

Business Conditions as of March 1, 2010

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 March 1, 2010

As of March 1 it appears that the recovery in business conditions is grinding to a very slow pace. While conditions remain much better than a year ago and even 6 months ago, the pace of the recovery has slowed to a crawl. There are some minor improvements seen in employment and financing conditions in the past 30 days. Looking ahead there is improvement in the outlook for order backlogs and employment. The employment picture features a reduction in layoffs, not more hiring. The overall business conditions are little changed from a month ago. The January 1 Survey showed a big improvement; since then improvements have been subdued, suggesting that the growth rate in the economy will be lower than the 5.9% GDP growth reported for Q4 of 2009.

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 was down so slightly from last month as to be considered unchanged. However, due to the very high result as of January 1 the three-month average remains up. The current level is higher than at any time in 2009. 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. Order backlogs were reported to be slightly weaker during the past 30 days. The outlook for the next 60 days, however, was up from February's outlook. [More about Order Backlogs](#).

Capital Expenditure Commitments



Capital expenditure commitments were effectively flat for both the past 30 days and for the 60-day outlook. [More about Capital Expenditure Commitments](#).

Employment

The improvement is attributable mainly to lowering the number of reductions in force (RIFs). This is a positive indicator. Anecdotally, we understand that the demand for temporary and part-time help is rising, and this is typical in the early stages of recovery. [More about Employment.](#)

Capital Availability and Pricing

Our respondents indicated that capital availability and pricing improved in the past thirty days. However, we think that availability continues to be restrained by the regulatory pressures on banks. Many banks have significant exposure to commercial real estate and have taken write-offs that have reduced their capital bases and therefore their lending capacity. The next 60 day outlook is essentially for no change. [More about Capital Availability and Pricing.](#)

Segments, Regions and Markets

Small businesses continued to be weakest this month, and unfortunately this is where the jobs are normally created. Capital availability for small businesses is probably constraining their opportunities for growth. Large businesses and those with international operations were strongest. The technology and service sectors again became the strongest industry segments, and healthcare was the weakest of the segments where Tatum has a statistically meaningful presence. The northeast (surprisingly in view of the snow storms) and Southwest were the strongest regions while the Midwest was weakest. [More about Demographics.](#)

We hope you found Tatum's Commentary interesting and useful. We welcome your comments and questions. Click on [March 2010 Tatum Survey of Business Conditions](#) to view the complete report.

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

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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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