



## AFP Corporate Cash Indicators® July 2019

During the second quarter of 2019, finance professionals remained apprehensive about the economy and, similar to last quarter, their organizations continued to build cash and short-term investment holdings in response. The quarter-over-quarter index reading increased 5 points to +8, signaling that more organizations were accumulating cash reserves in the second quarter. The year-over-year indicator decreased two points from +13 to +11.

Greater share of respondents anticipate that their organizations will accumulate cash through the summer; the forward-looking indicator measuring expectations for changes in cash holdings during the third quarter of 2019 increased two points from a reading of +10 to +12. Also, in the second quarter of 2019 organizations' cash behavior aligned with their expectations entering the quarter. Meanwhile, the indicator for short-term investment aggressiveness decreased two points, moving from -1 to -3, signaling a continued conservative posture with cash and short-term investments. These results are based on 168 responses from senior treasury and finance professionals this quarter. The CCI is underwritten by BMO.

Strong employment numbers and a tight job market in the U.S economy, did little to instill confidence among business leaders during the spring of 2019. They are displaying continued reluctance to deploy cash and short-term investments. The threats a trade war, escalating immigration issues at the U.S. border and geopolitical tensions with China are contributing to the unease of business leaders. With Brexit looming ahead as well as an anticipated contentious U.S. general election in 2020, we can expect little change in how senior practitioners will manage the cash and short-term investment holdings of their organizations in the next few quarters.

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

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

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?**

July 2018	October 2018	January 2019	April 2019	July 2019
+16	+7	+12	+13	+11

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?**

July 2018	October 2018	January 2019	April 2019	July 2019
+3	+7	-5	+10	+12

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?**

July 2018	October 2018	January 2019	April 2019	July 2019
+9	0	-1	-1	-3

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	20%
\$50-99.9 million	10%
\$100-249.9 million	12%
\$250-499.9 million	10%
\$500-999.9 million	12%
\$1-4.9 billion	23%
\$5-9.9 billion	6%
\$10-20 billion	5%
Over \$20 billion	3%

### **Industry Categories**

Agricultural, Forestry, Fishing & Hunting	2%
Banking/Financial Services	10%
Administrative Support/Business Services Consulting	2%
Construction	4%
Education	7%
Energy	4%
Government	4%
Health Care and Social Assistance	4%
Hospitality/Travel Food Services	5%
Insurance	--
Manufacturing	26%
Mining	--
Non-profit (including education)	3%
Petroleum	1%
Professional/Scientific/Technical Services	3%
Real Estate/Rental/Leasing	2%
Retail Trade	5%
Wholesale Distribution	4%
Software/Technology	5%
Telecommunications/Media	1%
Transportation and Warehousing	4%
Utilities	5%

## **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 Q2 2019 than they did at the end of Q1 2019, while 28 percent reduced cash holdings in the past three months. The +8 difference was up 5 points from the previous quarter's reading and up by three points from a year ago.
- 38 percent of organizations held greater cash and short-term investment balances at the end of Q2 2019 than they had one year earlier, while 27 percent held smaller cash balances relative to a year ago. The difference of +11 is two points lower than the previous quarter's reading and 5 points lower than the July 2018 reading.
- 33 percent of organizations anticipate expanding cash and short-term investment balances over the next three months, while 21 percent plan to reduce these balances. The net index reading of +12 increased 2 points from last quarter's reading and nine points from a year ago.
- 10 percent of organizations were more conservative with their short-term investments in Q2 2019 and 7 percent were more aggressive. The -3 reading is 2 points lower than 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](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 October 28, 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."