Private sector money piles up

Businesses forecast to have $1.06 trillion

By Matt Krantz
USA Today

Companies have a problem many people would envy: They can't get rid of cash fast enough.

After a fourth year of higher profit, companies' piles of cash are approaching yet another all-time high. They're on pace to have $1.06 trillion in cash, based on estimates from S&P Dow Jones Indices.

Cash is piling up despite companies' efforts to dispense it by buying back stock, increasing dividends, and investing in capital and equipment. However, they're not being as aggressive as they can afford to be.

Cash continues to accumulate despite efforts to reduce it because:

» Capital spending isn't ramping up as much as it could. Companies are being timid investing cash in new equipment to generate future growth. Capital spending is up 13 percent from the fourth quarter of 2011, based on the 45 percent of companies that have provided data, said Howard Silverblatt of S&P Dow Jones. But much of that is replacement spending, he said, such as moves by AT&T and Verizon to replace storm-damaged equipment. Some big companies, such as Apple, have actually slashed their capital spending.

» Dividends are still low relative to earnings. Dividends soared in the fourth quarter by 21 percent, but companies are still paying out just 36 percent of earnings as dividends, near a low, and well below the 52 percent of earnings they usually do.

» Buybacks not making a dent. They're up 55 percent from where they were in the fourth quarter of 2011, but the number of shares outstanding is down less than 1 percent as companies create more shares, usually because of option-based pay.