

AFP Corporate Cash Indicators® January 2018

During the last quarter of 2017, U.S. businesses continued to accumulate cash and short-term investment holdings but at a lesser pace than the previous quarter. The quarter-over-quarter index decreased 10 points to +15, and the year-over-year indicator increased by three points to +23. These readings suggest treasury and finance professionals continue to be skeptical about the economy but are showing some signs of optimism. Entering the fourth quarter, organizations indicated they would accumulate cash, which they did at a rate closer to what they anticipated at the beginning of the quarter. In past quarters we have seen them holding onto cash at a far higher rate than they expected entering the quarter. This group is expecting there will be some deployment of cash though minimal, during the first three months of 2018; the forward looking indicator measuring expectations for changes in cash holdings in the current quarter fell 14 points from a reading of +13 to -1. Meanwhile, the indicator for short-term investment aggressiveness continued to move upward, gaining one point in the last quarter, moving from +5 to +6, signaling an increasingly aggressive posture with cash and short-term investments. These results are based on 144 responses from senior treasury and finance professionals this quarter.

The very recent passing of the Tax Reform Bill and the lowering of the corporate tax rate has done little to sway U.S. businesses to loosen their purse strings. Though results suggest there appears to be somewhat willing to spend but are continuing to show restraint. Business leaders are still analyzing the nascent tax bill and aren't ready to commit to any aggressive spending.

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

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

January 2017	April 2017	July 2017	October 2017	January 2018
+19	+16	+18	+20	+23

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 2017	April 2017	July 2017	October 2017	January 2018
-7	+3	+8	+13	-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?

January 2017	April 2017	July 2017	October 2017	January 2018
-2	-1	+4	+5	+6

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

- 37 percent of organizations held larger cash and short-term investment balances at the end of Q4 2017 than they did at the end of Q3 2017, while 22 percent reduced cash holdings in the past three months. The +15 difference was down ten points from the previous quarter's reading and a decrease of one point from a year ago.
- 42 percent of organizations had greater cash and short-term investment balances at the end of Q4 2017 than they had one year earlier, while 19 percent held smaller cash balances relative to a year ago. The difference of +23 is three points higher than the previous quarter's reading and four points higher than the January 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 down 14 points from that reported in October and up 6 points from the January 2017 survey.
- 11 percent of organizations were more aggressive with their short-term investments in Q4 2017 while 5 percent were more conservative. The +6 difference between the two is down one point 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), 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 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.”