



The Tatum Survey of Business Conditions

As of September 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 September 1, 2009

A further advance in the Tatum Index of Business Conditions to 4.2 is persuasive evidence that a recovery has begun. Order backlogs advanced strongly, partly as a seasonal move, but an important tangible indication that business is turning up. With very low inventories, a rise in orders will quickly increase the utilization of human and physical assets. However, with physical capacity utilization below 70% and employment on short hours, it will be a while before capital expenditures and hiring will pick up, as seen in our survey responses on these indicators. Financing conditions are continuing to improve slowly.

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 to 4.2 from 2.9 and is now clearly out of the Recession zone. The 3-month moving average has risen for the 8th consecutive month, a very strong indication that a business recovery is under way. 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 September 1, order backlogs were up strongly in our survey. The outlook for the next 60 days is also positive, suggesting that new orders are expected to continue to rise this autumn. [{More about Order Backlogs}](#)

Capital Expenditure Commitments

Capital Expenditure Commitments were flat with the prior month, and the outlook is for more of the same. With capacity utilization below 70% there is just too much capacity to expect many new commitments except for cost efficiencies, new technologies and new products. There also remains some caution regarding the sustainability of the recovery until employment starts to improve. **{More about Capital Expenditure Commitments}**

Employment

Employment weakened in the past 30 days. There is still too much slack in the system, and many businesses are operating on reduced hours. The first response will be to increase hours. Hiring more employees comes later in a recovery. This lagging indicator needs to continue in a positive direction for a sustainable recovery to be assured. **{More about Employment}**

Capital Availability and Pricing

Capital availability and pricing are again on the positive track and are expected to continue to improve. While underwriting standards are tougher than before the Recession, money is again available to those who qualify, and interest rates are moderate. **{More about Capital Availability and Pricing}**

Segments, Regions and Markets

The strongest segments among our respondents are Technology, Healthcare and Service. The Mid-west region of the U.S. is experiencing much tougher conditions due to the extended effects of the auto-related problems, and the Southeast rose to the strongest region. Businesses serving international markets are experiencing much better conditions than those in domestic markets due, in large part, to weakness in the U.S. dollar. **{More about Demographics}**

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

Any use or reproduction of the contents of this report without the written consent of Tatum, LLC is strictly prohibited. The authors are not engaged in rendering legal, investment or other professional services by publication of this report. Information contained in this report should not be used as a substitute for professional advice, legal, investment or otherwise, on any particular issue.

© 2009 Tatum, LLC. All rights reserved. www.TatumLLC.com