



Tatum Survey of Business Conditions
12/1/2011

Tatum Survey of Business Conditions Summary

Business Conditions have taken a sharp turn upward in both the past 30 days and in the 60-day outlook. One month ago there were hints of a possible turn-around from what had been slowing conditions most of 2011. This month confirmed that there has been a broad-based change for the better.

We do not have a clear explanation for the change. There is some hope that Europe will figure out a way to keep the Euro intact, and there seems to be some narrowing of the field of Republican presidential candidates. But these developments alone do not explain the breadth of change. Cumulatively, consumers and businesses have improved their balance sheets in the past 3 years; early reports on the holiday shopping season have been encouraging.

Improvements are reported in all supporting categories except capital expenditure commitments. However, there is typically a lag between improving overall conditions and the authorization and commitment for new capital assets. The outlook for “CapEx” is positive.

The turn-around in our survey is so strong that we are tempted to cancel our recession concerns for the near term. If we get another month of confirmation we will wipe our brows and look forward to a better beginning of 2012.

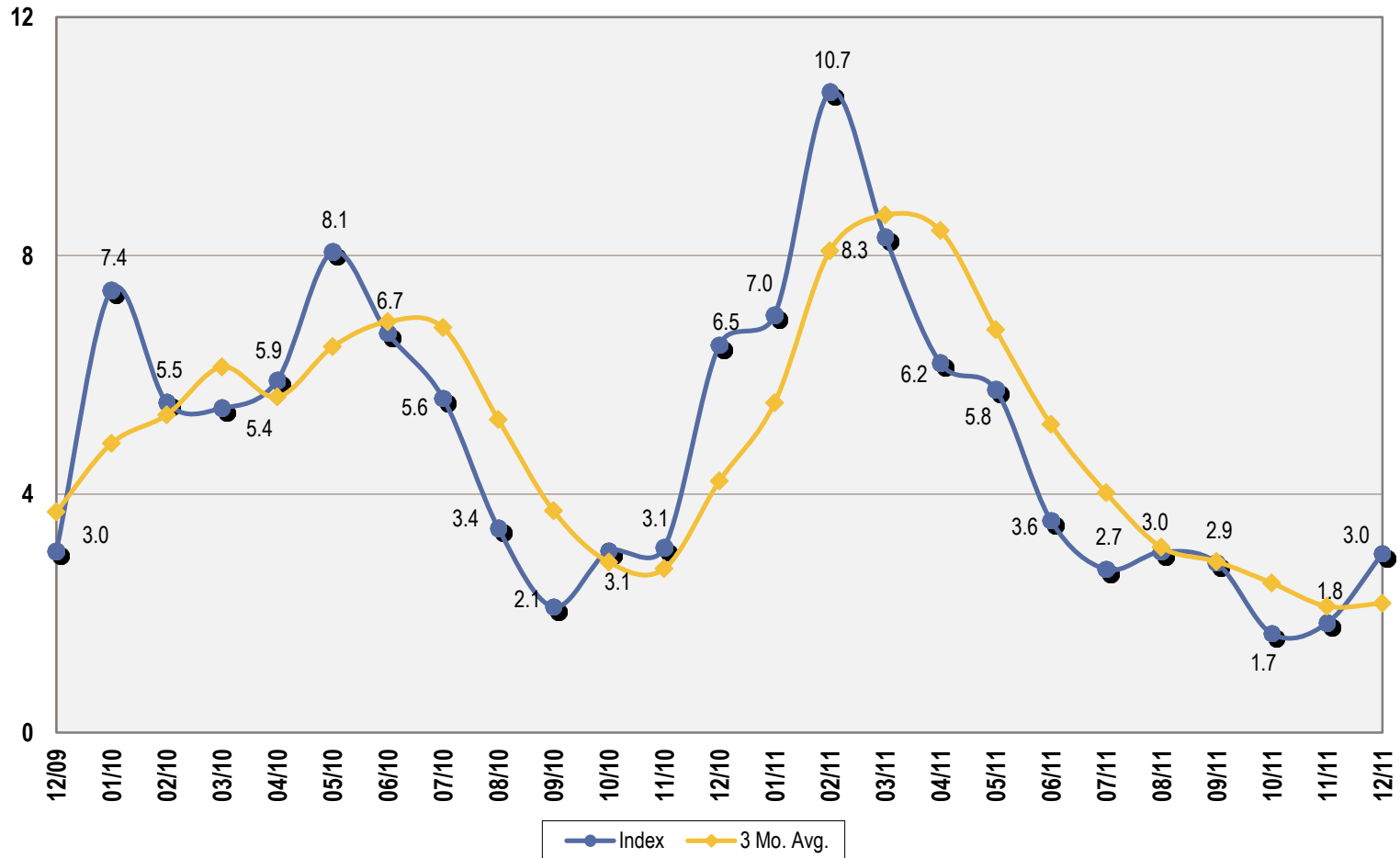
Tatum Index of Business Conditions

The **Tatum Index of Business Conditions** is a simple average of the ratio of our respondents who are reporting improvement versus those reporting a worsening in business conditions for the past 30 days and the next 60 days.

