



The Tatum Survey of Business Conditions

As of June 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 June 1, 2009

Business conditions continued to improve in the past 30 days, and the outlook for the next 60 days is more positive than we have seen in well over a year. Our respondents are saying that even employment and capital expenditure commitments are improving, and these usually lag the turn in economic activity. If the current trends continue, we believe the second quarter will be much less negative than the first, and there is a good shot that the third quarter will be positive.

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 seventh consecutive month. The level of the Index, at 3.0, is at the highest point since September 2007, just before the Recession officially began. 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 June 1, order backlogs were slightly weaker in our survey, looking back 30 days after several months of strong improvements. The outlook for the next 60 days is very positive, suggesting the 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 but only slightly stronger than the outlook last month. This is the third 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 generally reluctant to change employment levels either up or down. Improvement in this indicator in our Survey suggests that unemployment may have peaked, although the auto industry restructurings may prolong the current high levels. [{More about Employment}](#)

Capital Availability and Pricing

Financing conditions continued to improve (looking back 30 days), which we interpret as very positive for the probable sustainability of what we believe is the beginning of economic recovery. The outlook is mixed, as interest rates are rising with stronger economic conditions and increasing concerns about inflation. [{More about Capital Availability and Pricing}](#)

Segments, Regions and Markets

Among the industry comparisons, the Financial sector is strong with a steepening yield curve (bringing good spreads) and rising demand for loans. The Transportation sector was also strong among our respondents, and this is a good current indicator. The service sector was weak. Regionally, the Pacific coast was weakest in our survey, but the southwest was strongest, perhaps reflecting rising energy demand and prices. Large companies with a national market scope were strong, while mid-size companies and those with an international focus were relatively weak. International trade remains weak, and the declining value of the U.S. dollar is of concern to importers, but good news for exporters. [{More about Demographics}](#)

We hope you found Tatum’s Commentary interesting and useful. We welcome your comments and questions. Click on [{June 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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