

NEWS RELEASE

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Corporate Cash Falls to \$3.72T

Money Funds Hit 24 Year Low as % of Corporate Cash.

June 10, 2021. Corporations in the U.S. reduced their cash holdings by \$202 billion in the first quarter according to The Carfang Group analysis of recent Federal Reserve data. Cash is now down more than 9% from its \$4.1 trillion peak in 2Q20.

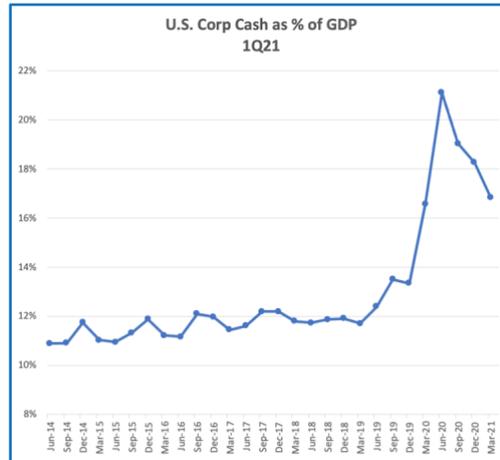
According to Anthony J. Carfang, Managing Director at The Carfang Group, “Corporate cash is declining even as money supply, bank deposits and the Fed balance sheet continue to surge. This divergence is historically unusual.” To learn more about these findings, join our quarterly liquidity webinar “Yield Enhancements on Your Cash Deposits” on July 15 click [HERE](#).



Source: Federal Reserve, The Carfang Group

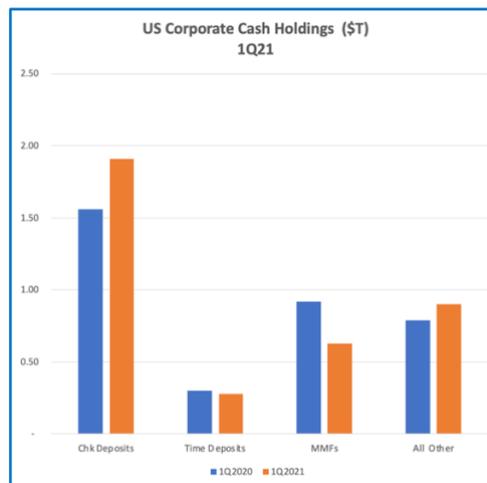
The Fed’s balance sheet assets grew from \$4.1T to \$7.7T since Jan 2020 , a spectacular 88% jump. It continued increasing by \$354B during the first quarter. Bank reserves, which grew from \$1.6T to \$3.1T during 2020 added \$345B in the first quarter Those numbers are curiously similar to the \$120B per month bond buying program at the Fed.

Corporate cash holdings were 16.8% of US GDP, exactly 3X the level of March 1991, thirty years ago. During the second quarter last year, cash soared to 21% of GDP. Since many consider cash to be a stranded asset, these levels could become an economic drag. There had been a three-decade long upward trend in this ratio, so the current reversion back toward the trendline is welcome. However, as these levels are unprecedented, the long-term effects remain to be seen.



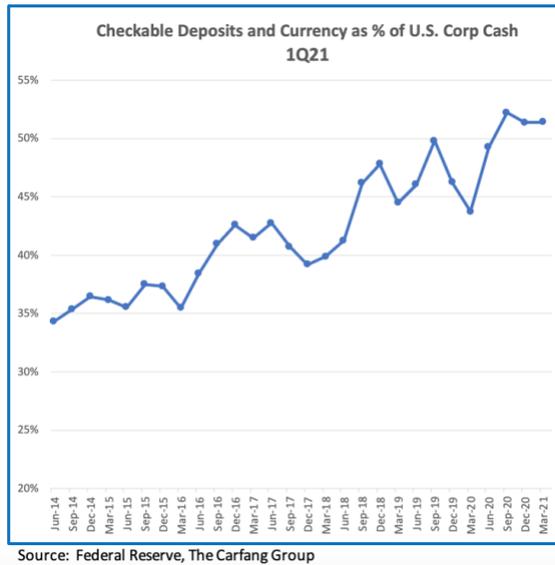
Source: Federal Reserve, The Carfang Group

Corporate treasurers substantially shifted their cash holdings during the past four quarters. Cash + checkable deposits grew by \$350B, but that was offset by a \$291B decline in money market funds and a \$22B decline in time and savings deposits.

