

Corporate Cash Falls \$128B in Third Quarter to \$3.83T

Up \$1.02 or 36.1% Year-to-date

December 11, 2020. Corporations in the U.S. added \$1.02 trillion or 36.1% to their cash holdings thus far in 2020 according to The Carfang Group analysis of recent Federal Reserve data. For the third quarter, cash is down \$128B or 3.2% and now stands at \$3.83T.

According to Anthony J. Carfang, Managing Director at The Carfang Group, “Corporate cash stabilized at historically high levels during the third quarter. Following a tumultuous first half in which the Covid pandemic led to a global flight to liquidity. Central banks intervened. Corporate cash soared.”

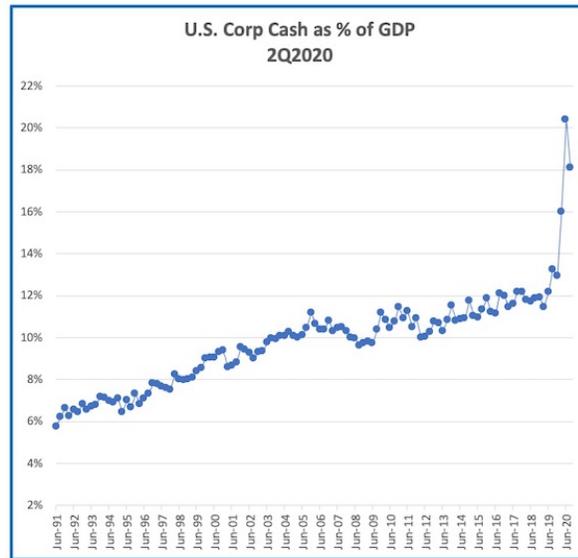
The Fed’s balance sheet grew from \$4.1T to \$7.0T during the first nine months of 2020 but was flat during the third quarter. Bank reserves which grew from \$1.6T to \$3.0T in the first half, dropped by \$200B during the third quarter.

As a result of these factors, corporate treasurers substantially increased their cash holdings. All major cash categories increased significantly this year. Cash + checkable deposits grew by \$472B, time deposits by \$69B and money funds grew by \$369B.



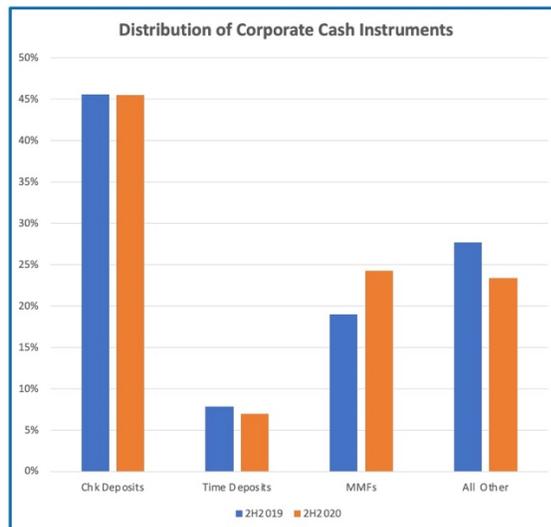
Source: Federal Reserve, The Carfang Group

Corporate cash holdings were 18% of US GDP, 3X the level of the early 1990s. During the second quarter cash levels soared as US GDP plunged, exceeding 20% of GDP. The third quarter GCP rebound, combined with the drop in corporate cash brought the ratio down to 18%. There had been a three-decade long upward trend in this ratio, but the current leap is well above that trendline. As this is unprecedented, the macroeconomic effects remain to be seen.



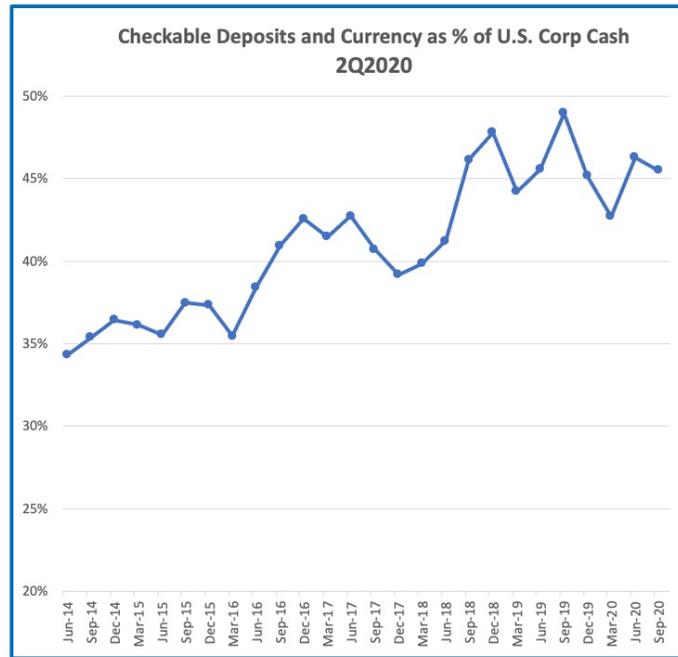
Source: Federal Reserve, The Carfang Group