As of December 1st, the Tatum Index of Business Conditions moved up significantly and out of the recession range, to 3.0 from 1.8 a month ago. In a range of 2.0 to 3.0, we have noted a very high correlation with near zero economic growth and below 2.0 suggests recession in the Tatum Index (the Index was in this range throughout the 2008-2009 recession). If this is sustained in the next month we will cancel our concern about a near-term recession.

This upward move in the Index is supported by the majority of our indicators. The change seems broadly based, and it is a cause for optimism that the economy might be again starting a recovery from the doldrums of the summer.

Tatum Index of Business Conditions



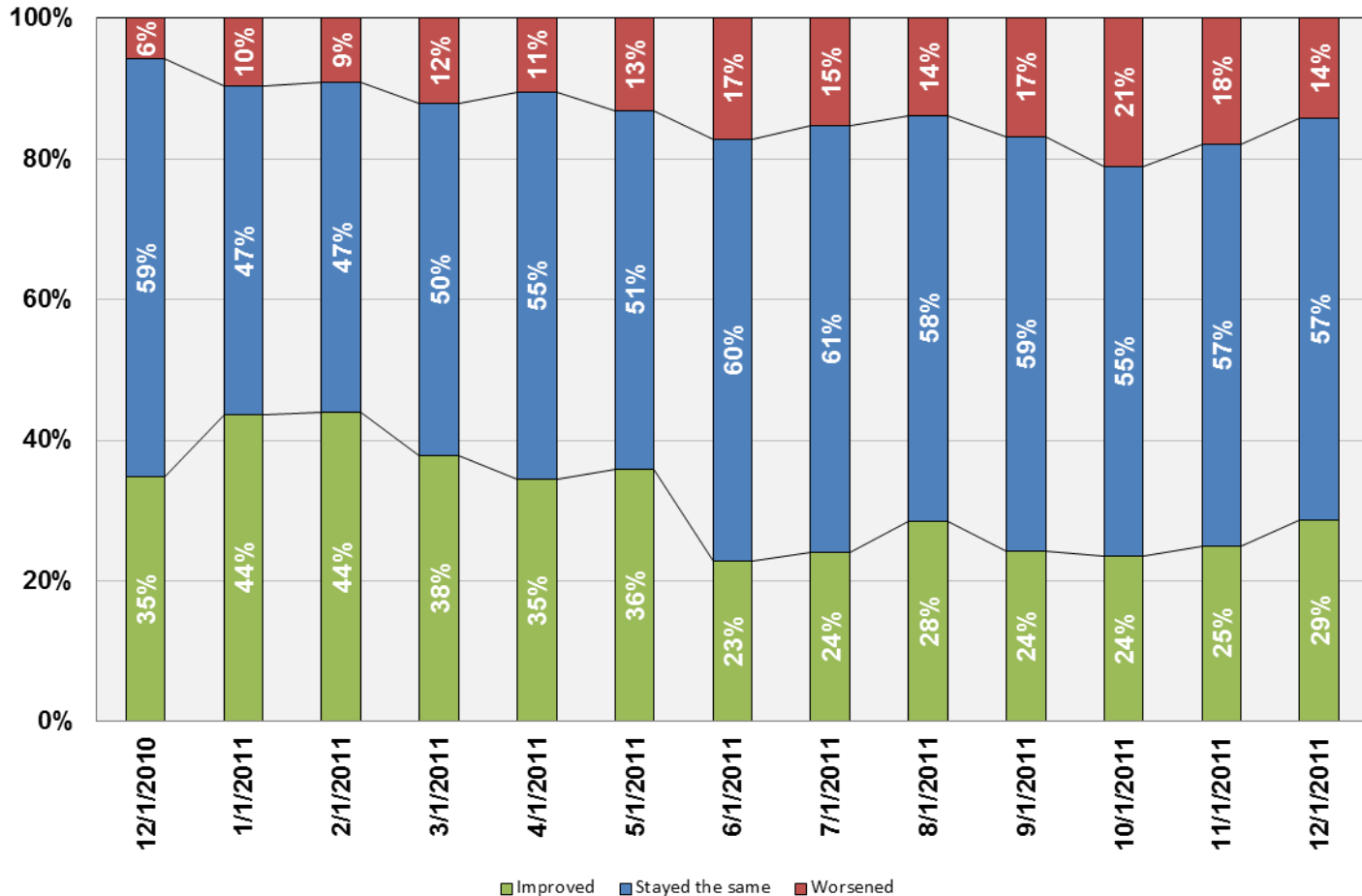
Business Conditions – Trends Past 30 Days

In the past 30 days, business conditions:

- > **Improved for 29% of our respondents**, rising significantly from 25% in the prior month.
- > **Worsened for 14%**, improving from 18% in the prior month.
- > **Stayed the same for 57%**, unchanged from a month ago.

The results for the past 30 days showed a meaningful upward move from the slightly improved levels we reported last month. The proportion of our respondents seeing better conditions in the past 30 days is the highest since last May 1.