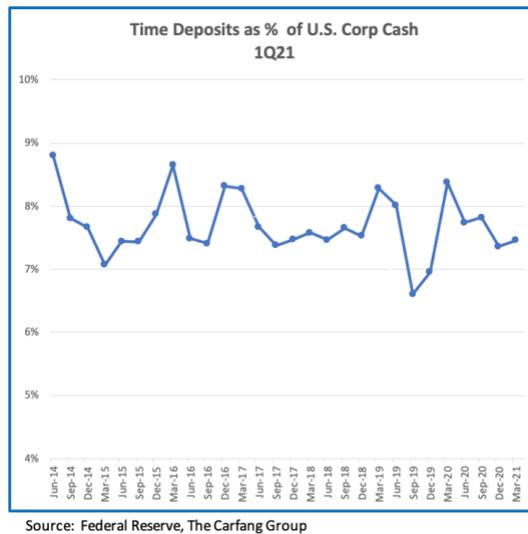


Source: Federal Reserve, The Carfang Group

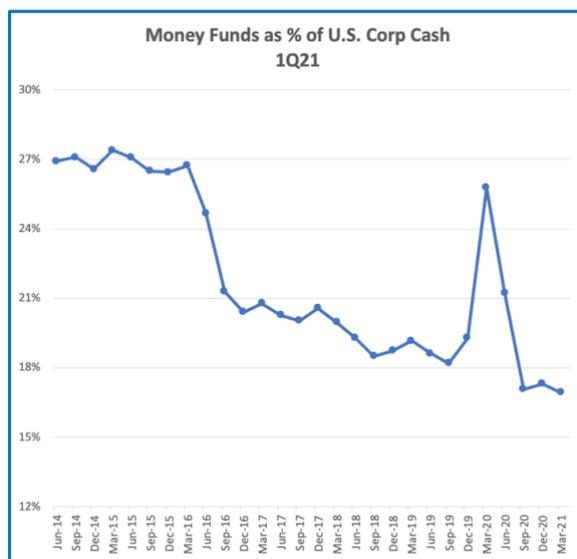
Checkable deposits and currency remained near its all-time high at 51% of corporate cash, after increasing from 35% following the SEC's tighter rules on money market funds implemented in 2016.



Time deposits now account for 7.5% of corporate cash, near 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.

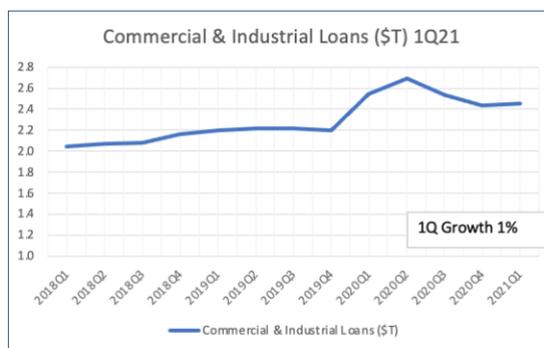


Money funds fell to an historic low, at 16.9% corporate cash. That level was last seen in March 1997. It is now less than one third of the 59% level of December 2008.



Source: Federal Reserve, The Carfang Group

Finally, we take a look at Commercial & Industrial Loans, an important source of corporate liquidity. Many companies were actively drawing down credit lines to further build their liquidity buffers during 2020. C&I loans nudged higher by 1% or \$25 billion during the quarter.



Source: FDIC, The Carfang Group

The Carfang Group advises our clients on the strategic and regulatory issues surrounding Treasury Management, Payments, Liquidity and Transaction Banking. We oversee the deepest and broadest LinkedIn groups on key Treasury, Banking, Liquidity, Payments and Regulatory topics via our Idea Exchange and Career Network. Visit <https://www.thecarfanggroup.com/idea-exchange>.

[Register here](#) for our July 15 webinar “Yield Enhancement on Your Cash Deposits”, which we are co-sponsoring with Safened, US.