

## AFP Corporate Cash Indicators® April 2020

During the first quarter of 2020, U.S. businesses continued to accumulate cash and short-term investments but did so at a slightly lower rate than the previous quarter. The quarter-over-quarter index reading decreased 7 points to +24, while the year-over-year indicator decreased by one point to +32. The year-over-year reading is just one point lower than the +33 reading last quarter, which was the highest rate of cash accumulation since the inception of the CCI in 2011. Entering the first quarter, business leaders were displaying some signs of willingness to deploy their cash. However, it appears that the global pandemic caused them to deviate significantly from their plans.

Interestingly, this group is anticipating a significant decrease in cash reserves during the current quarter. The forward-looking indicator, measuring expectations for changes in cash holdings in the current quarter, decreased 12 points from the reading last quarter to -15. A decrease of cash reserves at this rate would, in more normal times, signal extremely high confidence in the economy and the willingness to deploy cash by increasing capital expenditure and hiring. However, this quarter's reading of -15 is a consequence of the global pandemic creating havoc on the economy and the resulting corporate cash flows. With travel restrictions, social distancing measures, a precipitous decline in the stock market and lockdowns in most states, industries are being impacted severely and business leaders are doing all they can to preserve cash and liquidity. With cash receipts slowing down significantly, management at companies are likely being compelled to dip into their cash reserves to keep operations running as seamlessly as possible.

The CCI measure for short-term investment aggressiveness decreased significantly from -1 to -23 during the first quarter of 2020, signaling an extremely conservative emphasis on safety and liquidity over yield. This is the lowest reading for short-term investments since the inception of the CCI in January 2011. This highlights the high levels of concern amongst financial professionals and their extreme uneasiness with the current economic environment. These results are based on 139 responses from senior treasury and finance professionals this quarter.

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

April 2019	July 2019	October 2019	January 2020	April 2020
+3	+8	+9	+31	+24

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?**

April 2019	July 2019	October 2019	January 2020	April 2020
+13	+11	+20	+33	+32

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?**

April 2019	July 2019	October 2019	January 2020	April 2020
+10	+12	+16	-3	-15

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?**

April 2019	July 2019	October 2019	January 2020	April 2020
-1	-3	-10	-1	-23

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	15%
\$50-99.9 million	7%
\$100-249.9 million	9%
\$250-499.9 million	15%
\$500-999.9 million	12%
\$1-4.9 billion	24%
\$5-9.9 billion	7%
\$10-20 billion	4%
Over \$20 billion	6%

### **Industry Categories**

Agricultural, Forestry, Fishing & Hunting	1%
Banking/Financial Services	12%
Administrative Support/Business Services Consulting	1%
Construction	6%
Education	2%
Energy	3%
Government	4%
Health Care and Social Assistance	6%
Hospitality/Travel Food Services	2%
Insurance	3%
Manufacturing	19%
Mining	--
Non-profit (including education)	11%
Petroleum	1%
Professional/Scientific/Technical Services	3%
Real Estate/Rental/Leasing	3%
Retail Trade	4%
Wholesale Distribution	4%
Software/Technology	9%
Telecommunications/Media	1%
Transportation and Warehousing	1%
Utilities	3%

## **About the Index Values**

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

- 49 percent of organizations held larger cash and short-term investment balances at the end of Q1 2020 than they did at the end of Q4 2019, while 25 percent reduced cash holdings in the past three months. The +24 difference was down 6 points from the previous quarter's reading and up by twenty-one points from a year ago.
- 50 percent of organizations held greater cash and short-term investment balances at the end of Q1 2020 than they had one year earlier, while 18 percent held smaller cash balances relative to a year ago. The difference of +32 is one point lower than the previous quarter's reading and 19 points higher than the April 2019 reading.
- 25 percent of organizations anticipate expanding cash and short-term investment balances over the next three months, while 40 percent plan to reduce these balances. The net index reading of -15 decreased 12 points from last quarter's reading and decreased twenty-five points from a year ago.
- 27 percent of organizations were more conservative with their short-term investments in Q1 2020 and 4 percent were more aggressive. The -23 reading is 22 points lower than last quarter and 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 July 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."