Business Conditions the Past 30 Days

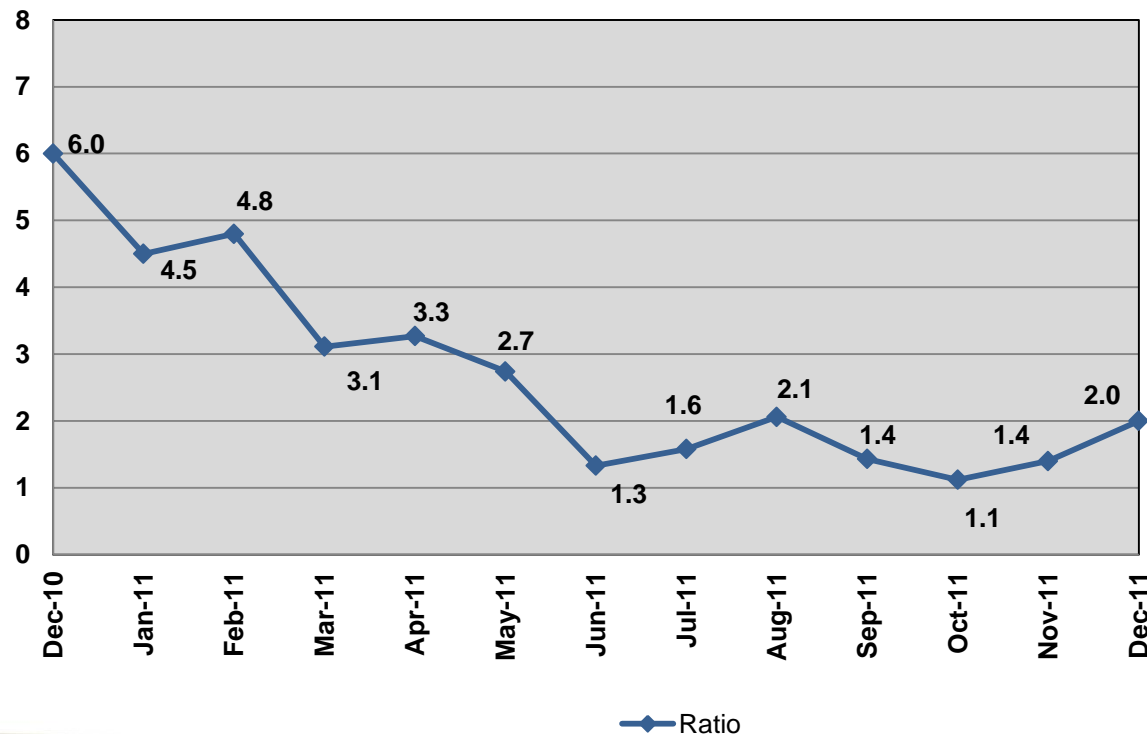


Business Conditions – Trends Past 30 Days

The ratio of “Improved-to-Worsened” in the past 30 days improved to **2.0** from 1.4 reported in the prior month, extending the upward track for a second consecutive month.

Ratio of “Improved” to “Worsened” – Past 30 Days

While we are far from the strong ratios seen last winter, we are happy to see the extension of the current upward trend after the descent seen for most of this year.



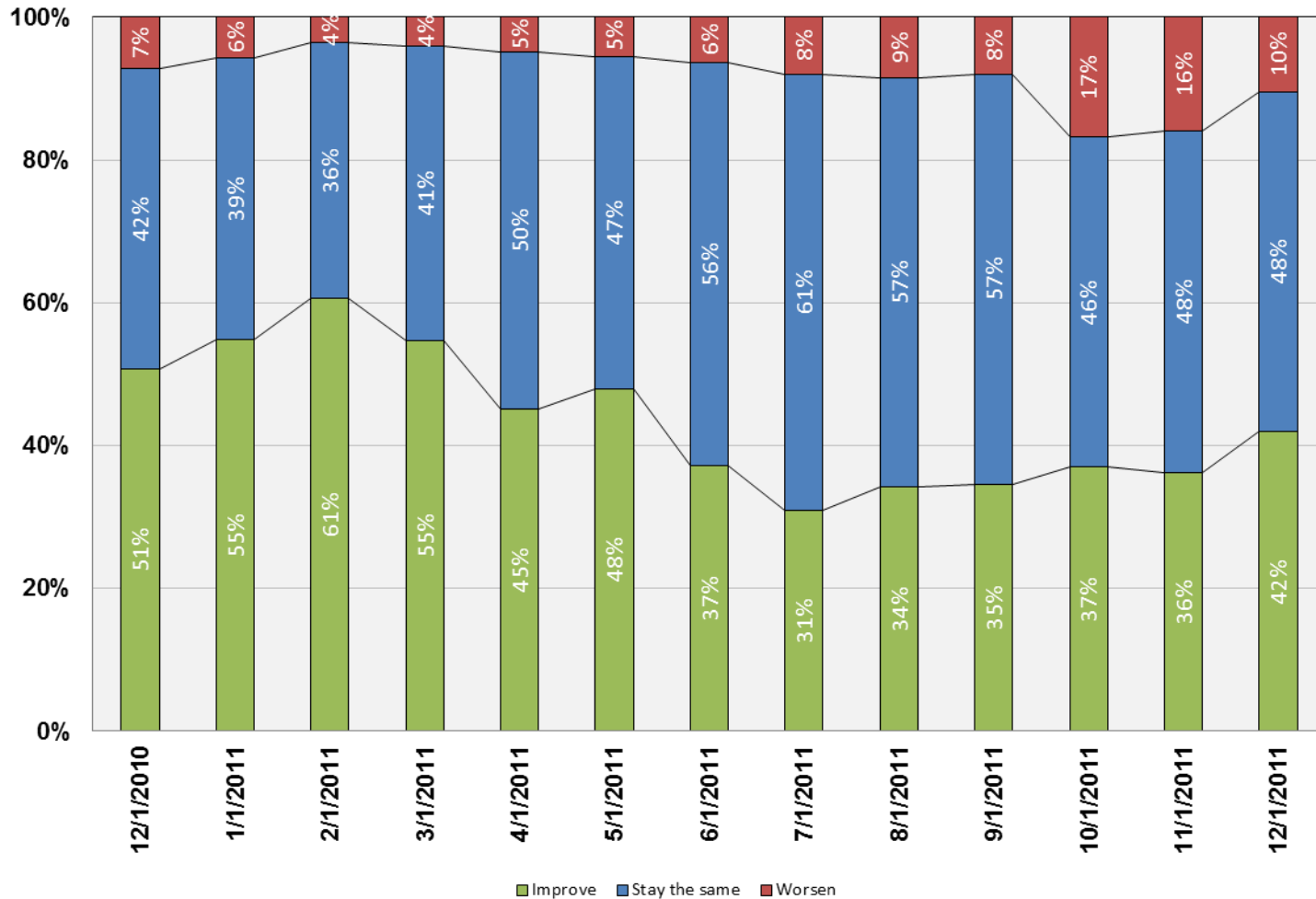
Business Conditions – Trends Next 60 Days

