



The Tatum Survey of Business Conditions

As of May 1, 2009

Introduction

Tatum conducts a monthly survey of its executives and consulting professionals regarding current business and economic conditions. The survey looks back at the past 30 days and forward to the next 60 days. With our executives and consulting professionals serving a broad base of industries in every geographic region of the United States, the Tatum Survey of Business Conditions takes a representative pulse of economic activity at the first day of every month. Results are published the first week of each month at www.TatumLLC.com.

Arrows are used in this report to illustrate at a glance the direction of the indicators for the 30 prior days and the next 60 days (see legend at the end of this document).

Summary as of May 1, 2009

We are now persuaded that the Recession is in the process of ending. We believe the beginning of the end began early in the first quarter after reaching its worst point of decline in November 2008. All indicators as of May 1 were rising except for the outlook for improvement in the price and availability of capital, which was flat with the prior month at a relatively high level. The dominating theme this month was significant declines in the worsening of business conditions, the typical precursor of substantive improvement. Inventory liquidations have mostly run their course and backlogs are rising materially. Confidence is rising and liquidity concerns are declining as indicated by improvements in capital expenditure commitments and financing conditions.

Index of Business Conditions

Tatum's **Index of Business Conditions** combines elements of the past 30 days and the next 60 days into one number, summarizing our view of the current overall trend. The current month's index moved up for the sixth consecutive month, and the amount of the month-to-month change is accelerating. The level of the Index, at 2.3, is climbing out of the range for Recession. To view the Tatum Index of Business Conditions, please click on [{Index of Business Conditions}](#).

Order Backlogs

Order Backlogs are normally the most tangible indication of relative strength or weakness in near-term deliveries of products and services. As of May 1, order backlogs were stronger in our survey, looking both back 30 days and ahead 60 days, suggesting the nearing conclusion of inventory liquidation and rising orders for future delivery of goods and services. [{More about Order Backlogs}](#)



Capital Expenditure Commitments

Capital Expenditure Commitments continued to improve. The outlook for the next 60 days is positive primarily by the reduction in the number of Survey participants reporting lower expected commitments. This is the second consecutive month of rising actual “cap-ex” commitments, reflecting rising confidence and less concern about corporate liquidity. [{More about Capital Expenditure Commitments}](#)

Employment

Employment is typically a lagging indicator as businesses are typically reluctant to change employment levels either up or down. Improvement in this indicator in our Survey suggests that unemployment will not be as bad as projected by many economists. [{More about Employment}](#)

Capital Availability and Pricing

Finally, financing conditions registered a major improvement this month (looking back 30 days), which we interpret as very positive for the probable sustainability of what we believe is the beginning of economic recovery. [{More about Capital Availability and Pricing}](#)

Segments, Regions and Markets

Among the industry comparisons, Service remained strong while the Healthcare sector moved down. Technology showed little weakness but also little relative strength. Regionally, the Mid-west was distinctly weaker than all other regions. Among the other regions none stood out as the strongest. Most of the demographic statistics were mixed, without clear winners or losers. This mixed situation is typical in our Survey when there is a period of change (an inflection point) in general business conditions. [{More about Demographics}](#)

We hope you found Tatum’s Commentary interesting and useful. We welcome your comments and questions. Click on [{May 2009 Tatum Survey of Business Conditions}](#) to view the complete report.

Sam Norwood, Senior Partner [{link to send comments to Sam Norwood}](#)

Glen Passin, Partner [{link to send comments to Glen Passin}](#)

Legend  Conditions improved or will improve  Conditions worsened or will worsen
 Conditions remained about the same or will remain the same

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