



The Tatum Survey of Business Conditions

As of October 1, 2008

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 October 1, 2008

Our Survey indicates persuasively that the recession of 2008-2009 has begun. Every indicator declined from the prior two months, which were already indicating possible recession. Many of our indicators, including our most summary indicator, Tatum Index of Business Conditions, hit an all time low and/or magnitude of decline, from the prior month. As our Survey was taken in the final days of September, confidence in the financial system was plummeting. We believe the subsequent passage of the "Bailout Bill" might change the *degree* of negativity in the outlook but not the conclusion that the coming months will be challenging for business in virtually every sector and region.

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 dropped to 0.9 from 2.0. The previous low was registered last March 1. 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 October 1, order backlogs declined in both the past 30 days and in the outlook for the next 60 days. Wholesale trade was a very weak sector, and this weakness will surely back up into manufacturing in the coming months. **{More about Order Backlogs}**

Capital Expenditure Commitments

Capital Expenditure Commitments were down compared with the prior month in both the 30-day backward look and the forward 60-day outlook. This 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. After several months of generally weak conditions, the drama that unfolded in the month of September became the compelling reason to either freeze hiring or to initiate reductions in force. Our Survey indicates that employment will continue to decline in the next two months. **{More about Employment}**

Capital Availability and Pricing

The dominant news in September was the crisis in financial institutions, both commercial banks and investment banks, in which failures mounted, confidence plummeted, and there was a very serious scramble for liquidity from Wall Street to Main Street. Interbank lending became largely frozen in both the U.S and abroad. Fear of a systemic financial melt-down inspired the passage of a \$700 billion bailout or rescue bill in the first week of October, right after the conclusion of our Survey. Implementation of the Bill will take months. In the meantime, equity markets have fallen over 25% in 2008, shelving planned IPOs, and credit availability remains a serious concern. **{More about Capital Availability and Pricing}**

Segments, Regions and Markets

All segments were weak, but the least weak among our significant segments were manufacturing and service. Manufacturing for export has been helped by a weak U.S. dollar, but that advantage is currently disappearing. The financial sector was weakest. The southwest and pacific regions showed the best relative strength, while the southeast and northeast regions were the weakest in our Survey. Pre-revenue and small businesses, somewhat surprisingly, scored better than larger ones. Companies serving international markets reported better conditions than those serving regional markets. **{More about Demographics}**

We hope you found Tatum's Commentary interesting and useful. We welcome your comments and questions. Click on [{October 2008 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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