



ASSOCIATION FOR  
FINANCIAL  
PROFESSIONALS

# AFP CORPORATE CASH INDICATORS®

Underwritten by BMO We're here to help.™

## AFP Corporate Cash Indicators® October 2018

During the third 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 three points to +8, while the year-over-year indicator decreased significantly from +16 to +7, while still signaling that organizations were accumulating cash reserves in both the past quarter and year.

Entering the third quarter, business leaders signaled they were looking to increase their cash reserves, though at a slow pace. However, it appears they increased cash at a higher rate than they were anticipating. Their anticipated plans for their cash holding during fall aren't very different from their past actions. The forward-looking indicator, measuring expectations for changes in cash holdings in the fourth quarter, increased 4 points from their predictions last quarter to a reading of +7 suggesting they plan to build their cash reserves.

The CCI measure for short-term investment aggressiveness indicated a stable investment posture, decreasing from a reading of +9 to a neutral 0 during the third 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 almost equal to those suggesting a more aggressive investment posture. These results are based on 187 responses from senior treasury and finance professionals this quarter. The CCI is underwritten by BMO.

The sustained reluctance by companies to loosen purse strings and deploy cash previously attributed to threats of tariffs, fear of a trade war and tensions with the U.S.'s closest allies and exacerbated by the upcoming midterm election is being reinforced by rising interest rates. Business leaders are expecting further increases in the Fed Funds rate, offering a greater return on cash balances and presenting higher borrowing costs if cash balances are insufficient for operations.

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

October 2017	January 2018	April 2018	July 2018	October 2018
+25	+15	+18	+5	+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?***

October 2017	January 2018	April 2018	July 2018	October 2018
+20	+23	+17	+16	+7

*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 2017	January 2018	April 2018	July 2018	October 2018
+13	-1	-1	+3	+7

*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 2017	January 2017	April 2018	July 2018	October 2018
+5	+6	+11	+9	0

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	7%
\$100-249.9 million	9%
\$250-499.9 million	12%
\$500-999.9 million	9%
\$1-4.9 billion	33%
\$5-9.9 billion	6%
\$10-20 billion	3%
Over \$20 billion	4%

**Industry Categories**

Agricultural, Forestry, Fishing & Hunting	3%
Banking/Financial Services	9%
Administrative Support/Business Services Consulting	2%
Construction	4%
Education	5%
Energy	2%
Government	5%
Health Care and Social Assistance	4%
Hospitality/Travel Food Services	2%
Insurance	3%
Manufacturing	25%
Mining	1%
Non-profit (including education)	5%
Petroleum	1%
Professional/Scientific/Technical Services	4%
Real Estate/Rental/Leasing	1%
Retail Trade	6%
Wholesale Distribution	4%
Software/Technology	5%
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*

- 37 percent of organizations held larger cash and short-term investment balances at the end of Q3 2018 than they did at the end of Q2 2018, while 29 percent reduced cash holdings in the past three months. The +8 difference was up 3 points from the previous quarter's reading and lower than 17 points from a year ago.
- 34 percent of organizations had greater cash and short-term investment balances at the end of Q3 2018 than they had one year earlier, while 27 percent held smaller cash balances relative to a year ago. The difference of +7 is nine points lower than the previous quarter's reading and 13 points lower than the October 2017 reading.
- 27 percent of organizations anticipate expanding cash and short-term investment balances over the next three months, while 20 percent plan to reduce these balances. The net index reading of +7 is four points higher than that reported in July and down 6 points from the October 2017 survey.
- 7 percent of organizations were more aggressive with their short-term investments in Q3 2018 and 7 percent were more conservative. The zero difference between the two is down nine points from the prior quarter and 5 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 January 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."