

## AFP Corporate Cash Indicators® January 2020

During the last quarter of 2019, business leaders continued to be cautious and uncertain about the economy and responded by building cash and short-term investment holdings at a rapid pace. The quarter-over-quarter index increased twenty-two points to +31, and the year-over-year indicator increased by thirteen points to +33, which is the highest rate of cash accumulation since the inception of the CCI in 2011.

Early in the fourth quarter, organizations signaled they would build cash reserves significantly through the quarter and they kept to their word and in fact increased their holdings at a higher rate than planned. Going into the new year, financial professionals are displaying some optimism and report they will be deploying cash in the first few months of the year. The forward-looking indicator measuring expectations for changes in cash holdings in the current quarter decreased nineteen points from a reading of +16 to -3. We should note that since AFP began collecting this data in 2011, every January (barring one) business leaders have signaled their intent to disburse cash. However, data has shown that in the subsequent quarter they have in fact done the very opposite and held onto their cash and short-term holdings. The CCI measure for short-term investment aggressiveness increased significantly, moving from -10 to -1 during the last quarter of 2019, still signaling a more conservative posture with cash and short-term investments. These results are based on 143 responses from senior treasury and finance professionals this quarter.

Late last year, there were concerns that the economy was heading for a slowdown. Some of this was a result of the undecided future of Brexit as well as the continued trade war with China. Additionally, the impeachment of the President and tensions across the aisle in Congress exacerbated concerns. Financial professionals reacted by holding tightly onto cash and short-term investments during the last quarter in anticipation of any adverse impact on their businesses. Late in the quarter, there appeared to be a near resolution with China for phase one of the trade deal and the results of the UK elections signaled a clear path for Brexit. In addition, the U.S. economy continued to display strength with unemployment keeping low and markets staying robust. These factors have helped put business leaders at some ease and are also encouraging them to consider mobilizing cash, albeit gradually, in the early months of 2020.

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

January 2019	April 2019	July 2019	October 2019	January 2020
+13	+3	+8	+9	+31

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 2019	April 2019	July 2019	October 2019	January 2020
+12	+13	+11	+20	+33

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 2019	April 2019	July 2019	October 2019	January 2020
-5	+10	+12	+16	-3

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 2019	April 2019	July 2019	October 2019	January 2020
-1	-1	-3	-10	-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	10%
\$50-99.9 million	13%
\$100-249.9 million	13%
\$250-499.9 million	9%
\$500-999.9 million	10%
\$1-4.9 billion	27%
\$5-9.9 billion	10%
\$10-20 billion	3%
Over \$20 billion	5%

### **Industry Categories**

Agricultural, Forestry, Fishing & Hunting	1%
Banking/Financial Services	10%
Administrative Support/Business Services Consulting	4%
Construction	4%
Education	7%
Energy	2%
Government	4%
Health Care and Social Assistance	6%
Hospitality/Travel Food Services	3%
Insurance	4%
Manufacturing	22%
Mining	--
Non-profit (including education)	5%
Petroleum	1%
Professional/Scientific/Technical Services	3%
Real Estate/Rental/Leasing	1%
Retail Trade	5%
Wholesale Distribution	2%
Software/Technology	6%
Telecommunications/Media	2%
Transportation and Warehousing	4%
Utilities	4%

## **About the Index Values**

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

- 50 percent of organizations held larger cash and short-term investment balances at the end of Q4 2019 than they did at the end of Q3 2019, while 19 percent reduced cash holdings in the past three months. The +31 difference was up 22 points from the previous quarter's reading and up by eighteen points from a year ago.
- 51 percent of organizations held greater cash and short-term investment balances at the end of Q4 2019 than they had one year earlier, while 18 percent held smaller cash balances relative to a year ago. The difference of +33 is thirteen points higher than the previous quarter's reading and 21 points higher than the January 2019 reading.
- 23 percent of organizations anticipate expanding cash and short-term investment balances over the next three months, while 26 percent plan to reduce these balances. The net index reading of -3 decreased 19 points from last quarter's reading and increased two points from a year ago.
- 6 percent of organizations were more conservative with their short-term investments in Q4 2019 and 5 percent were more aggressive. The -1 reading is 9 points higher than last quarter and is identical to the figure 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 27, 2020.

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."