In the next 60 days, business conditions are expected:

- > ***To improve for 42% of our respondents***, up from 36% last month.
- > ***To get worse for 10%***, also down sharply from 16% last month.
- > ***Stay the same for 48%***, unchanged from last month.

The outlook has improved meaningfully, offering encouragement for a better year end and beginning of 2012 than previously seen.

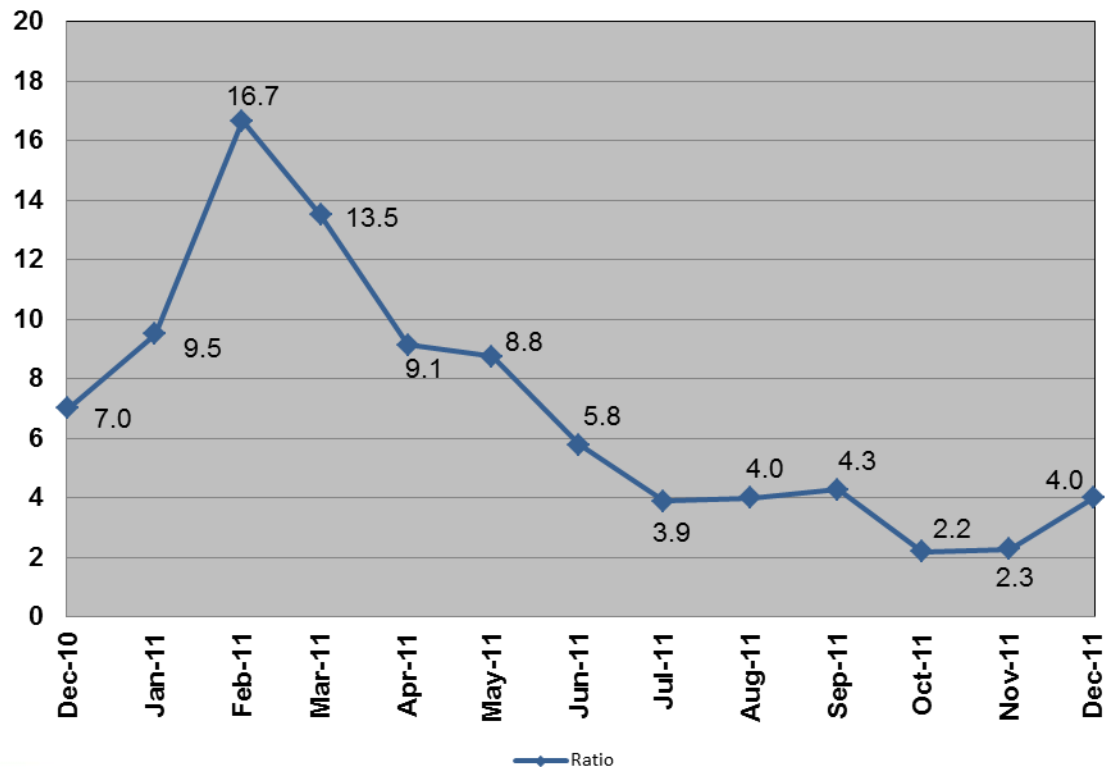
Business Conditions – The Next 60 Days



Business Conditions – Trends Next 60 Days

The ratio of “Will Improve” to “Will Worsen” for the next 60 days improved to 4.0 from 2.3.

Ratio of “Will Improve” to “Will Worsen” – Next 60 Days



It appears now that the low point for the year was experienced at the end of September/early October. While still lower than a year ago, we are encouraged by the positive trend.

