



The Tatum Survey of Business Conditions

As of January 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 January 1, 2009

Our Survey indicates a new low in December but a glimmer of hope for the first quarter. While December registered further deterioration in business conditions, the outlook for the next 60 days calls for the beginning of an improving trend. It is too early to tell if this outlook has legs. The known wild cards are the situation with the auto industry and international developments, but our responders indicate an expectation of a thawing in credit conditions and overall slightly better conditions in the first quarter.

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 from its all-time low of 0.4 to 0.5 -- still clearly in Recession territory but moving in a positive direction based on an improved outlook. 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 January 1, order backlogs were about flat with the prior month. In the outlook, fewer respondents expected backlogs to decline, suggesting a slight overall improvement. **{More about Order Backlogs}**

Capital Expenditure Commitments

Capital Expenditure Commitments were down compared with the prior month. However, expectations about the future remained about the same as last month, at a very depressed level. The overall situation reflects a combination of concerns about economic conditions, corporate liquidity and the availability of credit. **{More about Capital Expenditure Commitments}**



Employment

Employment is typically a lagging indicator as businesses, in the face of uncertain conditions, are reluctant to reduce employment until the need is obvious and compelling. Employment continued to decline in November. The outlook for December was mixed, with a level proportion of respondents expecting to increase employment and fewer expecting to reduce employment, for an overall very tepid improvement in the outlook. **{More about Employment}**

Capital Availability and Pricing

Financing conditions showed the most improvement of any of our Survey indicators. During December the improvement was slight to mild (mainly less worsening than in November), but expectations for the next 60 days were robustly improved. Lower interest rates are helpful, but for many companies sheer availability is more important, and more availability is an essential foundation for an economic recovery. **{More about Capital Availability and Pricing}**

Segments, Regions and Markets

All segments were weak, but the least weak among our significant segments were technology and finance. Although Wholesale is only 4% of our responding survey participants and therefore not normally considered significant enough to highlight, the Wholesale segment was so strikingly weak that it deserves mention. Large manufacturers generally sell direct to large customers, B to B or to major retailers, so their supply chain is short and tight. Smaller manufacturers selling to smaller customers more often go through wholesalers. These middlemen, particularly *import* distributors, have longer lead times and more complex supply chains, and they really suffer in a dramatic downturn such as the present one. The Pacific region showed the best relative strength. Companies serving national markets were stronger than those with local. **{More about Demographics}**

We hope you found Tatum's Commentary interesting and useful. We welcome your comments and questions. Click on **{January 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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