percentage of respondents who report "decrease" from those that report "increase." (For example, if 40 percent of respondents indicate that their organizations' holdings have increased over the past quarter and 30 percent indicate a decrease, the index reading is +10.).

The final question asks about strategy:

- *Over the past quarter, did your organization's investment selection for its cash and short-term investments become more aggressive, more conservative, or remained unchanged?*

The index value from this question is the difference of the percentage of respondents who indicated "more aggressive" and those that indicated "more conservative."