Business Conditions – Order Backlogs

In the past 30 days:

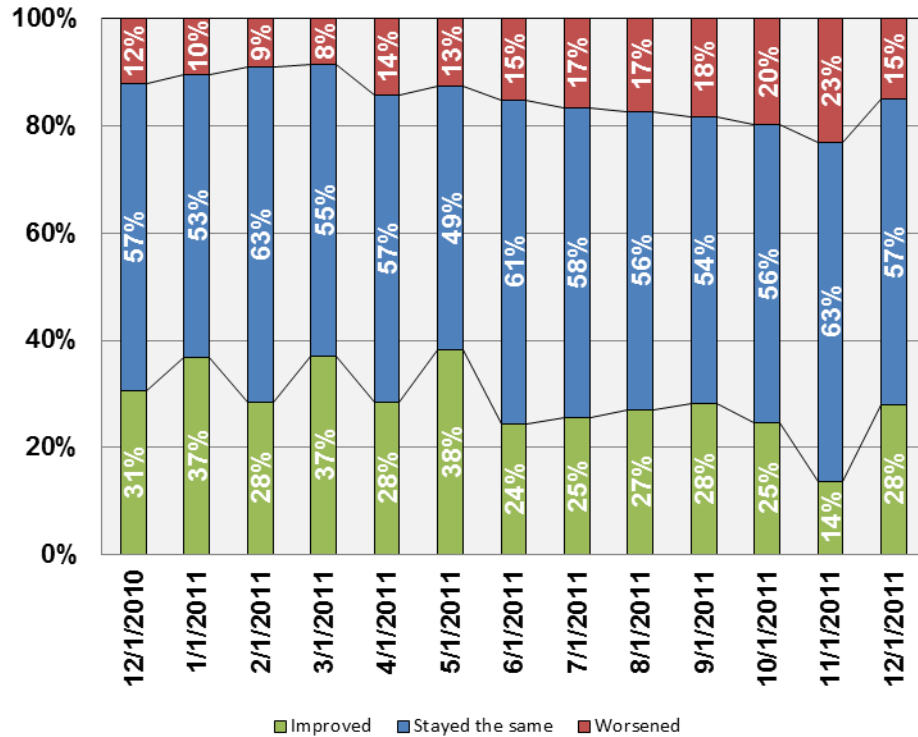
The percentage of respondents who reported an improvement in orders on hand rocketed to **28%** from 14% a month ago. The percentage reporting worsened backlogs decreased to **15%** from 23% last month.

In the next 60 days:

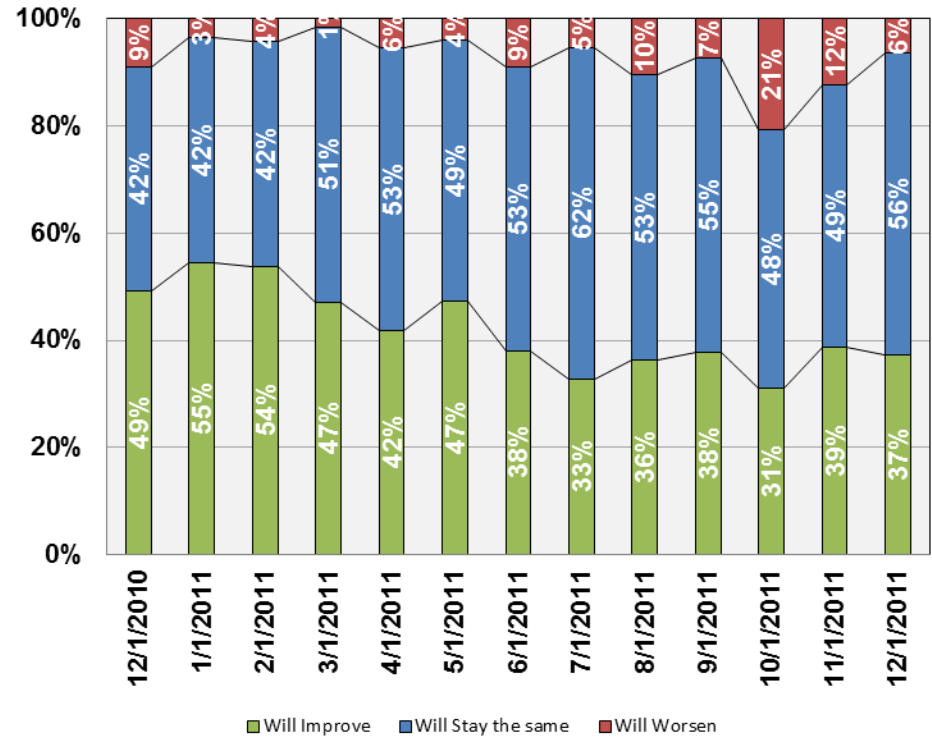
Those expecting improving backlogs declined slightly to **37%** from 39%. The percentage of respondents who indicated expectations of worsening backlogs decreased to **6%** from 12%, the second consecutive significant drop (from 21% 2 months ago).

We count it as a significant change that the proportion of our respondents expecting lower backlogs has declined to 6% from 21% in just two months. This portends strength in deliveries going into 2012.

