



ASSOCIATION FOR
FINANCIAL
PROFESSIONALS

AFP CORPORATE CASH INDICATORS®

Underwritten by  **BMO**  We're here to help.™

AFP Corporate Cash Indicators® April 2019

U.S. businesses continued to build their cash and short-term investment holdings during the first quarter of this year but did so at a significantly lower rate than the previous quarter. The quarter-over-quarter index reading decreased 10 points to +3, signaling that organizations were accumulating cash reserves at a slower pace in the first quarter. The year-over-year indicator increased by just one point from +12 to +13, indicating that cash balances were higher than one year ago.

At the end of 2018, financial professionals signaled they were looking to draw down their cash reserves during the first quarter, as reported in the January 2019 forward-looking indicator of -5. Although their actions indicate they did not do so, results suggest they accrued holdings to a lesser extent than they have in preceding quarters. However, entering the second quarter, the forward-looking indicator, measuring expectations for changes in cash holdings in the second quarter of 2019, increased 15 points from their predictions last quarter to a reading of +10, suggesting they will be accumulating their cash holdings at a rapid pace.

The CCI measure for short-term investment aggressiveness indicated a stable investment posture during the first quarter of 2019, remaining unchanged from last quarter at -1. These results are based on 155 responses from senior treasury and finance professionals this quarter. The CCI is underwritten by BMO.

Though senior practitioners did not mobilize their cash as they predicted in January of this year, they accumulated cash at a slower pace than they have in the recent past. However, their actions seem to be short-lived, as they are signaling plans to accumulate cash and short-term holdings at a greater pace in the current quarter. The shutdown of the Federal Government dragged down economic growth in the early months of this year, likely preventing businesses from committing to any substantial deployment of cash reserves. However, if the economy rebounds in the second quarter and unemployment continues to move in the right direction, financial leaders might be motivated to deploy cash and short-term investment holdings in the months to follow.

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

April 2018	July 2018	October 2018	January 2019	April 2019
+18	+5	+8	+13	+3

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 2018	July 2018	October 2018	January 2019	April 2019
+17	+16	+7	+12	+13

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 2018	July 2018	October 2018	January 2019	April 2019
-1	+3	+7	-5	+10

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 2018	July 2018	October 2018	January 2019	April 2019
+11	+9	0	-1	-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.

Demographics

Revenue

Less than \$50 million	22%
\$50-99.9 million	8%
\$100-249.9 million	10%
\$250-499.9 million	6%
\$500-999.9 million	13%
\$1-4.9 billion	27%
\$5-9.9 billion	5%
\$10-20 billion	4%
Over \$20 billion	5%

Industry Categories

Agricultural, Forestry, Fishing & Hunting	2%
Banking/Financial Services	8%
Administrative Support/Business Services Consulting	5%
Construction	3%
Education	5%
Energy	3%
Government	5%
Health Care and Social Assistance	5%
Hospitality/Travel Food Services	3%
Insurance	2%
Manufacturing	28%
Mining	--
Non-profit (including education)	6%
Petroleum	1%
Professional/Scientific/Technical Services	4%
Real Estate/Rental/Leasing	1%
Retail Trade	6%
Wholesale Distribution	2%
Software/Technology	5%
Telecommunications/Media	2%
Transportation and Warehousing	3%
Utilities	4%

About the Index Values

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

- 36 percent of organizations held larger cash and short-term investment balances at the end of Q1 2019 than they did at the end of Q4 2018, while 33 percent reduced cash holdings in the past three months. The +3 difference was down 10 points from the previous quarter's reading and lower by fifteen points from a year ago.
- 38 percent of organizations had greater cash and short-term investment balances at the end of Q1 2019 than they had one year earlier, while 25 percent held smaller cash balances relative to a year ago. The difference of +13 is one point higher than the previous quarter's reading and 4 points lower than the April 2018 reading.
- 35 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 +10 increased 15 points from last quarter's reading and eleven points from a year ago.
- 9 percent of organizations were more conservative with their short-term investments in Q1 2019 and 8 percent were more aggressive. The -1 reading is identical to last quarter and 12 points lower 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 29, 2019.

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."