

## AFP Corporate Cash Indicators® January 2017

Business leaders anticipate the first quarter of 2017 will bring economic growth, as more companies plan to deploy their cash. During the last quarter of 2016, U.S. businesses continued to build their cash reserves but the pace of accumulation was slightly slower than the previous quarter. The quarter-over-quarter index decreased three points to +16, and the year-over-year indicator also decreased two points to +19. The forward-looking indicator measuring the expected change of cash holdings during the first quarter of 2017 fell 11 points to a reading of -7. This was six points below its reading from a year ago, and its second lowest reading since AFP began collecting this data in January 2011. Meanwhile, the indicator for short-term investment aggressiveness gained three points in the last quarter moving from -5 to -2, although still signaling a more conservative posture with cash and short-term investments. These results are based on 227 responses received this quarter.

It appears that U.S. companies are willing to loosen their purse strings meaningfully for the first time since January 2015. With new leadership in the White House and a Republican majority in Congress, there is more confidence that campaign promises of corporate tax reform, less regulation and increased infrastructure spending will be fulfilled. Additionally, the Federal Reserve signaled signs of optimism by approving a rate increase late last year.

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

January 2016	April 2016	July 2016	October 2016	January 2017
+16	-1	+8	+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 quarter.

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

January 2016	April 2016	July 2016	October 2016	January 2017
+15	+10	+14	+21	+19

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 2016	April 2016	July 2016	October 2016	January 2017
-1	+7	+16	+4	-7

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 2016	April 2016	July 2016	October 2016	January 2017
-3	+1	-1	-5	-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.

## **About the Index Values**

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

- 42 percent of organizations held larger cash and short-term investment balances at the end of Q4 2016 than they did at the end of Q3 2016, while 26 percent reduced cash holdings in the past three months. The +16 difference was down three points from the previous quarter's reading and unchanged from a year ago.
- 39 percent of organizations had greater cash and short-term investment balances at the end of Q4 2016 than they had one year earlier, while 20 percent held smaller cash balances relative to a year ago. The difference of +19 is two points lower than the previous quarter's reading and 4 points higher from the January 2016 reading.
- 23 percent of organizations anticipate expanding cash and short-term investment balances over the next three months, while 30 percent plan to reduce these balances. The net index reading of -7 is down 11 points from that reported in October and down six points from the January 2016 survey.
- 7 percent of organizations were more aggressive with their short-term investments in Q4 2016 while 9 percent were more conservative. The -2 difference between the two is up three points from the prior quarter and up one point from a year ago.

## **About the AFP Corporate Cash Indicators®**

The AFP Corporate Cash Indicators® ([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® for April 24, 2017.

For information about publishing the AFP CCI® on your site, contact [pr@afponline.org](mailto: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."