Business Conditions – Current Results – Order Backlogs



Past 30 Days



Next 60 Days

Business Conditions – Capital Expenditure Commitments

In the past 30 days:

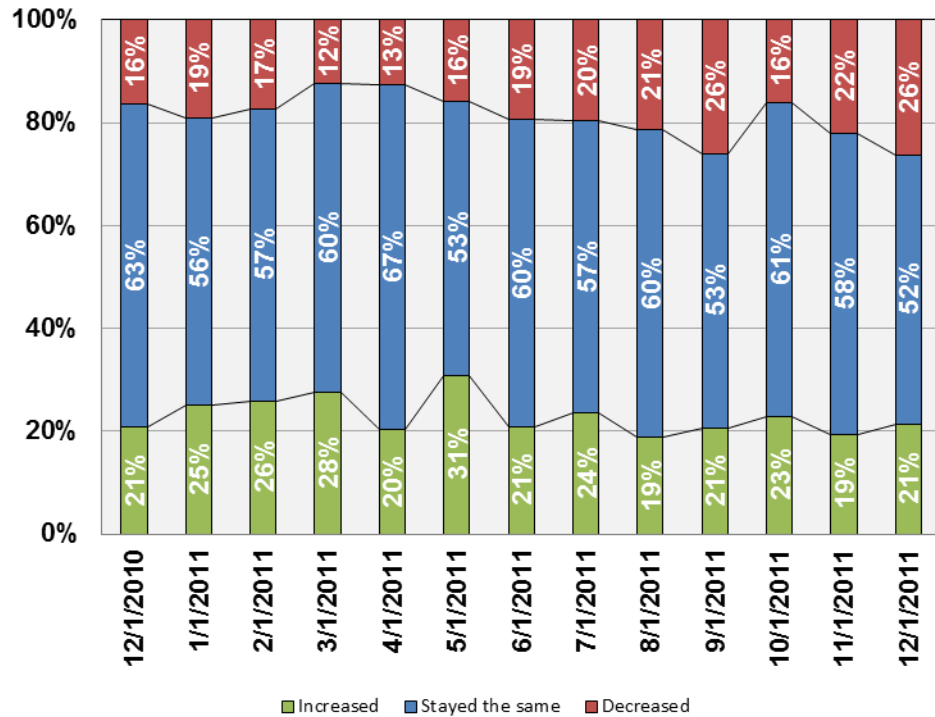
The percentage of respondents committing more on capital equipment increased slightly to **21%** from 19%. However, the percentage that committed less on capital equipment increased to **26%** from 22%.

In the next 60 days:

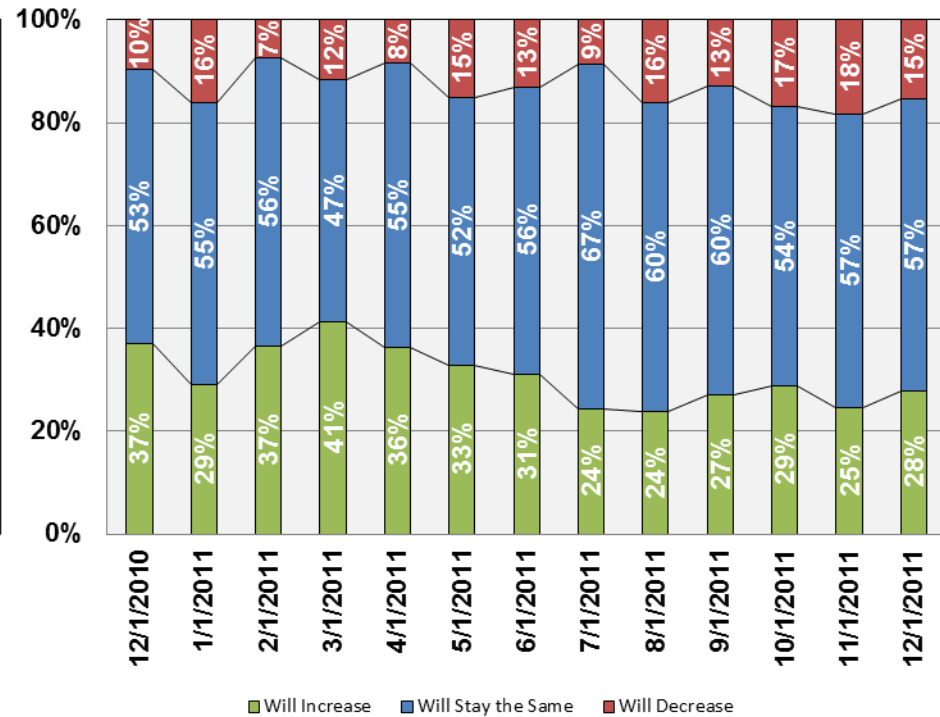
The percentage of respondents who said they plan to commit more for capital assets in the next 60 days increased to **28%** from 25% and the percentage who expect to commit less improved to **15%** from 18%.

CapEx is the weakest of our supporting indicators. However, there is a lag between changes in conditions and authorizations and then commitments to acquire capital assets. The outlook is positive; however the immediate past 30 days reflected the very soft conditions of the previous 3 months.

