

AFP Corporate Cash Indicators® April 2018

During the first quarter of 2018, U.S. businesses continued to accumulate cash and short-term investment holdings and did so at a slightly higher pace than the previous quarter. Entering the first quarter, business leaders were displaying some signs of willingness to deploy their cash. However, it appears they did the opposite and increased their cash significantly as the quarter-over-quarter index reading increased 3 points to +18. The year-over-year indicator decreased by six points to +17 signaling some abatement of cautiousness among treasury and finance professionals in the past year. This group is once again anticipating a minimal deployment of cash during spring. The forward-looking indicator, measuring expectations for changes in cash holdings in the current quarter, is unchanged from their predictions last quarter at a reading of -1.

Meanwhile, the indicator for short-term investment aggressiveness continued to move upward, gaining five points from the last quarter, moving from +6 to +11, signaling an increasingly aggressive posture with cash and short-term investments. This is the highest reading on record for this index since AFP began collecting this data in January 2011. The recent increase in the Fed Funds rate and with the Federal Reserve signaling further increases this year, creates an environment attractive for organizations to extend on the yield curve and justifies risk-taking. These results are based on 170 responses from senior treasury and finance professionals this quarter.

Any optimism generated from passing of the Tax Reform Bill and the lowering of the corporate tax rate seem to have done little to persuade organizations to spend their cash during the early months of 2018. The uncertainty surrounding tariffs and the threats of a trade war have prevented financial practitioners from taking any meaningful steps to deploy cash. However, there are signs of modest optimism. If geopolitical tensions ease and government leaders do deliver on their promises of a business-friendly environment with less regulation, we may see financial professionals regain their confidence in the economy and move their cash to more economically impactful uses.

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

April 2017	July 2017	October 2017	January 2018	April 2018
+15	+16	+25	+15	+18

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 2017	July 2017	October 2017	January 2018	April 2018
+16	+18	+20	+23	+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 year.

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

April 2017	July 2017	October 2017	January 2018	April 2018
+3	+8	+13	-1	-1

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 2017	July 2017	October 2017	January 2018	April 2018
-1	+4	+5	+6	+11

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	17%
\$50-99.9 million	3%
\$100-249.9 million	7%
\$250-499.9 million	12%
\$500-999.9 million	11%
\$1-4.9 billion	34%
\$5-9.9 billion	9%
\$10-20 billion	3%
Over \$20 billion	5%

Industry Categories

Agricultural, Forestry, Fishing & Hunting	1%
Banking/Financial Services	10%
Administrative Support/Business Services Consulting	5%
Construction	5%
Education	5%
Energy	2%
Government	5%
Health Care and Social Assistance	4%
Hospitality/Travel Food Services	3%
Insurance	1%
Manufacturing	25%
Mining	--
Non-profit (including education)	4%
Petroleum	1%
Professional/Scientific/Technical Services	4%
Real Estate/Rental/Leasing	2%
Retail Trade	5%
Wholesale Distribution	3%
Software/Technology	7%
Telecommunications/Media	2%
Transportation and Warehousing	4%
Utilities	3%

About the Index Values

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

- 44 percent of organizations held larger cash and short-term investment balances at the end of Q1 2018 than they did at the end of Q4 2017, while 26 percent reduced cash holdings in the past three months. The +18 difference was up three points from the previous quarter's reading as well as from a year ago.
- 37 percent of organizations had greater cash and short-term investment balances at the end of Q1 2018 than they had one year earlier, while 20 percent held smaller cash balances relative to a year ago. The difference of +17 is six points lower than the previous quarter's reading and one points higher than the April 2017 reading.
- 24 percent of organizations anticipate expanding cash and short-term investment balances over the next three months, while 25 percent plan to reduce these balances. The net index reading of -1 is exactly the same as that reported in January and down 4 points from the April 2017 survey.
- 13 percent of organizations were more aggressive with their short-term investments in Q1 2018 while 2 percent were more conservative. The +11 difference between the two is up four points from the prior quarter and up 11 points from 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 July 30, 2018

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."