

AFP Corporate Cash Indicators® October 2017

During the third quarter, U.S. businesses accumulated cash and short-term investment holdings at a significant pace. The quarter-over-quarter index increased 9 points to +25, and the year-over-year indicator increased by two points to +20. These readings signal deep skepticism about the economy and significant caution among treasury and finance professionals. Entering the third quarter, organizations indicated they would accumulate cash, which they did, but once again did so at a much higher rate than anticipated. This is the highest reading for this index observed since the first time the data was collected in January 2011. This group anticipates cash accumulation will continue to accelerate through fourth quarter; the forward looking indicator measuring expectations for changes in cash holdings in the current quarter increased five points from a reading of +8 to +13. Meanwhile, the indicator for short-term investment aggressiveness continued to move upward, gaining one point in the last quarter, moving from +4 to +5, signaling an increasingly aggressive posture with cash and short-term investments. These results are based on 113 responses from senior treasury and finance professionals this quarter.

Continued uncertainty with healthcare reform during the quarter, discussions of significant corporate tax reform, and rising tensions with North Korea have exacerbated apprehension among treasury and finance professionals and their organizations. The lack of bipartisanship and continued gridlock in Washington have also contributed to the apathy and cautionary approach being adopted by business leaders.

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

October 2016	January 2017	April 2017	July 2017	October 2017
+19	+16	+15	+16	+25

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?

October 2016	January 2017	April 2017	July 2017	October 2017
+21	+19	+16	+18	+20

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?

October 2016	January 2017	April 2017	July 2017	October 2017
+4	-7	+3	+8	+13

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?

October 2016	January 2017	April 2017	July 2017	October 2017
-5	-2	-1	+4	+5

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 Q3 2017 than they did at the end of Q2 2017, while 17 percent reduced cash holdings in the past three months. The +25 difference was up nine points from the previous quarter's reading and an increase of six points from a year ago.
- 40 percent of organizations had greater cash and short-term investment balances at the end of Q3 2017 than they had one year earlier, while 20 percent held smaller cash balances relative to a year ago. The difference of +20 is two points higher than the previous quarter's reading and one point lower than the October 2016 reading.
- 31 percent of organizations anticipate expanding cash and short-term investment balances over the next three months, while 18 percent plan to reduce these balances. The net index reading of +13 is up 5 points from that reported in July and up 9 points from the October 2016 survey.
- 9 percent of organizations were more aggressive with their short-term investments in Q3 2017 while 4 percent were more conservative. The +5 difference between the two is up one point from the prior quarter and up 10 points 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 January 29, 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."