Business Conditions – Trends – Capital Expenditure Commitments



Past 30 Days



Next 60 Days

Business Conditions – Employment

In the past 30 days:

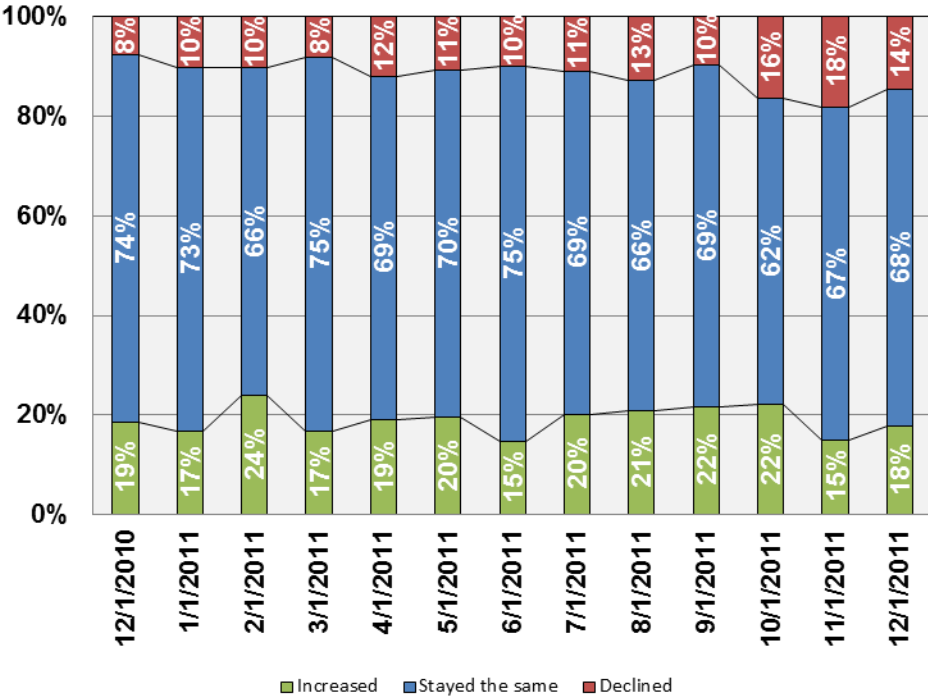
The percentage of respondents hiring more workers moved up to **18%** from 15% last month. The percentage that indicated they did less hiring improved to **14%** from 18% in the prior month.

In the next 60 days:

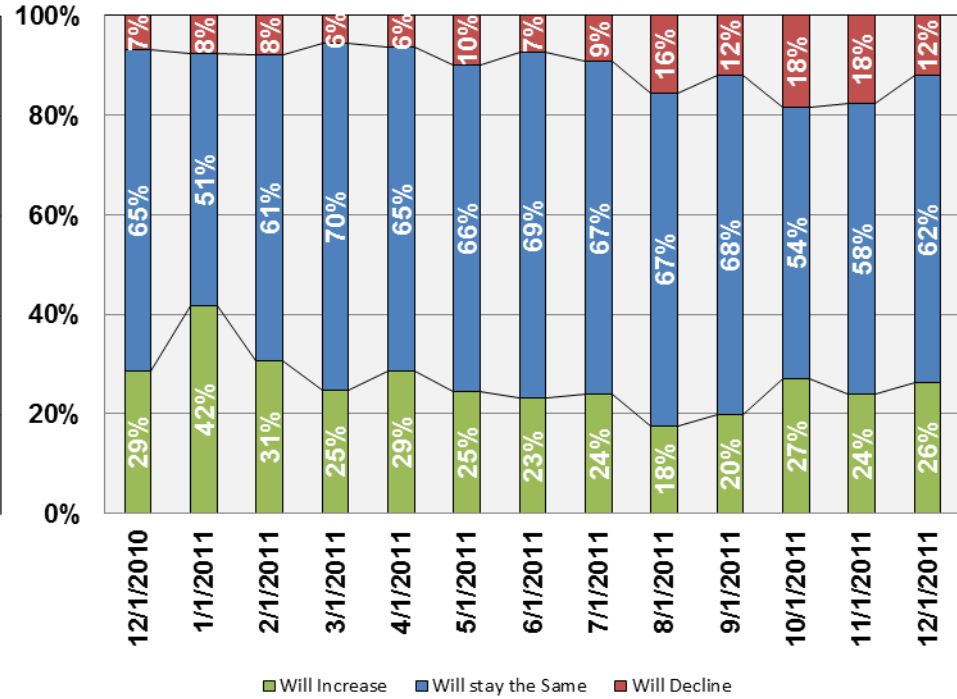
The percentage indicating they plan to increase hiring rose to **26%** from 24%. The percentage who expect to reduce hiring dropped sharply to **12%** from 18%.

This is very good news. Employment has improved significantly and the outlook suggests a major reduction in future layoffs.

Business Conditions – Trends - Employment



Past 30 Days



Next 60 Days

Business Conditions – Capital Availability and Pricing

The past 30 days:

