

## AFP Corporate Cash Indicators® April 2017

In the second quarter of 2017, finance executives are less optimistic about the economy than they were in early January. Last quarter's results of the same report found that more companies were willing to loosen their purse strings, signaling a sense of optimism for the first time in many months. However, it appears they never carried out what they had anticipated. During the first quarter of 2017, U.S. businesses continued to build their cash reserves. The quarter-over-quarter index decreased just one point to +15, and the year-over-year indicator increased by 6 points to +16. The forward-looking indicator, measuring the expected change of cash holdings during the second quarter of 2017, increased 10 points to a reading of +3, signaling a continued softening in finance professionals' business confidence through the spring and a corresponding increase in cash holdings, this was four points below its reading from a year ago. Meanwhile, the indicator for short-term investment aggressiveness gained one point in the last quarter moving from -2 to -1, continuing to signal a more conservative posture with cash and short-term investments. These results are based on 212 responses received this quarter.

In early 2017, for the first time in many months, finance professionals were displaying a new sense of optimism and were more confident about the business environment. We attributed this to a new administration at the helm with a promising pro-business agenda, which was perceived to be beneficial to the economy. However, continued gridlock in Washington, military action by the U.S. against Syria, North Korea's continued threats to use nuclear weapons and postponement of the deadline for corporate tax reform has in all likelihood contributed to a return of a cautionary approach among business leaders.

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

April 2016	July 2016	October 2016	January 2017	April 2017
-1	+8	+19	+16	+15

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?**

April 2016	July 2016	October 2016	January 2017	April 2017
+10	+14	+21	+19	+16

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?**

April 2016	July 2016	October 2016	January 2017	April 2017
+7	+16	+4	-7	+3

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?**

April 2016	July 2016	October 2016	January 2017	April 2017
+1	-1	-5	-2	-1

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.

## **About the Index Values**

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

- 41 percent of organizations held larger cash and short-term investment balances at the end of Q1 2017 than they did at the end of Q4 2016, while 26 percent reduced cash holdings in the past three months. The +15 difference was down one point from the previous quarter's reading and an increase of 16 points from a year ago.
- 39 percent of organizations had greater cash and short-term investment balances at the end of Q1 2017 than they had one year earlier, while 23 percent held smaller cash balances relative to a year ago. The difference of +16 is three points lower than the previous quarter's reading and 6 points higher from the April 2016 reading.
- 26 percent of organizations anticipate expanding cash and short-term investment balances over the next three months, while 23 percent plan to reduce these balances. The net index reading of +3 is up 10 points from that reported in January and down four points from the April 2016 survey.
- 7 percent of organizations were more aggressive with their short-term investments in Q1 2017 while 8 percent were more conservative. The -1 difference between the two is up one point from the prior quarter and down two points from a year ago.

## **About the AFP Corporate Cash Indicators<sup>®</sup>**

The AFP Corporate Cash Indicators<sup>®</sup> ([www.AFPonline.org/CCI](http://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<sup>®</sup> for July 31, 2017

For information about publishing the AFP CCI<sup>®</sup> on your site, contact [pr@afponline.org](mailto:pr@afponline.org).

## **Survey Methodology**

The AFP Corporate Cash Indicators<sup>®</sup> 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."