

## Business Conditions as of August 1, 2010

### Introduction

Tatum conducts a monthly survey of its executive 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 executive 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](http://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 August 1, 2010

As of August 1, we see a decline in the Index's indicators of business conditions, following on smaller declines in June and July. Our respondents report significantly weaker conditions over the last 30 days, as indicated by order backlogs and capital expenditure commitments. Overall the Tatum Index of Business Conditions fell 39% from its July reading. The portion of respondents who anticipate better business conditions for the next 60 days fell 34%.

### 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. At August 1 the Index, which has increased steadily throughout 2009 and 2010, fell to 3.43 from 5.61 in July. This reading, while sobering, is still respectable. It says that about three and a half times more respondents see a positive scenario than a negative scenario. More respondents believe conditions have gotten better in the last month or will get better over the next 2 months. 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. At August 1, the percentage of respondents reporting an improvement in backlogs over the last 30 days fell by 14%. The percentage of respondents expecting higher backlogs in the next 60 days fell by a smaller percentage. [More about Order Backlogs](#).

### Capital Expenditure Commitments

Capital expenditure commitments fell modestly over the last 30 days. A greater concern is that the percentage of respondents who said they plan to commit more for capital assets in the next 60 days fell sharply to 18% from 30% a month ago. Even while overall business confidence was rising sharply earlier in the year, companies deferred updating their capacity and implementing more efficient processes. The industrial and consumer demand needed to spark business spending for technology and durable goods still has not appeared. [More about Capital Expenditures](#).

## Employment



Employment saw negative results over the last 30 days, as the percentage of respondents hiring more workers fell from 20% to **14%**. That said, the percentage indicating they plan to increase hiring didn't decline, staying constant at **23%**. Despite bright spots in the economy like exports and corporate profits, employment remains a damper on hopes for a robust recovery. [More about Employment.](#)

## Capital Availability and Pricing



The percentage of respondents indicating an improvement in financing conditions over the last 30 days rose slightly, as did the portion expecting improvement in financing conditions in the next 60 days. The percentage saying conditions will get worse over the next 60 days fell sharply from 9% to **3%**. These indicators represent modest reassurance that credit availability is at least not getting worse. Credit remains restricted as the wave of bank and corporate deleveraging has still not entirely run its course. Debt and equity financing faces downward pressure as those with money to lend or invest continue to be risk averse. [More about Capital Availability and Pricing.](#)


## Segments, Regions and Markets

The northeast region was the strongest in the past 30 days while the weakest region was the southeast. Consistent with June and July, businesses serving local markets reported strongest conditions. Those serving regional markets reported relative weakness. Small companies reported the strongest results in the past few months, while large companies reported the weakest. Service companies were the strongest; healthcare was the weakest, consistent with the last several months.

[More about Demographics.](#)

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

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Legend  positive movement  negative movement  fairly constant state

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