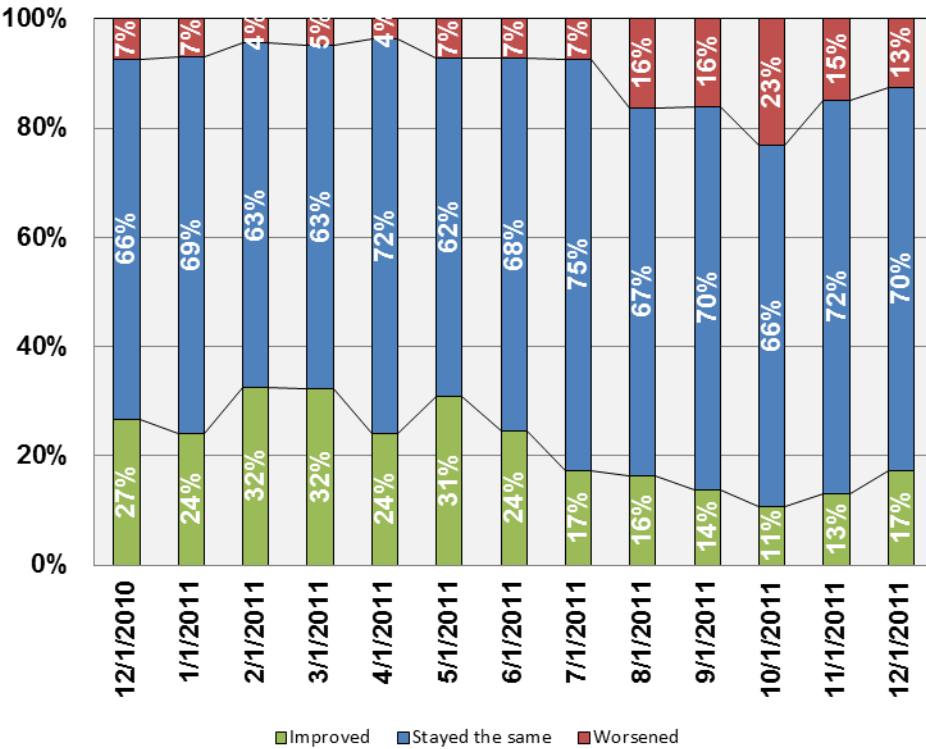
The percentage of respondents indicating an improvement in financing conditions improved to **17%** from 13%. The percentage who indicated conditions were worsening declined to **13%** from the high level of 15% reported last month.

In the next 60 days:

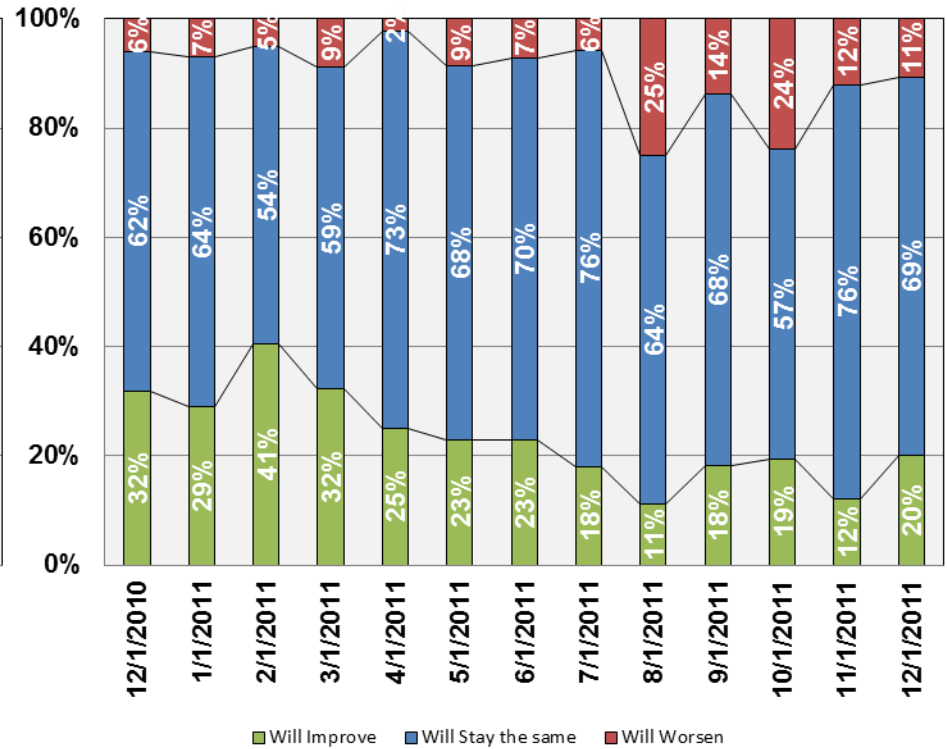
The percentage of respondents who expect improvement in financing conditions in the next 60 days sprang to **20%** from 12%. The percentage saying conditions will worsen improved to **11%** from 12% reported last month.

This indicator has shown the largest change of any in the past two months. We note that the equity markets had a strong run up during November, reflecting rising optimism about the future, and our sense is that this rising optimism will be (or perhaps already is being) translated into a more relaxed lending environment.

Business Conditions – Trends – Capital Availability and Pricing



Past 30 Days



Next 60 Days

Survey Participation Demographics

Industry	
Manufacturing/Processing	24%
Services	21%
Health Care	12%
Technology	9%
Financial	9%
Wholesale	5%
Construction	5%
Retail	3%
Government & Other	12%

Primary Geographic Markets

National	46%
International	26%
Regional	23%
Local	5%

Geographic Regions Represented (Total of 105 Responses)

Southwest	27%
Pacific	26%
Southeast	22%
Midwest	15%
Northeast	10%

Survey Participation Demographic Summary

The following are on relative scales from our respondents:

Regions:

Strongest – Northeast

Weakest – Southeast

Industries:*

Strongest – Financial

Weakest – Manufacturing/Processing

Markets Served:

Strongest – Local

Weakest – National

Company Size:

Strongest: Mid-Market & Large

Weakest: Small

* With statistically significant participation

Compiled and Analyzed by
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