Corporate holdings of checkable deposits + currency grew 37% YTD and time deposits grew by 35%. However, their holdings of money market funds jumped by 66%.



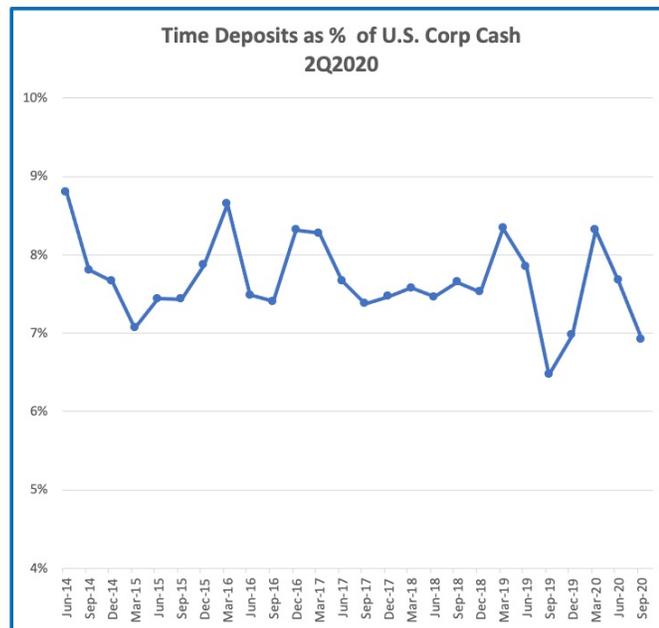
Source: Federal Reserve, The Carfang Group

Checkable deposits and currency remained at 45% of corporate cash, after increasing from 35% following the SEC's tighter rules on money market funds.



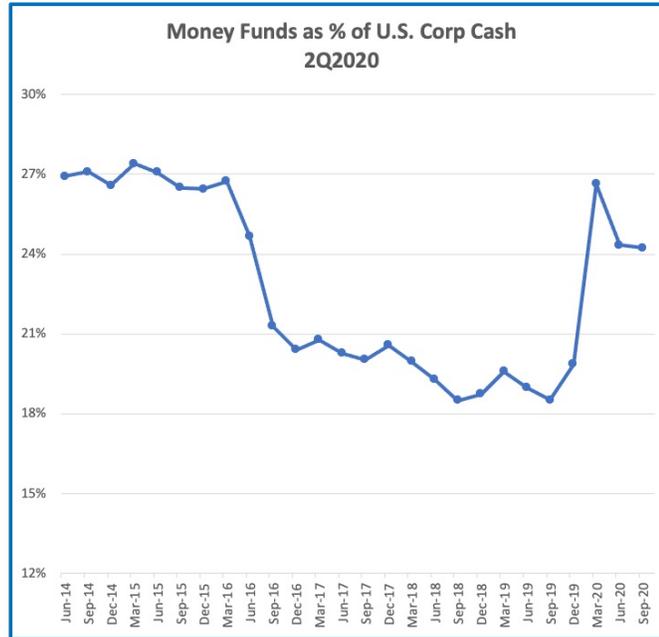
Source: Federal Reserve, The Carfang Group

Time deposits now account for 6.9% of corporate cash, dipping toward the lower end of its recent historical range. This is likely due to the low rates resulting from the pandemic-related aggressive Federal Reserve monetary policies.



Source: Federal Reserve, The Carfang Group

Money funds, at 24% corporate cash, pulled back slightly during the quarter, but still remain near their highest level since mid-2016 when the SEC instituted new regulations. That's still less than half the 59% level of December 2008.



Source: Federal Reserve, The Carfang Group

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