



The Tatum Survey of Business Conditions

As of December 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 December 1, 2008

Our Survey indicates that business conditions deteriorated further during the month of November, but the deterioration was not as pronounced as in the previous two months. In 10 of the past 13 months, since December of 2007, the Tatum Index of Business Conditions has indicated flat to recessionary conditions. Finally, in early December 2008 the National Bureau of Economic Research made it official: the USA has been in recession for the past 12 months. This recession is already deep and wide. Our survey indicators for Backlogs, Capital Expenditure Commitments and Employment all indicate the seriousness of the present situation. There was a very slight thaw in financing conditions in November reported by our respondents, but the near-term outlook for financing remains depressed and challenging. Our sense is that banks are shifting from being *unable* to lend due to their shrinking capital, to being *unwilling* to lend in light of recessionary conditions.

Our survey was taken while the fate of the auto industry's request for bailout was pending. As we go to press with this report, the auto industry situation is still hanging on Congressional hearings. We think that it is reasonable to expect that a collapse of the auto industry would have a material impact on the outlook for business conditions, particularly in the mid-western region, that is not fully reflected in this report.

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 remained at the all-time low of 0.4, clearly in Recession territory. 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 December 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. Employment continued to decline in November. The outlook for December was mixed, with fewer respondents expecting to increase employment and fewer expecting to reduce employment. [{More about Employment}](#)

Capital Availability and Pricing

As of December 1, financing indications were mixed. Fewer respondents experienced improved conditions but few also experienced worse conditions than in the previous month. The outlook was more bearish. Our sense is that financial markets were in transition at December 1. In recent months, credit was increasingly unavailable because of institutional capital base shrinkage, reducing the *ability* of banks to lend. Actions by the Treasury to inject liquidity into banks in October improved the *capacity* to lend in November. However, the deterioration of economic conditions is making institutions *less willing* to lend. [{More about Capital Availability and Pricing}](#)




Segments, Regions and Markets

All segments were weak, but the least weak among our significant segments were technology and healthcare. The financial sector was by far the weakest. The mid-west region showed the best relative strength, but that will surely change if the auto industry is not bailed out. Large businesses experienced better conditions than small ones. Companies serving national and regional markets were stronger than those with either local or international orientations. [{More about Demographics}](#)

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