



ASSOCIATION FOR  
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# AFP CORPORATE CASH INDICATORS®

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## AFP Corporate Cash Indicators® January 2019

During the fourth 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. The quarter-over-quarter index reading increased five points to +13, while the year-over-year indicator also increased from +7 to +12, signaling that organizations were accumulating cash reserves at a significant pace in both the past quarter and year.

Entering the fourth quarter, financial professionals signaled they were looking to increase their cash reserves and they kept to their word. However, it appears they increased cash at a higher rate than they planned. Going into the new year, they anticipate they will be deploying cash in the first quarter of 2019. The forward-looking indicator, measuring expectations for changes in cash holdings in the first quarter of 2019, decreased 12 points from their predictions last quarter to a reading of -5 suggesting they plan to deploy cash. In the seven years since AFP has been collecting this data, every January (barring one) business leaders have signaled their intent to use their cash. However, data for the following quarter shows that they have, in fact, done the very opposite and held onto their cash reserves and short-term holdings.

The CCI measure for short-term investment aggressiveness indicated a stable investment posture, decreased from a reading of 0 to -1 during the last quarter of 2018. Though a vast majority of respondents aren't looking to make any changes to their investment posture, those indicating they plan to be more aggressive is slightly lower than those suggesting a more conservative investment posture. These results are based on 194 responses from senior treasury and finance professionals this quarter. The CCI is underwritten by BMO.

Though it is encouraging that senior practitioners are looking to mobilize their cash, an action long awaited, we can expect they might not do so. The shutdown of the Federal Government and the ongoing stalemate might be a deterrent to their plans. It is surprising that despite a turbulent stock market during the last few weeks of 2018 and with political tensions running high in Washington, there seems to be some willingness to loosen purse strings. Likely contributing to this positivity are strong employment numbers and the effects of the Tax Cuts and Jobs Act.

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

January 2018	April 2018	July 2018	October 2018	January 2019
+15	+18	+5	+8	+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 quarter.*

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

January 2018	April 2018	July 2018	October 2018	January 2019
+23	+17	+16	+7	+12

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

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 2018	April 2018	July 2018	October 2018	January 2019
+6	+11	+9	0	-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	17%
\$50-99.9 million	6%
\$100-249.9 million	10%
\$250-499.9 million	10%
\$500-999.9 million	10%
\$1-4.9 billion	35%
\$5-9.9 billion	5%
\$10-20 billion	4%
Over \$20 billion	5%

### **Industry Categories**

Agricultural, Forestry, Fishing & Hunting	1%
Banking/Financial Services	9%
Administrative Support/Business Services Consulting	3%
Construction	5%
Education	5%
Energy	4%
Government	5%
Health Care and Social Assistance	5%
Hospitality/Travel Food Services	3%
Insurance	4%
Manufacturing	24%
Mining	1%
Non-profit (including education)	5%
Petroleum	1%
Professional/Scientific/Technical Services	3%
Real Estate/Rental/Leasing	2%
Retail Trade	3%
Wholesale Distribution	5%
Software/Technology	6%
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*

- 38 percent of organizations held larger cash and short-term investment balances at the end of Q4 2018 than they did at the end of Q3 2018, while 25 percent reduced cash holdings in the past three months. The +13 difference was up 5 points from the previous quarter's reading and lower by two points from a year ago.
- 39 percent of organizations had greater cash and short-term investment balances at the end of Q4 2018 than they had one year earlier, while 27 percent held smaller cash balances relative to a year ago. The difference of +12 is five points higher than the previous quarter's reading and 11 points lower than the January 2018 reading.
- 26 percent of organizations anticipate expanding cash and short-term investment balances over the next three months, while 31 percent plan to reduce these balances. The net index reading of -5 is twelve points lower than that reported in October and down 4 points from the January 2018 survey.
- 8 percent of organizations were more conservative with their short-term investments in Q4 2018 and 7 percent were more aggressive. The one-point difference is down 1 point from the prior quarter and 8 points lower 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 29, 2019.

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."