

AFP Corporate Cash Indicators® October 2019

During the third quarter, U.S. businesses continued to accumulate cash and short-term investment holdings, though at a gradual pace. The quarter-over-quarter index increased one point to +9, and the year-over-year indicator increased by nine points to +20. These readings suggest that treasury and finance professionals are still uncertain about the economy and are exhibiting caution.

Entering the third quarter, organizations indicated they would build cash reserves through the summer. They did do so, but at a slightly slower pace than anticipated. This group anticipates cash accumulation will continue to accelerate rapidly through the fourth quarter; the forward-looking indicator measuring expectations for changes in cash holdings in the current quarter increased four points from a reading of +12 to +16. This figure is one of the highest we have observed as a forward-looking indicator since we began gathering this data in January 2011. Meanwhile, the indicator for short-term investment aggressiveness decreased significantly, moving from -3 to -10, signaling a continued conservative posture with cash and short-term investments. This is the lowest this figure has been since AFP began reporting on these numbers in 2011. Recent interest rate cuts by the Federal Reserve Bank and the likelihood that there are more to come are prompting treasury and finance professionals to be conservative with their organizations' short-term interments.

These results are based on 120 responses from senior treasury and finance professionals this quarter.

The threat of increased tariffs as a result of a trade war, as well as deep murmurings of the U.S. economy going into a recession, are contributing to the apprehension among business leaders. Adding to this uncertainty are recent Presidential impeachment hearings and the ongoing deadlock over Brexit. As a consequence, organizations are extremely reluctant to loosen their purse strings and it appears that cash accumulation is becoming the 'new normal'.

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

October 2018	January 2019	April 2019	July 2019	October 2019
+8	+13	+3	+8	+9

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 2018	January 2019	April 2019	July 2019	October 2019
+7	+12	+13	+11	+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 2018	January 2019	April 2019	July 2019	October 2019
+7	-5	+10	+12	+16

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 2018	January 2019	April 2019	July 2019	October 2019
0	-1	-1	-3	-10

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	18%
\$50-99.9 million	4%
\$100-249.9 million	11%
\$250-499.9 million	13%
\$500-999.9 million	12%
\$1-4.9 billion	28%
\$5-9.9 billion	8%
\$10-20 billion	4%
Over \$20 billion	4%

Industry Categories

Agricultural, Forestry, Fishing & Hunting	1%
Banking/Financial Services	7%
Administrative Support/Business Services Consulting	4%
Construction	5%
Education	6%
Energy	1%
Government	5%
Health Care and Social Assistance	6%
Hospitality/Travel Food Services	3%
Insurance	1%
Manufacturing	27%
Mining	--
Non-profit (including education)	3%
Petroleum	1%
Professional/Scientific/Technical Services	3%
Real Estate/Rental/Leasing	3%
Retail Trade	4%
Wholesale Distribution	3%
Software/Technology	10%
Telecommunications/Media	2%
Transportation and Warehousing	2%
Utilities	5%

About the Index Values

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

- 39 percent of organizations held larger cash and short-term investment balances at the end of Q3 2019 than they did at the end of Q2 2019, while 30 percent reduced cash holdings in the past three months. The +9 difference was up 1 point from the previous quarter's reading and up by one point from a year ago.
- 43 percent of organizations held greater cash and short-term investment balances at the end of Q3 2019 than they had one year earlier, while 23 percent held smaller cash balances relative to a year ago. The difference of +20 is nine points higher than the previous quarter's reading and 13 points higher than the October 2018 reading.
- 36 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 +16 increased 4 points from last quarter's reading and nine points from a year ago.
- 13 percent of organizations were more conservative with their short-term investments in Q3 2019 and 3 percent were more aggressive. The -10 reading is 7 points lower than last quarter and 10 points lower 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 27, 2020.

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."